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Impact of control and trust on international joint venture  
performance:

An empirical examination of Sino-British joint ventures in  
China

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**ABSTRACT:**

Most scholars agree that both control and trust are important for IJV success. This study examines the impact of control and trust on IJV performance by using multiple case studies.

In the theoretical part of the study, firstly the concept of control is studied by underlying the importance of control in IJV and identifying three dimensions of control in IJV. Secondly, the concept of trust has been discussed by analyzing the three important dimensions of trust. Thirdly, IJV performance concept and its measurements have been discussed. Fourth, the relationship between control and performance, and the link between trust and performance were analyzed.

For the empirical study, both objective and subjective measurements were used, and all parent companies' perspective was gathered through semi-structured telephone interview. The main conclusions are the following: First, both Chinese and British parent companies agree that control mechanisms, control focus and control extent has positive relation with IJV financial output, overall satisfaction and goal achievement. Furthermore, both Chinese and British parent companies agree that trust has positive relation with IJV performance. In addition, Chinese parent companies believe that there is positive relation between control and trust in IJV. Finally, findings reveal that control has direct effect on IJV performance and trust has indirect effect on IJV performance.

**KEYWORDS:** International joint venture, control, trust, performance.



## **1. INTRODUCTION**

This first chapter aims to present the general picture of this study. First, the background of the study draws the research gap in previous literature and the need for the present study. Second, the research questions generate from the extant studies. Third, it comprises brief discussion of previous studies and the potential contribution of this study for both academic and practitioners. In the end, the structure of the study is presented.

### **1.1. Background of the study**

During the last couple of decades, international business has changed its nature as more global, creating new opportunities as well as making the success and even survival of a firm more difficult. In order to achieve competitive advantage and survival in this global market, strategic alliances have become a highly used mode to cope with rapid changes in the global market environment. International joint venture as a type of strategic alliances has become one of the popular modes which firm use to entry in foreign markets. A joint venture (JV) is formed when two or more than two partner firms agree to form a new separate entity (Glaister & Buckley 1998). JV can be identified as domestic and international. Domestic joint venture is formed when two partner firms are from same country, and in international joint venture (IJV), at least one of the parent firms is from another country (Geringer & Herbert 1989). This study will focus on IJVs, where one of the partner firms is from a foreign county.

There are many motivations for the formation of IJVs. Ekanayke (2008) argues that IJVs are formed to reduce the transaction costs by sharing the cost, control, risk, and revenues. In the same vein, Nippa et al. (2007) assert that IJVs allow parent firms to access to complementary resources, improve knowledge flow and achieve coordination cost

advantages. Fryxell et al. (2002) also state that IJVs aim to gain competitive advantage, diversify risk, and gain access to new market and technologies.

Although literature identified many benefits of IJVs, however, IJVs are not without problems (Glaister & Buckley 1998). Previous researches in IJVs report their high failure rate from 30% to 70% of total (Geringer & Hebert 1991; Ekanayake 2008; Nguyen & Larimo 2009). Literature on IJVs has put forward various reasons behind the high failure rate of IJVs. Groot and Merchant (2000) have pointed out that control problems are one of the major reason causing the failure of IJVs. Robson et al. (2006) suggested that lack of trust is another main reason contributes to the IJV failure. Das and Teng (2010) argue trust and control are two separate routes to risk reduction, it is important to study them jointly in terms of IJV performance.

Previous studies present diverse measurement of IJV performance. Some use objective measures and some use subjective measurement (Nielsen 2007). Glaister and Buckley (1998) suggest that partner may have different objectives in their IJV. Only relying on subjective measures of IJV performance is incomplete. Therefore, they suggest the need to use both objective and subjective measures for measuring IJV performance. Since every partner has own objectives to form IJV, therefore their expectations regarding the IJV performance might be very different. It is incomplete to only take one partners' perspective to measure IJV performance. Therefore, there is a need to take both parent firms' perspective rather than relying on one parent firm's perspective.

Further, extant research on IJV performance have been mainly focused in the context of the U.S, Japan, Korea, and Europe (Glaister & Buckley 1998; Yan & Gray 2001; Fryxell et al. 2002; Luo 2002; Kauser & Shaw 2004; Brouther & Bamossy 2006; Ng et al. 2007; Kwon 2008; Klijin et al. 2010). There is relatively little research focusing on British and Chinese IJV performance. China is one of the biggest emerging markets, bringing great opportunities for the foreign firms. But, available limited research on British-Chinese IJVs depict that foreign IJVs in China have received unsatisfactory IJV performance (Child & Yan 1999). Therefore, it is important to learn more about management strategies

of British IJVs in China, which can help British managers to improve the performance of their IJVs.

## **1.2. Objectives and limitations of the study**

### **Objectives of the study**

The main purpose of this study is to analyze the importance of control and trust and their effect on IJV performance in Sino-British IJVs. The main research question is addressed as:

***What is the relation between control, trust and performance in International Joint Ventures in China?***

To answer this main research question, five specific research objectives for this study are addresses as:

1. To increase the understanding about the nature of control in IJVs.
2. To analyse the key concept “trust”.
3. To conceptualize the key concept of “performance”.
4. To theoretically analyse the link between “control” and “performance”, and the link between “trust” and “performance” in IJVs.
5. To empirically analyse the relation between “control” and “performance”, and the relation between “trust” and “performance” in Sino-British IJVs.

The first sub-research objective is to increase the understanding about the nature of control in IJVs. The aim is to provide better understanding of IJVs control by elaborating its three dimensions: control mechanism, control focus and control extent. The resource dependence theory and transaction cost theory with the relation to IJV control are explained.

The second sub-research objective is to analyse the key concept “trust”. The aim is to give a broad view of IJVs trust through the deeper discussion of trust definitions and dimensions. The resource dependence theory and transaction cost theory with the relation to IJV trust are explained.

The third sub-research objective is to conceptualize the key concept of “performance”. It aims to present its complex definition and dimensions giving more comprehensive view of IJV performance measurements.

The fourth sub-research objective is to theoretically analyse the link between “control” and “performance”, “trust” and “performance” in IJV, and the relation between “control” and “trust” in IJV.

The fifth sub-research objective is to empirically analyse the link between “control” and “performance”, and “trust” and “performance” in Sino-British IJV. In particular, the present empirically findings will be answering the question: what impact does control have on IJV performance and what impact does trust have on IJV performance in China.

### **Limitation of the study**

The scope of this study is the Sino-British joint ventures formed in China. The focus of this study is manufacturing industry. The examination of the relation between control, trust and performance in IJV is limited to both parents firm’s perspective.

Empirically, the study is based on 8 case studies. The 8 case studies cannot be the representative of all types of manufacturing joint ventures.

### **1.3. Previous studies and contribution of the present study**

#### **Previous studies**

The previous studies used in this study were selected by searching from different electronic databases including Business Source Premier (EBSCO), ABI inform Global (ProQuest Central: Business & Economics), and Emerald Journals. These databases provide rich articles in the popular journals of international business, international management, international marketing, business research etc. The terms “international joint venture (IJV)”, “control”, “trust”, “IJV performance”, and “Chinese IJV” were used separately and jointly to collect related studies. Base on the result of searching, the most popular and fundamental studies have chosen for this study. Table 1 lists the previous studies.

Ren, Gray and Kim (2009) conducted a literature review on IJVs and found that researchers are shifting their attention from formation stage to post formation stage in order to understand the IJV operations. They mention that since 1999, main focus of IJV research has shifted towards conceptualization of IJV performance and its determinants. The authors found that researchers did not totally agree on what drives IJV performance and how to measure IJV performance. In their study, the literature on international joint venture performance drivers from 1999-2009, and the authors have come up with different factors that drive IJVs. They derive the list of IJV performance antecedents, comprising commitment, bargaining power, control, trust, justice, conflict, conflict resolution, cooperation, culture distance and goal congruity.( Glaister & Buckley 1998; Yan & Gray 2001; Boateng & Glaister 2002; Fryxell et al. 2002; Luo 2002; Tsang 2002; Child & Yan 2003; Luo & Park 2004; Mohr 2004; Brouthers & Bamossy 2006; Choi and Chen 2007; Lu 2007; Makino et al. 2007; Ng et al. 2007; Nielsen 2007; Nippa, Beechler & Klossek 2007; Selekler-goksen & Uysal-tezolmez 2007; Ren et al. 2009).

Previous studies are not only diverse on what derives IJV performance, but also are diverse on the impact of single antecedent of IJV. For example, the previous studies



regarding the impact of control on IJVs performance show different results. For instance, Killing (1983) found that dominate partner IJVs are more likely successful than shared management venture. But, Steensma and Lyles (2000) hold that shared control result better performance in an IJV operation. Contrary to Killing (1983) and Steensma and Lyles (2000), Choi and Beamish (2004) found that there is no performance difference between shared and dominant controlled IJVs. These findings also contrast to Zhang and Li (2001) study, where they found that shared management IJVs tend to have worse performance than dominant parent IJVs. Although, many authors found that control is positively related to IJVs performance (Yan & Gray 2001; Fryxell et al. 2002; Nippa et al. 2007; Ekanayke 2008), where Mohr (2004) holds that control is negatively related to IJVs performance.

Regarding the relation between trust and IJV performance, the previous studies show that trust is positively related to IJV performance. Brouther and Bamossy (2006) assert that the greater inter-firm trust will lead to higher IJV performance perceptions. Ng et al. (2007) hold that trust has a significant effect on the achievement of IJV goals from both partner's perspective. Fryxell et al. (2002) also found that affect-based trust has positive effect on IJV performance. In the same vein, Mohr (2004) found that trust has a positive influence on performance. Ekanayke's (2008) literature review concludes that goodwill trust is positively related to IJV performance.

**Table 1** Selected previous studies.

<b>Studies</b>	<b>Title/Study focus</b>	<b>Methodology</b>	<b>Sample location [Home country (HMC), Host country (HSC)]</b>	<b>Number of IJVs/ISAs</b>
Geringer and Herbert (1989)	Control and performance of international joint venture	Theoretical	-	-
Glaister and Buckley(1998)	Management-performance relationship in UK joint ventures	Survey	<b>HMC:</b> US, Japan, Western Europe <b>HSC:</b> UK	94 IJVs
Inkpen and Currall(1998)	The nature, antecedents and consequences of joint venture trust	Theoretical	-	-
Child and Yan (1999)	Investment and control in IJV: The case of China	Survey	<b>HMC:</b> US, Japan, Western Europe <b>HSC:</b> China	67 IJVs

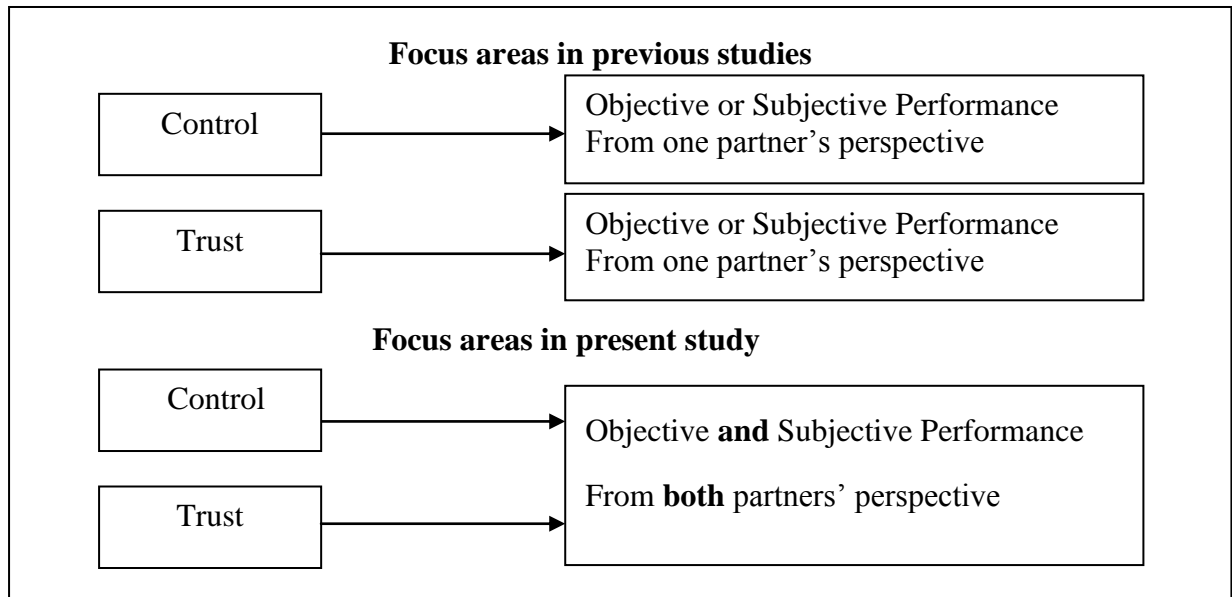
Das and Teng (2001)	Trust, control and risk in strategic alliances: an integrated framework	Theoretical	-	-
Yan and Gray (2001)	Antecedent and effect of parent control in IJV	Survey	<b>HMC:</b> US <b>HSC:</b> China	90 IJVs
Zhang and Li (2001)	The control design and performance in IJV: a dynamic evolution perspective	Multiple case study	<b>HMC:</b> Japan <b>HSC:</b> China	8 IJVs
Fryxell et al. (2002)	After the ink dries: the interaction of trust and control in US-based IJV	Survey	<b>HMC:</b> Japan, Canada, Germany, UK, French <b>HSC:</b> US	129 IJVs
Boersma et al. (2003)	Trust in international joint venture relationship	Multiple case study	-	4 cases
Mohr (2004)	Trust, control, interaction and performance in IJVS-A taxonomy of German-Chinese JVS	Interview + Survey	<b>HMC:</b> Germany <b>HSC:</b> China	27 interview, 110 surveys
Brouter and Bamossy (2006)	Post-formation processes in Eastern and Western European JV	Multiple case study	<b>HMC:</b> Western firms <b>HSC:</b> Eastern firms	8 cases
Robson et al. (2006)	Behavioral attributes and performance in ISA: review and future directions.	Theoretical	-	-
Nippa, Beechler and Klossek (2007)	Success factors for managing international joint venture: A review and an integrative framework	Theoretical	-	-
Selekler-goksen & uysal-tezolmez (2007)	Control and performance in IJV in turkey	Survey	<b>HMC:</b> Foreign partner <b>HSC:</b> Turkey	45 IJVs
Ng et al. (2007)	The effect of trust on international joint venture performance in China	Survey	<b>HMC:</b> US, Japan, Taiwan <b>HSC:</b> China	298 IJVs
Ekanayke (2008)	The role of trust in joint venture control: a theoretical framework	Theoretical	-	-
kwon (2008)	Antecedent and consequences of IJV partnership: A social exchange perspective	Survey	<b>HMC:</b> US, Europe, Japan, <b>HSC:</b> Korea	94 IJVs
Nguyen and Larimo (2009)	Foreign parent strategies, control and international joint venture performance	Survey	<b>HMC:</b> Foreign partner <b>HSC:</b> Finland	49 IJVs
Ren et al. (2009)	Performance of international joint ventures: what factors really make a difference and how	Theoretical	-	-
Jagd (2010)	Balancing trust and control in organizations: toward a process perspective	Theoretical	-	-
Klijin et al. (2010)	Combinations of partners' joint venture formation motives	Survey	<b>HMC:</b> EEIGs <b>HSC:</b> EEIGs	47 IJVs

### **Contribution of the present study**

Previous research on IJVs has either focused on control-IJV performance link or trust-performance link. By studying both links in the present study is an important contribution to existing knowledge on IJV performance antecedents. This can also help managers to understand the importance of control and trust for IJV performance simultaneously, rather than focusing only on one antecedent. As Das and Teng (2001) suggested, trust and control are two separate routes to risk reduction, and firms need to combine and balance them in specific ways to achieve best risk management and performance improvement. An integrated framework presents more comprehensive pictures of the relation between control, trust and performance.

Further, previous research has merely focused on one partner's point of view of IJV performance. However, this research is biased as IJV success should be assessed from both parties' perspective. Glaister and Buckley (1998) also suggest that taking one partner's perspective on IJV performance is incomplete. By measuring performance from both parents of IJV will add to the existing research on IJV performance measurement. Further, another contribution of present study will be to use both objective and subjective measures for IJV performance.

Finally, a deeper understanding of control and trust issues and their relation to performance will help the IJV managers of both British and Chinese firms to understand how to utilise control and trust to achieve success in their IJVs operating in China. The following Figure 1 depicts the contribution of the present study.



**Figure 1** Contribution of present study.

#### 1.4. Structure of the study

The study has been structured as follows:

In **Chapter 1**, the background and the aims of the study along with research problem of the study are presented. Previous studies are shortly viewed and potential contribution and structure of the study is presented.

**Chapter 2:** This chapter describes the concept of control in IJVs. This chapter unfolds with the conceptualization of control dimensions, following with the foundation theories of IJV control. At the end, the summary of chapter is presented.

