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**EXPLORATORY STUDY OF
HUMAN RESOURCE BASED CONTROL MECHANISMS IN FINNISH-
CHINESE INTERNATIONAL JOINT VENTURE: A FOREIGN PARENT
PERSPECTIVE**

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ABSTRACT :

The main objective of this case study is to explore the use of four human resource based control mechanisms: staffing of the key positions , training and development , performance appraisals and compensation and rewards in a Finnish-Chinese international joint venture from the foreign (Finnish) parent perspective . The study suggests that these four human resource strategies which have proven effective in various other organizational environments can be utilized as important control tools within the context of IJVs though their importance have been neglected in the past . The study also comes with three main findings. First the ranking of these control mechanisms based on their importance differed and the staffing of personnel at key positions gave a greater sense of control to the foreign parent over the IJV followed by training and development, compensation and rewards and performance appraisal. Secondly the foreign parent staffed the key positions only with the PCNs (parent company nationals) and no TCNs (third country nationals) or HCNs (host country nationals) were used. Third the exercise of these four human control mechanisms resulted in greater foreign parent satisfaction and IJV performance. The exercise of these control mechanisms by the foreign parent is explained in the light of agency theory. Effective employment of these mechanisms by the foreign parent firm and implications of these concepts for the managers and others interested in the successful formation and management of IJVs are also presented. Data collection took place through six face to face interviews

KEY WORDS: IJV Control, Human Resource Control Mechanisms, IJVs .

1. INTRODUCTION

1.1. Introduction to the research topic

International joint ventures (IJVs) serve as important entry mode operation choice for multinational corporations (MNCs), particularly for those firms who want to expand their business globally. Inter-organizational cooperative arrangements can exist in many types such as bilateral or multilateral; involving partners from similar or different product or service sectors and impose higher or lower cooperative mandates. The strategic importance of such arrangements may also vary to the IJV partners, ranging from casual and tactical arrangements (e.g. information sharing, trade shows, membership in industrial associations) to various forms of strategic alliances that need higher levels of commitment and control (e.g. cartels, joint research and development). IJVs are organized to create stronger organizations by bringing together the competencies of the parent firms (Fryxell , Gerald E. & Dooley , Robert S. & Vryza , Maria 2002).

In the present competitive environment , organizations can no longer expect to provide all the resources and skills required to achieve their strategic objectives from within their own structure nor afford to carry all costs and risks associated with increased size and complexity of their international activities . IJVs provide a number of advantages to the parent firms which include ; overcoming the institutional restrictions, expansion of global business presence, risk diversification, leveraging their core competencies and the acquisition of complementary resources . (Hennart 1991; Eisenhardt & Schoonhoven 1996; Petrovic & Kakabadse 2003; Chen 2004) .

IJVs enhance the competitiveness of the parent firms through sharing of resources, strengths, capabilities and other attributes. However despite their great potential benefits, they are a difficult form of organization to manage and parent firms are faced with frequent problems. Problems related to IJVs are mostly internal not external. The existence of two or more parents with e.g. different corporate and national cultures, goal conflicts and decision making (due to ownership structure) are some of the major

problems inherent in IJVs. In addition an IJV is a type of long term contract formed in a dynamic environment. As the environment surrounding the partners and the IJV are changing all the time, the contract may be too inflexible to allow the required adjustments to be made. From this perspective the IJVs can also be viewed as inherently unstable organizational forms. Lastly, problems may arise due to the inability of the owner to manage the ventures effectively. Business Week (1986) refers to the independent studies by McKinsey & Co. and Coopers and Lybrand which found that about 70 percent of IJVs did not achieve the expected goals or were disbanded. According to some other studies, on average IJVs do not last as long as one half terms of years stated in the IJV agreement. A survey conducted by Weston (1997) includes many examples of IJVs that came apart either before they started or in the initial phase of the venture. (Li & Mellgren 2000).

Despite the high failure rate of inter-firm partnerships, a large number of IJVs are established every year by companies seeking to attain global market opportunities and production efficiency which shows that IJVs can offer great rewards if properly managed. The question of control of IJVs by the parent firms has therefore gained importance both among the managers and researchers due to its critical role in the success of IJVs as it is related with the management (Andersson & Forsgren 1996; Kumar & Seth 1998; Birnberg 1998). As such IJVs have become a basic fact of life for many managers.

The success of IJVs greatly depends on the designing and implementation of an appropriate parent control system. The role of control in firm's ability to achieve its strategic objectives is a significant one. Control affects the firm's ability to monitor, coordinate and integrate the activities of its various business operations. Effective control over the IJV enables the parent company to exploit its competitive advantage by coordinating the IJV's activities with the parent's strategy. Control also becomes essential for the effective and safe transfer of technology and protection of competitive advantage to the partner or some other competitor. Control provides protection against the leakage of unique knowledge contributed by the parents, the effective application of their assets, skills and knowledge in the JVs. Control can increase the parent's ability to

use the IJVs commonly owned resources to achieve the objectives on its own agenda. Parents also use control in order to transfer norms, management practices and critical knowledge effectively. Parent control also becomes essential in order to influence the strategic direction of the IJV such as resolving disputes that may arise in order to maximise return on investment. Control can be used as a device for the prevention of possible opportunistic and deceitful behaviour and expropriation of assets by a partner. In some emerging economies, such as China, the need for control may be even stronger, because control might “serve as a substitute for reliable government and an established law”. From the perspective of the developing-country-based local parent, learning the technology contributed to the IJV by the foreign parent is a significant objective. Control over the IJV may enhance local parent’s ability to transfer the new technology to its other businesses, and thus create a positive spill over for the local parent. (Geringer & Frayne 1990; Hamel 1991; Yan & Gray 1994; Baughn et al. 1997; Kumar & Seth 1998; Al Obaidi 1999; Zhang & Li 2001; Norman 2002; Mohr & Sengupta 2002; Wong et al. 2003; Glaister et al. 2003; Pangarker & Klein 2004; Das 2005; Turner & Makhija 2006) .

Control should not be interpreted as one partner of the IJV acting selfishly in its own interests otherwise in such a situation the IJV may not survive. It is important to mention that a unique feature of the IJVs is that their ownership and decision making is of shared nature. Therefore it is very important that in developing a truly effective control system, the parent firm must ensure that the control system it wants to implement is not based solely on its own self interest but will not prevent the other major stakeholders in the venture particularly the other partner(s), venture managers, employees and the host government from also achieving their strategic objectives as well (Geringer & Frayne 1990; Fey & Beamish 1999). In addition, IJV governance should not be based on the partners’ desire for control but by the necessity of control. Pursuit for gaining excessive control by each parent firm may end up in conflicts and efficiency frictions for the IJV (Kabst 2004) which ultimately may result in its termination. Control is also a subtle phenomenon. In some circumstances it is accepted and regarded as legitimate, in others not. The paradox is that resistance by one partner to the exercise of control by another may diminish the overall control that the former

can exercise. In a non-zero sum relationship, genuine cooperation enables the partners together to exercise control, through the fact that they each have greater influence than is the case if the alliance is beset with conflict and low trust (Child & Faulkner 1998).

Parent firms attain control through control mechanisms. Control mechanisms in IJVs are still in their early phase of research. Parent firms in an IJV relationship can achieve control both through equity and non-equity means. This research work explains the use of non equity means of control. It is a study of four human resource based control mechanisms: 1. recruiting and staffing, 2. training and development 3. performance appraisals and 4. incentives and rewards, from a foreign parent perspective in an IJV located in China. In the past firm's have mainly relied on equity and written contracts as a source of control which may not be effective in attaining the parent firm's strategic objectives (Harrigan 1986). These four human resource based control mechanisms offer a very useful and effective means of control over the IJV however their importance have been underestimated in the past research. Through HRM activities organizations are able to affect the behaviours of all the people who work for it. Since the firm's profitability, customer satisfaction and a variety of other important measures of organization effectiveness are influenced by the behaviours of the employees, the effective use of human resource strategies can play a key role in the IJVs.

1.2. Research objectives and delimitations

The objective of this research work is to explore that *how a foreign parent firm would use human resource based control mechanisms in an IJV located in China*. These control mechanisms are 1. Recruitment and staffing of the key positions 2. Training and development 3. Performance appraisals and evaluation 4. Compensation and rewards. An effort has been made to answer the main research objective via following sub-objectives.

- To understanding the concept of parent control, advantages and disadvantages of IJVs and to explain the exercise of these four control mechanisms in the light of agency theory.

- To carry out a descriptive analytical study, advantages, main approaches and salient and features of the four human resource-based control mechanisms in the light of previous literature .
- To conduct an empirical study of these four human resources based control mechanisms in a Finnish-Chinese IJV in order to explore how the case company use these four control mechanisms in practice.

This research work concentrates only on four types of control mechanisms. The reason why these four control mechanisms have been selected is that they can prove very effective control tools for the parent firms however in the past literature they have received little importance. Most of the previous studies have focussed on majority ownership and written contracts as important means of control. These four control mechanisms if properly exercised can give the foreign partner considerable influence over the IJV. Control has been studied from the foreign parent perspective. Agency theory forms the main theoretical foundation of this study. Agency theory has been selected because all these human resource based control mechanisms involve the use of foreign parent personnel who serve as its agents in the IJV. This research work is a single case study and only one manufacturing IJV formed by a Finnish firm with a Chinese partner has been studied as a mode of entry into China which is also a limitation on the generalizability of this research work. The IJV in China is 50/50 owned between the Finnish and the Chinese parent. The perspective of this study is exploratory-analytical and it is qualitative in nature.

1.3. Previous studies

This section of the thesis mentions some of the major studies previously conducted on control mechanisms. Only limited numbers of studies have been conducted in the area of control mechanisms. The main purpose of mentioning them here is to have a brief understanding of how control mechanisms have been investigated in the past and how this research work is different from the previous ones. These previous studies have been

helpful in the present study. They are related to both equity and non-equity control mechanisms. Human resource control mechanisms are non-equity control mechanisms.

Geringer and Frayne (1990) have presented a conceptual model of four human resource control mechanisms: recruitment and staffing, training and development, performance appraisals and compensation and rewards. Their research work is conceptual.

Wang , Pien; Wee , Chow Hou & Koh, Peck Hiong (1998) carried out empirical study of eight control mechanisms used by the Singaporean firms to gain control of their IJVs in China . These control mechanisms include majority shareholding , right to appoint personnel to key positions , board meetings , placing limit on the issues requiring the unanimous agreement of the board members , capital budgeting and resource allocation , policies and procedures , use of technology and management advantages , and the IJV control-performance relationship . The results of a questionnaire survey of 132 managers and personal interviews of 40 managers showed that the ranking of importance of various control mechanisms used to exercise control over Sino-Singaporean IJVs differed, depending on the equity stakes of the Singaporean parent firms. They studied control from the foreign (Singaporean) parent's perspective. Their study shows that parent firms of different nationalities might have different perceptions of the importance of various control mechanisms.

Kumar and Seth (1998) have investigated six control mechanisms. These mechanisms include the internal role of the board of directors, integrative mechanisms (e.g. direct contact between executives of the parent and the IJV liaison personnel, temporary task forces, etc.), socialization of managers through trainings, meetings and seminars, incentive plans for the IJV managers, structure of the IJV board of directors and staffing of the top positions of the IJV with the parent personnel. Data for this quantitative study was collected through a nationwide questionnaire mail survey from 100 IJVs located within U.S formed between the U.S and foreign partners of Canadian, Japanese, and European nationalities and also between the U.S. – U.S. parents.

AL- Obaidi's (1999) doctoral dissertation "International technology transfer control" is a qualitative multiple case study of five Finnish IJVs in developing countries which include China , Ghana , Tanzania , Malaysia , Saudi Arabia and India . Data was collected through semi-structured interviews. Forty face to face interviews with twenty seven people (directly involved in the formation, implementation, formation and management of IJVs) were conducted followed by telephonic discussions. Document analysis was used as a secondary data collection method. His research work is explanatory and describes the significance of the exercise of control by parent firms in the process of technology transfer through IJVs. He mentioned a diversity of mechanisms exercised by a Western firm in the process of technology transfer within the context of IJVs in order to deal with the risks of imitation, leakage and unauthorized use, erosion of monopoly and loss of competitive advantage. He has described a number of mechanisms used by the foreign parent firms which includes ownership , legal and contractual mechanisms , feasibility and research studies , decision making , technical support , gate keeping and the use of sequential windows of technology transfer , seclusion of critical technology elements , operational mechanisms (e.g. fault finding skills , problem solving , inputs such as materials , equipment and personnel), perpetuation of the dependency of technology recipient , continuous upgrading of technology and informal mechanisms (e.g. socialization , trust , loyalty , consultation, fringe benefits , personal contacts , visits and a variety of mechanisms used to monitor , influence and correct behavior) . The author holds that equity and legal protection alone are not sufficient means of control and therefore the owners of technology should exercise a wide range of control mechanisms.

Paul (2000) in his doctoral study "Control mechanisms of human resource management , the perspectives of senior executives in IJVs in People's Republic of China" have applied control mechanisms designed for senior executives of IJVs in order to find out their role in aligning the interests of the parties involved . Besides they have introduced the role of trust as another form of control because of the relationship-oriented nature of the Chinese society. Though their study is also related to human resource based control mechanisms in IJVs but they have conceptualized control differently. The four human resource-based control mechanisms that they have studied are behavior oriented-control,

outcome oriented control, input control and self control. Their study provides a good insight into the use of these four human resource based control mechanisms. The main theme of their research work is to find out how these four types of human resource based control mechanisms together with trust between partners could be tailor-made for five major contextual environments facing IJVs in China in order to enhance the performance of IJVs. These five contextual factors are a. reliance on local markets and local raw material supplies, b. cultural distance between partners, c. divergence of goals between partners and experience of the senior executives. Contrary to the past research, control has been investigated from the local Chinese partner. It is a quantitative study of 300 IJVs located in China. Foreign partners are from Hong Kong, U.S, Taiwan and Japanese nationalities. Survey method was used and questionnaires were sent to the respondents for data collection. Telephone calls were made to amend incomplete or unclear questions.

Chalos and O'Connor (2004) in their qualitative study of U.S-Chinese have mentioned expatriate staffing , socialization practices , delegated decision making responsibilities to the foreign general manager , parent company communication and manager performance incentives as five major control mechanisms . The effects of relative partner knowledge and specific investments on the usage of various types of control mechanisms have been examined. They found that the U.S and Chinese partners had different objectives to exercise control over the IJV. U.S partners considered control useful for the selective transmission and protection of their knowledge. Whereas for the Chinese partner control was a means to collectively share and protect their specific asset investments in the ventures. Data collection took place through survey questionnaires sent to 242 U.S. firms with the IJVs in China and was followed by extensive telephonic discussion. The article supports the view of the exercise of multiple control mechanisms in IJVs.

Chen (2004) has examined how parent firms exercise control over IJVs in China. He has mentioned three types of control mechanisms which are output control, process control and social control, exercised by both foreign and local (Chinese) parents. Most of the foreign firms were from Hong Kong, Japan and United States. It is a quantitative

research and data was collected from 259 IJVs in China through survey questionnaires. Control has been studied from both the foreign and the local parent's perspectives.

Göksen & Tezölmez (2007) investigated the relative importance of various control mechanisms in achieving control and the impact of control on performance in developing-country-based IJVs. They have described four control mechanisms in their study which are equity ownership, board representation, appointment of key personnel by the foreign parent and resource contribution. Contrary to the past research, control has been investigated from the local (Turkish) parent's perspective in their IJVs with European, American and Asian firms. Their study concludes that local parents acquire control through contribution of various capital and non capital resources (particularly the latter) to the IJV. While equity ownership has a positive relationship with strategic control; resource contribution is a more positive mechanism for creating goodwill. Rather than relying on legal rights as a mechanism of control, Turkish parents seem to rely more on their expertise or local connections to convince and lead them.

Björkman (2007) has mentioned expatriates as important means of control and as such her classification consists of five control mechanisms: centralization, formalization, output control, socialization and expatriate control. Output control is used by parent firms to influence the behavior by specifying desired outputs and monitoring their achievement. Behavioral control reduces uncertainty by setting appropriate boundaries for behavior. Social control specifies neither the output nor the behavior but it involves developing shared values and beliefs through a sense of commitment.

These main studies on control mechanisms have been organized in the form of Table 1.

Table 1: Main studies on control mechanisms

Study	Nationalities of the parent firms	Control Perspective (foreign parent , local parent or both)	Control Mechanisms
Geringer & Frayne (1990)	Conceptual Study	Both parents	recruitment and staffing, training and development, performance appraisals , compensation and rewards
Wang et al.(1998)	Sino-Singaporean IJVs	Foreign parent	majority shareholding , right to appoint personnel to key positions , board meetings , placing limit on the issues requiring the unanimous agreement of the board members , capital budgeting and resource allocation , policies and procedures , use of technology and management advantages , and the IJV control-performance relationship
Kumar & Seth (1998)	U.S and foreign partners of Canadian , Japanese , and European nationalities , and also between the U.S. – U.S. parents	Both	internal role of the board of directors , integrative mechanisms (e.g. direct contact between executives of the parent and the IJV liaison personnel , temporary task forces , etc.) , socialization of managers through trainings , meetings and seminars , incentive plans for the IJV managers , structure of the IJV board of directors and staffing of the top positions of the IJV with the parent personnel
AL- Obaidi (1999)	Finnish IJVs in developing	Foreign parent	ownership , legal and contractual mechanisms , feasibility and research studies , decision making , technical support , gate keeping and the use of sequential windows of technology transfer

	countries which include China ,Ghana , Tanzania , Malaysia , Saudi Arabia and India		, seclusion of critical technology elements , operational mechanisms (e.g. fault finding skills , problem solving , inputs such as materials , equipment and personnel) , perpetuation of the dependency of technology recipient , continuous upgrading of technology and informal mechanisms (e.g. socialization , trust , loyalty , consultation, fringe benefits , personal contacts , visits and a variety of mechanisms used to monitor , influence and correct behavior)
Paul (2004)	Hong Kong , U.S , Taiwan and Japanese IJVs with Chinese Partners in China	Local parent	behavior oriented-control , outcome oriented control , input control and self control
Chalos & O'Connor (2004)	Sino – U.S	Both foreign and local parent perspective	expatriate staffing , socialization practices , delegated decision making responsibilities to the foreign general manager , parent company communication and manager performance incentives
Chen (2004)	Hong Kong , Japan and United States , China	both foreign and local (Chinese) parents	output control , process control and social control
Göksen & Tezölmez , (2007)	European , American and Asian IJVs in Turkey	local (Turkish) parent's perspective	equity ownership , board representation , appointment of key personnel by the foreign parent and resource contribution
Björkman (2007)	Foreign subsidiaries of Western MNCs in Finland and China	foreign parent	centralization, formalization, output control, socialization and expatriate control

This study is focused on four human resource based control mechanisms which are staffing of the key positions , training and development , compensation and rewards and performance appraisals . In the above studies control mechanisms have been conceptualized in various ways by different researcher.

1.4. Research gap

Parent firms in an IJV can achieve control through various control mechanisms. Control mechanisms can be described as those formal and informal organizational processes through which the parent companies exercise control over the specified value-creation activities. IJV control cannot be regarded as an essential outcome of ownership but is achieved through a variety of mechanisms that are available to firms for exercising control (Geringer & Hebert 1989; Yan 2000). Human resource control mechanisms often represent an important but often neglected control tools for influencing IJV operations (Geringer & Frayne 1990). The exercise of effective control over IJVs often represents a great challenge for the parent companies as compared to wholly owned subsidiaries which are managed by one parent. Relying solely on the ownership position or formal contracts may not help the parent firms to achieve their objectives in the IJVs thus requiring recourse to other modes of influence. It is important to take into account that IJV performance is not merely determined by contracts but also by people. Management of the human resource therefore becomes very important to effectively influence IJV operations. It has been found that companies often underestimate or fail to plan properly for the utilization of human resources in their IJVs even though many IJV performance problems have been linked to poor design and execution of human resource strategies. The human resource strategies if properly utilized can prove effective control tools for the parent firms in order to achieve their strategic objectives in the IJVs however they have received little importance in the past literature (Geringer & Frayne 1990).

This research work investigates how a foreign parent firm can use these four human resource based control mechanisms which are recruitment and staffing, training and development, performance appraisals and compensation and rewards in a 50/50 IJV

located in China where the foreign parent can't use majority equity as a control tool. An effective control system in place allows the firm to monitor, coordinate and integrate the activities of its various business operations and as such plays a significant role in determining a firm's ability to achieve its strategic objectives (Petrovic & Kakabadse 2003).

1.5. Potential contribution of the study

Firstly this research work suggests that these four important human resource strategies: staffing and recruitment, performance appraisal, training and development and compensation and rewards which have proven effective in various organizational environments can be utilized as useful control tools within the context of IJVs. The importance of such human resource based control mechanisms may be even more in 50/50 IJVs where no partner can exercise dominant control because of the lack of majority. As such this research work extends the study of human resource management to a new and increasingly critical area of interest namely the management of IJVs. The study also suggests that by the effective and efficient use of human resource based control mechanisms, foreign parent felt satisfied with the performance of the IJV. For example by appointing key personnel on positions where the foreign parent had superior know how and knowledge (i.e. in the areas of marketing, human resources, purchasing and procurement, quality control, production & assembling) resulted in greater satisfaction with IJV performance. The study also shows that though the parent considered all these four control mechanisms important, their relative ranking based on their importance was different.

1.6. Definition of the key concepts

The three important concepts used in this research work are "IJV control" and "IJV control mechanisms" and "IJV". They are briefly described as follows:

IJV Control : In this research work control is defined as a process through which a parent company ensures that the way an IJV is managed confirms to its own interests

(Pangarker & Klein 2004:87 ; Luo 2007:532) . In this research work control has been investigated from the foreign parent perspective.

IJV Control Mechanisms: Parent firms in an IJV relationship achieve control through various control mechanisms. Control mechanisms can be described as those formal and informal organizational processes through which the parent companies exercise control over the specified value-creation activities of the IJV. IJV control cannot be regarded as an essential outcome of ownership but is achieved through a variety of mechanisms that are available to firms for exercising control (Geringer & Hebert 1989; Yan 2000). In this study the focus is on four human resource based control mechanisms: staffing of the key positions in IJV, training and development, compensation and rewards, performance appraisal. Human resource control mechanisms represent an important but often neglected control tools for influencing IJV operations.

IJV (International joint venture): An IJV is defined as a separate legal entity representing the partial holdings of two or more parent firms in which at least one of the parents is headquartered outside of the IJV's country of operation. IJVs are subject to the joint control of their parent firms. The parent firms in turn become economically and legally interdependent with each other. Although an overwhelming majority of IJVs involve only two parent firms (one from the foreign country and the other from the local country), some IJVs may consist of multiple participants. (Petrovic & Kakabadse 2003:394; Groot & Merchant 2000; Schuler et al. 2004).

1.7. Structure of the study

This thesis consists of six chapters. The first chapter consists of introduction to the research topic, research aims and delimitations, key words, previous studies, research gap , potential contribution of the study , definition of the key concepts and structure of the study. Chapter 2 describes the advantages and disadvantages of IJVs, a brief overview of the IJV control and agency theory as the theoretical foundation of the study. The third chapter presents a study of four human resource based control mechanisms, which are: staffing of the key positions, performance incentives and

rewards, training and development of employees and performance appraisal their features ,advantages and different approaches in the light of the previous research . Summary of the theoretical framework is presented at the end of the chapter. Chapter 4 consists of the methodology part. It explains the qualitative research and case study approach, research design, data collection, data analysis and reliability and validity of the study. Chapter five provides introduction/descriptions of the case company and the IJV and analysis of the interviews. Summary, conclusions, main findings and implications for future research are put forward in the sixth chapter followed by references.

2. INTERNATIONAL JOINT VENTURES AND CONTROL

This chapter consists of three main parts. The first part is a brief introduction to the IJVs, definitions, objectives /advantages and the drawbacks / disadvantages of the IJVs. Two major risks that firms are faced with whenever they form IJVs have been described in light of previous research. Such brief introduction was considered important for a basic understanding of the IJVs which is an important concept in this study. From there the study proceeds towards the explanation of the second most important concept i.e. IJV control. The third section of this chapter describes “agency theory” on which this study is founded.

2.1. Advantages and disadvantages of IJVs/strategic alliances

Firms can reap numerous benefits by forming IJVs with complementary partners but at the same time IJVs have been described as highly unstable form of organizations and every year many IJVs end up in failure or falling short of achieving the desired objectives. IJVs have become a prevalent mode of entry into global markets as Daniel Vasella (CEO , Novartis) once stated , “It’s clear that you cannot stay in top league if you only grow internally . You cannot catch up just by internal growth. If you want to stay in the top league, you must combine”. (Barkema et al. 1997; Schuler et al. 2004:103)

An IJV is created by the partners as a separate legal organizational entity representing their partial holdings. In IJVs the headquarters of at least one parent firm is located outside the country of the IJV. The parent firms exercise joint control over the IJV and become economically and legally interdependent with each other (Schuler et al. 2004). An IJV can also be defined as a jointly owned legal entity formed by two or more legally distinct firms located in different countries in an effort to exploit participating firms’ complementary assets (Geng 2003:64) .

IJVs have been broadly divided into domestic joint ventures (DJVs) and international joint ventures (IJVs). In DJVs the partners belong to the same nationality whereas the IJVs are set up by partners of different nationalities. IJVs have become a prevalent

mode of entry into global markets. An IJV is a quasi-independent organization that is created by two or more firms from different nationalities. IJVs are hybrid in nature but have their own distinct structures, working procedures, economic transactions and management personnel. Each partner may take an active role in the decision-making activities of the IJVs. Partners are represented on the IJV board of directors and receive a proportionate share of its dividends. An IJV has its own independent assets and liabilities and it pays taxes to the host nation (Yan 2000:4-6; Llaneza & Canal 1998).

IJVs can be described as two-edged swords. Their mismanagement can result in the loss of competitive advantage by the parent firms to potential competitors and therefore have earned a notorious reputation of being Trojan horses. On the other hand if proper safeguards are built, IJVs can be the most effective and efficient organizational forms (Vryza 1997). The formation of an IJV can be used to achieve a number of advantages such as sharing of business risks and costs; to achieve economies of scale; to secure complementary contributions of technology or know-how; to overcome market barriers in a foreign country; to acquire/develop new competencies, to improve management by transferring tacit knowledge; to increase local management autonomy and flexibility and to acquire raw materials at a low cost for use or sale. In IJV partnership is created between the two (or more) firms by linking ownership resources and organizational systems. Ownership resources can be defined as the combined capital (equity) and non-capital (both on contractual and a non-contractual basis) resources provided by the partners. Resources can be either tangible such as assets or intangible in form of knowledge, skill, training and information. Complementarities of resources results in competitive advantages for the IJV but at the same time, makes the boundaries between the partners blurred though each partner maintains its organizational sovereignty. In addition different partner nationalities and organizational cultures create contrasts between the partners. All this makes the management of IJVs a very complex and challenging task since conflicts often arise due to goal incongruence, difference in IJV performance criteria, different operational requirements, and also because of different organizational and national cultures of the partners (Yan 2000:4-6) .

IJVs are an effective tool for coping with the increasing competitive and technological challenges of the globalization of world's economies and allow the partners to compete

globally. IJVs facilitate inter firm learning , create synergies and brings high economic rents to the partners as a result of risk reduction , economies of scale and scope , production rationalization , convergence of technologies and better local acceptance . However since IJVs are formed by two or more parents, they quite often suffer from unsatisfactory performance. IJV performance can be hampered by conflicts between the IJV partners which mostly take place due to incompatible management styles and approaches, differences in organizational cultures of the partners, and differences in national culture between the home and the host country (Ding 1996:31; Schuler et al. 2004:105-106).

Llaneza & Canal (1998) have mentioned four main reasons for organizing the IJVs which include a. the improvement of efficiency which can be derived from the economies of scale and scope , spreading of risks among the partners , synergies resulting from the complementarities of the resources provided by the partners , b. learning or access to knowledge through local partner such as customer needs of the target market , distribution channels available or the political situation of the country , c. political and legal restrictions by the host governments such as the requirement that business can be conducted only by forming IJVs with the local partners and not through WOS and lastly d. Collusion or restriction in competition.

Hall (1984) has mentioned impending nationalization of foreign subsidiary or other entity in a foreign market, lack of capital, technology transfer (license or otherwise) without a large financial commitment, legal or policy restrictions in the host country market, access to raw materials, limited market knowledge and investment incentives through joint business with local partner as some of the main reasons why firms opt for IJVs. Whereas conflicts, loss of competitive advantage to the partner, lack of loyalty and trust between the partners have been mentioned as some of the disadvantages of IJVs.

Previous literature has mentioned a wide range of objectives/advantages for the foreign (American /European) and the local (Chinese/Korean/Turkish) partners (Yan 2000:126, Choi 2001, Göksen & Tezölmez 2007) which are organized in the form of a table 2 mentioned below.

Schuler et al. (2004) , have also mentioned some of the main reasons for the formation of IJVs which are to gain technical and administrative knowledge , to learn and to transfer , that knowledge , host government policies and regulations , gaining rapid market entry and catch more customers , economies of scale , to gain local knowledge and local market image , and channel access , to obtain vital raw materials , risk sharing , improve competitive advantage in the face of increasing global market competition and to support company strategies for internationalization .

Table 2 : Advantages of IJVs from both the foreign and the local parent perspectives (Adapted from Yan 2000:126; Choi 2001; Göksen & Tezölmez 2007)

Advantages/Objectives of the IJVs for the Foreign partners	Advantages/Objectives of the IJVs for the local partners
<ol style="list-style-type: none"> 1. Earn profit 2. Develop new product or technology 3. Establish a base for accessing neighboring markets 4. Penetrate the market (market share) 5. Achieve rapid market entry 6. Achieve economies of scale 7. Gain a strategic position in the foreign market (China) 8. Opportunity for good long-term profit 9. Access local marketing expertise 10. Attraction of the foreign/target market 11. Access local management talent 12. Establish strong business presence/credibility in the foreign market 13. Low labour cost 14. Facilitation of international expansion 15. Learning how to do business in the foreign/target market 16. Benefit from tax incentives 17. Low-cost sourcing 18. Access local distribution channel 19. Benefit from advantageous transfer pricing 20. Diversification of products and services 21. Overcome host government regulations/restrictions 22. Access to capital 23. Access to low cost raw materials 24. To be able to compete globally 25. To facilitate inter-firm learning 	<ol style="list-style-type: none"> 1. Learning management expertise 2. Penetrate the market (market share) 3. Learn/acquire advanced technology 4. Obtain foreign cash investment 5. Opportunity for good long term profit 6. Gain strategic position 7. Develop export opportunities 8. Help expand in local market 9. Opportunity to train local staff 10. Establish strong business presence in the local market 11. Assist diversification of products and service 12. Benefit from tax incentives 13. Help upgrade local (Chinese) supplier's technology 14. Opportunities for quick profit 15. Acquire ability to import superior goods and components 16. Import substitution 17. Foreign exchange generation 18. Learn advanced marketing expertise 19. Access international marketing support 20. Access brand name/trade mark 21. Achieve economies of scale 22. Develop new product / technology 23. Sharing financial risks 24. Creating technology synergies 25. Access to international brand names and trademarks

<ul style="list-style-type: none"> 26. To create synergies from complementarities of resources with the local partners 27. (or reduce capital investment) 28. Synergies from complementarities of resources provided by the partners 29. Better local acceptance 30. Sharing of business risks and costs 	<ul style="list-style-type: none"> 26. Procurement of raw materials and intermediate products 27. Establishing credibility in local and international markets 28. Access to government incentives 29. Import substitution 30. Obtaining fees (royalty , management fees , technical fees , license fees etc 31. Employment creation
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Despite their potential advantages, IJVs suffer from a number of disadvantages as has been expressed by Das (2005:706), “Like thorns on the stems of roses, the popularity of strategic alliances has been plagued by the potential for deceitful behavior by the partner”. Unlike the WOSs, IJVs have two or more than two parents and makes a difficult form of organization to manage and therefore are often characterized by poor performance. The exercise of control over the IJVs may pose greater challenge for the parents in comparison to WOSs, because they cannot solely rely on their ownership position to determine the IJVs behavior and management, instead there are a number of other means that they have to employ to gain effective control. A firm’s ability to coordinate its activities, to sufficiently utilize its resources and to effectively implement its strategy in an IJV can be hampered by insufficient or ineffective control by the parent. Disclosure and sharing of core competencies with the partners may have serious effects on the competitive position of a parent or the IJV, possibly creating new competitors or otherwise limiting the parent’s overall efficiency (Geringer & Hebert 1989:235-236).