**Chapter 3:** This chapter opens up with the discussion of complexity of the concept of

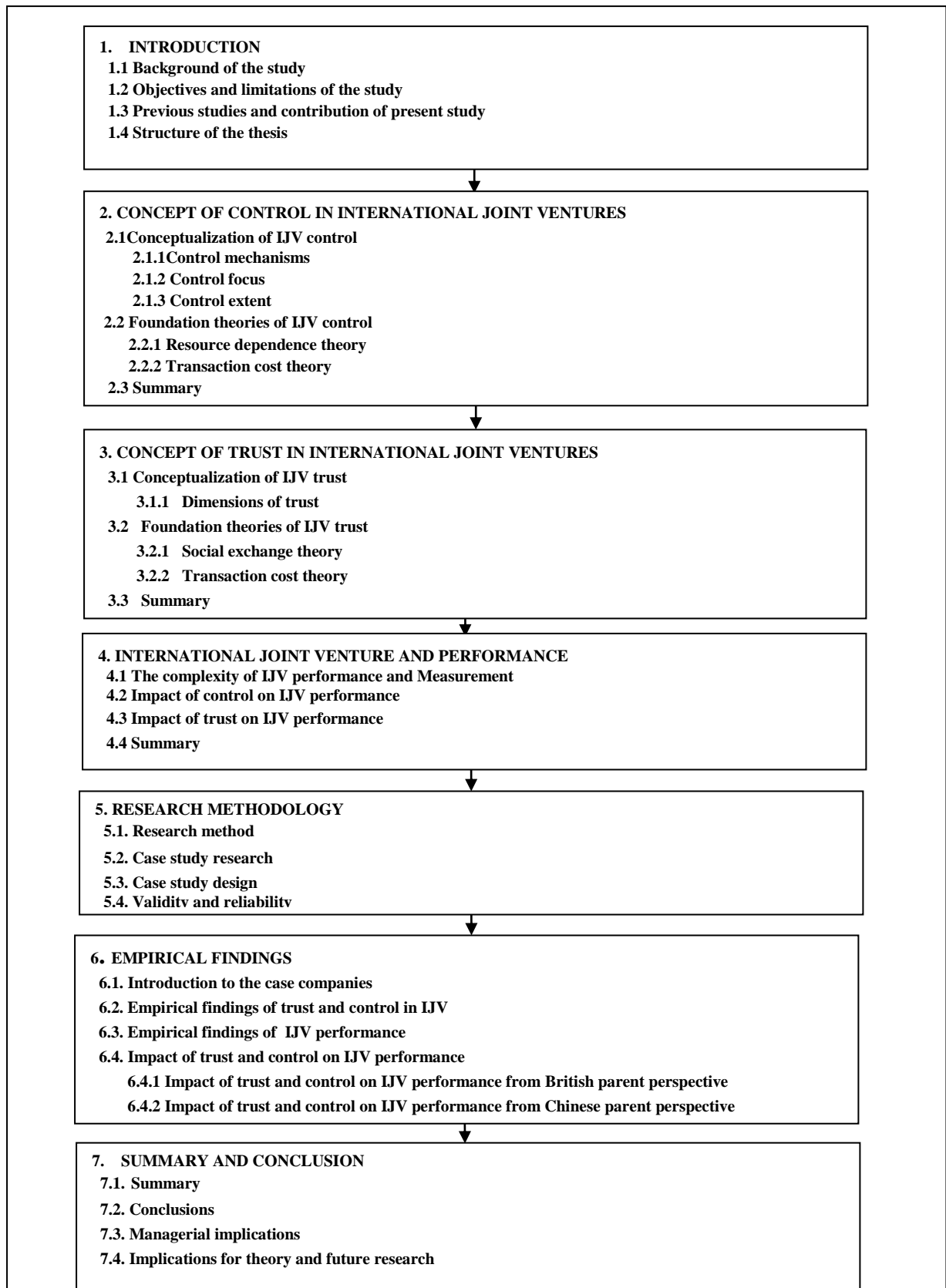
trust in IJVs. Further, different dimensions of trust are discussed from previous literature. Then, the discussion on foundation theories of IJV trust is presented. At the end, summary of this chapter is presented.

**Chapter 4:** This chapter first describes the dimensions of performance and performance measurements in IJVs. Then, discusses on the impact of control and trust on IJV performance has been separately presented. At the end, the summary of this chapter is presented.

**Chapter 5:** This chapter explains the methodology used in present study. It opens up with the discussion of research method, case study research and, criticism and benefits of case study research. Furthermore, case study design for the present study is explained, and at the end of this chapter, the validity and reliability of the study is discussed.

**Chapter 6:** This chapter introduces the case company and then describes the empirical results of the study. .

**Chapter 7:** In this chapter, the summary and conclusions are drawn on the basis of framework and empirical findings. At the end of chapter, managerial implications and implications for theory and future research are presented.



**Figure 2** Structure of the study.

## **2. CONCEPT OF CONTROL IN INTERNATIONAL JOINT VENTURES**

This chapter aims to present the concept of control in IJVs. First, the definitions of IJV control and its dimensions are discussed. Second, the foundation theories are discussed, explaining the reasons of IJV formation and the importance of IJV control. In the end, the summary of this chapter is presented.

### **2.1. Conceptualization of IJV control**

International expansion often entails formation of international joint ventures. However, scholars have found that most of the IJVs are not successful (Geringer & Hebert 1991; Glaister & Buckley 1998; Child & Yan 1999; Boersma et al. 2003; Brouthers & Bamossy 2006; Nguyen & Larimo 2009). In this perspective, the importance of control in IJVs success gathers great attention from scholars. Brouthers and Bamossy (2006) assert that those firms that fail to establish control process, quite often find that their IJV does not survive. Furthermore, Ng et al. (2007) claim that maintaining an effective and efficient control over IJV operations is one of the important keys for the success of IJVs. Similarly, Nguyen and Larimo (2009) study holds that control plays an important role in IJV success. In the same vein, Das and Teng (2001) identified that two kind of risk in strategic alliance (i.e., relational risk and performance risk) are handled effectively with control in IJVs.

Due to the importance of control in IJVs, previous researches have focused on control in IJVs. In the organizational literature, control refers to the process that regulates behaviors of organizational members in favor of the achievement of organizational goals (Glaister & Buckley 1998; Das & Teng 2001; Jagd 2010). The notion of control in IJVs is much more complex and multifaceted concept, since two or more parties join in the management control of IJVs.

In 1983, Killing elaborated the structural perspective of IJV control and defined control as “the amount of power each parent exercises in influencing the IJV to achieve its objectives”. Later on, many researchers took this notion of control to conduct their studies on control and IJV performance relationship. But results of these studies are diversified. For example, Steensma and Lyles (2000) hold that shared control result better performance in IJVs. Whereas, Choi and Beamish (2004) found that there is no performance difference between shared and dominant control in IJV operation. These findings contrast to research by Zhang and Li (2001) study findings, who found that shared management IJVs tend to have worse performance than dominant parent IJVs. Therefore, the importance of IJV control varies, especially in the relation to IJV performance.

Child et al. (2005:15) hold that control is a central aspect of IJV management, and essential element in any system that holds managers accountable for their actions and decisions. Das and Teng (2001: 258) defined control as “a regulatory process by which the elements of a system are made more predicate through the establishment of standards in the pursuit of some desired objective or state.” The aim of control in IJVs is to get predictability through regulatory mean. This predictability creates confidence that other partners will not behave opportunism. If all the partners possess such confidence, they are more likely to collaborate in governing their joint creation that will improve the IJVs performance (Fryxell et al. 2002; Nguyen& Larimo 2009).

The present study adopts the notion of control defined by Geringer and Hebert (1989: 236-237), which is defined as:

*“the process by which one partner influences, to varying degrees, the behaviour and output of the other partner, through the use of power, authority and a wide range of bureaucratic, cultural and informal mechanisms.”*

Geringer and Hebert (1989) define three dimensions of control in IJVs: mechanisms, focus, and extent. The control mechanism refers to the means by which control is exercised. The control focus refers to the scope of activities which a parent seeks to exercise or not exercise in IJV. The control extent refers to the degree to which the



parents exercise control over IJV. According to Geringer and Hebert (1989), these three dimensions of control need to be jointly examined in order to get better understanding of how control affects the performance of IJVs.

### 2.1.1 Control mechanisms

Fryxell et al. (2002: 868) defined control mechanisms as “structural arrangements deployed to determine and influence what members of an organization do”. The previous literatures suggest that there are two types of control mechanisms: external measure-based control and internal value-based control (Das & Teng 2001; Jagd 2010). External measured-based control refers to establish and utilize formal rules, procedures and policies to monitor and reward desirable goals. It is also called formal control and objective control (Das & Teng 2001; Fryxell 2002; Jagd 2010). In this study, we adopt the name of “formal control” since it is the most used name in previous studies. Internal value-based control relies on establishing the organizational norms, values, culture to encourage desirable behaviour and outcome. In this manner, control is intended to reduce goal incongruence and preference divergence among organizational members. It has also been called clan control, informal control, and normative control (Das & Teng 2001; Fryxell 2002; Jagd 2010). The term “social control” has been used interchangeably with “informal control” (Leifer & Mills 1996). In this study I adopt the name of “informal control” since it is the most used name in previous studies. According to Fryxell (2002), both formal and informal control mechanisms are needed in IJVs since they have different influences on organizational behaviours.

**Formal control** is aimed to protect the assets of the partner firms by standards, rules and procedures (Fryxell et al. 2002). Fryxell et al. (2002) argue that, through rules and regulations, opportunism will be easily identified and dealt with in a timely manner. Therefore formal control is good a mechanism to decrease the potential for opportunism. Moreover, they also hold that it is critical to adopt formal control in the early stage of IJV, since formal rules and procedures introduces a mutually agreed upon basis for monitoring behaviour and performance that provide the necessary stability and efficiency

to IJV. Finally, they claim that control mechanisms are mutually agreed upon and imposed by agreement between partners.

In terms of formal control, previous research shows that a foreign parent firm often favours ownership equity as the main control mechanisms in IJV (Glaister & Buckley 1998; Child & Yan 1999; Fryxell et al. 2002; Kauser & Shaw 2004; Selekler-goksen & Uysal-tezolmez 2007). In addition to majority equity shareholdings, parent firms use different formal control mechanism to control over IJV, such as board representation, appointment of key personnel by the foreign parent, and provisions for voting right (Fryxell et al. 2002; Selekler-goksen & Uysal-tezolmez 2007) .

**Informal control** is designed to permit the evolution and inculcation of norms and values through structural personal interaction and training (Fryxell et al. 2002). Informal control refers to mechanisms such as socialization, interaction, and training. The aim of these informal control mechanisms is to create cultural ties between the partners through the training and socialization of IJV managers, thus increase the confidence of parent firms in IJVs (Child et al. 2005). Moreover, Das and Teng (2001) suggest that informal control may reduce relational risk through establishment of shared values, thus deter partner firms from acting opportunistically. They mention that informal control can reduce performance risk as well, since it encourages the partners firms to lay out reasonable and achievable goals. To establish appropriate goals is critical for satisfactory performance.

In addition, informal control has the potential to reduce monitoring and contraction costs and permit the flexibility and adaptability that are critical to long-term performance in IJV. However, informal control mechanisms by themselves are not sufficient to ensure the attainment of partner control, and informal control mechanisms do not necessarily lead to informal control. (Fryxell et al. 2002)

### **2.1.2 Control focus**

Control focus refers to the areas of the IJV's operation in which control is exercised. According to Geringer and Hebert (1989), parents can choose to have broad control focus or narrow control focus over IJV. Broad control focus in IJV means attempt to exercise control over the entire range of the IJV's activities, and narrow control focus means only focus on one or two areas in IJV, which are considerably important for the parent firms.

Child and Yan (1999) hold that the foreign parent firms often focus more on the importance of financial and accounting area, and they place their own financial managers in IJVs in order to have accurate reporting. Kauser and Shaw (2004) claim that majority of IJVs see control over specific "strategically important activities" rather than control over the whole IJV. Child et al. (2005) assert that parent firms focus their control on activities related to technology and market. Later on Nguyen and Larimo (2009) suggest the most critical areas, which parent firm's focus for control in IJVs include: 1) marketing, sales, distribution, 2) procurement, 3) general management and operation, 4) finance and accounting, 5) research and development 6) production and quality, and 7) human resources.

### **2.1.3 Control extent**

According to Geringer and Hebert (1989), control extent refers to the tightness of control which is exercised. Control extent consists of tight control and loose control.

Tight control tends to be strict with respect to the employee's dress code, punctuality, cost-consciousness, detail oriented, and precise in operation. Tight control gives the partner the high degree of certainty that personnel in the IJV will act as the given partner's wish. Further, tightness of control can be affected by control mechanisms. For example, frequent and precise reporting reflects the degree of tightness of control (Child

et al. 2005). Nguyen and Larimo (2009) hold that control can be tightened by more intensive training of IJV employees in production and management techniques.

Parent firm conduct loose control tend to use only one or two control mechanisms and focus their control on only one or two control areas. Furthermore, the parents firms are more flexible in their evaluation of employees' behaviour and their performance. In addition, the frequencies of reports from IJV and the meetings between parent company and IJV are very few.

## **2.2. Foundation theories of IJV control**

Resource dependence theory and transaction cost economics have become the most frequently used theories to explain the IJV control (Child & Yan 1999; Yan & Gray 2001; Zhang & Li 2001). In this section, resource dependence theory is discussed, followed by the transaction cost theory. After that, they are integrated and justified for using as foundation theories in the present study.

### **2.2.1 Resource dependence theory**

The resource dependence theory was developed by Pfeffer and Salancik in 1978. The theory discovered how the behaviour of the organization is affected by the external resources of organization. The resource dependence theory assumes that every firm is dependent on resources, and firms normally do not have all the resources they need. To obtain resources from other firms, firms become dependent on other firms in the environment (Pfeffer & Salancik 1978). Therefore a firm holding critical resources can make the other firms dependent on it, which means that a firm holding critical resources can exercise control over other firms (Hillman, Withers & Collins 2009). By controlling resources, a firm can reduce its own dependence on other firms and increase the dependence of other firms on it (Pfeffer & Salancik 1978).

Resource dependence theory explains one of most important reason of formation IJV. Each party is able to access to complementary resources (Larimo 2002; Nippa, Beechler & Klossek 2007; Hillman, Withers & Collins 2009; Klijn et al. 2009). The resources may include capital, technology, management know how, global service support, local knowledge, production distribution, low cost sourcing and marketing channels (Yan & Gray 1999). For instance, the aim of most of foreign firms form IJV with Chinese firm is to utilise Chinese firm's marketing channel, local knowledge, production, and distribution to achieve their market share in China. Chinese firms intend to learn new technology from the foreign firms (Ren, Gray & Kim 2011).

Resource dependence theory also gives answer to why control is needed in IJVs. According to Pfeffer and Salancik (1978), the ability of an owner to exercise control depends on its own ability to deliver resources in IJV. Contrarily, if party do not control the critical resource it provides in the IJVs, it will lose its control position through time. For instance, company A provides critical technology in IJV without control over it, company B may easily learn it and start own business without cooperation with company A after some years. Company A will lose its control position in the end. Similarly, Hillman et al. (2009) hold one partner accumulates key resources from the other, the venture become less stable. Furthermore, Child et al. (2005) argue that parent firms stress on to protect the integrity and the use of the resource they supply. Therefore, they all want to exercise control in certain level over IJVs. Moreover, Choi (2001) asserts that according to resource dependence theory, the choice of activities of control is important to IJV performance. It also suggests that IJV control structure may change due to the change in parent resources over time (Zhang & Li 2001).

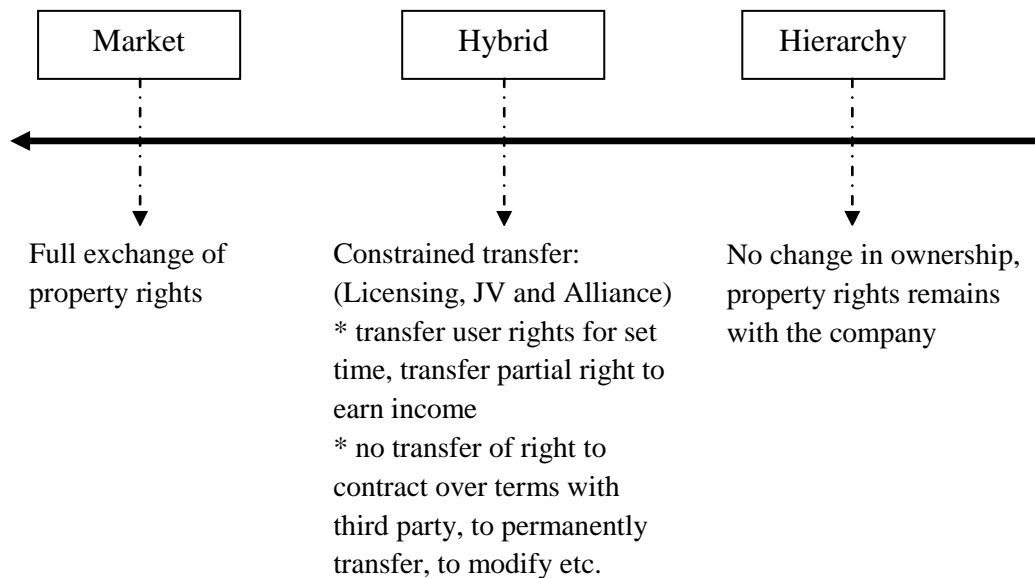
### **2.2.2 Transaction cost theory**

Transaction cost theory was developed by Williamson (1975, 1985, 1991). It argues that the relative choice of governance structure (i.e., markets, hybrids, and hierarchies) base on two key behavioral assumptions, i.e., bounded rationality and threat of opportunism,

and three characteristics of economic transactions, i.e., uncertainty, assets specificity and transaction frequency.

A transaction refers to an exchange of property rights in assets, where the property rights give the owner the right to exclude others from using, renting and selling the asset. Transaction cost defined as the costs related to operate the market system which includes costs related to searching for a party with whom to transact, negotiating the term of transaction, monitoring the party fulfilling the exchange obligations (Coase 1937). According to transaction cost theory (Williamson 1991), there are 3 types of governance structures: market, hybrid and hierarchy (see figure 3).