Strategic alliances expose the companies to a very high degree of uncertainty therefore they have been described as risky, dangerous and unstable (Delerue 2005; Paik 2005). Alliance hazards are the potential risks that the partners get exposed to whenever they opt for alliances. IJVs as one form of strategic alliances suffer from the typical risks involved in other forms of alliances. Although IJVs allow the parent firms to benefit from many opportunities they also make the partners vulnerable to risks and uncertainties (Paik 2005). Therefore managing alliances is much more complicated and difficult than managing single firm. According to literature the failure rate of strategic

alliances can be as high as 50 percent. Due the presence of such high risk, strategic alliances must be classified as a high risk strategy. In order to deal systematically with such risks , firms need to develop a good understanding of these risks (Das & Teng 1999 ; Ekanayke 2008).

“Risk” is considered as a key factor in strategic decision making. Risk can be objective as well as perceived. Objective risk and perceived risk can be quite different because different people can have different perceptions of the same situation. Though the subjective view of risk seems to be more relevant to strategic decision making, certain conditions are riskier than others even from an objective viewpoint such as those with high outcome uncertainty and possible extreme consequences (Sitkin & Pablo 1992; Das & Teng 1996).

Relational risk and performance risk are the two main types of risks that exist in strategic alliances (Das & Teng 1996; 2001). Relational risk is defined as the possibility and the consequence that the partners in inter-firm alliances do not fully commit themselves to joint efforts. In other words , it refers to the concern that parent firms may keep self interests above mutual interests and that they may not cooperate in a manner specified in the alliance arrangement or as expected by their partner . Opportunistic behavior by one or more partners in alliances forms the very basis of relational risk. Opportunism is viewed as the opposite of partner cooperation in strategic alliances. Opportunistic behavior in alliances can be defined as “self-interest seeking with guile”. Examples of opportunistic behavior include cheating, shrinking, distorting information, failing to fulfill promises or obligations , late payments , misleading partners, harboring hidden agendas , providing substandard products/services, and appropriating partner’s critical resources such as technology or key personnel and so on. Opportunistic behavior can also be attributed to a lack of cultural understanding and responsiveness. It means that cultural differences in dealing with business partners may sometimes be interpreted as opportunistic behavior. (Das & Teng 2001a; Das & Teng 2001b).

The degree of opportunistic behavior will depend on a number of factors such as future possibilities for cooperation, reputation of partners, and time horizon of current relationships. Mutual cooperation is not automatic and the selfish interests of each

partner can lead to individually rational actions producing collectively suboptimal outcomes. Opportunistic actions occur when one or more partners try to maximize its/their own returns at the expense of the other partner/s. Moreover “split control” have also been described as forms of alliance risk which results in instability. Instability can result from partner’s future behavior and the absence of higher authority to ensure compliance. Therefore the partner may run the risk of joining an alliance where one alliance partner may decide to leverage the resources gained from the temporary arrangement and may move forward either independently or with different partners. Split control or the loss of coordination results from the fact that alliances are formed by multiple partners (Kanagaretnam 2000). Expected inequities regarding payoffs in alliances can be another source of perceived relational risk. A partner firm may act opportunistically if it foresees an inequitable pattern of payoffs. In practice , many factors can compel the partners to expect inequitable pay offs from an alliance such as partner asymmetry , lack of alternatives for one partner , adverse legal environment , and so on. Moreover literature also supports the view that alliances between direct competitors are not likely to be successful (Bleeke & Ernst 1995 ; Park & Russo 1996) . This may be because the payoff from an alliance is likely to be perceived as inequitable by the partners which pose a potential relational risk.

The second type of risk i.e. performance risk refers to the hazards that an alliance may fail to achieve its strategic objectives despite the efforts and cooperation of the partners. Factors that result in performance risk include intensified rivalry, new entrants, demand fluctuations, changing government policies, war, and lack of competence of the partner firms, economic recession, and sheer bad luck. A variety of terms have been used in literature to describe different types of risks in strategic alliances such as commercial , technological risk , international risk , R & D risk , corporate risk and strategic risk . (Axelrod 1984 ; Bradach & Eccles 1989) .

In the light of the above literature some of the major disadvantages of IJVs have been presented in table 3.

Table 3 : Disadvantages involved in IJVs

1.loss of competitive advantage to the partner/partners	13.misleading the partner/s
2.unsatisfactory performance	14.harboring hidden agendas
3.incompatible management styles of the partners	15.providing the sub-standard products/services
4.differences in organizational cultures	16.interpartner rivalry
5.differenes in national cultures of the partners	17.new entrants in the market
6.conflicts between the partners	18.demand fluctuations
7.lack of loyalty and commitment	19.changing government policies
8.lack of trust between the partners	20.War
9.goals incongruity between the partners	21.lack of competence of the partner/s
10.cheating , shrinking or distorting information	22.economic recession
11.failing to fulfill promises or obligations	23.act of God/sheer bad luck
12.late payments	24.R&D risk

In selecting the alliance partners, two important questions need to be kept in mind by the alliance manager about the partner firm. First: will the partner collaborate in good faith (relational risk)? Second: does the partner have adequate resources and capabilities to carry out its responsibilities in the alliance (performance risk)? Control can be broadly defined as different policies and procedures that firms use to safeguard against various types of risks. Parent firms use control mechanisms in order to deal with both types of alliance risks. Control plays a crucial role in aligning the interests of the partners thus reducing the likelihood of opportunistic behavior. Control reduces the uncertainty of a partner's behavior by influencing the behavior of that partner thus making it more predictable. As such the likelihood of achieving the desirable outcomes are increased (Emsley & Kidon 2007).

2.2. Agency theory

International business theories provide useful insight in explaining the concept of IJV control. These theories define the ways how firms can improve their ownership competitive advantages by achieving a good performance in foreign markets. A basic assumption of this section is that the concept of IJV control can be explained more effectively by utilising the most relevant theory from the field of international business (Yan 2000:57).

Agency theory is directed at the ubiquitous agency relationship, in which one party (the principal) delegates work to another (the agent), who performs that work. Agency theory is concerned with resolving two problems that can occur in agency relationships. From the legal point of view, IJVs are independent and separate entities from the parent firms however in practice the parent firms can still exercise control over them. In this connection agency theory can provide useful a theoretical background explaining the use of four control mechanisms by the parent firms which are 1. recruiting and staffing 2. training and development 3 . performance appraisals and lastly 4. incentives and rewards . Different types of business relationships such as supplier – retailer, client – professional, manufacturer – distributor, and that of owner - manager can be analyzed in the light of agency theory. The owner – manager case is one of the most commonly applied situations. As such Agency theory provides an excellent theoretical foundation upon which to study the complex control issues present in the IJV relationships.

Agency theory focuses on the interest conflict between two parties and their consequent opportunistic activities. The theory explains inter organizational behaviour under the principal-agent relationship (Yu & Ming 2008). In the light of agency theory the parent-IJV relationship can be viewed as an principal-agent relationship, in which the decision making authority is delegated by the parents to the IJV management and the welfare of the partners is affected by the activities of the IJV management. Goal incongruity between the partner firms and the IJV , self-interests , and lack of access to complete and accurate information results in agency problems which can be resolved through monitoring and bonding mechanisms in order to achieve better performance (Fama &

Jensen 1983 ; Eisenhardt 1989) . Agency theory draws attention to the problems of interest conflict and the necessity of governance between the principals and the agents. The theory assumes bounded rationality and self interest maximization. Inter firm collaboration is seen as an outcome of rational self interest. Agency theory views control as a matter of aligning incentives which is one of several ways to create order in IJVs (Williamson 1997).

Relationships such as supplier-retailer, manufacturer-distributor, client-professional, and owner-manager can be analysed in the light of the agency framework. The case of owner-manager is one of the most commonly applied situations. IJVs represent a tripartite relationship in which the senior management of IJVs, local and foreign partners may have different objectives. The divergence of interests and goals is acute particularly in the volatile environment of China. Agency theory specifies that control mechanisms can be employed to align the interests of their agent with the parents. In the context of the IJVs, management of the IJV can be considered as agents and the parent companies are the principals who may exercise their control over the IJV through their control over the human resource management. In this study four human resource based mechanisms involves the exercise of influence (directly or indirectly) through personnel from the foreign parent . The agency theory model applied to IJV is illustrated in figure 1.

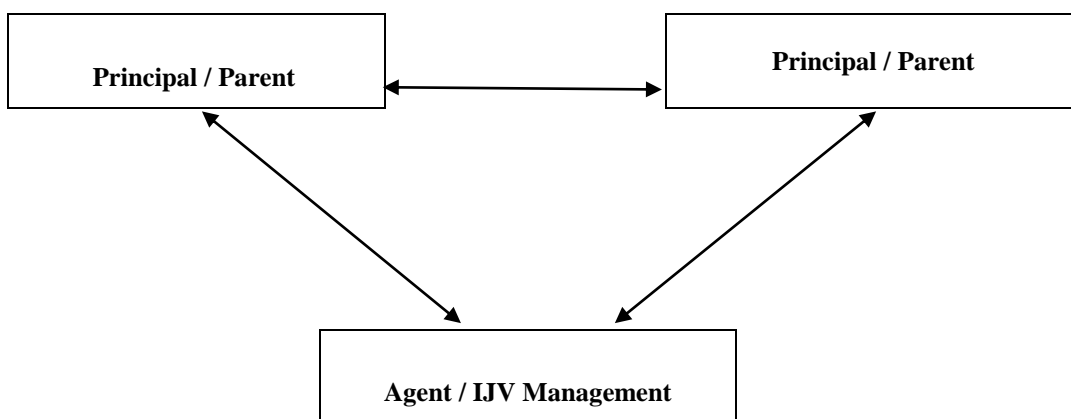


Figure 1 : JV principal/agent relationship model (Woodcock & Geringer 1991) .

2.3. Defining the concept of parent control in IJVs

The concept of IJV “control” has been defined by different researchers in different ways. West (1959) for the first time raised the topic of IJV control who recognised the potential inter-partner conflicts which the parent firms could face in this form of organization . He holds that firms are likely to experience great difficulties in managing IJVs without effective control system in place (Geringer & Hebert 1989).

There is a lack of consensus among researchers regarding the definition of control. Schaan (1983) defined control as a “process through which a parent company ensures that the way a IJV is managed confirms to its own interests”. Dang (1977) defined control as “the degree of autonomy the parent allows the subsidiary in determining management policies.” Killing (1983) interpreted the concept of control as the degree of parent involvement in making important decisions for the IJV. He classified control in IJVs into dominant parent control, shared parent control and independent / autonomous ventures. Gray & Yan (1992) defined control as the structural organizational form and the management patterns that dictate the venture parent relationship. According to Woodcock et al. (1994) control is “the efficient and effective management of the relationship between the parent and entry entity that enables the parent to best meet (its) overall goals and objectives”. Control has also been defined as the process by which an organization influences its subunits and members to behave in ways that lead to the attainment of organizational objectives. Geringer & Hebert (1989) defined control as “the process by which one entity , to varying degrees, influences the behavior and output of another entity through the use of power, authority, and a range of bureaucratic, cultural, and informal mechanisms” . A parent uses control to ensure that the IJV’s strategies conform to its interests. All these definitions stress either parent involvement or managerial influence over the IJV activities. (Yan & Gray 1994 ; Ding 1997 ; Chalos & O’Connor 1998 ; Das & Teng 1998 ; Groot & Merchant 2000 ; Luo et al. 2001 ; Inkpen & Curral 2004 ; Pangarkar & Klein 2004 ; Jaussaud & Schaaper 2006 ; Luo 2007) .

Child & Faulkner (1998) defined control as a process by which the partners influence, to varying degrees, the behavior and output of the other partners and the managers of the alliance itself. Their influence may be exercised on the basis of a number of attributes which include a. Power (such as command of resources that are key for the alliance's success; b. Authority (such as the rights deriving from majority equity share); c. Expertise (such as the possession of specialized expertise relevant to the alliance's operations; d. Rewards (such as the ability to deliver good returns to other, less active, partners and to offer favorable compensation to alliance staff). According to Al – Obaidi (1999:16), “the phenomenon of control and its mechanisms are interpreted broadly and used to represent not only the formal system of procedures, but also other formal and informal organizational mechanisms which can go beyond those designed through the JV contract”.

The control that is partitioned between the parents thus represents the relative influence of each parent on managing the IJV. Geringer & Hebert (1989) further defined control as consisting of three dimensions: the scope, the extent and the mechanisms of control. The scope of control refers to the value creation activities over which parent control is exercised. The extent of control is the degree to which control is exercised over those specified value-creation activities. The mechanisms of control refer to the means by which the parents exercise control over the specified value-creation activities. Each dimension examines a different aspect of IJV control. All these three dimensions have to be taken into consideration by the parent firms in order to exercise effective control over the IJVs. (Yan & Gray 1994 ; Glaister 1995 ; Chalos & O'Connor 1998) .

The focus of control refers to the specific value creation activities over which the parent firms exercise control in the IJVs. Control is focused on those IJV activities, about which parents possess knowledge. Parents will particularly focus control on the IJV activities relating to their own contributions to the IJV and also to protect them against leakage to the other parent (Wang et al. 1998 ; Kamminga & Kooistra 2006) . Child et al. (1997) also found that foreign and local partners in Sino-foreign equity IJVs to some extent focussed control on those areas of IJV activity in which they had competence advantages. Areas such as technology, quality maintenance and marketing are the areas

where mostly the foreign partner had the greater competitive advantage and therefore exercised the greatest control. Such a control over the selected competence areas is critical for bringing the performance of the Chinese IJVs up to internationally competitive standards and for extending the IJVs market penetration within China. Chinese partner influence was higher in areas such as personnel and welfare, because they had relative competence advantages in those areas. However in a developing country like China, most of the technology and expertise to alliances are contributed by the foreign partners and this leads to an overall imbalance between levels of foreign and Chinese control (Child & Faulkner 1998). Choi (2001:77) has mentioned sixteen different areas (activities) of key importance over which the parents tend to exercise control in IJVs which are mentioned in table 4.

Table 4: Important activities/areas of control in IJVs (Choi 2001:77).

1. choice of key product lines	9. choice of geographic market scope
2. choice of key technology	10. choice of key JV executives
3. choice of location of IJV facilities	11. choice of major capital expenditures
4. choice of major capital financing	12. product R&D
5. process R&D	13. manufacturing
6. local marketing	14. international marketing
7. brand name/trademark	15. personnel management
8. general management	16. management of legal/government relations

The IJV literature has identified 24 decision areas where parents tend to exercise control to varying degrees. Göksen & Tezölmez (2007) have categorized them as strategic decision areas and operational decision areas (see table 5).

Table 5 : Key decision areas in IJVs (Göksen & Tezölmez , 2007)

Strategic decisions	Operational decisions
1.setting annual sales targets	12.product pricing policy
2.setting annual expenditure targets	13.advertisement and promotion policy

3.long term financial planning	14.choosing distribution channels
4.increasing equity capital	15.product design
5.legal issues with high financial risk	16.production planning
6.divident policy (timing and amount)	17.quality control management
7.entering new export markets	18.choosing suppliers
8.strategic priority settings	19.setting annual cost targets
9.technology transfer from the partners to the IJV	20.management of daily cash flows
10.fees paid to the partners (royalty, license fees , management fees , technical fees etc.) .	21.hiring and firing of middle level managers
11.Debt financing (source, maturity and amount) for new capital investments	22.other human resource management practices
	23.importing policy (source, policy and volume)
	24. research and development budget

The implication of the focus dimension to control is that it is important for the alliance parents to exercise selective control over the important and critical areas of the IJV. The criticality of some alliance activities is likely to be greater than that of the others. For instance the resource deficiency of many developing countries in technology and marketing systems should lead a foreign parent to consider these among the key items for it to supply and control in order to achieve viability for an alliance . Similarly the problem of corruption in some markets may lead to the foreign parent to exercise control over the alliance's financial management. The costs of managing some areas of alliance activity may be less for one partner because of its acquired competence and familiarity in so doing than for another partner (Child & Faulkner 1998) .

The amount of control (also mentioned in the literature as the extent or tightness) exercised by the parent firm/s over the IJV at a strategic and operational levels. According to Lyles and Reger (1993), the extent of control can also be defined as the degree to which the IJV managers enjoy autonomy from the parent companies. Two important aspects of the extent of control are (1) which partner exerts greater control over the IJV and (2) how much control in total is exerted by the parent companies over the management of the IJV and how much autonomy the IJV managers exercise (Yan 2000:54-55) . Killing (1983) in his study of 37 IJVs assessed the extent of parent-company control over the IJV by examining its degree of influence on nine areas of

decision making. He inquired whether each decision was made by the 1.IJV manager alone 2.by one parent alone 3.by the other parent alone 4.by the IJV general manager with input from the first parent 5. With input from the second parent 6.with input from both parents. On this basis Killing classified IJVs into three categories 1.dominant parent IJVs (where only one of the parent companies plays a dominant role in decision making ; 2.shared management IJVs (where each parent plays an active role) ; 3. independent IJVs (where neither parent plays a dominant role and the IJV general manager enjoys extensive decision making autonomy .

However it is important to mention here that over-control over the alliance by one partner can be counterproductive for the whole alliance and may have negative consequences. An exercise of excessive control by one parent over the IJV may threaten the quality of its relations with its partners and to prevent the flexibility which the alliance needs to be successful. For a successful IJV, the managers have to keep a subtle balance between the desire and need to control the venture on the one hand and the need to maintain harmonious relations with the partners on the other hand. Therefore managers must overcome the popular conception that total control results in successful joint ventures (Child & Faulkner 1998:187-189)

Through control parents achieve some kind of predictability. Such predictability enhances the confidence that the other partner will strive for the achievement of mutual benefits. Presuming both partners possess such confidence, they will govern the IJV in a way that will in turn improve the IJV performance (Fryxell et al. 2002).

In this research work control is defined as a process through which a parent company ensures that the way an IJV is managed confirms to its own interests (Pangarker & Klein 2004:87; Luo 2007:532). Control has been investigated from the foreign parent perspective.

3. HUMAN RESOURCE BASED CONTROL MECHANISMS IN IJVs

This chapter presents a study of four human resource based control mechanisms included in this research work . In addition a brief discussion regarding why firms need control mechanisms other than equity is also included.

3.1. The need for control mechanisms

Parent companies in IJVs mostly rely on majority equity shareholding as effective means of control. Majority equity does in fact give considerable control to the parents over the IJV. For example the vice-president of a large electronics firm was quoted by Schaan (1983) saying with reference to joint ventures, “We like to have full control over our operations. We always have majority ownership.” However relying alone on majority equity as a control mechanism may not result in the fulfillment of parent’s strategic objectives because of three major limitations which are briefly explained below:

1. *The option of majority equity ownership may not be available* : Several forms of co-operations do not involve the creation of equity and the legal rights which accompany it and even in an equity arrangement , majority equity share is not always an available option . For example in a country like China , external constraints may be placed on control by the host government policies which promote local partner equity partnership in order to encourage the development of expertise , technology transfer , or market access . In addition most local partners in China and some other developing countries are state owned enterprises which means that the state is an important shadow figure on its board of directors . Moreover some alliances are not founded on equity participation in the first place or they are organized in the form of consortia in which equity is distributed among a large number of shareholders and therefore no one is in a position of exercising equity as a control tool (Child & Faulkner 1998) .

2. *The decisions of the IJV's board of directors cannot be expected to reflect a majority equity position without any qualification:* In IJVs, important policy issues such as venture's business plans, overall performance, and key appointments are normally decided by the board of directors. Schaan (1988) points out that in the absence of any safeguards included in the IJV contract to protect minority interests, majority equity ultimately confers control over the issues which a board covers. The frequency of the board meetings and the scope of its agenda can therefore be used as important control mechanism by the majority partner but it has to be taken into consideration that such control is necessarily qualified. Significant ill will among the partners and eventual breakdown of the alliance can occur if such a control is exercised too frequently and in a domineering manner. Through board meetings the minority partners can keep themselves informed about the important decisions of the IJV and also get the opportunity to express their views on the policies of the IJV. By appointing experienced professionals as members of the board who have good understanding of the alliance's operational and strategic situation, good negotiating skills, and empathy for the partner's culture, the minority partners can enhance its influence over the management of the IJV. Minority partner may be able to include in the IJV contract the right to veto the board decisions that are important to its interests through negotiation (Child & Faulkner 1998)

3. *Majority equity may not be an effective control mechanism at the operational level:* At the operational level, where the protection of core knowledge and its effective use comes into play, majority ownership may not be an effective means of control because considerable reliance has to be placed upon another partner's managers and staff for the implementation of the policy. This is particularly true for alliances whose operations are located in the other partner's country. A lack of operational control can have serious consequences for the integrity and use of resources provided for the alliance (Child & Faulkner 1998)

It is therefore erroneous and even misleading to assume that majority equity share in an IJV results complete management control while minority equity means complete

lack of control .Control is not a strict and automatic outcome of ownership but is rather achieved by a variety of mechanisms that are available to firms for exercising effective control (Yan & Gray 1994; Glaister 1995; Chalos & O'Connor 1998; Fryxell et al. 2002).

3.2. Human resource based control mechanisms

The above three considerations have led to an interest in mechanisms of control in IJVs other than equity share. This chapter presents an analytical study of the four human resource based control mechanisms, their salient features, advantages and different approaches in the light of previous research. This study explores the use of four types of control mechanisms that are available to the parent firm namely recruitment and staffing of the key positions, training and development , performance appraisal, and compensation and rewards in an international joint venture (located in China) by the foreign parent . These four human resource strategies exist in most of the IJVs have received little attention in the past and if exercised properly can prove very effective tools of control for the parent. The exercise of these four control mechanisms is also important from the strategic management point of view. Through these four control mechanisms a foreign parent firm exerts control over the personnel working in the venture and since it is the people who run the IJV in a foreign location therefore control over those people also means control over the IJV.

3.2.1. Recruitment and staffing of the key personnel

International staffing has become an important HR function in the MNCs and is considered as a very important control mechanism exercised by the parent companies. Past research shows that parent companies fill important positions such as general manager and functional manager with their own personnel which give them greater control over the venture. Staffing of key IJV positions allows for improved communication between the venture and the parent company. More complete information offers the possibility of more complete control. Secondly, an employee

from a parent firm is more likely to act in accordance to the interests of that parent because of the shared values, loyalty and faithfulness. (Li & Mellgren 2000:36).

By influencing the staffing of the key positions , a parent can achieve control over the decision making and performance of the IJV , even if it is in a 50/50 or minority position . The position of IJV's general manager is of key importance from the control perspective for the parent firms. However a systematic preference by the general manager for the wellbeing of the interests of any individual parent would rather prove obstacle in the effective operation of the IJV. Undue favors or biased behavior towards any single parent can damage the trust and goodwill of the partners and will prove counterproductive to the venture's and parents wellbeing. The GM must have the personality , vision and leadership skills to inspire confidence and motivate personnel drawn from different business cultures , should be competent to network externally and internally , can satisfy the divergent interests of the parents and insure the viability of the IJV itself . Besides the position of GM , personnel can be assigned on key positions throughout the value chain e.g. in the areas of production , finance , marketing , engineering and administration etc . The IJV legal agreement lays down the procedure for staffing the IJV key positions and such decisions are typically the responsibility of the GM of the IJV. However the IJV parents have the power to ratify such decisions, so they can exercise indirect influence. Careful recruitment and staffing of key positions with competent personnel are important for successful technology transfer and organizational learning (Geringer & Frayne 1990).

Managers play an important role in information processing and knowledge sharing. The staffing of important positions within the IJV with managers from the parent influences information-processing capacity in two ways: (1) parent managers within the IJV directly transfer the parent company values, objectives and “ways of doing things” to the IJV; (2) the staffing of IJV positions with parent managers adds to information processing capacity by the informal network that the parent manager has with other managers in the parent organization. Staffing of IJV positions with parent managers can also enable the IJV to more easily obtain resources necessary for its continued survival from parents (Kumar & Seth 1998).

Information is an important element of control. Control requires knowledge of events and circumstances. Appointment of key personnel running the operation or in critical areas such as marketing and finance by the parent makes the access to important knowledge available. This results in improved communication and information exchange because the employees of the two firms know each other. More complete information offer the prospects of more complete control. Furthermore such employees would act in the ways which are acceptable to their parent firms (Wang et al. 1998).

The position of the chairman of the board can be important in some foreign markets as compared to others. According to the Chinese Law, the chairman of the board is the legal representative of the IJV (Foreign Investment Administration and China Economic and Trade Consultant Corp. , MOFTEC , 1993) . An experienced chairman can be of great value in smooth IJV dealings with the local bureaucracy. However the chairman can also become an obstacle to the smooth dealings if he/she is more interested in exercising his/her powers rather than in working for the IJV success. On the importance of chairman as an effective control mechanism, Child (1996) had different views since it carried no special powers such as a veto or an extra vote . Similarly the appointment of general manager by the foreign partner is an important control mechanism as it allows the firms to exercise more managerial control. A foreign investor is able to strengthen a minority or 50:50 position by concentrating authority in the hands of the general manager and by appointing expatriates to the other key positions. Besides the appointment of the chairman of the board and the general manager, foreign parent attain management control over their PRC ventures by filling the important financial controller positions with their own staff and also in special manufacturing areas related to the up gradation of facilities and ensuring quality standards (Bjorkman & Schaap 1994 ; Wang et al. 1998) .

Expatriates are the employees of the parent firm who are sent from the headquarters to the IJV in foreign location. Expatriates have learned the corporate norms, practices and values and therefore are the trusted managers of the parent company. Expatriates can be described as agents of the headquarters (Björkman 2007) who act in the interest of the

parent company. Expatriates act as a socio cultural control as they diffuse organizational values and practices to the personnel in the subsidiary. Expatriate staffing has been characterized as a common IJV cultural control. Parent firms frequently employ expatriates in key IJV positions including production, finance, marketing and administration. Behind the use of expatriate staffing as a cultural control mechanism is evidence that this leads to better transmission of common values and goals between foreign and local partners (Perez & Barber 2005; Moore 2006; Chalos & O'Connor 2004; Cheng & Lin 2009).

The importance of selecting the best candidates for the expatriation should not be underestimated. These candidates not only directly influence the international competitiveness of the MNC, but it is also assumed that they have superior knowledge relative to their domestic counterparts. Parent company expatriates are used by the MNCs because of a number of benefits such as superior marketing skills, technology transfer to the foreign operations; provide managers with international experience, to reward long term employees with end of career international assignments, and to provide better on-side control of their foreign operations. (Harvey 1996 ; Briscoe , 1995:52) .

When a parent is geographically remote from the IJV and/or has a minority ownership position, the appointment of key personnel is suggested to be an especially effective control mechanism (Child & Faulkner 1998). As managers appointed by the foreign parent may act as boundary spanners between it and the IJV , facilitate its ability to protect the resources it provides , help it align its objectives with those of the IJV and enable the transfer of its culture , policies , and practices to the IJV , they may enhance the foreign parent's ability to exercise control (Child & Faulkner 1998 ; Geng 2003 ; Belderbos & Heijltjes 2005) . According to Yan & Child (2004) foreign managers in developing country IJVs assume significant control over both operational and strategic decisions and this management participation can help the implementation of decisions independently of the other parent. This eventually means loss of control for the local parent .Therefore the local parent's extent of strategic and operational control over the IJV is expected to be reduced with existence of foreign managers. (Göksen & Tezölmez 2007).

Recruitment and staffing also involves filling temporary positions in addition to the full time venture employees e.g. engineers involved in the initial start-up of the ventures plant and training of its employees or key personnel within the parent firm itself. In the latter case, for example, a parent firm may be able to influence the IJV through its decisions regarding which individuals will serve as IJV champions. These expert employees from the parent firms serve as boundary spanners between the parent and the IJV management and the partner firm(s). Successful formation and management of the IJV to a great extent depends on the right selection of such IJV champions possess the required technical competence, organizational authority and inter personal skills. Moreover maintaining temporal continuity among the IJV champions may enhance the performance of the IJV by promoting inter-partner trust which is considered critical to IJV performance (Geringer & Frayne 1990).

Previous studies have categorized expatriates into different types . According to Briscoe & Schuler (2005:210), international staffing of the MNCs typically consists of three types of employees: parent-country nationals (PCNs) , host country nationals (HCNs) or third-country nationals (TCNs) . Schuler et al. (2004) have categorized IJV employees into six main groups i.e. foreign parent expatriates , third country expatriates of the foreign parent(s) , third country expatriates of the host parent(s) , third country expatriates of the new ventures , host parent transferees and host country nationals .

MNCs are increasingly relying on TCNs to staff their key positions in foreign operations though in the initial phase of the foreign operations , the PCNs and host country nationals HCNs may be more in number . However firms with a strong emphasis on building a coherent corporate culture may prefer the use of internally sourced PCN and TCN employees rather than internally sourced HCNs in staffing key positions. Born global or firms with limited international experience on the other hand maybe more likely to hire HCNs with experience of working in firms of a similar national origin in staffing early international operations (Collings et al. 2008).

Selections for international transfer are more successful when based on factors such as the maturity of the candidate i.e. the candidate should be a self starter with independent decision making ability , have emotional stability , be sensitive to people who are

different , and have a good knowledge of on- and off-the-job subjects to facilitate discussion with foreign colleagues and contacts who are often quite knowledgeable and interested in such topics , the candidate's ability to handle the foreign languages, and his (as well his family's) favorable outlook of the international assignment and appropriate personal characteristics including excellent health , desire for the assignment and its role in his/ her career development , resourcefulness and adaptability (Briscoe 1995:59 – 60).

Parent firms gain a number of advantages for the deployment of expatriates for international assignments. Expatriates enjoy more trust from the parent firms as they are already known to them and have already socialized into the organization thus minimizing the agency problems. It is also assumed that they possess superior knowledge and skills as compared to the local staff. Due to the high level of trust , expatriates are believed to act in the best interest of the parent firms . Three main objectives for staffing the expatriates on key positions include “position filters” i.e. when suitably qualified host country nationals are not available. Secondly, in order to develop the competence of the individual manager as a means of “management development”. Lastly as a means of “organizational development” where the objective is to enhance the process of knowledge transfer. Harzing (1999) has mentioned three control-specific roles of the expatriates namely the bear, the bumble-bee and the spider. “Bear” replace the centralization of decision making in MNC and acts as a direct means of surveillance over foreign operations. Bumble bees fly from one business location to another and create “cross pollination” between the various units. They control the foreign operations through socialization of host employees and the development of informal communication networks. Finally the “spiders” as it becomes obvious from the name, suggests control through the weaving of informal communication networks within the MNC (Collings et al. 2007).

Contrary to the rational model of staffing, some organizations use the criteria of “fit” to staff important positions, a concept which is considered by some researchers as an elusive or ambiguous. In the rationale model decision makers are knowledgeable about the job in question as they know about the required characteristics, skills and so forth it

takes to succeed on the job, gather all relevant information about the candidate's job relevant qualification, compare these qualification to job demands, and recruit the candidate with the best match. In this model the criteria for staffing decisions are explicitly laid down, clearly stated and precisely specified. As compared to the rational model, the criteria of "fit" cannot be defined in such a precise manner because it has so many different meanings in literature. "Fit" has been defined as the degree to which the goals and values of the applicant or employee match those of employees considered successful in the organization. Depending on the recruiter's perspective "fit" may be judged drawing from more favorable traits to the undesired ones such as refreshing, enlightened, troublesome or dangerous. "Fit" has also a political meaning and is considered a reality, increasingly being used in HR staffing decisions as an alternative to the rational model. "Fit" is also described as "organizational chameleon" who can adapt effectively to situational requirements through feigning beliefs. Such executives have learned to know when to stimulate enthusiasm, compassion, interest, concern, modesty, confidence, and mastery, when to smile and with whom to laugh and how to be intimate with others. In short such executives can fit an image or stereotype of expected role behaviors. Some organizations relate "fit" to the personal attributes and competencies such as inter-personal skills, being a team player, communication skills, and judgment and decision making. Research has demonstrated that the extent to which the candidate is perceived to fit the job, culture or organization substantially increases the candidate's likelihood of receiving a job offer (Judge & Ferris 1992).

Realistic recruitment approach is one other method that parent firms might employ when recruiting individuals for positions within the IJV. This method includes realistic job preview and personnel techniques such as psychological tests and simulations which assesses the fit of the individual with the requirements of the IJV operations. Candidates are allowed to know all the important information about their prospective jobs in order to show them the real job picture and to prevent any unrealistic initial expectations about the job. This approach has been found useful in enhancing initial job satisfaction and reducing turnover. Realistic recruitment can be regarded as an effective tool in order to insure that the selected individuals will work effectively and will be able to deal with the pressures and demands of the IJV environment given that IJV employees have

to face a number of challenges such as dual parenting demands, goal complexity and multiplicity, multiple cultural and language differences as well as geographic differences (Geringer & Frayne 1990).