The theoretical basis of transaction cost theory lies in the work by Coase (1937,1960) and the economic literature on externalities, which explains how to choice the governance structures. In the absence of transaction costs, Coase (1937) showed that externalities are costly negotiated away, but in the presence of transaction costs then non-market governance structures were alternatives to the market. Then Coase (1937) asserts that when the transaction costs in the market are greater than organising transactions inside the firm, then the transaction is organised in the hierarchy.



**Figure 3** Governance structures of Transaction Cost Theory.

Transaction cost theory successfully explained why IJVs are formed. Hennart (1993) found that most transactions are a mix of markets and hierarchies and therefore the vast majority of transactions are governed by hybrid forms, for instance joint ventures, alliance, licensing etc. Beamish and Banks (1987: 3) suggest that joint ventures “can actually provide a better solution to the problems of opportunism, small numbers dilemma and uncertainty in the face of bounded rationality than wholly owned subsidiaries”. Hennart (1988) claims joint ventures will be the first-best strategy for parents since the high transaction cost in inefficiency intermediate markets. Hence, joint ventures constitute the preferred mode of governing economic transactions in situations in which they involve lower costs than either markets or hierarchies would entail (Fryxell et al. 2002; Ali & Larimo 2011). In the context of international business, it always involves uncertainty which certainly adds costs to business transaction. IJVs become the most efficient and effective means of reducing uncertainty, since local firm has the knowledge of local market. In addition, the nature of IJV permit each party shares the equity and asset investment, therefore it is a better way to reduce opportunism than market or hierarchy.

Transaction cost theory also gives answer of why IJV control is needed. It suggests that there are three characteristics of economic transactions that drive transaction costs, which are; asset specificity, transaction frequency, and uncertainty (Williamson 1985). Ekanayke (2008) holds that the nature of transaction determines asset specificity, and environmental uncertainty is the main components of transaction hazards, which need to be controlled in order to achieve better IJV performance. Furthermore, transaction costs also arise from human behavioral assumptions of: bounded rationality and opportunism. Bounded rationality refers to all possible future contingencies that cannot be foreseen (Williamson 1985). In the context of IJV, parents need to set up regulations to obtain correct, predictable and critical information on IJV operation in order to protect their own interests. Moreover, Ekanayke (2008) assets control is designed to curbing the potential opportunistic behaviors of partners in JVs. Geringer and Hebert (1989) hold that in the research of control and performance in IJVs, transaction cost theory is one of the most helpful theories to clarify and resolve empirical inconsistencies.

### 2.3. Summary

This chapter unfolded with the introduction to the complexity of the concept of IJV control. The organizational control notion is not applicable in IJVs, since there are two or more parties joining the IJV management control. The early definition of IJV control from structure perspective was found incomplete in IJV performance study, since researchers found very different results based on the definition. Although the concept has been studied by many scholars, till there is no universal definition of IJV control. This study will take the definition of IJV control as “the process by which one partner influences, to varying degrees, the behaviour and output of the other partner, through the use of power, authority and a wide range of bureaucratic, cultural and informal mechanisms.” which most close to this study (Geringer & Hebert 1989: 236-237).

Three dimensions of control: control mechanisms, control focus and control extent provides more comprehensive view of IJV control. It is suggested to jointly examine the three dimensions in order to get better understanding of how control affects the performance in IJV.

By applying resource dependence theory and transaction cost theory into IJV, we gain deeper understanding of the nature of formation of IJV and the importance of control in IJV in terms of better performance. Resource dependence theory explains the resources, parent firms want to have control in IJV, and in which level they want to control, and how they want to control the resources they supply in IJV. It also suggests that IJV control structure may change due to the change in parent resources over time. Transaction cost theory explains the reasons of IJV formation, controlling the IJV activities to reduce cost, and to gain better IJV performance.



### 3. CONCEPT OF TRUST IN INTERNATIONAL JOINT VENTURES

This chapter presents the complexity of the concept of trust in IJVs. First, the definitions of IJV trust and its dimensions are discussed. Second, the foundation theories are discussed to identify the reasons of IJV formation and the importance of IJV trust. In the end, the summary of this chapter is presented.

#### 3.1. Conceptualization of IJV trust

Literature on IJV gives significant importance to trust in IJV relationships. Mohr (2004) asserts that trust has a positive influence on IJV performance. Robson et al. (2006) suggest that lack of trust is the main reason contributing to the IJV failure. Brouthers and Bamossy (2006) argue that the success of IJVs may depend on developing trust within the IJVs, since trust is an essential component to induce desirable behaviors such as knowledge sharing, reduces resistance to knowledge transfer, and increases cooperation between individuals and firms. Ren, Gray and Kim (2009) conducted a literature review study on antecedents of IJV performance and concluded that trust is a key performance driver. Inkpen and Currall (2004) argue that in the context of IJVs, although scholars agreed that trust is central to IJVs success, there is limited understanding of the nature and mechanisms that firms use to build and maintain trust.”

Rotter (1967: 651) defined trust as “an expectancy held by an individual or a group that the word, promise, verbal, or written statement of another individual or group can be relied on.” Inkpen and Currall (1998: 3) defined IJV trust as “*reliance on another IJV party (i.e., person, group, or firm) under a condition of risk. Reliance refers to volitional action by one party that allows that the party’s fate to be determined by the other party. Risk refers to that a party would experience potentially negative outcomes such as injury or loss from the untrustworthiness of the other party.*”

Mayer et al. (1995: 712) defined trust as “*the willingness of a party to be vulnerable to the actions of another party based on the expectation that the other will perform a particular action important to the trustor, irrespective of the ability to monitor or control that other party.*” This definition views trust as a belief that reflects trustor’s expectations that the vulnerability resulting from the acceptance of risk will not be taken advantage by the trustee in IJV.

Parkhe (1998) classified some common thoughts of different definitions of trust. He argues that trust inherently involves uncertainty about the future. Two types of uncertainty involves in alliances: 1) uncertainty regarding future events, and 2) uncertainty regarding partner’s responses to those future events. Trust implies vulnerability which means the risk of losing something of value. Trust is placed in another whose behaviours are not under ones control.

Gargiulo and Ertug (2005) defined trust as a belief that reflects an actor expectation (the trustor) about another actor (the trustee). They argue that these expectations should not only be based on trustee good intentions towards trustor but also on his ability to honour his intentions. The good intentions of trustee refer to “the trustor expects that the trustee does not intend to behave opportunistically”. They explain this concept with an example that a person may want to honour the trust which trustor places in her/him, but she/he may be unable to do so due to circumstances that are beyond her/his control.

According to Gargiulo and Ertug (2005) suggestion, this study prefers more comprehensive definition of IJV trust by Boersma, Buckley and Ghauri (2003: 1032). According to Boersma, Buckley and Ghauri (2003), trust is:

*“an expectation that a party can be relied on to keep to agreements (promissory), will perform its role competently (competence) and that the party will behave honourably even where no explicit promises or performance guarantees have been made (good will).”*

The above definition views trust from three perspectives in IJVs. First, trust is a belief that the IJV partners will follow their agreement. Second, trust is a belief about the

partners' ability to fulfil the agreement. Third, trust is a believe that the vulnerability resulting from the acceptance of risk will not be taken advantage by partners in IJV.

### 3.1.1 Dimension of Trust

In order to gain deeper understanding of trust, scholars have put the concept of trust into different dimensions to analyse its development in IJVs. In an attempt to put the concept of trust into dimensions, different scholars have identified different dimensions of trust, below table (Table 2) presents the dimensions of trust from previous studies.

**Table 2** Dimensions of trust from previous studies.

Author	Year of study	Dimension of Trust
Sako	1992	Contractual-based trust, competence-based trust, goodwill-based trust
Ganesan	1994	Credibility trust, benevolence trust
Lewicki & Bunker	1996	Calculus-based trust, knowledge-based trust, identification-based trust
Rousseau et al.	1998	Relational trust
Fryxell et al.	2002	Affect-based trust, cognition-based trust
Voss et al.	2006	Credibility trust, benevolence trust

Sako (1992) makes clear distinctions between three different dimensions of trust in inter-firm relationships: contractual-based trust, competence-based trust and goodwill-based trust. Contractual-based trust refers to “an expectation that a party can be relied upon to carry out a verbal or written promise.” Competence-based trust is “an expectation that a party will perform its role competently.” Goodwill-based trust is different from the above mentioned two kinds of trust, since there are no explicit promises which are expected to be fulfilled, and no fixed professional standards to be reached. In goodwill trust, one party believes that the other party will behave good towards the their mutual benefits.

Ganesan (1994) conceptualize trust using two dimensions: benevolence and credibility. In his study, good will-based trust was labelled as benevolence, whereas contractual-based trust and competence-based trust were combined and labelled as credibility. Voss et al. (2006) borrowed these two dimensions and integrated into IJV. They argue that benevolence trust refers to the extent to which a firm believes that their partner has intentions of goodwill and will behave in a beneficial way to both the IJV and to them even when there arise some difficult. Credibility refers to the extent to which a firm believes that their partner has the capability to fulfil their duties in IJV.

Lewicki and Bunker (1996) put forward three dimensions of trust: calculus-based trust, knowledge-based trust, and identification-based trust. Calculus-based trust is not only grounded in vulnerability but also in the benefits to gained from the process of relationship development over time. Knowledge-based trust is grounded in the others predictability, knowing the other sufficiently well so that others behaviour is predictable. Identification-based trust is found on the emotional bonds of care and concern between the people.

Fryxell et al. (2002) divide trust into two dimensions, one is affect-based trust, and another is cognition-based trust. Affect-based trust refers that people develop emotional bonds towards other individuals over time. Cognition-based trust refers that people choose whom they will trust, in which respects, and under which circumstances. Relational trust (Rousseau et al. 1998) is derived from repeated interactions between trustor and trustee in which caring, concern, and emotional attachment have developed.

We can see that there are similarities between the good-will based trust, identification-based trust, benevolence trust, affect-based trust and relational trust, the trust is emotional base on emotional bonds. At same time the similarities also can be found between competency-based trust, knowledge based trust, credibility trust and cognition-based trust, the trust is rational based on evidence. In many studies, these terms are used inter-changeably.

In this study, we will take the most comprehensive view on the dimensions of trust defined by Sako (1992). The three dimensions of trust: contractual-based trust, competence-based trust and goodwill-based trust will be used to exam the IJV performance. Furthermore, these three dimensions of trust exactly reflect the concept of IJV trust, we adopt in this study.

### **3.2. Foundation theories of IJV trust**

Social exchange theory and transaction cost economics have become the most frequently used theory to explain the IJV trust (Fryxell et al. 2002; Kauser & Shaw 2004; Brouther & Bamossy 2006; Nielsen 2007; Ekanayke 2008). In this section, first introduce social exchange theory and then followed transaction cost theory. After that, they are integrated and justified for use as foundation theories in this study.

#### **3.2.1 Social exchange theory**

Social exchange theory (SET) has recently received a great deal of attentions in inter-firm relationship researches. For instance manufacture-distributor relationships, supplier-buyer relationships, exporter-foreign buyer relationships, inter-partner relationships in strategic alliance including IJVs (Kwon 2008; Khorassani et al. 2011).

Blau (1964: 91) describes social exchange theory as “voluntary actions of individuals that are motivated by the returns they are expected to bring and typically in fact bring from others”. According to social exchange theory, trust is the most important key factor in relational exchanges. Kwon (2008) argue that trust as a component of social capital plays important role in successful inter-firm relationships.

Blau (1964) holds that self-interested actors get involve in reciprocal exchange of needed resources in an incremental way by demonstrating trust. Khorassani et al. (2011) assert social exchange creates trust. They state when one partner provides benefit for the other side, they trust that the benefit will be returned. In fact, trust is created through the mutual return of actions that benefits the both partners over time.

In terms of social exchange theory in IJV context, Das and Teng (2002) hold that joint ventures is a reciprocal exchanges among partner firms with long term duration and incomplete contracts and are governed by trust and relationships. Therefore they define social exchange theory of joint ventures as firms transact on the basis of trust and its sources (Ali and Larimo 2011). The importance of trust in IJV has been highlighted by many scholars. According to Kwon (2008), it is important to build mutual trust and commitment, since mutual trust and commitment between partners are essential factors resulting cooperative behaviours in inter-firm relationship. They argue that mutual trust between partners prevents the opportunistic behaviour, and it reduces the need of control, that is reducing transaction costs.

Other scholars argue that trust in IJVs not only can reduce the cost of writing and policing contracts, but it also motivates partners to stick to the cooperation when facing ambiguity and doubts (Das & Teng 2002; Khorassani et al. 2011). Inkpen and Currall (1998) hold that IJV trust is a social property of the IJV relationship It provides the social “glue” within which economic exchange occurs, and produce of on-going interactions between the partners.

With the presence of trust between IJV partners, each partner shares critical information and exerts efforts to understand other partners’ business, which will reduce conflict and lead to satisfactory of IJV performance (Kwon 2008). According to Voss et al. (2006), trust is an antecedent of quality information exchange, and it leads to more open exchange of intellectual capital between firms in international alliance; which means that trust facilitates the sharing the confidential information.

By applying social exchange theory into IJVs, we gain deeper understanding of the importance of trust in IJV. It also gives clear idea about how trust is produced through the exchange between partners. According to social exchange theory, in order to achieve satisfactory IJV performance, mutual trust needs to be built between partners.

### **3.2.2 Transaction cost theory**

As discussed in previous chapter that the basic of transaction cost theory is about relative choice of governance structure depending on two behaviour assumptions: bounded rationality and threat of opportunism (Williamson 1975, 1985, 1991). In international business context, transaction cost theory predicts that firms entering markets involved high investment risks, in order to reduce their exposure to these risks, firms prefer IJV modes over wholly owned modes (Neilsen 2007).

However, one of the characteristic of an IJV is shared ownership, which creates key problems in IJV. According to Boersma, Buckley and Ghauri (2003), shared control over the strategies and operations brings increased transaction cost. They argue that transaction cost consist of ex-ante and ex-post elements. Ex-ante transaction cost refers to the cost before the events such as drafting, negotiating and safeguarding an agreement. Ex-post transaction costs are more complex and difficult to quantifiable. Ex-post transaction cost include: 1) the adaptation costs, 2) the haggling costs, 3) the set-up cost and running costs associated with the governance structures, and 4) the bonding cost of effecting secure commitments. They mention that presence of trust is important in IJVs, since trust is a transaction-cost-reducing mechanism that lowers the subjective risk of entering into an agreement, that is both ex ante and ex post transaction cost are reduced by trust. Brouthers and Bamossy (2006) hold that the trust can influence the cost associated with monitoring and controlling the actions of partner originations, that is reducing ex-post transaction costs.

Opportunistic is a key behaviour assumption in transaction cost theory (Williamson 1985). In the context of IJVs, scholars have recognised that opportunism is the

fundamental problem in IJVs causing IJV failure (Das & Teng 2001; Ekanayke 2008). To protect from opportunisms behaviour in IJV, research has highlighted the importance of trust. So, trust is another factor along control reducing opportunistic behaviour in IJVs (Fryxell et al 2002; Brouthers & Bamossy 2006; Ekanayke 2008). Kauser and Shaw (2004) also argue that the transaction cost can be reduced by deterring opportunistic behaviours in international strategic alliances.

### 3.3. Summary

The importance of trust in IJV has been pointed in previous studies. Trust in IJVs has received great deal of attention from scholars, and different definitions of trust have been developed. However, there is still lack of universal definition of trust in IJV. This study will take more comprehensive definition of IJV trust developed by Boersma, Buckley and Ghauri (2003: 1032). According to them, trust is “*an expectation that a party can be relied on to keep to agreements (promissory), will perform its role competently (competence) and that the party will behave honourably even where no exploit promises or performance guarantees have been made (good will).*”

These different dimensions of trust are developed to explain trust in IJV. These dimensions of trust are similar to trust dimensions put forward by Sako (1992). Therefore we will rely on trust dimensions identified by Sako (1992) and Boersma, Buckley and Ghauri (2003). These dimensions are contractual-based trust, competence-based trust and goodwill-based trust. These dimensions will be used to identify their relation with IJV performance.

Social exchange theory explains the importance of trust in social exchange and how trust is produced through the exchange. IJV trust is a social property of the IJV relationship, and it provides the social “glue” within which economic exchange occurs, and produce of on-going interactions between the partners. According to the social exchange theory,



there is need to produce mutual trust between partners in order to achieve better IJV performance.

Transaction cost theory not only explains the nature of formation of IJV, but also the need of trust in IJV in terms of successful operation. Trust in IJV can reduce both ex ante and ex post transaction cost, and it also can protect from opportunism.

## **4. INTERNATIONAL JOINT VENTURE PERFORMANCE**

The goal of this chapter is to conceptualize the performance in IJV. Firstly, the meaning of performance in IJVs and its measurements are discussed. Secondly, the impact of control on IJV performance is proposed based on previous studies. Thirdly, the impact of trust on IJV performance is discussed by analyzing the extant studies. In the end, the summary of this chapter is presented, and the proposed conceptual framework is presented.

### **4.1 The complexity of IJV performance and Measurement**

Researchers have noted that many IJVs are not successful (Brouther & Bamossy 2006; Nippa, Beechler & Klossek 2007; Nguyen & Larimo 2009). Glaister and Buckley (1998) hold that firms often depict dissatisfaction with IJV performance. As a result, IJV performance received great attention from scholars. For instance, Larimo (2002) reviewed 80 empirical studies focusing on the analysis of IJV performance in order to find out the key determinants of IJV performance. Selekler-goksen and Uysal-tezolmez (2007) conducted empirical study focusing on IJV performance in Turkey. Ren, Gray and Kim (2009) reviewed previous empirical studies IJV performance and identified different performance measurements in IJV. See appendix 2 for IJV performance measures used in previous studies.

Mohr (2004) states that most of researchers agree that IJV performance is a multivariate construct that cannot be represented by one single indicator, and it is impossible to have a universal definition. Furthermore, each party in the IJV may also have their own criteria for performance evaluation, since they have different motivation to form the IJV. Even, the measurement of performance in a single organization is a controversial area, since there is no clarification between indicators of performance and determinates of performance. This difficulty of measuring performance is exacerbated in IJVs because of number of parties involved in IJV. Therefore, there is no consensus on appropriate

definition of IJV performance and its measurement (Geringer & Hebert 1989; Glaister & Buckley 1998).

Previous studies on IJV performance have greatly relied on two methods for measuring IJV performance. The first method is *objective measurement*, which includes a variety of traditional financial indicators, such as profitability, growth and cost position, survival, duration of IJV, renegotiation of the IJV contract, and etc. (Glaister & Buckley 1998; Nielsen 2007; Ren, Gray & Kim 2009). Scholars argue that this method may be good at explaining the past performance of IJVs. But, this method fails to reflect the long term objectives of IJVs. Glaister and Buckley (1998) note that IJVs may be intended to achieve certain objectives, such as market presence, and learning rather than standard financial objectives. Meanwhile, an IJV is considered as unsuccessful despite good financial results. Therefore, taking only financial output as IJV performance measure is incomplete.

The second measuring method of IJV performance is *subjective measurement*. It refers to measure parent's satisfaction with IJV performance (Killing 1983; Glaister & Buckley 1998; Nielsen 2007), and the achieving strategic goals set for IJV (Yan & Gray 1994). Yan and Gray (2001) suggested that financial measure such as profit, market share and growth are relatively meaningless for new IJVs in the Chinese market. Their study of Chinese-U.S IJVs shows that the partners have different strategic interests. Chinese firms want to acquire technological, managerial expertise, but U.S firms are interested in market share, and access to distribution channels. Thus, we can see that subjective measures hold the same importance as objective measures in IJV performance.

Glaister and Buckley (1998) reviewed the IJV performance measures used in previous studies and identified the following three inconsistencies; 1) measuring performance of IJV from whose perspective, host parent, home parent? 2) measuring performance through objective perception or subjective perception? 3). the appropriateness of different performance measures changes as a JV matures. Larimo (2002) argues that

while defining IJV performance, future research should differentiate between IJV's own performance, and its performance towards IJV partners.

To enrich our understandings of IJV performance, present study defines IJV performance as the performance of the operation itself. Present study looks at both partners' perspective on their IJV performance rather than only taking one partner's perspective. Therefore, this study will exam both partners' satisfaction of IJV performance through both objective and subjective perceptions. Objective measure of financial output and subjective measure of overall satisfaction with IJV performance, and goal achievement will be taken into consideration for examining the IJV performance in present study.

## **4.2 Impact of control on IJV performance**

Prior studies have highlighted the importance of control in IJV success (Geringer & Hebert 1991; Glaister & Buckley 1998; Child & Yan 1999; Boersma et al. 2003; Brouthers & Bamossy 2006; Nguyen & Larimo 2009). According to Geringer and Hebert (1989), three dimensions of control; that is, control mechanisms, control focus, and control extent should be jointly examined in order to get better understanding of how control affects the performance of IJVs.

### **Control mechanisms**

Control mechanisms are defined as “*structural arrangements deployed to determine and influence what members of an organization do*” (Fryxell 2002:868). Prior studies have suggested two types of control mechanisms in IJV: formal control and informal control (Das & Teng 2001; Fryxell 2002; Jagd 2010). In the following, I will discuss the importance of control mechanisms for IJV performance.

Fryxell, Dooley and Vryza (2002) conducted a study focusing on the relationship between control mechanisms and IJV performance. Their study found that formal control

is needed for both partners and it is positively related to the performance of younger IJVs. Further, they found that social control (informal control) is positively related to IJV performance. Their study is comprised of following performance measures; financial output, return on equity, operating costs, and production processes, marketing and sales, technology and customer service. Brouter and Bamossy (2006: 220) discussed the process of IJV management relationships. They found that in successful IJVs, foreign parents gradually develop trust and increased formal control over time.

Nippa, Beechler and Klossek (2007) reviewed the literature on IJV performance, and success factors of IJV performance. They found that previous research has widely used both objective measures (i.e., return on investment, return on assets, market share, and sales) and subjective measures (i.e., success of foreign entities) to measure IJV performance. Further, they found that equity ownership has positively impact on IJV performance. As discussed previously, foreign parent firms often favour ownership equity as the main control mechanism in IJVs (Glaister & Buckley 1998; Child & Yan 1999; Fryxell et al. 2002; Kauser & Shaw 2004; Selekler-goksen & Uysal-tezolmez 2007).

According to Nguyen and Larimo (2009), the choice of IJV control mechanisms (formal vs informal control mechanisms) vary with the motives of IJV formation and have different impacts on IJV performance. They found that foreign firms forming IJV for gaining local resources use informal control mechanism which positively relates to financial and overall performance of IJVs. Further, they found that foreign parent firms forming IJV for gaining economies of scale and scope use formal control mechanism which positively relates to financial and overall performance of IJVs.

Contrary to above studies, Ekanayke's (2008) study depicts that informal control positively relates to IJV performance, but formal control mechanisms negatively relate to IJV performance. Similarly, Kauser and Shaw (2002) found that formal control mechanisms negatively relate to strategic alliance performance, but informal control mechanisms positively relate to strategic alliance performance.

These studies depict that there is vast consensus among IJV scholars that informal control positively relates to IJV performance. Contrary to that, above studies depict diversified results about the relationship between formal control mechanisms and IJV performance. But, based on Fryxell, Dooley and Vryza (2002), Brouther and Bamossy (2006: 220), and Nippa, Beechler and Klossek (2007), I conclude that formal control mechanism also positively relates to IJV performance. The discussion above leads us to following propositions:

**P1.** Control mechanisms are positively related to **(1a)** IJV financial output, **(1b)** overall satisfaction, and **(1c)** goal achievement.

### **Control focus**

Control focus refers to the areas of the IJV's operation in which control is exercised. According to Geringer and Hebert (1989), parents can choose to have broad control focus or narrow control focus over IJVs. Nguyen and Larimo (2009) suggest that the most critical area which parent firm's focus on control in IJV include 1) marketing, sales, distribution, 2) procurement, 3) general management and operation, 4) finance and accounting, 5) research and development 6) production and quality, and 7) human resources.

In terms of financial output in IJVs, Kauser and Shaw (2002) found that the focus of control over functional activities is positively correlated with profitability and alliance satisfaction in terms of sales growth.

According to Glaister and Buckley (1998: 243), *“parents who dominate or have responsibility for management control will have a higher perceived level of satisfaction of IJV performance than those parents who do not dominate or have responsibility for management control”*. In their study, two objective performance measures of IJV survival and the duration of the IJV, and one subjective performance measure of overall satisfaction were used.

The study of Yan and Gray (2001) shows that the partner exercising a higher level of operational control over the IJV achieve more of its strategic objectives than the partner using lesser control. Similarly, Williamson (1975) argues that gaining management control over an IJV is one way to ensure the one's strategic objective are actively pursued.

Based on above discusses, it is expected that control focus has positive relation with IJV performance. This leads us to following proposition:

**P2.** Control focus is positively related to **(2a)** IJV financial output, **(2b)** overall satisfaction, and **(2c)** goal achievement.

### **Control extent**

According to Geringer and Hebert (1989), control extent refers to the tightness of control which is exercised. Tight control gives the partner with high degree of certainty that personnel in the IJV will act according to the partner's wish. Previous studies show the relationship between the extent of control and JV performance.

According to Nippa, Beechler and Klossek (2007), tight control in particular by foreign parents, has a significant positive impact on IJV performance. Their study is comprised of both objective and subjective performance measures, such as return on investment, market share and sale, return on assets, managers perceptions of the success of the IJVs. However, study by Kauser and Shaw (2002) did not find any relation between the extent of control and satisfaction of international strategic alliances.

Selekler-Göksen and Uysal-Tezölmez (2007) conducted a study on Turkish IJVs. They found that the extent of control affects financial output, but they did not find relation between extent of control and goal achievement. Similarity, Child and Yan (2003) also found that higher degree of control by foreign parent does not lead to significantly better goal achievement performance.

As discussed above, we expect control extent have positive relation with financial output and overall satisfaction in IJV. Further, we expect that there is no relation between the control extent and goal achievement in IJVs. The above discussion leads us to following proposition:

**P3.** Control extent is positively related to **(3a)** IJV financial output and **(3b)** overall satisfaction, but **(3c)** is not related to goal achievement.

#### **4.3. Impact of trust on IJV performance**

The importance of trust in IJV has been pointed in previous studies (Fryxell et al. 2002; Boersma, Buckley & Ghauri 2003; Kauser & Shaw 2004; Mohr 2004; Brouthers & Bamossy 2006; Robson et al. 2006; Nielsen 2007; Ekanayake 2008; Ren, Gray & Kim 2009). In terms of relation between IJV trust and IJV performance, three dimensions of IJV trust are brought into examination: contractual-based trust, competence-based trust and goodwill-based trust.

##### **Contractual-based Trust**

According to Sako (1992), “contractual trust is the trust between the partners to ensure adherence to the specific written or oral agreements.” It is an expectation that a party can be relied upon to carry out their contractual obligations.

Ng, Lau and Nyaw (2007) found that the level of trust (comprising contractual trust and goodwill trust) between IJV parents is positively related to IJV performance. Sako (1992) also found that contractual trust positively relates to the performance of buyer-seller relationships. In the same vein, Boersma et al. (2003) found that contractual trust positively relates to the performance of European IJVs. Sako and Helper (1998) also found that contractual trust positively relates to the performance in buyer-seller relationships.



Although, contractual based trust is an important dimension of trust, but previous research is limited on the relationship between contractual trust and IJV performance. Based on Ng, Lau and Nyaw (2007), Sako (1992), and Boersma et al. (2003), we conclude that contractual trust positively relates to IJV performance. This discussion leads us to the following proposition:

**P4.** Contractual-based trust is positively related to **(4a)** IJV financial output and **(4b)** overall satisfaction, and **(4c)** goal achievement.

### **Competence-based trust**

Competence-based trust is the belief that one partner believes that the other partner has certain competences to fulfil their obligations (Sako 1992). As we discussed previously, there are similarities between competence-based trust, credibility trust and cognition-based trust. This dimension of trust is more rational in nature and needs evidence about the competences of partner firm (Das & Teng 2001; Mohr 2004; Jadg 2010).

Scholars suggest that competence based trust has positive implications for reducing transaction costs and enhancing performance, since the existence of trust can reduce the costs of opportunism and improve IJV performance (Fryxell et al. 2002; Brouthers & Bamossy 2006). Similarly, Das and Teng (2001) argue that competence trust reduces perceived performance risk, and one's competence suggests a high probability of getting things accomplished successfully.

According to Mohr (2004), competence trust has positive relationship with IJV performances. In his study, performance was measured by using subjective measures of satisfaction of partner firms with IJV performance, and achievement of IJV objectives. The managers were asked to evaluate the extent to which they saw their respective partner firms' goals as achieved, and their satisfaction regarding profitability, growth, market share, technological level, and stability of the IJV etc. Similarly, Voss et al. (2006) found that competence trust and quality of information positively interact and together have positive impact on the performance of IJVs. In the same vein, Muthusamy et al.

(2007) found that competence trust has a direct positive effect on the achievement of financial goals in IJVs

As reviewed from previous studies, it is expected that competence trust has positive impact on the performance of IJVs. Based on the discussion, we develop the following proposition:

**P5.** Competence-based trust is positively related to **(5a)** IJV financial output and **(5b)** overall satisfaction, and **(5c)** goal achievement.

### **Goodwill-based Trust**

Goodwill-based trust is distinct from other two dimensions of trust, since there are no explicit promises which are expected to be fulfilled and no fixed professional standards to be reached. It is based on the partners' intentions for the long-term existence of the relationship (Sako 1992). The similarities have been found between the good-will based trust, identification-based trust, benevolence trust, affect-based trust and relational trust. This dimension of trust is more emotional based (Das & Teng 2001; Mohr 2004; Jagd 2010).

According to Das and Teng (2001), goodwill trust reduces the perceived likelihood of opportunistic behavior occurring in IJVs, reduces transaction costs, and increases IJV performance. Brouters and Bamossy (2006) proposed that the greater goodwill-based trust leads to higher IJV performance.

Mohr (2004) found that goodwill trust has positive impact on IJV performances. His study comprises of objective and subjective IJV performance. Objective performance comprise of "hard performance measures", which refers to profitability, growth, market share etc., and "soft performance measures", which refers to technological level, stability of the JV, and the competitiveness of IJV. Subjective IJV performance comprises of satisfaction with goal achievement, and satisfaction with both "hard" and "soft" performance measures in IJV.

According to Kauser and Shaw (2002), trust between alliance partners positively relates to international strategic alliance performance and manager's satisfaction. They found that a higher level of trust between partners brings better alliance performance. In the same vein, Ekanayke (2008) proposed that there is positive relationship between goodwill trust and IJV performance. Similarly, Nielsen's (2007) study on Danish IJVs found that goodwill trust is directly related to relational equity, financial performance, and efficiency.

Based on above discussion, it is clear that there is vast literature on the positive relationship between goodwill trust and IJV performance. Based on this, we develop the following proposition:

**P6.** Goodwill-based trust is positively related to **(6a)** IJV financial output and **(6b)** overall satisfaction, and **(6c)** goal achievement.

#### **4.4. Summary**

IJV performance is a multivariate construct that cannot be represented by one single indicator, and it is impossible to have a universal definition. Each party may also have their own criteria for performance evaluation, since they have different motivation to form the IJV. Not only the definition of IJV performance is challenging, but the measurement of IJV performance is also problematic, since there is no clarification between indicators of performance and determinates of performance (Geringer & Hebert 1989; Glaister & Buckley 1998).

However, the prior studies have suggested for two performance measurement in IJVs: objective measurement and subjective measurement. Objective measurement focuses on a variety of financial indicators, which are good at explaining the past performance of IJVs, but it fails to reflect the long term objectives of IJV (Glaister & Buckley 1998; Nielsen 2007; Ren, Gray & Kim 2009). Subjective measurement intend to measure parent's satisfaction with IJV performance and the goal achievement of parent firms

(Killing 1983; Glaister & Buckley 1998; Nielsen 2007). Since the objective of IJV formation may be different for parent firms, therefore relying simultaneously on subjective and objective measures would be more appropriate way to analyse IJV performance than relying on one measurement.

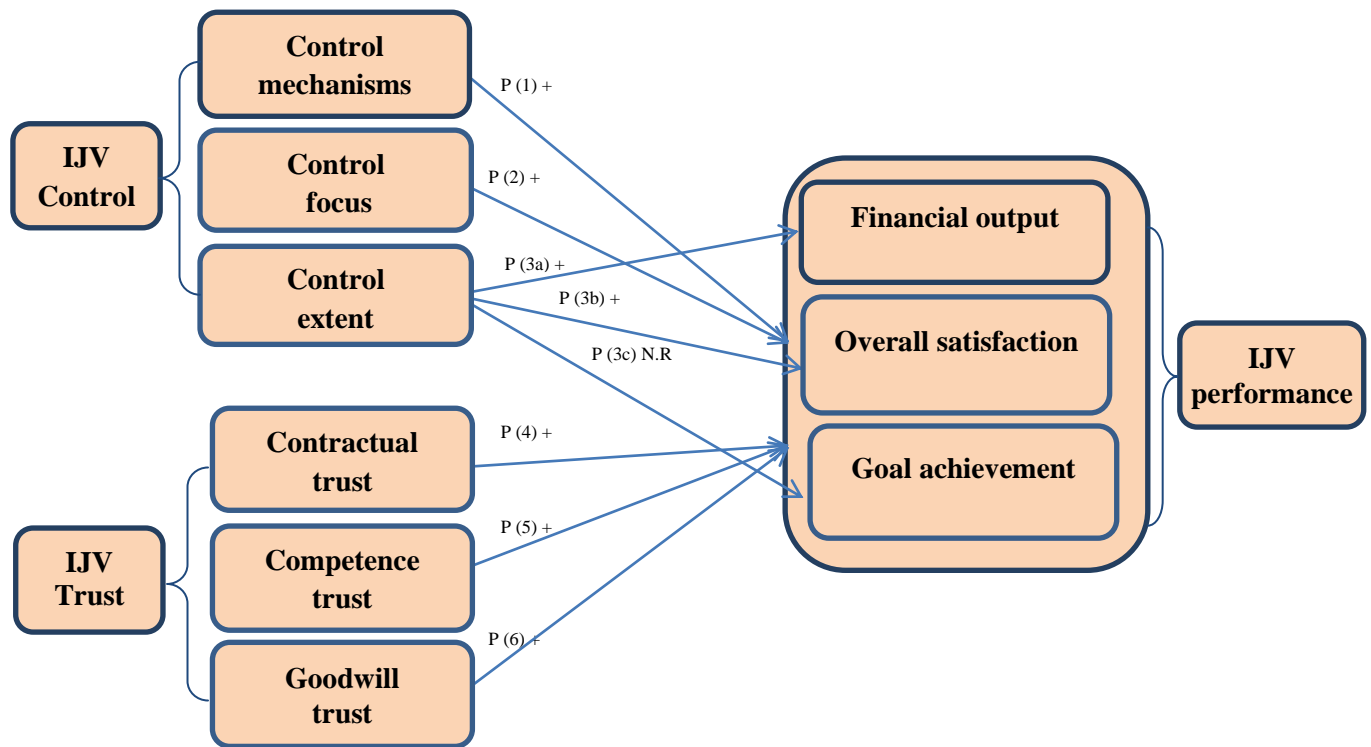
The following table 3 comprises of the propositions on the role of control and trust for IJV performance.