According to Robson et al. (2003) the two main objectives that parent firms want to achieve through staffing the key positions in IJVs are control enhancement over the venture and maximization of the managerial quality. Irrespective of their ownership stake, parent firms by targeting the senior positions, especially those of Managing Director, Chairman and Financial Controller can achieve control through management. The second objective of ISA staffing involves maximizing managerial quality within the alliance by filling the senior posts with personnel of highest possible management caliber. Such personnel with superior skills serve as the competitive advantage of the organizations.

The use of recruiting and staffing as IJV control mechanisms need not be limited to the starting phase of the venture. According to Olk & Bussard (1989), parent firms by implementing changes in the senior personnel of an ongoing venture, may also be able to maintain control over the IJV. As the IJV evolves through different stages of life cycle, it becomes necessary for the parent firms to implement personnel changes in an IJV, or if the JV fails to satisfy the performance objectives of one or more of the partner firms. However management continuity and relationships among the partners may be harmed if rotation or replacement of employees is carried out too frequently or is widespread (Geringer & Frayne 1990).

Previous research suggests that recruitment practices of the MNCs are considerably influenced by the cultures as intensifying globalization has made the knowledge of cultural differences increasingly critical. Cross-cultural knowledge base is considered vital for the desired candidates. Recruiting people within the international context is a challenging and complex task which demands for great care and expertise on behalf of the HR managers. National cultures maybe an important moderator of relationships between recruitment activities and outcomes across all stages of recruitment process.

While employing people, firms can gain advantage over competitors by taking different cultural values into consideration (Ma & Allen, In press).

Culture is one important characteristic on the basis of which managers justify their recruitment choices in addition to linguistic skills, scholastic achievement and international work experience, assessment test score, qualities to handle small or middle size firms, graduation rank, technical or specialist skills, references or recommendations, age and academic background of the applicants. However the ranking of these characteristics may vary across nationalities of the HR managers who are involved in the process of recruitment, as it is also possible that regional culture of the decision-makers has a strong influence on their choice of recruitment and promotion of candidates (Segalla et al. 2001 ; Rouzies et al. 2003) .

Perlmutter's (1969) study is still considered a significant contribution regarding MNCs orientations towards staffing senior positions in their foreign operations . He introduced a classification of MNCs based on differentiating between firms on the basis of their postures towards the geographic sourcing of their managerial teams. Three possibilities were identified by Perlmutter (1969) in his study: "ethnocentric" organizations where all key positions in subsidiary organizations were filled by the firm's country of origin nationals ; "polycentric" organizations where positions are filled by the host country nationals in which the subsidiary is located and "geocentric" organizations where the positions are filled by the best available person regardless of nationality. Heenan & Perlmutter (1979) introduced a fourth possible orientation - "regiocentric" where organizations are configured on a regional basis with senior appointments are restricted to the best available person within the region. Though an MNC may not strictly follow any single type , Perlmutter's classification provides a useful understanding of orientations of MNCs towards staffing (Collings et al. 2008) .

Many parent firms are of the view that the local partner should be given the responsibility for the IJV recruitment and staffing due to difficulties involved in accessing the local labor market. However complete delegation of such an important responsibility to the local partner may not only expose the foreign partner to extreme

risk but also the fact that the local partner may lack the required skills to perform the staffing function effectively particularly for technical positions in which the firm has limited capability. For the successful operation and the achievement of the IJV parent's objectives, the IJV personnel must have the required technical, organizational and interpersonal skills. Particularly the IJV general manager must possess stronger skills in networking, diplomacy and cultural sensitivity than might be required in the case of WOS. These individuals must have a thorough understanding and the ability to work effectively within different corporate and national cultures (Geringer & Frayne 1990). Table 6 shows a brief overview of this section .

Table 6 : Staffing of the key positions (summary of the main points)

- Appointment of personnel on key positions can give considerable control to the foreign parent over the IJV
- Key Positions : Chairman of the board , MD , GM , financial manager , production manager , purchasing manager , quality control manager , marketing Manager , human resource manager
- Other positions of temporary nature may include : technicians, assemblers, engineers , training supervisors etc.
- Major Staffing Strategies used by MNCs in foreign operations : ethnocentric , polycentric , geocentric and region-centric
- Expatriates are mainly of three types : HCNs , PCNs & HCNs
- Criteria for selecting the key personnel/expatriates to serve in the IJV may include : leadership skills , networking skills , diplomacy , marketing and management skills, technical competence , inter personal skills ,independent decision making ability , emotional stability , cultural sensitivity , linguistic skills , favourable outlook of the international assignment , good health , desire for the assignment and its role in his/ her career development , resourcefulness and adaptability , cross-cultural knowledge base , international work experience , age and academic background of the applicants
- **Advantages/Benefits from the foreign parent perspective :**
 1. Highly trusted and loyal people and serve as agents of the foreign parent and protects/promotes its interests in the IJV
 2. Takes important decisions related to the operational and strategic aspects of the IJV
 3. Enables the foreign parent to exercise better control over critical areas of the IJV such as marketing , human resources , production , assembling , production and product quality
 4. Promote inter-partner trust through frequent interaction and coordination
 5. Aligns the objectives of the foreign parent with that of the IJV
 6. Transfer the foreign parents culture , values , policies and practices to the IJV which results in enhanced control
 7. Provide protection to the parent firm's competitive resources
 8. These key personnel also serve as important cultural and social control
 9. Enables the IJV to obtain more critical resources from its foreign parents for continued survival
 10. Knowledge transfer to the IJV /technology transfer
 11. knowledge sharing between the IJV and the foreign parent and organizational learning
 12. Facilitates improved communication and information exchange between the parents and also between the IJV and the foreign parent through information exchange , feedback and reporting arrangements

3.2.2. Compensation and rewards

Compensation is ‘a powerful tool for attaining the organization’s strategic goals and has a significant impact on the attitude and behaviour of the employees. Managerial incentives are a commonly used managerial control mechanism in IJVs. Experimental research indicates that Chinese managerial performance is positively related with incentives. Incentives encourage the alignment IJV partner’s objectives (Werner & Ward 2004 ; Chalos & O’Connor 2004 ; Festing et al. 2007).

Nielsen & Smyth (2008) have suggested that monetary incentives and job stability ranked as the most important considerations (among the employees) that firms can employ to attract new staff and to retain the existing ones. Compensation decisions allow the firms how to attract and recruit, motivate and retain the human capital. In addition, it also influences critical employee attitudes, behaviours, continued organizational membership, and reciprocity toward the organization (Balkin & Swift 2006 ; Festing et al. 2007 ; Dulebohn & Werling 2007) .

Previous JV studies have emphasized the use of incentive plans as an important control mechanism. Compensation arrangements with appropriate incentive plans can reduce the threat of IJV managers taking actions contrary to interests of the parent firms. According to Smith & Watts (1982) firms often consider both corporate and divisional performance as bonus criteria for divisional managers. Similarly Merchant (1989) found that , in nine of the twelve firms examined in his detailed study of profit center managers compensation , rewards to profit centre managers were in part based on corporate financial performance . Such contracts encourage a sense of belonging to an entity. The bonus for the IJV managers can be based on the parent’s performance or the JV’s performance or some contribution of the two. With greater strategic interdependence between the IJV and the parent , the compensation of the IJV top management is more likely to be linked to the fortunes of both the parent and the IJV , rather than the IJV alone (Kumar & Seth 1998) .

Manager performance incentives involve the use of budget performance linked rewards to foster outcomes that are in the interests of both IJV partners. Rewards based on performance promote goal congruence and act as positive motivational control in IJVs. The partners joint performance expectations have been found to affect the performance incentive system in case of fledging IJVs (Chalos & O'Connor 2004). Compensation consists of those rewards (monetary and non-monetary, direct and indirect) that organization exchanges for the contribution of its employees, both job performance and the contributions they make in personal capacity. Compensation is used by the firms to fulfill three main organizational needs: attraction of the potential employees to the organization, the motivation of employees to perform and the retention of good employees (Geringer & Frayne 1990).

Reward system used by the parent firm do not need to be necessarily replicated for the IJV as well because it may not suit the requirements of IJV particularly when the parent's first and foremost objective is to attain the employee's loyalty to the attainment of IJV objectives . Reward system has to be adapted as different sets of behavior may be required from the IJV personnel. Besides parent firms may find it essential to monitor the compensation system over time and modify it according to the changing requirements of the IJV, since the required behaviors of the personnel may vary over the course of the venture's life cycle. In order to design appropriate reward system for the IJV, parents can establish universal salary management and job evaluation norms, compare individual country and parent firm practices against these norms, and then carry out changes in the practices within the framework of overall corporate objectives. Point factor system and factor comparison evaluation job evaluation are two approaches of compensation management that have proved effective in the international operations. Both approaches allow the local market conditions to influence the final design and implementation (Geringer & Frayne 1990).

Incentive-based compensation schemes are used by the organizations to align the interests of employees with the owners. The main reason why organizations opt for incentive-based compensation scheme is to ensure that their employees efforts be can channeled toward activities that facilitate the achievement of organizational objectives.

The control basis of compensation schemes can be best understood in the light of agency theory that suggests that an agent is capable of engaging in dysfunctional behaviors known as “adverse selection” and “moral hazard”. The dysfunctional behaviors arise when the agent and the principal have different risk preferences and conflicting objectives. In the light of agency theory such moral hazard problems can be minimized by developing an incentive-based compensation scheme (a control subsystem), which aligns the interests of principal and the agent. Incentive-based compensation schemes have been found to increase motivation which in turn improves performance. Incentives not only motivated individuals to work longer on a task but also serve to enhance the quality of attention individuals devote to the task (Chong & Eggleton 2007).

Compensation can be used as IJV control mechanism in several forms. For example sometimes the venture’s GM and other key employees may be kept on the parent’s own payroll in order to maintain control over the allegiance of other personnel. However the drawback of this method is that it may lead to feelings of discontent and unequal treatment among such employees which will in turn affect the overall IJV performance. Another strategy considered to be more effective for exercising control is to explicitly tie an employee’s bonus and his career development to the achievement of the IJVs long term strategic objectives. This approach has been found to create an unbiased and undivided allegiance to the IJV. In addition, a well designed compensation and reward system for the managers and the other key employees for better management can also attain better IJV performance. For example a parent may relate the bonus of its representatives and/or other key personnel to the effectiveness of the cooperation they provide in the formation or management of the IJV (Geringer & Frayne 1990).

Earlier research suggests that one’s position in organization results in differences in employee reward preferences. For example employee preferences for five rewards named important work, promotion, job security, short working hours with much free time and high income differed considerably among categories of workers. Moreover white and blue collar employees have different reward preferences as do supervisors vis-a-vis their subordinates. Research also supports the view that subordinate’s pay

should be based on merit (compared to their own pay) , was stronger among the higher-level managers as compared to their lower-level counterparts (Dubinsky et al. 2000).

MNCs have to devise international compensation programs since they operate in many countries. Such international compensation programs allow the attraction and retention of employees who are qualified for foreign assignments (from the parent company perspective and includes HCNs , PCNs and TCNs) , facilitates international transfers , establishes and maintains a consistent and reasonable relationship between the compensation of employees locally and internationally and maintains compensation level that is reasonable in relation to the practices of competitors yet minimizes the costs . The international compensation should provide an incentive for the expatriates to leave the home country for the foreign assignment, maintain a given standard of living for the expatriates, take into consideration expatriates' career and family needs and facilitate re-entry into the home country at the end of the foreign assignment. A worldwide compensation system of the MNC may be based on 1. Headquarters scale, 2. Citizenship i.e. employees countries of citizenship or 3. Global i.e. global base for per position for every one (Briscoe 1995:108 – 129) .

The main rationale for rewards is that they enhance managerial motivation and performance. They are recognition of managers contribution and achievement and therefore based on the principle of free market economy and private enterprise where income should be distributed according to contribution. Performance-based rewards therefore have been found in many cases to increase employee's performance and job satisfaction. The second rationale is that high performance requires greater effort, and that reward systems need to provide individuals with the expectation of increased utility as an incentive to be more productive. Although industrial infrastructures and superior-subordinate relationships are similar different countries, other factors such as cultural, social, political and economic may create differences in reward allocation (Puffer 1997). The summary of literature on compensation and rewards is mentioned in the form of table 7 .

Table 7. Compensation and rewards (summary of the main points)

- Compensation and reward strategies are positively related with the performance of the employees in China
- Rewards and incentives for the IJV personnel may be based on the parent's performance or the IJV's performance or some contribution of the two
- Reward system used by the parent firm do not need to be necessarily replicated for the IJV because it may not suit the requirements of IJV particularly when the parent's first and foremost objective is to attain the employee's loyalty to the attainment of IJV objectives
- Parent firms may find it essential to monitor the compensation system over time and modify it according to the changing requirements of the IJV , since the required behaviors of the personnel may vary over the course of the venture's life cycle
- Rewards and incentives can be both monetary or non-monetary such as job stability , promotions , short working hours bonuses , increments etc .
- sometimes the venture's GM and other key employees may be kept on the parent's own payroll in order to maintain control over the allegiance of other personnel
- Another strategy considered to be more effective for exercising control is to explicitly tie an employee's bonus and his career development to the achievement of the IJVs long term strategic objectives
- A worldwide compensation system of the MNC may be based on 1. headquarters scale , 2. citizenship i.e. employees countries of citizenship or 3. global i.e. global base for per position for every one
- **Advantages/benefits of compensation and reward strategies**
 1. Compensation can be used as a powerful control tool for attaining the organization's strategic goals particularly in the Chinese market
 2. Incentives and rewards facilitate the alignment of objectives between the IJV partners
 3. Significantly influences the critical employee attitude and behaviour, continued organizational membership , and reciprocity toward the organization
 4. Play a crucial role in the attraction of the potential employees to the organization
 5. increases the motivation and performance of the employees
 6. Increased job satisfaction among the employees
 7. Facilitates the retention of good employees
 8. reduce the threat of IJV managers taking actions contrary to interests of the parent firms
 9. Incentive-based compensation schemes also align the interests of employees with the owners
 10. Play a crucial role in IJV goal achievement and the overall IJV success.

3.2.3. Training and development of employees

Training and development leads to enhanced skills and knowledge of the employees which in turn allows them to perform their duties more efficiently. Therefore training can be regarded as an important control mechanism because it can remove performance deficiencies. Through proper training people can be made to think and act in ways consistent with the parents and other stakeholders' cultures, objectives and interests. Besides training can be used as a mechanism for establishing and perpetuating an IJV culture, which is the appropriate for the venture. Similarly through proper training, employees can be made loyal to the IJV rather than to any particular parent. The most important thing to consider in a training program is its content irrespective of the fact whether the training is provided by the parent, by someone in the IJV or by some other entity. Mostly it is the content that a parent would like to influence. Many training programs failed to achieve their objectives since they were either culture-specific or inappropriate for their intended settings. Such training programs fail make any positive impact on the performance of the IJV. Zeira (1975) found that most training programs for expatriates did not help the target employees with their problems related to adaptation problems in subsidiaries. Therefore a parent may influence the IJV operations in order to ensure that appropriate training programs are developed for the venture (Geringer & Frayne 1990).

Global managers with multiple and diverse competencies are important source of competitive advantage for the MNCs in order to compete in the current, borderless economy and to attain global efficiency (Black 2005; Wu & Lee 2007). According to authors, organizations can develop global leaders by offering the selected people with the right training and development opportunities which will make them capable to perform global leadership tasks and activities effectively (Caligiuri , 2006) .

For effective training program , it is very important that the trainees' locations , customs and way of thinking as well as the actual problems that are being faced , should be taken into consideration .For the identification of important issues which must be addressed the services of experienced personnel from the JV and often its partner company as well

should be utilized which will assure that a training program appropriate to the venture's requirements will be developed consistent with the objectives of the stakeholders . A monitoring system will also be required in order to know about the effectiveness of the training program and any modifications which might be necessary over time (Geringer & Frayne 1990).

The management of international training programs can be a complicated task because of differences in country needs. Countries differ regarding basic infrastructure, level of literacy, nature and type of the education, vocational education, teaching and learning styles, relationships between student and teachers and differences in familiarity with various teaching techniques and media. All of the above problems plus additional cultural problems (such as merging of various company and national cultures , coping with increased cross-national diversity , due to increased numbers of cross border mergers and many problems of cross cultural work teams and training practices) make the management of international training programs a very complex responsibility (Briscoe 1995:101).