**Table 3** List of Propositions.

<b>Impact of control on IJV performance</b>	<b>Impact of trust on IJV performance</b>
<b>P1.</b> Control mechanisms are positively related to <b>(1a)</b> IJV financial output, <b>(1b)</b> overall satisfaction, and <b>(1c)</b> goal achievement.	<b>P4.</b> Contractual-based trust is positively related to <b>(4a)</b> IJV financial output and <b>(4b)</b> overall satisfaction, and <b>(4c)</b> goal achievement.
<b>P2.</b> Control focus is positively related to <b>(2a)</b> IJV financial output, <b>(2b)</b> overall satisfaction, and <b>(2c)</b> goal achievement.	<b>P5.</b> Competence-based trust is positively related to <b>(5a)</b> IJV financial output and <b>(5b)</b> overall satisfaction, and <b>(5c)</b> goal achievement.
<b>P3.</b> Control extent is positively related to <b>(3a)</b> IJV financial output and <b>(3b)</b> overall satisfaction, but <b>(3c)</b> is not related to goal achievement.	<b>P6.</b> Goodwill-based trust is positively related to <b>(6a)</b> IJV financial output and <b>(6b)</b> overall satisfaction, and <b>(6c)</b> goal achievement.

### **Theoretical Framework:**

The proposed theoretical framework is depicted in Figure 4 below. In the framework, performance is posited as the dependent variable, and IJV control and IJV trust are posted as independent variables having positive effects on IJV performance.



**Please note:** N.R means that there is no relationship.

**Figure 4** Proposed theoretical framework.

In recent year, researchers have focused on the inter-relationship between trust and control in alliances (Das & Teng 2001; Fryxell et al 2002; Mohr 2007; Ekanayke 2008). Some authors (Long & Sitkin 1995; Bhattacharya et al. 1998) have agreed that there is positive relationship between trust and control, they argue control is a mechanism to document trustful behavior and it also leads to trust. For example, Long and Sitkin (1995) argue that set up rules, regulations and standards facilitate the development of trust in organizations. Bhattacharya et al. (1998) stress that establishment of reporting mechanism allows partners to check the actual situation of the cooperation whether it is as they expected. Ekanayke (2008) claims there is a positive relationship between trust and informal control. Another group of authors believe that there is a negative relationship between trust and control (Inkpen & Currall 1998; Das & Teng 2001).

In addition to those two opinions, Mohr (2007) argue that there is another possibility, that there is no relation between trust and control in IJV. He proposed three types of relationships between trust and control in IJVs: 1). there is no relation between trust and control, 2).there is positive relation between trust and control and 3), there is negative relation between trust and control. Although the empirical result did not support any of the proposed relationship, but his study provides us more comprehensive view of the relation between trust and control in IJV.

However, based on the above discussion, I conclude that there are three possible types of relationship between trust and control: 1). there is no relation between trust and control, 2).there is positive relation between trust and control and 3), there is negative relation between trust and control.

## **5. RESEARCH METHODOLOGY**

This chapter explains the methodology used in the present study. It opens up with the discussion of research method, case study research, criticism and benefits of case study research. Furthermore, case study design for the present study is explained. Finally, the validity and reliability of the study is discussed.

### **5.1. Research method**

The research methodology of this study reflects the principles of interpretivism as this study focuses upon the details of situation by finding the reality behind these details. The role of theory in this study is deduction, since resource dependence theory, transaction cost economics, and social exchange theories are used to build propositions. The developed propositions propose a relationship between specific variables (i.e, control mechanisms, control focus, control extent, contractual trust, competence trust, goodwill trust, and IJV performance) and enable the facts to be measured in the selected method.

There are different approaches which can be used in a research phenomenon, and all the approaches offer an alternative view of the research object. Therefore, it is the author's responsibility to choose the most suitable approach according to the objective of study. In business studies, researchers adopt two main research approaches: quantitative and qualitative research.

There are lots of disputes about the value of quantitative and qualitative research, known as the paradigm wars. Quantitative research uses experimental methods and aims to test hypothetical generalizations for a large sample size. This method is a systematic research method with a structured approach. Quantitative approach is used to measure and explain the phenomenon by statistical analysis of the collected data and it has little flexibility. Researchers often use this method when their objective is to get answers to the questions like how many, how often, how much etc. (Yin 2010)

Qualitative approach uses a naturalistic approach and aims to gather deep insight to the subjective. Qualitative research represents the views and perspectives of the people by covering the contextual conditions. It contributes insights into existing or emerging concepts by striving to use multiple sources of evidence rather than relying on a single source alone. It also refers to several methods of data collection and represents higher flexibility than quantitative research. The method gives answer to the questions such as what, why and how. (Yin 2010)

In this study, the qualitative approach has been chosen as research method rather than quantitative approach. Since the research objective is to study how control and trust impact on IJV performance in China? The qualitative approach gives the opportunity to explore the phenomenon under study.

## **5.2 Case study research**

Case study is one of the traditional qualitative methods with special research strategy and approach. It is an empirical research method, which examines a contemporary phenomenon in a real life situation. The benefit of using case study is that the case represents new insights into the subject under investigation. In addition, case study method may involve different ways of gathering information, which enhances the reliability of the study. However, there are also disadvantages of using case study. For instance, researchers cannot create scientific generalizations of the results of the case study. Further, using case study as a research method takes lots of time and produces massive amounts of documents. In conclusion, case study method has its benefits as well disadvantages. However, if the researcher is aware of them, it is possible to increase the reliability and validity of the case study. (Yin 2003)

Three factors are needed to be taken into consideration when choosing case study as study method. These factors are; research question, control over behavioral events, and focus on contemporary events (Yin 2003). In terms of the current study, the research



question is “how control and trust impacts on the IJV performance in China?” According to Yin (2003: 5) case study research is best for answering “how” and “why” questions. So, based on the nature of research question, the choice of case study is justifiable. Furthermore, control over behavioral events is not possible in this study as this study is not a controlled experiment in a laboratory. In addition, the focus of this study is on contemporary events, meaning that I will be investigating the current relationships between IJV partners, not the previous relationships between IJV partners. In conclusion, case study is the most suitable research method for this study.

### **5.3 Case study design**

The design of a case study consists of four parts: study questions, units of analysis, data collection, and analysis of case study evidence (Yin 1994: 20). The research design of this study is presented according to the four parts in following section.

Firstly, the research objective was identified for the present study based on my interest in research topic. The main study question is “how control and trust impact on international joint venture performance in China?”

Further, in case study, an important decision is to choose the number of cases. A case study can be either single or multiple case study. According to Yin (2003), multiple case study findings are more convincing than single case study. This study will take 8 case companies. The objective of choosing four case companies is to compare the findings across the cases.

The next important question is about data collection. For this study interviews will be conducted as the main method to collect data. There are three types of interviews: structured, semi structured and unstructured. Structured interviews limit the responses from participants, which may not reflect the truth of the situation. Unstructured

interviews allow the participants to talk freely, which may spend lots of time and gather lots of invaluable information. Semi structured interviews use an interview guide. It consists of questions outline on the areas that should be covered. It gives the space for participants to answer freely on specific areas (Saunders et al. 2007). Face to face interviews and telephone interviews will be conducted with a semi structured interview questionnaire (See appendix 1). In addition, other sources of data will be used in this study. For instance, the website of the company and company annual reports will be used to collect background information of case companies.

In this study, to interpret qualitative data, Marschan-Piekkari and Welch (2004: 571) guide that there are different ways of analysing the qualitative data. The purpose of analysing the qualitative data in this study is to describe the findings through thick description, quotations and references to the interviewees' opinions.

#### **5.4. Validity and reliability**

In a qualitative study, validity is about the closeness of what we believe we are measuring to what we intended to measure (Roberts et al 2006). Validity is assessed in terms of how well the research tools measure the phenomena under investigation. Interview is a common method of data collection in qualitative research, and the validity of the interview data needs to be considered. In this study, both open questions and multiple choice questions were used to double confirm the accurate of interviewees' opinions. For Chinese parent companies, the questionnaire was translated into Chinese to avoid any misunderstanding. Validity can be achieved through the accuracy in the process of analysis and interpretation. In this study, it is achieved by the analysis method involving direct quotations of the opinions of the interviewees and statistical analysis of the answers of the multiple choice question.

The reliability of a study means, that in case a later investigator follows exactly the same

procedures as described by an earlier investigator and conducts the same case study all over again, the later investigator should arrive at the same findings and conclusions (Yin 2003: 37). In this study, there are 8 case companies covering Sino-British joint ventures in 1990s, 2000s and 2010. The interviewees have been engaged with the establishment of their joint ventures, they have good knowledge about their joint ventures. However, regarding the concept and level of control and trust, the interviewees may have different opinions; the results of this study are based on subjective evaluation of situations by the respondent. Furthermore, the result is also subjective interpretation of the results by the author, so the results can vary if the interviewees and the author are different.

## **6. EMPIRICAL FINDINGS**

This chapter mainly discusses the empirical findings. It opens up with the introduction of case companies. Next discuss the meaning of control and trust in IJV of case company. Furthermore, present the British parent perspective of the impact of control and trust in IJV. Finally, present the Chinese parent perspective of the impact of control and trust in IJV.

### **6.1. Introduction to the case companies**

Eight case companies have been studied, 4 Chinese parent companies of Sino-British joint ventures and 4 British parent companies of Sino-British joint ventures. The industry of all their joint ventures is manufacturing and exporting.

Case Company 1 (Chinese) located in Ningbo, China. The company has 350 employees and main products of the company are pneumatic components, DC series air source treatment, AC Series FRL, fitting, and tube etc. The company did not have any joint venture before this joint venture in China. This joint venture was established as partial acquisition in 1993. The main products of this joint venture are same as their product but with new technology. There is one British partner engaged in this joint venture that holds 50 % share and the Chinese company holds 50% share.

Case Company 2 (Chinese) located in Guangzhou, China. The company has 450 employees and main product and service of this company is electrical components, OEM service, and sourcing service. The company did not have any joint venture before this joint venture in China. The joint venture was established as Greenfield in 2001. The main products of this joint venture are hand-dryer, elevator components and electronic components. There are two British partners engaged in this joint venture, they hold 25% each equity share and the Chinese company holds 50% equity share.

Case Company 3 (Chinese) located in Ningbo, China. The company has 300 employees and main products of the company are earth augers. The company did not have any joint venture before this joint venture in China. The joint venture was established as partial acquisition in 2009. The main products of this joint venture are earth augers and trenching attachments with new technology. There is one British partner engaged in this joint venture that holds 51% share and the Chinese company holds 49% share.

Case Company 4 (Chinese) located in Jiangsu, China. Total area of 2000 acres, employs nearly 5,000 people. It is a private enterprise group specializing in rail transportation, CNC equipment, office equipment, wind power generation equipment, logistics and other five core businesses. The company had a joint venture before this joint venture in China. This joint venture was established as Greenfield in 2010. The main product of this joint venture is gear box. There is one British partner engaged in this joint venture, the British firm holds 50% equity share and the Chinese company holds 50% equity share.

Case Company 5 (British) located in Oxford, UK. The main product of this company is hand dryer. The company did not have any joint venture experience before this joint venture in China. The joint venture was established as Greenfield in 2001. The main products of this joint venture are hand-dryer, elevator components and electronic components. There is another British partner (British case 2) and one Chinese partner engaged in this joint venture, the Chinese partner holds 50% equity share and another British partner holds 25% equity share, this British company holds 25% equity share.

Case Company 6 (British) located in London, UK. The main service of this company is business solution service. The company did not have any joint venture experience before this joint venture in China. The joint venture was established as Greenfield in 2001. The main products of this joint venture are hand-dryer, elevator components and electronic components. There is another British partner (British Case 1) and one Chinese partner engaged in this joint venture, the Chinese partner holds 50% equity share and another British partner holds 25% equity share, this British company holds 25% equity share.

Case Company 7 (British) located in London, UK. The main service of this company is design and manufacturing children cloth. The company did not have any joint venture experience before this joint venture in China. The joint venture was established as Greenfield in 2002. The main products of this joint venture are children series. There is one Chinese partner engaged in this joint venture, the Chinese partner holds 49% equity share and this British company holds 51% equity share.

Case Company 8 (British) located in Washington, Type & Wear, UK. The main products of this company include fireproof wiring, trace heating, petrochemical, and thermocouples. The company does not have any joint venture experience before this joint venture in China. The joint venture was established as Greenfield in 2009. The main products of this joint venture are same as above. There is one Chinese partner engaged in this joint venture, the Chinese partner holds 49% equity share and this British company holds 51% equity share.

**Table 4** Summary of case companies.

Case	Parent Country	Goals of forming JV	Main Product	share	Partner no	Venture established	Venture age
Case 1	China	1.To learn new technology 2.To earn profit	pneumatic components/	50%	1	1993	19
Case 2	China	1.To learn new technology 2.To earn profit 3.To open UK market	Hand-dryer, elevator components/electronic components	50%	2	2001	11
Case 3	China	1.To learn new technology 2.To earn profit	Earth augers & Trenching Attachments	49%	1	2009	14
Case 4	China	1.To learn new technology 2.To open UK market	Gear box/Systems	50%	1	2010	2
Case 5	UK	1.To earn profit, 2.To achieve low cost sourcing	Hand-dryer, elevator components/electronic components	25%	2	2001	11

Case 6	UK	1. To earn profit, 2. Looking for other business opportunities in China	Hand-dryer, elevator components/electronic components	25%	2	2001	11
Case 7	UK	1. To earn profit, 2. To access local market. 3. To achieve low cost sourcing	children cloth series	51%	1	2008	4
Case 8	UK	1. To increase local market share, 2. To achieve low cost sourcing 3. To earn profit	fireproof wiring, trace heating, petrochemical, thermocouples	51%	1	2009	3

## 6.2. Empirical findings of control and trust in IJV

### Control in IJV

Empirical findings show that both Chinese and British parents firms try to take control over their JVs, they think control is basic and important thing to do in a JV. Findings confirm the importance of control and the needs of control in IJV. The Chinese manager from Chinese case 1 motioned:

*“We do need control to ensure the smoothly operation and development of our JV.”*

British manager from case company 7 emphasized:

*“We must control our JV in order to achieve our goals, and we must know what happens there.”*

Another British manager from case company 8 says:

*“We need to control since we do not want to lose our technology advantage.”*

Result shows parent firms all used different formal and informal control mechanisms over JVs, and they all focused on certain areas which they think are very important for them. In terms of tightness of control, both Chinese and British parent firms exercise quite tightness control over their JVs.

### ***Control mechanisms***

Result shows both parents firm used major formal control mechanisms such as holding major equity share, venture board representation, appointment of key venture person and exercising vote right. Findings show that 6 case companies expected to have more than 50% equity share, and the companies have more than 50% equity share also appointed the key venture person for the JV, and every case company used venture board representation and exercising vote right control mechanisms in their JV.

Both Chinese and British parent firms used major informal control mechanisms including training of venture manager, interaction, informal socialization such as phone call and outdoor activities over their JV. In addition to these control mechanisms, the British manager from case company 5 says:

*“We regularly visit our JV in China, focus on quality control and overall operation audit, and we also organize inward studies of technology and process.”*

### ***Control Focus***

Result shows that both Chinese and British parent firms are control focused on financing and accounting and quality. And the reason is that most parent firms form JV to earn more profit, financing and accounting area. It became a very important area that allows parent firms to know the earning situation directly, and it also reflects the operation situation.

Then there is clearly difference, since Chinese parent firm mainly focused on production, purchasing, HR ,and marketing if the product also sell inside China, and British parent firm mainly focused on technical, research, development and strategy. The main reason is Chinese parent firms are very familiar with the local operation, and British parents are good at technology and R&D. If the product is mainly exported to UK then the British parent firm also focused on marketing area.



### *Control extent*

Both Chinese and British parent firms exercises quite tight control over JV. Chinese firms focused on daily report since they are mainly responsible for the daily operation as discussed above the control focus of Chinese firms mainly covers operation areas such as production, purchasing, HR and quality.

British firms require monthly report of operation. One British firm manager from case company 8 says:

*“We require monthly report in sales, accounting, quality control and we also require urgent issue report if something urgent or unusual happens.”*

**Table 5** Summary of IJV control from case companies.

Case number	Case 1	Case 2	Case 3	Case 4	Case5	Case 6	Case7	Case8
Year of JV	1993	2001	2009	2010	2001	2001	2008	2009
Equity Share	50%	50%	49%	50%	25%	25%	51%	51%
<b>control mechanisms (form)</b>								
Holding Major equity share	*	*		*			*	*
Venture board representation	*	*	*	*	*	*	*	*
Appointment of key venture person	*	*	*				*	*
Exercising vote right	*	*	*	*	*	*	*	*
other								
<b>control mechanisms (inform)</b>								
Training of venture managers	*	*	*	*	*	*	*	*
Interaction, such as meetings	*	*	*	*	*	*	*	*
Informal socialization such as informal phone calls, outdoor activities	*	*	*	*	*		*	*
other					*			
<b>Areas of control focus</b>								
Financing and accounting	*	*	*	*	*	*	*	*
Quality control	*	*	*	*	*		*	*
Production	*	*	*	*				
Procurement	*	*	*	*				

Human resources	*	*	*	*				
Marketing, sales and distribution	*		*		*			*
Technology					*			*
Research and Development					*		*	
Strategy activities						*	*	
<b>Control extent</b>								
Daily report	*	*	*	*				
Monthly report	*	*	*	*	*	*	*	*
Seasonally Report	*	*	*	*	*	*	*	*
Yearly report	*	*	*	*	*	*	*	*
other					*			

### Trust in IJV

Empirical findings show that both Chinese and British parent firms trust their partners in their JVs. Most of them believe that their partner can fulfill their agreement and has the competence to full fill the agreement, even if there is no explicit written agreement between them, their partner will behave well toward their mutual benefits. One Chinese manager from case company 3 states:

*“Of course we trust our partner; if we do not trust our partner at first place we would not form JV with this partner.”*

One British manager from case company 6 says:

*“We believe our Chinese partner since they have the qualification and similar manner of doing business as western companies.”*

Another British manager from case company 7 motioned that:

*“I should say at the beginning it was a bit difficult to develop trust, but after many years of exchange between the parties, trust was also built through time. I would say I trust my partner.”*

### ***Contractual trust***

Both Chinese and British parent firms trust their partner will carry out a written promise. But both parent firms more willing to make written promise than a verbal promise, it will reduce the doubt and enhance the trust between the partners.