Well designed training programs can bring a number of benefits for the IJVs, hence resulting in better performance. The extent and quality of communication within the IJV as well as between the venture and its parents can be, for example improved through language and cultural training. By identifying and reducing errors in performance, training programs provide enhanced opportunities for corrective actions and promote developmental activity through teaching employees new skills related to their current job or for a different job in the organization. Training programs for the employees are very important in areas related to the competitive advantage of the firms e.g. protection of technology and preventing its diffusion to outside firms. Similarly orientation and on-job training programs for the new staff of the IJV can prove useful control mechanisms to facilitate organizational socialization by introducing and reinforcing the objectives and policies of the IJV, both formal and informal, in a series of training and information sessions. In the absence of proper training, an IJV can be sabotaged by personnel at top, middle and even lower levels of the organizational hierarchy. Training and development programs therefore unify the employees' loyalties to the IJV and

prevent any division of loyalties between the parent and the IJV. These programs can also be used to achieve harmony between partners by improving employees understanding of each other's culture, objectives and business practices (Geringer & Frayne 1990).

University of Michigan has developed an innovative, multi firm approach to help executives for developing a global perspective. The program brings fast-track executives from 21 different firms from around the world together for five weeks of intensive multicultural team building. It focuses on opportunity assessment and problem solving on a number of situations and countries and has been found a successful approach to help individuals develop global perspectives about their jobs and their companies (Briscoe 1995:96).

Training programs can differ depending upon the objectives. They can range from basic techniques such as the use of informal, face-to-face meetings or phone calls or the promotion of informal mentoring relationships, to the development of extensive formal management or employee development programs. One such training program has been suggested by Frayne & Geringer (1987). It is a 12 hour self-management training program for the IJV general manager and the other key employees as a means of improving the management and performance of the IJV. Similarly managers and other employees can be trained in important inter-personal areas such as communication, negotiations, conflict resolution, networking etc. to achieve better venture performance. Thus it can be concluded from the above discussion that even if a parent does not play a major role in staffing and recruitment of IJV personnel , it many still be able to influence the venture's activities by the training and development of the employees (Geringer & Frayne 1990) .

With the passage of time expatriate development and training has gained importance as an important HRM activity for MNCs. Adjustment to the host culture is considered as a major determinant of the expatriate performance effectiveness. Cross-cultural training improves adjustments to the host culture. Cross cultural training has been found to enhance self efficacy of expatriates. Higher self-efficacy reduces the perceived

uncertainty in cross-cultural interactions which in turn results in better performance (Gani & Rockstuhl 2009) .

Effective coping strategies can be taught in cultural training programs better preparing expatriate candidates for their foreign assignments which will allow them make socio cultural and psychological adjustment easier for them. Training therefore is an important pre requisite for the international managers. Cross-cultural training is considered crucial for the success of employees for a number of reasons. The most common of them are to improve cultural sensitivity of the expatriates by increasing knowledge and appreciation a new country and its culture and by increasing awareness of the norms and behaviors needed to be successful in the new culture. In addition cross-cultural training also improves the cross cultural skills by increasing communication skills, transition skills, leadership skills, and management skills. Cross-cultural training effectively enhances IJV-employees cross cultural competencies, facilitates his /her adjustment to the new cultural environment, and improves his/her performance. In addition to anticipating and managing change and learning from experience; managing cultural differences is regarded as a key HR issue in IJVs (Selmer 2001 ; Chen & Klimoski 2007 ; Edwards 2003 ; Schuler et al. 2004) .

Culturally competent international managers must be aware of the cultural sensitivities of the host culture. Competence may be described as (work related) knowledge, skills and aptitudes which can be used for productive purposes in firms . It makes a difference between outstanding and average performers. Cultural sensitivity trainings therefore allow the mangers to develop such competence (Holzmuller & Stöttinger 2001).

For the cross-cultural training to be effective, it has to match to the nature of the particular need (Briscoe 1995:88-89) . Table 8 represents matching of method and technique to purpose in the training of international assignees.

Table 8: International assignee training (Briscoe 1995:88-89)

METHOD	TECHNIQUE	PURPOSE
Didactic-informational Training	Lectures Reading material Videotapes Movies	Area studies, company operation, parent-country institutions.
Intercultural Experimental Workshops	Cultural assimilators Simulations Role playing	Culture-general , culture-specific negotiation skills , reduce ethnocentrism
Sensitivity Training	Communication workshops T-groups Outward-bound trips	Self-awareness , communication style , empathy , listening skills , non- judgmentalism
Field Experiences	Meeting with ex-IAs Mini cultures Host-family surrogate	Customs , values , beliefs , non-verbal behavior , religion Interpersonal communication, job requirements, survival necessities.
Language skills	Classes Classsets	

At minimum training and orientation should be provided related to intercultural skills , culture shock management , lifestyle management , daily living issues in the host country , local customs and etiquette , area studies , repatriation planning and on language learning strategies (Briscoe 1995:88, 89) .

In the past managers were selected for the overseas assignments on the basis of their technical competence which resulted in high failure rate due to the lack of understanding of how to successfully perform their responsibilities in the multicultural settings . This led to the introduction “global leaders” , a new form of international managers who can work efficiently in different cultural settings in any part of the world with cultural and communication competencies in addition to the technical ones (Goffee & Jones 1995 ; Harvey 1996) .

Global managers are developed through early identification of the individuals, monitoring their performance over time, gradual growth, international assignments, and

multilingual abilities, and have the experience of working in different cultures around the world in multicultural. ICI pharmaceuticals , a major global firm , uses a number of strategies for developing managers with global mindsets such as internationalizing the staff through increased transfers , increased number of international assignments , greater use of extended business visits and international project teams , using international coordination roles across the business in order to broaden the participant's view of the business and by making a greater use of cultural awareness and language training and business briefings to increase knowledge of the international aspects of the business . Briscoe (1995:94 – 97) have mentioned a number of important tips on how to develop a globalize management . These tips include the selection of a small number of rising superstars and sending them on meaningful overseas assignments , bring the best overseas talent into headquarters for meaningful interim assignments followed by repatriation , recruiting staff worldwide from different universities and place them on entry level positions overseas early in their careers and paying them close to the local hiring rates as possible , reserving one or more positions in the international HR activity for the expatriates returning back from international assignments , international mobility of the best talented individuals of all nationalities including HR professionals , developing a long range view of management development , including overseas assignments and shifting certain businesses , units , or functions to another country for more effective global interaction .

Organizational culture plays an important role in the socialization and acculturation of IJV managers. Organizational culture consists of organizational norms, values and etiquettes. Socialization involves the rotation of managers from one organization to another and has been found effective control mechanism. Frequent rotations of individuals between two organizations help to coordinate the actions of the organizations. Such rotations create an integrative culture and also create a verbal information network. To the extent the managers are integrated into the information network, their rotation would result in the promotion of contacts and allow for decentralized control of an organization without losing overall system integration. Another possible model of socializing IJV managers is their participation in executive training sessions and seminars conducted by the parent. The importance of socialization

as a control mechanism to build managerial commitment to the organization is supported by the previous research (Kumar & Seth 1998).

Organizational culture is an important control tool which can be regarded as a social or informal control, and is different than the formal control which is more bureaucratic in nature. Organizational culture can be defined as a “system of shared values and norms that define appropriate attitudes and behavior for organizational members” (O.Reilly & Chatman 1996:160). Organizational culture provides a sense of control because it unifies the way organizational members process information and react to the environment, which results in the achievement of a higher level of behavioral predictability. Culture guides people through shared values and norms; therefore they voluntarily behave in a manner that is desired by other organizational members as well. Culture induces the conformity of the individual behavior to the group . In strategic alliances, the management of organizational culture (in comparison to the hierarchical organizations) presents great challenge as well as potential opportunities. IJVs consist of two or more partners with different organizational cultures. Management of the alliance therefore is a challenge because it involves blending and harmonizing two different organizational cultures. Many mergers and acquisitions have failed because of the cultural clash because it is not easy for two companies with different organizational cultures to be pulled together and work seamlessly as one. Acculturation (for cultural diffusion) in M&As may take the mode of integration, assimilation, separation and deculturation. In deciding upon the acculturation mode, both the acquired firm and the acquiring firm have very different perspectives and incongruence in partner preference may create acculturation stress which leads to the unsuccessful mergers. Strategic alliances also suffer from a similar form of acculturation stress . In alliances where one partner plays a dominant role, such acculturation stress may become a more serious issue. Because unlike M &As (where one organizational culture can prevail) in alliances this rarely happens. Partners in the alliances are still independent firms and they do not want to lose their own organizational identity in a strategic alliance. Making the cultural blending work while preserving the separate cultures is a challenging task for the managers. Owing to a lack of alternative effective control mechanisms in alliances, managing culture is of critical importance despite of the difficulties. The socialization

and training of IJV managers play an important part in cultural blending. Socialization results in interaction among managers from both sides, thus enabling managers to formalize themselves with their partner's organizational culture. Personal interaction brings in the advantage of common values and norms for the alliance (Das & Teng 1998).

In IJVs, for example those in China, socialization practices have been found useful to facilitate the transmission of organizational culture. Socialization can be regarded as a cultural control that promotes congruent expectations and mutual commitments which allows the IJV managers to learn and share common attitudes and knowledge of the organization. Socialization includes such practices as training, mentoring, technical skill transmission and the development of common organizational culture (Chalos & O'Connor 2004).

The summary of this section is presented in table 9.

Table 9: Training and development (Summary of the main points)

<ul style="list-style-type: none"> • In the absence of proper training , an IJV can be sabotaged by personnel at top , middle and even lower levels of organizational hierarchy • Trainings can be arranged internally (within the firm) or the externally (e.g. training organization) • From the parent firm perspective the content of the training is important • For effective training , trainees location , custom and way of thinking as well as actual problems being faced should be taken into consideration . • In order to know about the effectiveness of the training programs and for their gradual improvement , a monitoring and feedback system is important • Training and development programs can be arranged in diverse competence areas such as IT , production , assembling and engineering , leadership skills , negotiation skills , cross-cultural skills , communication and language skills , networking skills , conflict resolution skills , management skills , daily living issues , lifestyle management etc . • Advantages/benefits of training and development programs in IJVs <ol style="list-style-type: none"> 1. Through proper training and development programs employees can be made to think and act in
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- ways consistent with the parents and other stakeholders cultures , objectives an interests
2. Results in knowledge and skill enhancement which in turn improves employees overall performance and efficiency
 3. Removes performance deficiencies
 4. Can be used for establishing and perpetuating IJV culture which itself is a form of control mechanism
 5. Results in increased commitment an loyalty of the employees to the IJV
 6. Allows the firms to develop global leaders who serve as competitive edge of the firm in the international business environment
 7. Improves the quality and extent of communication within the IJV as well as between the parents and the venture and therefore creates harmony
 8. It's importance is immense in areas related to the competitive advantage of the firm and knowhow and how the partners should protect their core competences in the IJV
 9. Is crucial for reinforcing the objectives and policies of the IJV among the employees
 10. Is crucial for successful technology transfer and knowledge transfer

3.2.4. Performance appraisals & evaluation

Dowling et al. (1999) hold that international performance management can be considered as a strategic HRM process that allows MNC to evaluate and improve the performance of its local and international operations against clearly, preset objectives that are directly linked to international strategy. Cardy & Dobbins (1994) define performance appraisal as the process of identifying, observing, measuring, and developing human resources in organizations. Performance appraisal criteria should include the following three aspects i.e. hard goals (objectives) which are quantifiable and can be directly measured in the form of return on investment (ROI), market share and so on , secondly soft goals that are relationship or trait-based such as leadership styles or relational skills. Contextual goals based on factors that result from the situation in which performance occurs. The criteria for performance appraisal should be accessible, easy to understand, equitable and motivating for every manager, irrespective of nationality and cultural background. Hossain and Davis (1989) consider technical ability, management skills, cultural empathy , adaptability and flexibility , diplomatic skill and language aptitude as evaluation criteria in the case of expatriates . Janssens

(1994) suggested that international managers should be appraised on basis of three different criteria: local, home and worldwide standards. A performance appraisal is affected by a number of factors. Some important factors are cultural differences , industry differences , management patterns , subsidiary environment context and constraints , firm's strategy , efficiency vs. productivity and long term development vs short term profitability . Performance appraisal is an important HRM activity. It serves a number of functions including solving performance problems, setting goals, reward allocation and discipline, and dismissal. (Shen 2004 ; Holbrook 2002) .

Performance appraisal is an effective human resource strategy that firms can use to obtain control of IJVs. It is an important human resource activity in the organizations due to its linkages with the selection, compensation, training, and other employment practices. Through a well structured performance appraisal system, firms are able to measure and evaluate an employee's job-related behaviors and outcomes. Performance appraisal of the employees is significant because it provides information about how well jobs are being performed and objectives are being attained. It also identifies the job responsibilities of the employees and also how those responsibilities are being performed. Some of the main purposes of performance appraisals are management and staff development, performance improvement and compensation. The process of employee development takes place on the basis of performance appraisals, through which expatriates are identified and prepared for increased responsibilities. Besides, in order to make employees more effective and productive, the role of performance appraisals is a very crucial one since it encourages successful performance and helps to identify and overcome individual weaknesses. It is also a tool through which parent firms measure their progress towards the achievement of important IJV objectives. Lastly, it allows parents to determine appropriate pay for the employees based on merits and results (Geringer & Frayne 1990 ; Ferris et al. 2008 ; Lawler et al. 1984) .

Performance appraisal of the managers and employees is considered as an important organizational activity and forms an "integral" part of any organizational control system. It has several benefits. Effective performance appraisal has been found to be closely related to increased motivation, effort and performance. A performance

appraisal result in the reduction of role ambiguity and such reduction in role ambiguity is commonly associated with increases in effort, performance, satisfaction, commitment, and decrease in turnover. Besides, organizations carry out performance appraisals to determine employee compensation, merit pay and other organizations' rewards such as promotions. Performance appraisals are also important from the human resource management perspective. For example the performance appraisal can provide information regarding the effectiveness of the firms selection and training programs , and can help identify and evaluate needs in the area of human resource training and development . Performance appraisals provide information and direction to employees in a way which will result in better performance (Pettijohn et al. 2001) .

Parent firms can influence the performance of IJVs by influencing the purpose, method and frequency of performance appraisals which is employed and thus what expectations are established and reinforced regarding the operations of the ventures. The specific circumstances of the IJV will determine the performance criteria. It is also possible that parents may have different objective for entering into a IJV. However such divergence cannot be necessarily regarded as incompatibility in objectives and through proper negotiation and compromise such divergent objectives can be transformed into a set of consistent criteria upon which the IJVs general manager's or other staff members' performance appraisals are based (Geringer & Frayne 1990) .

Regarding the criteria for performance appraisals there seems to be little agreement on the evaluation variables for maximizing the evaluation efforts. The evaluative criteria have been often divided into two main categories mentioned under different labels e.g. qualitative / quantitative, behavior/ output and subjective/objective but they are most commonly labeled as input and output criteria. Input criteria generally include personal qualities, activities and sales strategies. The output criteria are described as related to the results of the employee's job performance e.g. sales volume, profits. Some researchers have concluded that firms prefer input/behavioral over output criteria on the belief that these criteria are subject to a greater degree of self control than are output criteria. The use of output criteria is said to be outside the employee's control or leads to activities which are detrimental to the long term profitability of the firm. Other

researchers hold that output criteria should be the preferred criteria as the use of this criteria result in less than objective evaluations. However there is a third group of researchers who concede that both input and output criteria should play a significant role in the evaluation process and that no single form of criteria can be regarded as the right one . According to this group of researchers, while a positive output feedback is the most effective method of improving performance; positive behavioral feedback tends to have the greatest impact on satisfaction. Critical assessment on part of those involved in the process of performance appraisal therefore gains extreme importance in the absence of any definite criteria (Pettijohn et al. 2001).

A number of important issues should be considered by the parent firm or the IJV board members or management who assume control over the function of performance appraisal. First the IJV general manager and his/her staff should be educated in the type of performance appraisal being carried out as well as how often and for what purpose they are being appraised . Once the objective of the performance appraisal is being established, issues relating to career planning, alternatives for retraining and equitable compensation and rewards should be laid down based on the outcomes of the performance appraisals. Moreover the people who are involved in the job of performance appraisal should be trained in the appraisal procedure. Regarding the criteria of performance and the standards to be achieved, a prior mutual agreement with the GM and staff of the IJV as well as with the partner(s) is reached. This is important in order to ensure that the differences in the objectives of all the stakeholders are identified and taken into consideration which will reduce the possibilities of conflicts and promote the successful implementation of the system. The system which is adopted should in addition place emphasis on the key tasks and assignments of the individuals and the non-routine tasks that are important for the success of the JV (Geringer & Frayne 1990).