But 1 Chinese case company do not trust British partner will carry out a verbal promise since they think in western culture every agreement must be written down and must be legal. One Chinese manager from case company 1 refers:

*“In western countries, people pay more attention to the legal issues than Chinese, we believe our partner will carry out a written agreement. But if they do not want to make a written agreement they knew what it means, then we should not believe that will happen.”*

### ***Competence trust***

Result draws that Chinese and British parents both trust their partner have competence to fulfill the promises. From British parent point of view, most of them have evaluated 2-3 candidates before they chose the right one, they already evaluated the ability of the firm and its credibility in China. Chinese parents also did the same when they choose partner, so all the qualification, certification and other information will provide the view of competence of the partner. As one British manager from case company 7 states:

*“We trust our Chinese partner, since my partner has been in the children clothing industry for many years, and they have the local sales channel and marketing expertise, we believe in their competence.”*

### ***Goodwill trust***

Most of the parent firms trust their partner will behave well towards their mutual benefits even if there is no explicit agreement or promises. One Chinese manager from case company 4 says:

*“Both partners invest lots of money, and it is a long term investment. In this case, both partners need to trust each other which will reduce uncertainty and risk and enhance smooth operation. ”*

One British manager from case company 8 presses the same idea:

*“We need to trust each other even if there is no explicit agreement or promises, since we are on the same boat already!”*

### **Relation between control and trust in IJV**

Results indicate that 5 of the case companies agree that there is positive relation between trust and control. Two British case companies state that there is no direct relation between control and trust in IJV. One from case company 5 says:

*“We think there is no relation between trust and control in our JV, since we really trust our partner, it is not because we have control. It is because of the high quality of the work they have done. ”*

Another British manager from case company 6 mentioned:

*“We think there is no relation between trust and control in our JV; we think they are separate ways to reduce risk in a JV.”*

Differing from above opinions, one Chinese case company manager from case company 1 says:

*“We increase our control when we cannot trust enough in a certain issue. If we feel there is lots of control over the JV from our partner, we will have a sense of distrust from our partner.”*

All the statement and findings only can draw the result from Chinese parent point of view, that when Chinese parent company has more control over their JV, they trust their partner more. There is no agreement between British parent company what is the relation between control and trust in IJV.

**Table 6** Summary of IJV trust from case companies.

Five-point Likert Scales is used in this study: (1 strongly disagree - 5 Strongly agree)

Case number	Case 1	Case 2	Case 3	Case 4	Case5	Case 6	Case7	Case8
Year of JV	1993	2001	2009	2010	2001	2001	2008	2009
Equity Share	50%	50%	49%	50%	25%	25%	51%	51%
<b>Overall trust in Partner</b>								
Overall, we trust our partners.	4	5	5	4	5	4	4	4
<b>Contractual trust</b>								
We trust our partner will carry out a verbal or written promise.	3	4	5	4	5	5	4	5
<b>Competence trust</b>								
We trust our partner have competence to fulfill the promises.	5	5	5	5	5	5	5	5
<b>Goodwill Trust</b>								
We trust our partner will behave well toward mutual benefits even there is no explicit agreement.	5	4	5	5	5	5	5	4
<b>Relation between trust and control In JV</b>								
There is no relation between trust and control.					*	*		
There is positive relation between trust and control.		*	*	*			*	*
There is negative relation between trust and control.	*							

### 6.3 Empirical findings of IJV performance

Empirical findings show that both Chinese and British parents firms form joint venture to earn more profit. Besides this main objective, Chinese parents firms want to learn advanced technology from their partners, and two Chinese parents firms also wanted to access to British market through their joint venture. Differently than Chinese parents firms, the British parents firms did not only want to earn more profit, but they wanted to

access low cost sourcing from their joint venture and two British parents firms also wanted to access Chinese market.

Findings show that both are satisfied with their IJV performance in terms of financial output and overall satisfaction. Regarding the performance related to their own goal achievement, British parent firms agreed that the performance achieved their own goals. Chinese parent firms agreed that the performance achieved most of their own goal. However, two Chinese parent firms aimed to access the British market, but the control of the marketing held by their British partner raised barriers thus they could not really access the British market.

**Table 7** Summary of IJV performance from case companies.

Five-point Likert Scales is used in this study: ( 1 strongly disagree - 5 Strongly agree)

Case number	1	2	3	4	5	6	7	8
Year of JV	1993	2001	2009	2010	2001	2001	2008	2009
Equity Share	50%	50%	49%	50%	25%	25%	51%	51%
Financial output	5	5	5	5	5	4	4	5
Overall satisfaction	5	5	5	5	5	4	5	4
Achievement of your own goal (Chinese parent firm)								
Goal 1: Learning new technology	5	5	5	5				
Goal 2: Earning profit	5	5	5					
Goal 3: Access British market		3		3				
Achievement of your own goal (British parent firm)								
Goal 1: Earning profit					5	4	4	4
Goal 2: Low cost sourcing					5		5	4
Goal 3: Access Chinese market							5	4
Goal 4: Looking for more business opportunity						4		

## 6.4. Impact of control and trust on IJV performance

### 6.4.1 Impact of control and trust on IJV performance from British parent perspective

#### Impact of control on IJV performance

As discussed above, all British parent companies hold both formal and informal control over their IJV. It reflects the importance of control in IJV. Findings show that all the British managers strongly agree that both formal and informal control mechanisms have positive effect on their JV performance in terms of financial output, the overall satisfaction and achievement of own goals. The managers give their opinions regarding how control mechanisms effect on their JV performance.

British manager from case company 5 mentioned:

*“The main objectives of forming this JV are earning profit and accessing low sourcing cost. Control allows us to apply our sourcing strategy and gain better profit.”*

Manager from case company 6 states that

*“Proper control will keep the high quality of the product. Control over JV on the one side results in good financial output, on the other side it reduces potential risk by getting correct information through our control mechanisms.”*

Manager from case company 7 says that:

*“We have major share, and we appointed the key person in this JV. Better control over your operation results in better financial return and better objective achievement directly.”*

Similar opinion is given by the case company 8.

*“For sure both formal and informal control gives us possibility to know how the operation is both financially and operationally. We can achieve our goals though control, we hold major equity share, and it makes it easier to direct the operation.”*

These British managers' opinions perfectly support our proposition 1: Control mechanisms are positively related to **(1a)** IJV financial output, **(1b)** overall satisfaction, and **(1c)** goal achievement.

British parent firms exercise their control over the areas that cover financing and accounting, quality, technology, research and development, and marketing when the product is mainly exported to UK or other country. All the British parent firms agree that control focus in specific areas positively affect their JV performance.

British manager from case company 5 describes their situation as:

*"We focus our control on those areas since they are very important for us. Our control over quality will give us good sales and profit. That is the most important."*

Similarly from case company 7, manager says:

*"We control on financing since we want to have better financial output, we control over research and development since we do not want to lose our advantage in this JV."*

Manager from Case company 8 states

*"In order to gain more profit, we must control cost and increase sales that is why we have control over financing and marketing."*

All of opinions from British parent companies strengthen the proposition 2: Control focus is positively related to **(2a)** IJV financial output, **(2b)** overall satisfaction, and **(2c)** goal achievement.

In terms of control extent, results show that all of the British parent companies have quite tight control over their JV, and they all agree that tight control is positively related to IJV performance. All the British parent companies require monthly report from their JV.

British manager from case company 5 says:



*“...we require monthly report from our JV in China in order to know what happens, we also require urgent report if there is quality problem or other problems like cannot deliver the order on time etc.”*

Case company 6 has the same monthly report rules in their JV. Manager states that

*“Our monthly report gives us an entire view of JV operation, for instance the financial situation, estimated sales in coming months etc... we make decisions based on it.”*

Manager from case company 7 says that:

*“We require monthly report from our JV, and from the report we get correct data or information of our JV operation. At the beginning of our JV we required weekly reports from our JV...”*

The above statements from British managers support our proposition 3a and 3b: Control extent is positively related to **(3a)** IJV financial output and **(3b)** overall satisfaction. But the result does not support our proposition **(3c)** control extent is not related to goal achievement. In fact control extent has positive effect on JV performance.

### **Impact of trust on IJV performance**

Empirical findings show that British parent firms trust their partners in their JVs. All of them believe that their partner can fulfil their agreement and has the competence to fulfil the agreement, even if there is no explicit written agreement between them their partner will behave well toward their mutual benefits.

British manager from case company 5 says that:

*” We trust that our partner will carry out a verbal or written promise since they have very good reputation in China. Our trust does not directly return in our financial output but indirectly it does...”*

Another British manager from case company 6 says that:

*“We know the owners not from the business but we also knew them personally very well, so we believe they will carry out a verbal or written promise, especially in China very*

*often verbal promise count in business....Our trust somewhat has positive effect on our performance.”*

However, manager from case company 7 has different opinion as others. He thinks there is no relation between trust and their JV performance.

*“I do trust our partner will carry out their promise, but I do not think there is any relation between this trust and JV performance. For instance the sales will not increase because I trust they will carry out their promise.”*

Although there is one manager who has different opinion than other British manager, overall we can see that contractual trust has positive effect on JV performance. Therefore, proposition 4 is supported. Contractual-based trust is positively related to **(4a)** IJV financial output and **(4b)** overall satisfaction, and **(4c)** goal achievement.

British managers from all the case company trust that their partners have competence to fulfill their promises or agreements. Three of British case companies agree there is positive relation between competence trust and their JV performance. One of the managers from case company 8 says:

*“We do trust our partner very much, that is how we selected them as our partner, and their qualifications let us believe they have competence to fulfill the agreements. In fact we did see the good result in our financial output and we also achieved our goals...”*

Differing from other opinion, manager from case company 7 says:

*“We trust our Chinese partner, since my partner has been in children clothing industry for many years, and they have the local sales channel and marketing expertise, we believe in their competence. But we did not see that there is relation between this trust and our JV performance.”*

However, most of our British case companies agree that competence trust has positive effect on JV performance. Therefore the proposition 5 is supported. Competence-based trust is positively related to **(5a)** IJV financial output and **(5b)** overall satisfaction, and **(5c)** goal achievement.

Findings show that all the British managers trust that their partner will behave well towards mutual benefits even if there is no explicit agreement. Three of the British case companies agree that there is positive relation between this goodwill trust and their JV performance. One of the managers from case company 8 says:

*“We need to trust each other even if there is no explicit agreement or promises, since we are on the same boat already. We do trust that our partner will behave well towards mutual benefit even if there is no agreement. There might be no direct effect on our JV performance but we believe there is positive relation between our trust and our JV performance.”*

Differently from other opinions, manager from case company 7 says:

*“We do trust that our partner will consider our mutual benefit in case if a difficult situation comes. But we do not think there is any relation between this trust and our JV performance.”*

The proposition 6 is supported by the opinions from British parent companies, that goodwill trust is positively related to **(6a)** IJV financial output and **(6b)** overall satisfaction, and **(6c)** goal achievement since most of case company

**Table 8** Summary of impact of control and trust on IJV performance From British parent perspective.

Five-point Likert Scale is used in this study: (1Not at all - 5Highly affected)

Case		Case 5	Case 6	Case 7	Case 8
<b>Establish of JV</b>		2001	2001	2008	2009
<b>Equity Share</b>		25%	25%	51%	51%
<b>Control mechanisms:</b> Did those control mechanisms affect the performance of JV	A). Financial output	5	5	5	5
	B). Overall satisfaction	5	5	5	5
	C). Achievement of your own goal	5	5	5	5
<b>Control focus :</b> Did those control focus affect the performance of JV	A). Financial output	5	4	4	5
	B). Overall satisfaction	5	4	4	5
	C). Achievement of your own goal	5	4	4	4

<b>Control Extent :</b> Did those control extent affect the performance of JV	A). Financial output	4	4	4	5
	B). Overall satisfaction	4	4	4	5
	C). Achievement of your own goal	4	4	4	5
<b>Contractual trust:</b> Do you feel your trust in your partner have any effect on the performance of JV	A). Financial output	4	4	3	4
	B). Overall satisfaction	4	4	3	4
	C). Achievement of your own goal	4	4	3	4
<b>Competence trust:</b> Do you feel your trust in your partner have any effect on the performance of JV	A). Financial output	5	4	3	4
	B). Overall satisfaction	5	4	3	4
	C). Achievement of your own goal	5	4	3	4
<b>Goodwill trust:</b> Do you feel your trust in your partner have any effect on the performance of JV	A). Financial output	5	4	3	4
	B). Overall satisfaction	5	4	3	4
	C). Achievement of your own goal	5	4	3	4

#### 6.4.2 Impact of control and trust on IJV performance from Chinese parent perspective

##### Impact of control on IJV performance

Same as in case of British parent companies, Chinese parent companies also hold both formal and informal control over their IJVs. Result shows that all the Chinese managers strongly agree that both formal and informal control mechanisms have positive effect on their JV performance. Chinese manager from case company 1 says:

*“Only control can ensure the smooth operation and development of our business, either formal or informal control has positive effect on our goal achievement.....”*

Manager from case company 2 states that:

*“Control is basic for every business, it becomes more important when it is JV. It directly affect on the financial output and goal achievement.”*

Manager from case company 4 says that:

*“Control is a good way to achieve satisfaction of business operation, objective or goal only can be achieved through control.”*

Chinese managers’ opinions strongly support our proposition 1: Control mechanisms are positively related to **(1a)** IJV financial output, **(1b)** overall satisfaction, and **(1c)** goal achievement.

Differently than British parent firms, Chinese parent companies exercise their control over the areas covering financing and accounting, quality, production, procurement, HR, and marketing if the products sell inside the country. Chinese manager from case company 3 states:

*“We know the local management culture, we know the supplier, we know the sales channel. And about those areas our partner might not know anything, so we need to control those areas in order to ensure our profitability and goal achievement. ”*

Similarly to case company 4, manager says:

*“We are familiar with local operations, so it is our responsibility to control the areas such as production, procurement and HR to ensure satisfactory JV performance.”*

All the Chinese parent managers agree that control focus in specific area positively effect on their JV performance. It supports proposition 2: Control focus is positively related to **(2a)** IJV financial output, **(2b)** overall satisfaction, and **(2c)** goal achievement.

In terms of control extent, the result differs from British parent companies. All Chinese parent firms require daily report that shows their control over their JV is extremely high. One reason is that the JV is in China, the daily operation needs to be controlled by the Chinese parent company. Chinese managers agree that tight control positively related to IJV performance.

Chinese manager from case company 1 says:

*“Daily reports allow us to control our operations, how much product needs to be produced, how many materials need to be purchased... all those reports with accuracy data will help us to have better operation that results in better financial output and satisfactory performance.”*

Case company 3 also requires daily report. Manager states that

*“Our monthly report gives us an entire view of JV operations, for instance the financial situation, estimated sales in coming months etc... we make decisions based on it.”*

Manager from case company 4 says that:

*“Daily reports allow us to find out any unusual clue which may result in a very serious problem and maintain satisfactory performance.”*

The above statements from Chinese managers support our proposition 3a and 3b: Control extent is positively related to **(3a)** IJV financial output and **(3b)** overall satisfaction. However, the result does not support the proposition 3c. Our finding shows that control extent is positively related to goal achievement.

### **Impact of trust on IJV performance**

Empirical findings show that Chinese parent firms trust their partners in their JVs.

Chinese manager from case company 2 says that:

*“We believe that our partner will carry out their promise since we have the same investment, and it is a big investment. Based on our experience they always fulfil what is written in the contract and even verbal promise....Because of this trust developed between us, we make more profit than before, since our partner transfers more project to this JV.”*

Chinese manager from case company 3 states:

*“We trust that our partner will carry out their promise since they have good reputation in UK in the industry.....we believe that this trust indirectly effect our JV performance in positive way.”*

However, Chinese manager from case company 1 has different opinion from other case companies:

*“In western countries, people pay more attention to the legal issues than Chinese, we believe that our partner will carry out a written agreement. But if they do not want to*

*make a written agreement they knew what it means, then we should not believe that will happen....”*

Although manager from case company 1 has different opinion as others. Overall, most managers agree that contractual trust has positive effect on JV performance. Therefore, proposition 4 is supported. Contractual-based trust is positively related to **(4a)** IJV financial output and **(4b)** overall satisfaction, and **(4c)** goal achievement.

In terms of competence trust, Chinese managers trust their partners have the competence to fulfill their promises or agreement. All of Chinese managers agree that there is positive relation between competence trust and their JV performance. One of the managers from case company 2 says:

*“We trust our partner has the competence to fulfill our agreements. They have the most advanced technology and popular brand in Europe...our trust in their competence have positive effect on our JV performance”*

Chinese manager from case company 4 has similar opinion:

*“Our partner has operations in different areas; our partner does not only have capital, but also have high technology. To learn high technology was one of our goals when we formed this JV, we believe we will achieve our goal based on our trust.”*

All Chinese companies agree that competence trust has positive effect on JV performance. Therefore the proposition 5 is supported. Competence-based trust is positively related to **(5a)** IJV financial output and **(5b)** overall satisfaction, and **(5c)** goal achievement.