According to Caruth & Humphreys (2008) , an effective employee performance appraisal system should be based on eleven major characteristics : formalization , job relatedness , standards and measurements , validity , reliability , open communication , trained appraisers , ease of use , employee accessibility to results , review procedures ,

and appeal procedures . By constructing a performance appraisal system based on the above mentioned characteristics organizations can assure themselves of more effective and legally defensible performance appraisal systems. In addition the authors suggest that the performance appraisal system should also serve as a tool of strategic control. Although the introduction of such a performance appraisal system is believed to be a costly one the authors hold that the costs of failing to develop adequate performance appraisal systems would surely exceed the advantages of developing and implementing an effective system .

Performance appraisals should aim at identifying the strengths and weaknesses so that training and development programs can be made according to the needs of the employees and rather than being strictly used in the reward/punishment manner. The performance appraisal should be tied to the venture long term planning process. It is often valuable to include short and long term objectives into the performance appraisal, which should also remain responsive and flexible to market and environmental contingencies. For the performance appraisal system in order to be effective, it should also take into consideration problem areas beyond the control of the IJV employee being evaluated. In addition, it is advisable to reassess the political, economic, competitive and business conditions which confront the venture and to periodically review the objectives of the IJV and the IJV partners. Modifications should be made in the performance appraisal criteria as soon as changes in the objectives operating conditions arise. While carrying out such changes maintaining consistency with the objectives of the key stakeholders is important in order to avoid conflicts (Geringer & Frayne 1990).

For both managerial and non managerial employees of the IJV as well as the key managerial and support personnel from the parent companies , the systems of performance appraisal maybe effectively used . Thus the parent company by making specific reward outcomes contingent upon good performance evaluation and by ensuring that specific objectives or controls are incorporated in the performance appraisal system , may be able to exercise influence over the objectives and strategies of

the IJV (Geringer & Frayne 1990) . Abraham et al. (2001) identified six competencies considered most critical for the managers. These competencies include leadership skills, customer focus, results oriented, problem solver, communication skills and team worker. The authors suggested that managers should be appraised on the basis of these six competencies.

Arthur and Benette (1997) in their study put forward 8-factor model of international assignee performance dimensions. The factors that they included in their study were flexibility, family situation, management/ administrative skill , integrity , effort , tolerance , cross cultural interest , and openness . Sinangil and Ones (1997) identified five factors deemed to be important for effective performance among international assignees. The factors which they identified are job knowledge, relational skills , flexibility/adaptability , extra-cultural openness , and family situation . Caligiuri's (1997) theory of expatriate performance made distinction between (1) technical dimensions and non-technical dimensions, and (2) recognized that although many expatriates are sent on global assignments for their technical skills, they have to fulfill a number of other role related responsibilities demanded of them in the foreign location. Her study contributed to the identification of the non-technical dimensions of expatriate performance which were pro social and managerial in nature for example representing the organization to customers and to the public ; training and developing the subordinates and organization citizenship type behaviors such as carrying out the additional tasks , replacement planning , transferring information , language/culture proficiency , and establishing good relations with the host country nationals . Vulpe , Kealey , Protheroe and McDonald's (2000) "PIEP" model (profile of the inter culturally effective person) comprehensive inventory of expatriate performance behaviors to date . The PIEP consists of a 3 level classification, which consists of 9 general-level major competencies, 30 core competencies within those, and then finally a detailed list of behavioral indicators of each core competency. In this study, from the perspective of evaluating the international assignees, it is the behavior indicators which are the observable, concrete actions displayed by inter-culturally effective individuals that hold the greatest practical potential for evaluating the international assignees. (O'Sullivan 2009).

Several factors can influence the performance appraisal of the international managers such as 1. choice of the evaluator (e.g. local or home company) and that persons amount of contact with the employee who is being evaluated , 2. management's perceptions of performance of the host country as there are considerable differences between the headquarters and foreign locals in what is valued in term of performance and in terms of perceptions of the actual behaviour) , 3. communication difficulties with the headquarters , 4. inadequate establishment of performance objectives for the foreign operations and means for recording levels of individual and organizational performance ; 5. ethnocentrism of the parent company and lack of understanding of the foreign environment and culture and 6. frequent indifference to the expatriate's foreign experience and to the importance of international business in general . As such quite often the performance evaluation of an individual expatriate or foreign managers is ignored by the parent-company bosses altogether or only financial results of the foreign operation are taken into consideration with little or no understanding of the individual behaviors that were (or had to be) exhibited in order to achieve those results . Highly favorable results may have been achieved by the individual under extremely difficult circumstances and may have performed well but that may not be reflected in the overall evaluation. The results could have been even worse, but what gets evaluated in practice are the mediocre financial figures .Some important issues to be considered in performance criteria include the cultural distance to be experienced , the language of the foreign assignment and the stability and controllability of main performance factors such as the nature of the workforce , rates of inflation , and currency exchange rates . A major input ought to come from the local manager but if the home site manager actually develops the evaluation , the assistance of a former expatriate from the location under consideration can be quite valuable in developing in understanding of the local factors that are significant in the expatriates performance . Keeping this complex nature of performance appraisal , the firms that use appraisal systems , rely on a wide variety of actual appraising techniques in order to get better and just appraisals. (Briscoe 1995, :102-103 ; Lee 1985) . Table 10 provides a brief overview of the main points of this section .

Table 10: Performance appraisal (summary of the main points)

- Performance appraisal is an important control activity due to its linkages with selection , compensation , training , rewards and other employment practices .
- The parent companies by making specific reward outcomes contingent upon good performance evaluation and by ensuring that specific objectives and controls are incorporated in the performance evaluation system , maybe able to exercise influence over the objectives and strategies of the IJVs
- MNCs mostly use three types of criteria for appraising the international managers : local , home and worldwide
- Performance evaluation criteria consists of three aspects : hard goals , soft goals and contextual goals
- Performance appraisal is affected by a variety of factors . However the specific circumstances of the IJV will determine the performance criteria
- A wide range of competencies are used by the parent firms in the process of P.E

- **Some advantages /benefits of performance appraisal and evaluation include :**
 1. Performance appraisals allows the firms to know how well the employees are doing their jobs and objectives being attained
 2. Identifies the job responsibilities of the personnel
 3. Some of the major functions of the performance appraisals are management , staff development , performance improvement , compensation and retention
 4. Helps in identifying and overcoming the individual weaknesses by identifying needs in the area of human resource training and development thus enhancing the employees productivity and efficiency
 5. Through performance appraisals the parent firms determine appropriate pay for the employees based on merits and results
 6. It is a tool through which the parent firms measure their progress towards the achievement of important IJV objectives
 7. Parent firms can influence the performance of the IJVs by influencing the purpose , method , and frequency of performance appraisals
 8. Also serves as a tool for strategic control
 9. plays a crucial role in the improvement of training and development programs

3.3. Summary of the theoretical framework

This research work uses agency theory in order to explain the use of these four human resource based mechanisms in IJVs. According to the agency theory one party (the principal) delegates work to another (the agent), who performs that work. In the context of the IJVs, management of the IJV can be considered as agents and the parent companies are the principals who may exercise their control over the IJV through their control over the human resource management. In this study four human resource based mechanisms involves the exercise of influence through personnel from the foreign parent. All of these four human resource based control mechanisms mean control over the four important human resource areas of the IJV. This can be represented in the form of a diagram (see figure 2) that will also be a theoretical framework used for this study . From the legal point of view, IJV is a separate company and as such a separate legal entity from the parent firms however in practice foreign parent can exercise control over the JV through control mechanisms.

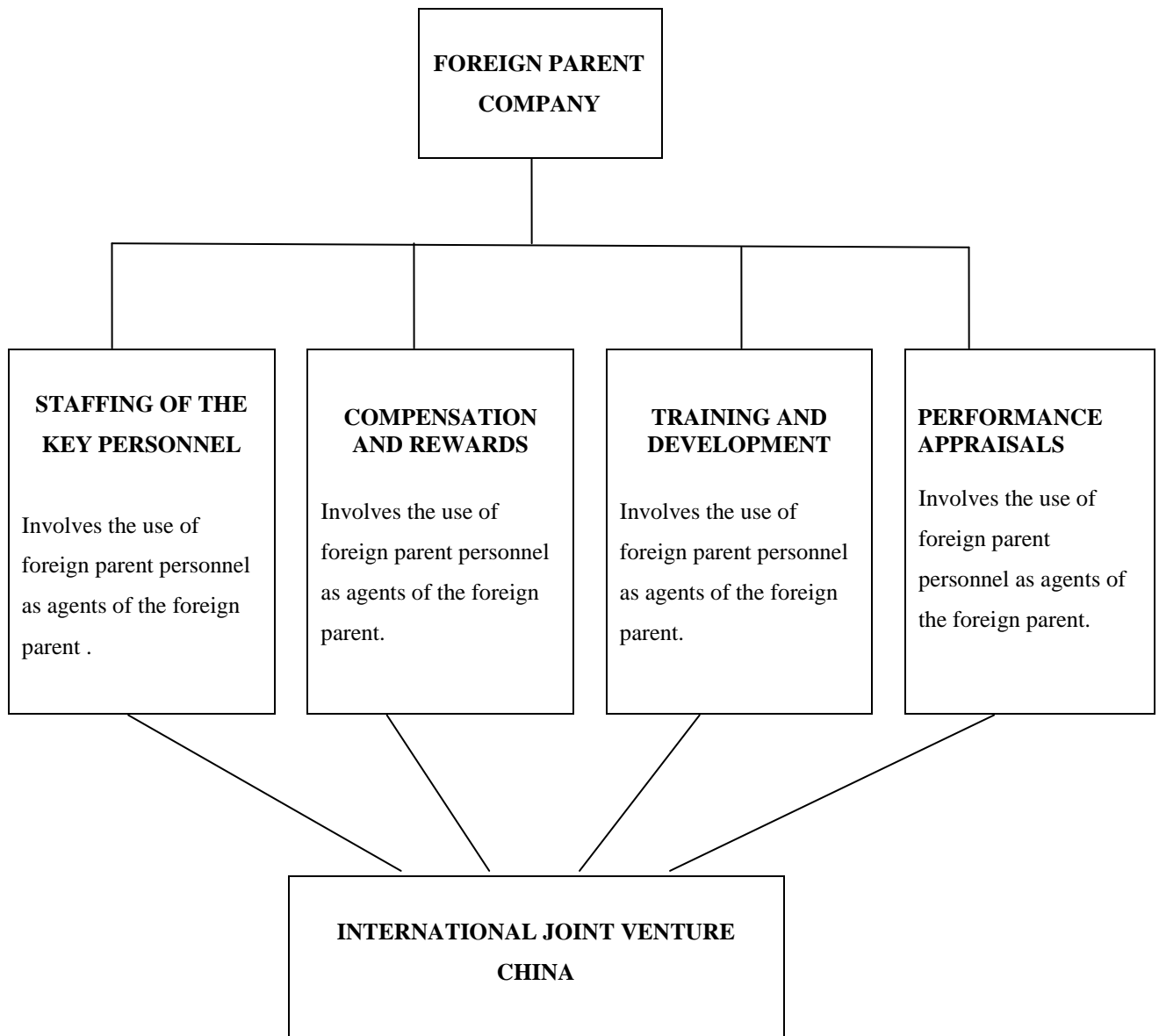


Figure 2 : Theoretical Framework of the study

4. RESEARCH METHODOLOGY

The following chapter describes the methodology that is used for this research work .

4.1. Qualitative Research

For scientific research two kinds of approaches are mainly used by researchers for investigation: 1. Quantitative and 2. Qualitative. Quantitative research is the systematic scientific investigation of quantitative properties and phenomenon and their relationships. The main goal of this type of research is to develop and employ mathematical models, theories, and/or hypothesis relating to natural phenomenon. The process of measurement is central to quantitative research because it provides the fundamental connection between empirical observation and mathematical expression of quantitative relationships. Quantitative research is less flexible and has higher ability to replicate the results. In this type of research the questionnaire are structured and the samples are large (Burns & Bush 2003:230- 231) . Quantitative data is obtained through surveys with large sample size or experiments. Control is exercised over subjects, settings and other factors to prevent causal contamination. Then the data obtained are analyzed with statistical methods.

Qualitative research on the other hand is based on unstructured data obtained through fieldwork studies and case research methods. It involves observing and / or asking open ended questions, usually with a small number of informants (Burns & Bush 2003: 230 - 231) . In Qualitative research, the researcher is closely involved with the respondents; hence giving him/her a chance to get deep insight into the subject under study. According to Ghauri , Gronhaug and Kristianslund (1995:81), qualitative methods are suitable when study is exploratory in nature and when emphasis is on understanding and observing a phenomenon in natural setting as opposed to quantitative methods that focus on hypothesis testing and verification, and where the investigator has control over the phenomenon. Since this research work explores how a foreign parent firm exercise control over a joint venture located in China through the use of four human resource control strategies therefore it can be described as a qualitative research. The sample is

small as there is only one case company involved and only one IJV studied as a foreign entry mode choice. No statistical methods have been used because they are mostly used in quantitative research which involves surveys based on large size samples.

4.2. Case Study Approach

Research strategies are mainly of five types : experiments , surveys , archival analysis , histories and lastly case studies . Researchers generally prefer the case studies when the research questions they have to ask are in the form of “how” or “why” , when they have little control over the events and when the focus is on some contemporary phenomenon within some real life context (Yin 2003:1) . Case study is defined as a strategy for doing research which involves an empirical investigation of a particular contemporary phenomenon within its real life context using multiple sources of evidence and is holistic in nature (Yin 1989:23 ; Yin 1994 ; Saunders , Lewis and Thornhill 2007) .

Qualitative research and case study methods have been found suitable for exploratory studies, and at the early stages of theory building and development where the key issues and dimensions or core categories and patterns, have yet not been empirically identified and isolated. The qualitative case study method has been considered as the most appropriate method for exploring new research areas when little is known about particular phenomenon with the goal of identifying theoretical constructs and concepts (Eisenhardt 1989). Some of the most influential studies in business research have been qualitative and case based (Leavy 1992). According to Porter (1991:97) research at the early stages of a field’s development is probably best focused on the building of integrative frameworks to be used for further analysis and rigorous testing . He further holds that if the built framework “is based on in depth empirical research, it has the potential to not only inform but to push the development of more rigorous theory” (Porter 1991:98)

According to Yin (2003:7-8) , “the case study is preferred in examining contemporary events , but when the relevant behaviors cannot be manipulated . The case study relies on many of the same techniques as history, but it adds two sources of evidence not

usually included in the historian's repertoire: direct observation of the events being studied and interviews of the persons involved in the events. Again case studies and histories can overlap, the case study's unique strength is its ability to deal with full variety of evidence - documents, artifacts, interviews, and observations - beyond what might be available in a conventional historic study. Moreover in some situations such as participant observations, informal manipulation may occur". Case studies can be divided into single case studies and multiple case studies. It is widely accepted that compared to single case studies, multiple case studies produce more convincing and reliable results however single case studies may provide more vertical depth about the given phenomenon. . (Yin 2003; Ghauri et al. 1995)

The main advantage of a case study is that it helps in examining the vertical depth of phenomenon. Other advantages are the uniqueness or extremeness of the object and revelatory aspect. It means that the case represents new insights into the subject under investigation (Yin 2003:9-54). Furthermore, the case study includes various techniques in gathering information that builds the method to be very reliable and current. The main sources used in case study research are administrative documentation , archival records , interviews , direct observations , participant observations and physical artifacts (Yin 2003:83) . However, if the researcher is aware of the disadvantages of the case study, it is possible to increase the reliability and validity of the case study (Yin 1994:9-10). Furthermore, it may be said that case studies, if well done by keeping in mind the all above criticisms, are highly explorative, descriptive and explanatory providing thorough insight to the subject matter. In this thesis, the qualitative approach has been used together with a case study method.

Case studies are criticized on the grounds that they lack rigor and quite often the conclusions and findings are influenced by researcher's biased views, secondly they take too long time and results in massive, unreadable documents and above all case studies provide little scientific knowledge for generalization as they are based on only a single case (Yin 2003:10-11) . Regarding the principle of "generalisability" it should also be kept in mind that in doing a case study , the goal will be to expand and generalize theories (analytical generalization) and not to enumerate frequencies

(statistical generalization) (Yin 2003:10) . However, to assume that case studies cannot be generalized at all is not correct . Some case studies do generalize, one such example is the Lisbeth Schorr's (1997) book "Common Purpose: Strengthening American Families and Neighborhoods to Rebuild America" can be used to draw generalized conclusions. The book is about major strategies for improving social conditions and illustrated four policy topics: welfare reform, strengthening the child protection system, education reform, and transforming neighborhoods (Yin 2003:16).