The result indicates that all Chinese managers trust that their partner will behave well towards mutual benefits even if there is no explicit agreement. They also agree that there is positive relation between this goodwill trust and their JV performance. One of the managers from case company 1 says:

*“Trust is the most important thing between business partners, and it becomes more important when there is no explicit agreement. We invest in earning more profit, there is no reason we do not behave well towards our mutual benefits. We do believe our partner thinks the same.”*

Chinese manager from case company 4 states:

*“Both partners invest lots of money, and it is a long term investment. In this case, both partners need to trust each other which will reduce uncertainty and risk and enhance smooth operation. ”*

The proposition 6 is supported by all the Chinese managers. Goodwill trust is positively related to **(6a)** IJV financial output and **(6b)** overall satisfaction, and **(6c)** goal achievement since most of case company

**Table 9** Summary of impact of control and trust on IJV performance from Chinese parent perspective.

Five-point Likert Scales is used in this study: (1 not at all – 5 highly affected)

Case		Case 1	Case2	Case3	Case4
Establish of JV		1993	2001	2009	2010
Equity Share		50%	50%	49%	50%
<b>Control mechanisms:</b> Did those control mechanisms affect the performance of JV	A). Financial output	4	4	4	4
	B). Overall satisfaction	5	5	5	4
	C). Achievement of your own goal	5	5	5	4
<b>Control focus :</b> Did those control focus affect the performance of JV	A). Financial output	5	5	5	4
	B). Overall satisfaction	4	5	4	5
	C). Achievement of your own goal	5	5	5	4
<b>Control Extent :</b> Did those control extent affect the performance of JV	A). Financial output	5	5	5	5
	B). Overall satisfaction	5	5	5	5
	C). Achievement of your own goal	5	5	5	5
<b>Contractual trust:</b> Do you feel your trust in your partner have any	A). Financial output	3	4	5	4
	B). Overall satisfaction	3	4	5	5



effect on the performance of JV	C). Achievement of your own goal	3	4	4	5
<b>Competence trust:</b> Do you feel your trust in your partner have any effect on the performance of JV	A). Financial output	4	4	4	4
	B). Overall satisfaction	4	5	4	4
	C). Achievement of your own goal	4	5	4	4
<b>Goodwill trust:</b> Do you feel your trust in your partner have any effect on the performance of JV	A). Financial output	5	3	5	5
	B). Overall satisfaction	5	5	5	5
	C). Achievement of your own goal	5	5	5	5

## 7. SUMMARY AND CONCLUSION

This chapter opens up the theoretical side of the study with summaries. Next it concludes the findings of the empirical study, and draws the empirical frame work of this study. Finally, managerial implications and implication for the theory and further research are suggested.

### 7.1. Summary

The objective of the present study was *“What is the relation between control, trust and performance in International Joint Ventures in China?”* This study focused on Sino-British manufacturing joint ventures in China. To answer this research question, the sub-objectives of the study were:

1. To increase the understanding about the nature of control in IJVs.
2. To analyse the key concept “trust”.
3. To conceptualize the key concept of “performance”.
4. To theoretically analyse the link between “control” and “performance”, and the link between “trust” and “performance” in IJVs.
5. To empirically analyse the relation between “control” and “performance”, and the relation between “trust” and “performance” in Sino-British IJVs.

Chapter 2 concentrated on the first sub-objective of the study. To answer this sub-objective, the conceptualization of IJV control, foundation theories of IJV control were discussed in detail.

International joint venture control has been studied by many researchers due to the importance of control in IJVs. The notion of control in IJVs is much more complex and multifaceted concept, since two or more parties join in the management control of IJVs.

Present study adopts the notion of control defined by Geringer and Hebert (1989: 236-237), which is defined as:

*“the process by which one partner influences, to varying degrees, the behaviour and output of the other partner, through the use of power, authority and a wide range of bureaucratic, cultural and informal mechanisms.”*

In order to get better understanding of how control affects the performance of IJVs, three dimensions of control in IJVs were examined in this study, they are control mechanisms, control focus and control extent.

Resource dependence theory and transaction cost economics have become the most frequently used theories to explain the IJV control. Both theories explains one of most important reason of formation IJV, and it also gives answer to why control is needed in IJVs.

Chapter 3 concentrated on the second sub-objective of this study. To answer this sub-objective, the concept of trust in IJVs, different dimensions of trust, foundation theories of IJV trust were discussed.

Scholars agreed the importance of trust in IJV, but there is not universal definition of IJV trust. This study prefers more comprehensive definition of IJV trust by Boersma, Buckley and Ghauri (2003: 1032), trust is:

*“an expectation that a party can be relied on to keep to agreements (promissory), will perform its role competently (competence) and that the party will behave honourably even where no exploit promises or performance guarantees have been made (good will).”*

Three dimension of trust defined by Sako (1992) were chosen for examining the IJV performance in this study, they are contractual-based trust, competence-based trust and goodwill-based trust.

Social exchange theory and transaction cost economics have become the most frequently used theory to explain the IJV trust. . Both theories explains one of most important reason of formation IJV, and it also gives answer to why trust is needed in IJVs.

Chapter 4 concentrated on the third and fourth sub-objective of this study. First the complexity of IJV performance and performance measurements in IJVs are discussed. Then, the impact of control and trust on IJV performance has been separately discussed and the proposed conceptual framework is presented.

This is no appropriate definition of IJV performance and its measurement. The reasons are IJV performance is a multivariate construct that cannot be represented by one single indicator, and it is impossible to have a universal definition. Furthermore, each party in the IJV may also have their own criteria for performance evaluation, since they have different motivation to form the IJV. Even, the measurement of performance in a single organization is a controversial area, since there is no clarification between indicators of performance and determinates of performance. This difficulty of measuring performance is exacerbated in IJVs because of number of parties involved in IJV. However, Objective measure of financial output and subjective measure of overall satisfaction with IJV performance, and goal achievement will be taken into consideration for examining the IJV performance in present study.

The impact of control and trust on IJV performance is discussed based on prior studies. According to previous studies, both control and trust are positively related to IJV performance except control extent do not have relation with goal achievement, 6 propositions were proposed from this study.

Chapter 5 explained the methodology used in the present study. Qualitative case study was chosen as the method for empirical study since it is suitable for this research objective. It gave opportunities to gain deeper understanding of the impact of control and trust in IJV performance. Data collection was done by telephone interviews with the semi structured questionnaires.

Chapter 6 concentrated on the fifth sub-objective of this study which is to empirically analyse the link between “control” and “performance” in IJV and the link between “trust” and “performance” in IJV.

The empirical finding shows that both Chinese and British parent firms exercise control over their IJVs. The both parent firms adopted both formal and informal control mechanisms in their IJVs, they both require very tight control over their IJVs, but they do focus their control in different areas. In terms of trust, both parent firms trust their partners and they all believe their partner have competence to fulfil the promises and will behave well toward mutual benefits even there is no explicit agreement. Furthermore, most of the firms believe their partner will carry out a verbal or written promise, but one Chinese firm does not believe that its partner will carry out a verbal promise.

In terms of relation between control and trust in IJVs, Chinese parent companies believe that there is positive relation between IJV control and trust. Two British parent firms could have the same conclusion, but another two British parent firms believe there is no relation between control and trust in IJV.

## **7.2. Conclusions**

Previous studies indicate that control and trust are the two most important antecedent of IJV performance. In spite of this, the emerging literature has paid insufficient attention to examine them jointly and with both parent perspective. This study has focused on the impact of control and trust on IJV performance from both parent perspective and four key findings of this study are found as below.

First, following the advice of Geringer and Hebert (1989), in order to get better understand of how control affects the performance of IJVs, this study has examined three dimensions (control mechanisms, control focus and control extent) of control jointly with their relation to three performance measurements (financial output, overall satisfaction and goal achievement) of IJV. Both Chinese and British parent companies were studied, and the findings of this study confirm the proposition 1, proposition 2 and proposition 3a and 3b. This means both Chinese and British parent companies agree that control mechanisms and control focus has positive relation with IJV financial output, overall satisfaction and goal achievement. The control extent is positively related to IJV financial output and overall satisfaction. But the findings also show that control extent

has positive relation with IJV goal achievement which is differ from the proposition 3c. there is no relation between them. A good point from Chinese case company is: *“Our goal is to earn profit from this JV, and we are responsible for daily operation, we must have daily report to ensure that we are in the right position. Definitely the tightness of control affects our goal achievement.”* British manager presses the similar idea: *“We require monthly report since we want to know that everything is right there, if we require seasonal report it will be too late to notice the potential problems and make adjustment.”*

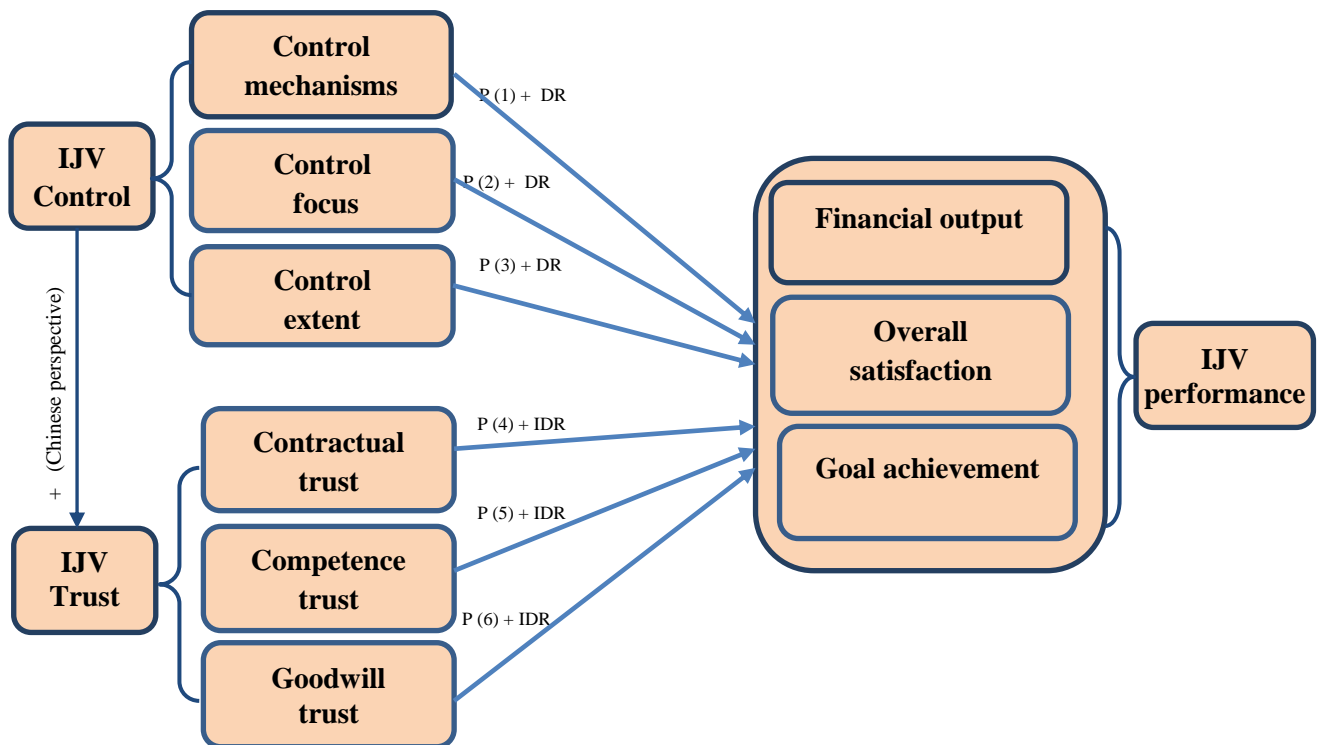
Second, to analyze the nature of trust with its relation to IJV performance, this study breaks down the trust into three dimensions: contractual trust, competence trust and goodwill trust in order to gather better understanding of their relation with IJV performance. Empirical findings indicate that both Chinese and British parent company agree that trust has positive relation with IJV performance, therefore the proposition 4,5,6 are supported by the findings. The result confirms the importance and the need of trust in IJV performance.

Third, the relation between control and trust in IJV has been studies in this study. Five of the case companies agree that there is positive relation between control and trust. Although two British parent companies agree that there is positive relation between control and trust, but another two British parent companies argue there is no directly relation between control and trust. Therefore this study cannot draw the finding from British parent point of view regarding the relation between control and trust in IJVs. Three Chinese parent companies agree that there is positive relation between control and trust. This information indicates that when Chinese parent company has more control over their JV, they become more trust their partners.

Fourth, although it has been discussed that both control and trust has positive effect on IJV performance but according to the findings 100% of the answers agree that control has positive effect on IJV performance, 64 % of the answer confirm control has highly effect on their IJV performance. In terms of trust, 81% of the answers agree that trust has positive effect on IJV performance, and only 35% of the answer from both Chinese and

British parent firm confirm that control has highly effect on their IJV performance. During the interview, many managers confirm that control has direct effect on IJV performance and trust has indirect effect on IJV performance. For instance, one British manager mentioned: *“We need to trust each other even if there is no explicit agreement or promises, since we are on the same boat already! We do trust our partner will behave well towards our mutual benefit even if there is no agreement. There might be no direct effect on our JV performance but we believe there is positive relation between our trust and our JV performance.”* Another manager also says: *“We trust that our partner will carry out a verbal or written promise since they have very good reputation in China. Our trust not directly returns in our financial output but indirectly does...”*

Figure 5 shows the empirical findings of this study. It shows the impact of control and trust on IJV from both Chinese and British parent perspective.



**Please note:** DR means that there is direct effect and IDR means that there is indirect effect.

**Figure 5** Empirical findings.

### **7.3. Managerial implications**

This study exams control and trust jointly in relation to IJV performance. The findings suggest that managers need to recognize that control is important for IJV performance. Control on one hand can hold critical resource the parent provide in IJVs and maintain its control position. On the other hand control can reduce cost and to gain better IJV performance. Control mechanisms, control focus, and control extent are positively related to IJV performance. Managers need to use them joint in their IJV control in order to achieve better IJV performance.

Another finding suggests that managers need to notice the importance of trust in IJVs. Trust is also positively related to IJV performance. In one side trust in IJV can reduce both ex anta and ex post transaction cost, and it also can protect from opportunism. In another side, trust provides the social “glue” within which economic exchange occurs, and produce of on-going interactions between the partners. Therefore, managers need to develop mutual trust between partners in order to achieve better IJV performance.

Empirical findings indicate that control has direct-effect on IJV performance and trust has indirect effect on IJV performance. This result suggests managers that control and trust are two separate routes to risk reduction, firms need to combine and balance them in specific ways to achieve best risk management and performance improvement.



#### **7.4. Implications for theory and future research**

This study has given results on the impact of control and trust on IJV performance. The major contribution of this study is to study both control and trust jointly to the relation of IJV performance. This helps the managers to understand the importance of control and trust for IJV performance simultaneously, rather focusing only one antecedent.

This study also adds both partners' perspective of IJV performance. Taking only one partner's perspective on IJV performance is incomplete since every partner has its own objective of forming IJV. In addition, the present study used both objective and subjective measures for IJV performance. The reason for that is good objective achievement may not really lead to satisfaction of the partner if they have other expectations from their IJV.

This study has given deep insights to practitioners to understand the impact of control and trust on IJV performance and how to manage them jointly to achieve better IJV performance. However, this study was done by using few case companies as the method to answer the research questions. It will be more interesting if the further research can adopt a large quantitative study on this research topic. Moreover, the present study did not draw conclusion regarding the relation between control and trust from the British parent company perspective in their Sino-British JV in China. It can be one interesting future research area. Furthermore, this study was conducted between a developed country and a developing country and it would be interesting to conduct a comparative study to know the impact of control and trust on IJVs between developed countries.

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**APPENDIX 1: Semi-structured interview questionnaire**

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**Semi-structured interview questionnaire**

Name of your company: \_\_\_\_\_

Name of IJV and location: \_\_\_\_\_

The year of IJV was

formed: \_\_\_\_\_

Name of partner companies and their ownership shares:

Partner 1: \_\_\_\_\_ % Partner 2: \_\_\_\_\_ %

Partner 3: \_\_\_\_\_ % Partner 4: \_\_\_\_\_ %

Type of this joint venture: A). \_\_\_\_\_ Greenfield; B). \_\_\_\_\_ Partial acquisition

**1. What were the main reasons for your company to choose JV than another mode?** \_\_\_\_\_

A). Earn profit; B). Increase market share; C). Low cost sourcing; D). Access to local marketing expertise; E). Establish a base to access other countries; F). Access to local management expertise; G). Develop or learning new product/technology; H). Achieve economies of scale;

I). Access to local distribution channel; J). Reduce capital investment;

Others (Please specify if the reason is not in the list): \_\_\_\_\_

**2. What were the goals of your company expected to achieve in this JV?** \_\_\_\_\_

**3. For how long time the IJV was planned to last? Was there any clear reference in the IJV agreement?**

A). \_\_\_ No reference in the agreement; B). \_\_\_ 1-2 years; C). \_\_\_ 3-4 years;

D). \_\_\_ 5-6 years; E). \_\_\_ 7-9 years; F). \_\_\_ 10 years or longer time;

**4. What is your ownership share in this JV? What was the original share your company expected? If it was different, why?** \_\_\_\_\_.

**5. Your company's operation in the country before the establishment of this JV:**

- A). \_\_\_\_\_ no prior activity; B). \_\_\_\_\_ licensing agreement; C.) \_\_\_\_\_ exporting;  
 D). \_\_\_\_\_ a wholly-owned manufacturing unit; E). \_\_\_\_\_ a manufacturing joint venture;  
 F). \_\_\_\_\_ several manufacturing units ; G). \_\_\_\_\_ other operations.

**6. What was your company's experience in IJV operation at the time of JV's establishment?**

- A). \_\_\_\_\_ Non; B). \_\_\_\_\_ One; C). \_\_\_\_\_ 2-4; D). \_\_\_\_\_ 5-9; F). \_\_\_\_\_ 10 or more.

**7. Did you have JV experience in the target country before? \_\_\_\_\_ Yes. \_\_\_\_\_ No**

**8. How many potential partner candidates did your firm evaluate before it chose this partner?**

- A). \_\_\_\_\_ 1 (the final partner); B). \_\_\_\_\_ 2 ; C). \_\_\_\_\_ 3-5; D). \_\_\_\_\_ 6-9; E). \_\_\_\_\_ 10 or more.

**9. Who would you say has control over the JV? How many percent of control does your company have over the JV? \_\_\_\_\_.**

**10. What kind of control mechanisms did your company have over the JV?**

Formal control: A). \_\_\_\_\_ Holding Major equity share; B). \_\_\_\_\_ Venture board representation;

C). \_\_\_\_\_ Appointment of key venture person; D). \_\_\_\_\_ Exercising vote right;

Informal control: E). \_\_\_\_\_ Training of venture managers; F). \_\_\_\_\_ Interaction, such as meetings. G). \_\_\_\_\_ Informal socialization such as informal phone calls, outdoor activities.

Others (Please specify if not in the list) \_\_\_\_\_

**11. Did those control mechanisms affect the performance of JV in terms of financial output, the overall satisfaction and achievement of own goal? Please choose as below:**

	Not at all	somewhat			highly affected
A). Financial output	1	2	3	4	5
B). Overall satisfaction	1	2	3	4	5
C). Achievement of your own goal	1	2	3	4	5

**12. To which areas do you focus on your control over the JV? Why do you choose those areas?**

A). \_\_\_Financing and accounting; B). \_\_\_Quality control; C).\_\_\_Production; D). Procurement;  
 E). \_\_\_Human resources; F).\_\_\_Marketing, sales and distribution; G). \_\_\_Technology.  
 H). \_\_\_Research and Development; I). \_\_\_Strategy activities;  
 Others (Please specify if not in the list) \_\_\_\_\_

**13. Did you feel control over those areas affect the performance of JV in terms of financial output, the overall satisfaction and achievement of own goal? Please choose as below:**

	Not at all	somewhat			highly affected
A). Financial output	1	2	3	4	5
B). Overall satisfaction	1	2	3	4	5
C). Achievement of your own goal	1	2	3	4	5

**14. How tightness of control your company had in your JV?**

A). \_\_\_Daily report; B). \_\_\_Monthly report; C). \_\_\_ Seasonally Report; D). \_\_\_Yearly report. Others (Please specify if not in the list) \_\_\_\_\_

**15. Did you feel the tightness of control affect the performance of JV in terms of financial output, the overall satisfaction and achievement of own goal? Please choose as below:**

	Not at all	somewhat			highly affected
A). Financial output	1	2	3	4	5
B). Overall satisfaction	1	2	3	4	5

C). Achievement of your own goal      1                      2      3      4                      5

**16. Overall, in which degree do you trust your partner?**

	Strongly disagree				strongly agree	
We trust our partners.	1		2	3	4	5

**17. Do you believe your partner will carry out a verbal or written promise?**

	Strongly disagree				strongly agree	
We trust our partner will carry out a verbal or written promise.	1		2	3	4	5

**18. Do you feel your trust in your partner have any effect on the performance of JV in terms of financial output, overall satisfaction and goal achievement? Please choose as below:**

	Not at all		somewhat		highly affected	
A). Financial output	1		2	3	4	5
B). Overall satisfaction	1		2	3	4	5
C). Achievement of your own goal	1		2	3	4	5

**19. Do you believe your partner have competence to fulfil the promises?**

	Strongly disagree				strongly agree	
We trust our partner have competence to fulfill the promises.	1		2	3	4	5

**20. Do you feel your trust in your partner have any effect on the performance of JV in terms of financial output, overall satisfaction and goal achievement? Please choose as below:**

	Not at all		somewhat		highly affected	
A). Financial output	1		2	3	4	5
B). Overall satisfaction	1		2	3	4	5
C). Achievement of your own goal	1		2	3	4	5

**21. Do you trust your partner will behave well toward your mutual benefits even there is no explicit agreement or promises?**

	Strongly disagree				strongly agree	
We trust our partner will behave well						
Toward mutual benefits even there is	1	2	3	4	5	
No explicit agreement.						

**22. Do you feel your trust in your partner have any effect on the performance of JV in terms of financial output, overall satisfaction and goal achievement? Please choose as below:**

	Not at all	somewhat		highly affected	
A). Financial output	1	2	3	4	5
B). Overall satisfaction	1	2	3	4	5
C). Achievement of your own goal	1	2	3	4	5

**23. How do you define the relation between trust and control in this JV?**

- A). There is no relation between trust and control.  
 B). There is positive relation between trust and control.  
 C). There is negative relation between trust and control.

Other, please

specify\_\_\_\_\_.

**24. Are you satisfied with the performance of this JV?**

	Strongly unsatisfied				strongly satisfied	
Financial Performance	1	2	3	4	5	
Overall satisfaction of the JV Performance	1	2	3	4	5	
Achievement of your goals:						
Goal 1: (From the 2 <sup>nd</sup> question	1	2	3	4	5	
Goal 2: (From the 2 <sup>nd</sup> question	1	2	3	4	5	
Goal 3: (From the 2 <sup>nd</sup> question	1	2	3	4	5	

**25. If you are not satisfied with this JV performance, in which part you are not satisfied? Please specify the reasons?**

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**26. Can you think of anything that you or your partner could have done differently that would have improved the performance of this JV?**

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Your name: \_\_\_\_\_

Your position in the company: \_\_\_\_\_

Your telephone contact number: \_\_\_\_\_

Your email: \_\_\_\_\_

Did you participate in the establishment of the JV? \_\_\_\_Yes \_\_\_\_No

Your relationship with the JV at the moment:

---

Would you like to have a summary of the study results? \_\_\_\_Yes \_\_\_\_No

**Thank you very much for your cooperation!**



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采访问卷表

公司名称:\_\_\_\_\_

合资公司名称和地址:\_\_\_\_\_

合资公司建立年份:\_\_\_\_\_

合作伙伴以及他们持股比例:

合作伙伴 1:\_\_\_\_\_ 合作伙伴2:\_\_\_\_\_

合作伙伴3:\_\_\_\_\_ 合作伙伴4:\_\_\_\_\_

合资公司类型: A).\_\_\_\_ 重新建立公司; B).\_\_\_\_ 部分收购

**1. 哪些是贵公司选择合资模式的原因?\_\_\_\_\_**

A).赚取更多利润; B).增加市场份额; C).低成本采购; D). 获取当地市场的相关专业知识; E).建立一个通往其他国家的基础; F). 获取当地管理方面的相关专业知识 G). 开发或者是学习新的产品/技术; H).获取规模经济利益;I). 获取当地配送通道; J).减少资本投资;

其他 (如果贵公司选择合资模式的原因未在列表中, 请阐述):\_\_\_\_\_

**2. 在本次合资中, 什么是贵公司最想要达到的目标?**

\_\_\_\_\_

**3. 这个合资项目贵公司预期会持续多久? 在合同中有明确写出来吗?**

A). \_\_在合同中未标准具体的合作期限; B).\_\_1-2 年; C). \_\_3-4 年;

D).\_\_5-6年; E). \_\_7-9年; F).\_\_10 年或更长.

**4. 贵公司在此次合资公司中所占的股份比例是多少? 这个股份配额是不是原来贵公司预期的? 如果不是, 为什么?**

\_\_\_\_\_



**5. 贵公司在合资公司成立之前在中国的运作情况:**

- A).\_\_\_\_\_ 没有任何商业活动; B).\_\_\_\_\_ 授权协议; C.) \_\_\_\_\_ 出口;  
 D). \_\_\_\_\_ 独自拥有的制造厂商; E). \_\_\_\_\_ 合资制造厂商; F). \_\_\_\_\_ 多个制造工厂;  
 G). \_\_\_\_\_ 其他运作方式

**6. 贵公司在本次合资公司之前是否有相关合资经验?**

- A).\_\_\_\_\_ 没有; B).\_\_\_\_\_ 有过一次; C).\_\_\_\_\_ 2-4次;  
 D).\_\_\_\_\_ 5-9次; F).\_\_\_\_\_ 10 次及以上.

**7. 贵公司是否有在中国的合资经验? \_\_\_\_\_有. \_\_\_\_\_没有**

**8. 在选择这个合作伙伴时, 公司有评估过多少个可潜在的合作伙伴?**

- A).\_\_\_\_\_ 1 (最终的合作伙伴); B). \_\_\_\_\_ 2个 ; C). \_\_\_\_\_ 3-5个;  
 D). \_\_\_\_\_ 6-9个; E). \_\_\_\_\_ 10 个及以上.

**9. 在合资公司中谁享有控制权? 贵公司对合资公司中的控制占多少比例?**

\_\_\_\_\_

**10. 在此合资公司中, 贵公司运用了哪些控制机制?**

正式的控制机制: A). \_\_\_\_\_ 掌控主要的股份; B).\_\_\_\_\_ 控制出席合资公司董事会人员;

C). \_\_\_\_\_ 委任合资公司的关键人员; D). \_\_\_\_\_ 行使投票权;

非正式控制机制: E). \_\_\_\_\_ 培训合资公司经理; F). \_\_\_\_\_ 加强互动, 如会议等.

G). \_\_\_\_\_ 非正式的社交活动, 如电话, 网络交流或户外活动等.

其他 (若未在清单中, 请阐述) \_\_\_\_\_

**11. 前面提到的控制机制对合资公司在以下三方面是否有影响: 财政收入, 整体的运作满意程度, 对达到自己的目标? 请对相应影响程序做以下选择:**

	无影响	有一些影响	有非常大的影响
A). 财政收入	1	2 3 4	5
B). 整体运作满意程序	1	2 3 4	5

C). 自己公司合资目标的达成                      1                      2                      3                      4                      5

**12. 贵公司具体在哪些运作领域上对合资公司实施控制？为什么选择这些领域？**

A). \_\_\_\_财政方面； B). \_\_\_\_质量控制； C). \_\_\_\_生产； D). \_\_\_\_采购； E). \_\_\_\_人力资源； F). 市场，销售和渠道； G). \_\_\_\_技术. H). \_\_\_\_研发； I). \_\_\_\_策略相关；  
其他 (若未在清单中，请阐述) \_\_\_\_\_

**13. 前面提到的相关控制领域对合资公司在以下三方面是否有影响：财政收入，整体的运作满意程度，对达到自己的目标？请对相应影响程序做以下选择：**

	无影响	有一些影响	有非常大的影响
A). 财政收入	1	2    3    4	5
B). 整体运作满意程序	1	2    3    4	5
C). 自己公司合资目标的达成	1	2    3    4	5

**14. 贵公司对此合资公司的控制程度？**

A). \_\_\_\_每天的运作情况报告； B). \_\_\_\_每月的运作情况报告；  
C). \_\_\_\_每季度的运作情况报告； D). \_\_\_\_年度的运作情况报告。  
其他 (若未在清单中，请阐述) \_\_\_\_\_

**15. 前面提到的相关控制程序对合资公司在以下三方面是否有影响：财政收入，整体的运作满意程度，对达到自己的目标？请对相应影响程序做以下选择：**

	无影响	有一些影响	有非常大的影响
A). 财政收入	1	2    3    4	5
B). 整体运作满意程序	1	2    3    4	5
C). 自己公司合资目标的达成	1	2    3    4	5

**17. 总的来说，你是否信任你的合作伙伴？请选择任何程度如下：**

	完全不信任	非常信任
我们非常信任我们的合作伙伴	1                      2    3    4	5

**18. 你是否相信你的合作伙伴将履行口头的承诺？**

	完全不相信				完全相信
我们相信我们的合作伙伴会履行口头的承诺.	1	2	3	4	5

**18. 你是否认为对合作伙伴的信任对合资公司在以下三方面有影响：财政收入，整体的运作满意程度，对达到自己的目标？请对相应影响程度做以下选择：**

	无影响	有一些影响	有非常大的影响
A). 财政收入	1	2 3 4	5
B). 整体运作满意程度	1	2 3 4	5
C). 自己公司合资目标的达成	1	2 3 4	5

**19. 你是否相信你的合作伙伴有履行承诺的能力？**

	完全不相信				完全相信
我们相信我们的合作伙伴有履行承诺的能力.	1	2	3	4	5

**20. 你是否认为对合作伙伴的履行承诺能力的信任对合资公司在以下三方面有影响：财政收入，整体的运作满意程度，对达到自己的目标？请对相应影响程度做以下选择：**

	无影响	有一些影响	有非常大的影响
A). 财政收入	1	2 3 4	5
B). 整体运作满意程度	1	2 3 4	5
C). 自己公司合资目标的达成	1	2 3 4	5

**21. 你是否相信你的合作伙伴在没有具体的协议或是承诺的前提下也会以双方互利作为运作的方向？**

	完全不相信				完全相信
我们相信我们的合作伙伴在即时 没有协议或是承诺的前提下也会 以双方互利作为运作的方向。.	1	2	3	4	5

**22. 你是否认为对合作伙伴的这种互利为目标的信任对合资公司在以下三方面有影响：财政收入，整体的运作满意程度，对达到自己的目标？请对相应影响程序做以下选择：**

	无影响	有一些影响	有非常大的影响
A). 财政收入	1	2 3 4	5
B). 整体运作满意程序	1	2 3 4	5
C). 自己公司合资目标的达成	1	2 3 4	5

**23. 你认为的此合资公司中对合作伙伴的控制与信任之间的关系是什么？**

- A. 在此合资中，控制与信任之间没有任何关系
- B. 控制与信任之前有正面积积极的影响关系，控制让我们更信任对方。
- C. 控制与信任之间有负责的影响关系，合作伙伴的控制让对我们不信任合作伙伴。
- 其他？ \_\_\_\_\_.

**24. 贵公司对些合资公司的运作/绩效是否满意？**

	非常不满意				非常满意
财政收入	1	2	3	4	5
整体运作满意程序	1	2	3	4	5
自己公司合资目标的达成:					
目标 1: (第2题答案)	1	2	3	4	5
目标 2: (第2题答案)	1	2	3	4	5
目标 3: (第2题答案)	1	2	3	4	5

25. 如果贵公司对此合资公司的运作/绩效不满意，具体是哪一部分不满意？请说明原因为什么不满意？

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26. 是否有一些地方人认为合作伙伴可以改变一下从而提高此合资公司的运作效率？

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姓名: \_\_\_\_\_ 职位: \_\_\_\_\_  
电话: \_\_\_\_\_ 邮件地址: \_\_\_\_\_.

您是否有参与了合资公司的建立? \_\_\_\_有 \_\_\_\_没有

您现在与此合资公司的关系是:

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您是否希望收到这个调研的结果? \_\_\_\_需要 \_\_\_\_不需要

**感谢您的积极配合!**

**APPENDIX 2:** International Joint Venture (IJV) Performance Measures Studied in the Literature. Source (Ren et al. 2009:807)

Performance Measures	Variables	Studies	Critique
Survival	Longevity Termination	Dhanaraj and Beamish (2004); Gaur and Lu (2007); Kumar (2005); J. W. Lu and Xu (2006); Makino, Chan, Isobe, and Beamish (2007); Meschi and Riccio (2008); Steensma and Lyles (2000)	Insufficient for comparing across IJVs Needs to include motivation for termination
Financial output	Return on investment, return on assets, return on sales Asset turnover Market share	C. B. Choi and Beamish (2004); Dhanaraj, Lyles, Steensma, and Tihanyi (2004); J. W. Lu and Xu (2006); Luo (2001, 2002a, 2002b, 2005, 2007a, 2008); Robins, Tallman, and Fladmoe-Lindquist (2002); Zhang, Li, Hitt, and Cui (2007)	Difficult to isolate IJV component of performance  Best combined with subjective measures
Overall satisfaction	Managerial evaluation of the IJV overall performance	Boateng and Glaister (2002); Demirbag and Mirza (2000); Dhanaraj et al. (2004); Gong, Shenkar, Luo, and Nyaw (2005, 2007); Isobe, Makino, and Montgomery (2000); Kwon (2008); Lane, Salk, and Lyles (2001); Li and Hambrick (2005); Luo and Park (2004); Luo, Shenkar, and Nyaw (2001); Nakos and Brouthers (2008); Yeheskel, Zeira, Shenkar, and Newburry (2001); Zhang and Li (2001)	Common methods problems Threats to validity because of sampling error
Goal achievement	Managerial evaluation of the IJV parent's goal achievement	Brouthers and Bamossy (2006); Child and Yan (2003); Fryxell, Dooley, and Vryza (2002); Krishnan, Martin, and Noorderhaven (2006); Luo (2002c, 2008); Ng, Lau, and Nyaw (2007); Robson, Katsikeas, and Bello (2008); Zollo, Reuer, and Singh (2002)	Parents may have differing goals or different weighting of goals Overall importance of the IJV could vary by parents
Learning	Partner learning Knowledge accumulation and transfer	Dhanaraj et al. (2004); Lane et al. (2001); Tsang (2002); Zollo et al. (2002)	Threats to validity because of sampling error Tends to be a secondary goal