For this research work qualitative case study research method is used because qualitative research gives the opportunity to explore the phenomenon under study where as the quantitative research techniques are mostly used to test already existing theories (Strauss & Corbin 1990). The research work focuses on contemporary events and requires little control of behavioral events. It is exploratory in nature. Given the lack of empirical research in the area of control mechanisms exercised by the parent firms in their IJVs, qualitative research method is suitable for providing rich details and a better understanding of important constructs. This research work is an effort to gain an understanding of the reality in question, rather than concentrating on the need to establish universal applicability. As such the case study offers the ability to achieve depth, opportunity and support for exploratory research (Evered & Louis 1991). Such exploratory nature of research when coupled with qualitative aspects of a case study method can provide several advantages such as: 1. generating new insights into a complex organizational phenomenon and as such provides fresh understanding 2. builds on the existing knowledge yet remains open to new ideas and possibilities because it also allows for adding new items of interest for the investigation 3. utilize more than one data collection method or source of evidence to enhance validity and reduce the chances of biased results (Yin 1994). This thesis is a single case study. Wärtsilä is the case company for this research work. One manufacturing IJV in China "WQDC" is studied. It is a 50/50 IJV. The reason for selecting the equally owned IJV is that in such form of arrangement foreign parent cannot rely on equity as a source of control and therefore has to employ non-equity control mechanisms. Chinese government has placed legal restrictions on the foreign companies to form majority equity IJVs in the ship and marine industry. Human resource control mechanisms as already mentioned

earlier are non equity control mechanisms. Secondly access to the foreign parent firm was easier because of its close location. In addition all four human resource control mechanisms that are included in this study are being used in the mentioned IJV.

It has been found that companies often underestimate or fail to plan properly for the utilization of human resources in their IJVs even though many IJV performance problems have been linked to poor design and execution of human resource strategies. This study discusses that human resource techniques can be usefully employed as control mechanisms by the parent firms as control mechanisms in IJVs. Zahra & Ali (1994:207) propose that “researchers would benefit greatly from case studies to document organizational practices” . Through the use of in-depth interviews based on open-ended/semi-structured questions, qualitative research provides flexibility to explore new issues.

4.3. Research design

A research design is more than a work plan. It is the overall configuration and organization of the research activity; it lays down what kind of evidence is collected and interpreted in order to provide acceptable answers to the basic research questions of the study. Every type of empirical research has an implicit if not explicit research design. In short, research design is the logical sequence that connects the empirical data to a study’s initial research questions and ultimately to its conclusions. A research design includes a number of major steps including the collection, analysis and interpretation of relevant data (Yin 2003:20, 21).

4.3.1. Data Collection

Data for the research work was gathered through six face to face semi-structured interviews and the number of respondents was five (one respondent interviewed twice). The duration of the interviews varied and interviewees were serving on different positions in the organizational hierarchy who provided useful and relevant knowledge. Four interviews lasted for one hour while two interviews lasted for two hours each. The

first respondent (interviewed twice) proved of great help as due to his managerial position he also helped as a reference for the remaining four respondents who had relevant knowledge. The interviews covered a duration of 3 months. Six interviews were conducted because the data was scattered and one or two respondents were not sufficient to get the required data . One respondent was interviewed twice. The interviewees were chosen on the basis of their relevance and experience to the research area and one of them had served in the WQDC joint venture as expatriates on managerial position. It is therefore expected that more interviews would enhance the reliability and validity of the research. All the interviewees were very friendly and were willing to share their knowledge and experiences. Table 11 presents schedule of the interviews .

Table 11: Interview schedule

Interviewee	Designation of the interviewee	Date	Time
I1	Human Resource Manager Wartsila Finland Oy	09-10-2009	10.30-11.30
I2	General Manager Manufacturing technology Wartsila Industrial Operations	23-11-2009	9.30-10.30
I3	Human Resource Manager Wartsila Finland Oy	29-12-2009	13.00-15.00
I4	Manager HRD Wartsila Finland Oy Training and Development	18-01-2010	14.00-15.00
I5	Project Manager Nonconformity Management Corporate Quality	26-01-2010	14.00-16.00
I6	HR Director Industrial Operations	01-01-2010	15.00-16.00

An in-depth face to face interview gives clear ideas of different aspects of the research problem to be explored and it is particularly suitable for exploratory research due to the

nature in which the probing of questions yield desired results (Burns et al 2000: 251). Additional information was gathered from the company's website, and magazines. Printed material provided by the respondents was also used in the process of data interpretation. Outsiders don't have access to such printed material .In short multiple sources of data was used to collect data.

Interviews can be categorized as structured, semi structured or unstructured. A structure interview is rigid and gives the respondent a limited space to answer and data collected will lack the richness because the number of possible responses is often limited and participants may be force to give responses which may not reflect their true feelings about an issue. Unstructured interview on the other hand allows the respondent to talk freely. Semi structured interview lies in between structured and unstructured interview in which the respondent can talk freely but the interviewer can exercise a certain level of control. Semi structured interviews consists of open ended questions. The interviewer allowed the interviewee to express himself freely on the core points discussed. Primarily because such kind of questions gives the respondent recall freely and can take up a direction in the response. However, the interviewer was attentive so that no digression appears in the interview. The response in a semi-structured interview may then be followed up with more specific questions from the interviewer (Saunders et al. 2007: 320) . Semi structured interviews were used for data collection.

Voice recorder was also used during the interviews however only two of the interviews could be recorded with the permission of the interviewees. The use of a voice recorder proved a helpful technique. The use of voice recorder made it easier to review the interview and check for certain facts and figures. Key points were also written down manually.

4.3.2. Data Analysis

According to Burns et al (2000: 488–89) that having gathered the data, the problem confronting a researcher is usually the reduction of the coded data. It is explained that descriptive data analysis is a common means of data reduction. According to Yin (1994:

102, 103) analyzing of data depends on an investigator's own style of rigorous thinking and the sufficient presentation of evidence and careful consideration of alternative interpretations.

Data interpretation is working with data, organizing it, breaking it into manageable units, synthesizing it, searching for patterns, discovering what is important and what is to be learned, and deciding what you will tell others. In qualitative research, critical themes emerge out of the data and researchers require some creativity to place the raw data into logical, meaningful categories; to examine them in a holistic fashion; and to find a way to communicate this interpretation to others (Patton 1990; Bogdan & Biklen 1982). In simple words, interpretation is about making sense out of text and imaged data. According to Saunders et al. (2007: 479), the goal of data interpretation are comprehending and managing data, integrating the related data and identifying key patterns or themes emerging out from them.

In this study, during the process of data interpretation, author has tried his best to eliminate superfluous material such as deviations and repetitions and to distinguish between essential and unessential, theoretical framework has been used as lens. The existing knowledge about the topic was used as a lens when the author tried to make sense of the collected data. Yin (2003) argues that by using the existing knowledge one can separate what is important for this investigation. It is preferred to use the existing knowledge when analyzing the collected data.

4.3.3. Reliability and validity of the study

This part of the thesis explains the reliability of the data and research as well as the validity of the whole construct. According to Yin (1994 : 33) the issue of reliability is explained as the ability to duplicate or replicate the results of the research and the ability to draw the same results like the original construct . Six face to face interviews were conducted from personnel who had substantial knowledge about the IJV under question and some of them served as expatriates in the given joint venture i.e. WQDC . Issues

not clear were covered in the proceeding interviews. The hard copy of semi structured questionnaire was used for all interviews in order to avoid interviewer bias, research errors, and to use a standardized questionnaire for all interviews. To avoid the issue of misinterpretation from the side of interviewer, the company's website were checked, printed material provided by the interviewees was utilized as well as other sources posted on the internet. The interviewees were sent copies in advance so as to help familiarize themselves with the wording, phrasing and content which were to be considered. In addition to this all the main themes of the questions were explained briefly during the interview thus clarifying the content and context for the interviewing process. Some short memos were made and the answers given by the interviewees were re-phrased back to them to ascertain what was meant exactly under each theme and question. Furthermore, e-mails and phone calls were initiated after the interview to verify if all the points and information given by the interviewees were correctly documented. Furthermore, the results of this study are based on subjective evaluation of situations by respondent and also subjective interpretation of the results by the author, so results can vary if another person from joint venture would answer. Validity in qualitative study like this is not just related to the data collection, but to the fact that all parts of the study are coherent. Validity is concerned with whether the findings are really about what they appear to be about (Saunders et al. 2007: 150). According to Yin (2003: 35), one of the most widely used methods of analyzing the quality of the case studies is construct validity. The issue of validity was considered from two points of view: construct validity and external validity. (Yin 1994: 33.) Construct validity refers to the building up of correct operational measures for the concept being studied. To meet the test of construct validity, specific type of changes that are to be studied should be selected and the study should demonstrate that the selected measures of these changes do reflect the specific types of change that have been selected (Yin 2003: 35-36). However, the area of IJV control is a challenging area and due to its complex nature and comprehensive technical measures for investigating "control" yet don't exist. Secondly, external validity is explained as the domain to which findings can be generalized (Yin 1994: 33).. The generalization of this study should be made with some caution because it's a single case study and involves the study of one Sino-Western IJV. However in case studies, instead of statistical generalization, the results rely on

analytical generalization. In this study an exploratory type of single case company is used as study unit and analysis of received data is done on the base of existing knowledge. So, in this way analytical generalization can be made to some extent.

5. INTRODUCTION OF THE CASE COMPANY AND ANALYSIS

5.1. Wartsila: Foreign Parent

Wartsila is a company with 175 years of experience in power generation on land and at sea. It was founded in 1834 in the municipality of Tohmajärvi in eastern Finland. The headquarters are located in Helsinki, Finland. Wartsila is a global leader in complete lifecycle solutions for the marine and energy markets. Wartsila is a leading provider of ship power solutions, power plants for the decentralized power generation market and services throughout the lifecycle of their installation by optimizing their efficiency and performance (see figure 3) . In all main segments the Company holds a strong position.

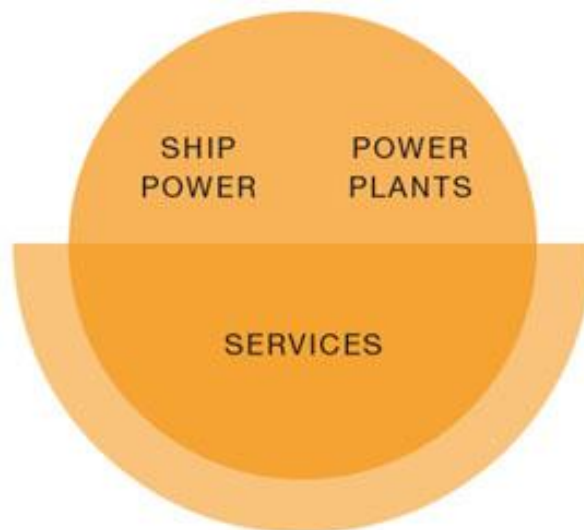


Figure 3 : Wartsila main segments (Company's website)

Wartsila is the largest global supplier of marine equipment specializing in manufacturing of reliable, economic and environment friendly marine power systems. Wartsila's line of products covers all marine power equipment including main engines , generating sets , electrical and automation systems , propellers and seals and bearings to be used in all marine vessels and offshore platforms . All its products are featured to meet specific designing and operating requirements. Through innovative products and services, The Company sets out to be the most valued business partner of all its

customers. This is achieved by a workforce of 19,000 professionals manning 160 Wartsila offices in 70 countries around the world. Wartsila as a major player in the business is able to provide the best possible solutions, equipment maintenance, on time deliveries and also plant operations. In 2008, its net sales totaled EUR 4.6 billion. The Company is listed on the NASDAQ OMX Helsinki, Finland.

Wartsila commands a strong position in all marine segments as the supplier of highly rated ship machinery and systems. However though it has smaller size and therefore lesser capacity as compared to some of its bigger competitors , it has a relatively larger share in the market taking into account that approximately every 3rd engine in the cruise ships is manufactured by Wartsila . Ship industry mainly consists of five different segments which are: 1. Merchant, 2. Offshore, 3. Cruise and ferry, 4. Navy, 5. Special vessels. Wartsila has superior production capabilities in the cruise ship and ferry market and is a leader in this particular segment but its share is growing in other forms of ship building production such as military and navy vessels, merchant, and other special ships. Wartsila also has the most extensive product portfolio in the industry consisting of engines, propulsion , seals and bearings , automation , power distribution and power drivers .

Wartsila is faced with a strong competition in the ship power industry and some of the other major players include MAN , Mitsubishi Heavy Industry , Caterpillar , Rolls Royce , Tognum/MTU , Niigata , Hyundai/Himsen , Schottel , Converteam , Siemens , ABB , Kawasaki and Kobelco Eagle .

Wartsila as the provider of highly rated products for ship power and power plants business , functions on the basis of three major operational targets: Q (Quality), D (Delivery) and C(Cost) . Its products are designed to match market needs based on strong fundamentals of fuel flexibility, high efficiency, low environmental impact, competitive cost and tried and tested concepts.

Wartsila products are market leading and because of their superior quality that benefit both the customer and the environment , integrated and reliable , cost efficient over the total life cycle , suitable for the full range of fuels , efficient and emission compliant . The Company enjoys the membership of 100 most sustainable companies in the world.

Wartsila operates globally. Its markets are in Europe, Asia, Americas and Africa. Today there are 88000 Wartsila engines in 4,200 power plants in 160 countries. Every third ship in the oceans is powered by Wartsila.

5.2. Wartsila Qiyao Diesel Company Ltd. (WQDC)

WQDC (Shanghai) is a 50/50 owned IJV between Wartsila and Shinghai Marine Diesel Engine Research Institute (SMDERI), an underlying company of China Shipbuilding Industry Corporation (CSIC). The IJV can be classified in the area of Wartsila ship power . CSIC is the largest group in China in the field of merchant and military ships, marine engineering and marine equipment which it designs, manufactures and sells. CSIC consists of more than 100 subsidiaries, including six shipyards, some 48 industrial enterprises and 28 research institutes. Its factories manufacture many types of ship equipment and include four major engine factories. It is also involved in offshore engineering and manufacturing non-marine products. The total number of CSIC employees is 160,000 in more than 20 provinces and cities in China.

WQDC manufactures Wartsila designed marine auxiliary engines in China. The assembly factory is located in Shinghai area where the company manufactures defined Wartsila Auxpac W20 and Auxpac W26 diesel generating sets (see figure 4) for the growing shipbuilding market in China and distribution takes place through Wartsila's global sales network. Wartsila Auxpac (introduced in September 2004) is a standard, pre-commissioned generating set designed to provide auxiliary electricity onboard marine vessels. The new concept, with its key advantages of fast and easy installation, proven reliability, and easy maintenance, has created a sizable customer market. The IJV was inaugurated on June 29, 2006 in Lingang Industrial Zone in southern Shanghai. The operation has started during the second half of 2006.



Figure 4 : Wartsila Auxpac 20 series (Wartsila website)

The WQDC is a manufacturing JV in china for the manufacturing of heavy diesel engines for ships. It is 50:50 IJV. Wartsila can't have majority ownership in the IJV because it is not allowed by the Chinese Law since diesel engines are considered strategic components in the Chinese Law. Chinese government wants have control over all the heavy machinery production businesses in China because of the global importance of the industry and diesel engines are important strategic components. China wants to have 33% share of the whole ship building production business by 2012. China is still the biggest manufacturer in the business and its business share is very large comparing to other countries in the business for example the US share is only 2% in the whole ship power/building business. Wartsila is making a successful business in China together with its Chinese partner even though there are bigger competitors in the industry and therefore high competition. Some of the other big players in the Chinese include Hyundai Hinson (Korean) , MAN (German) , Caterpillar (American) are who

far bigger in size and capacity compared to Wartsila with Hyundai Hinson (Korean) alone having the staff size of 2,50,000 .

In the beginning only Wartsila had the selling rights of the finished product i.e. diesel engines produced by WQDC both internationally and in the local Chinese market but latter as the IJV proved successful and initial targets were achieved, a contract was renegotiated between the partners which gave to the Chinese partner the selling rights over the Chinese market whereas international sales outside China were to be carried out by Wartsila international sales network.

5.3. Interpretation and analysis of the interviews

The WQDC is a 50:50 IJV which means that both the partners contribute 50 percent of the equity in return for 50 percent participating control. One partner cannot take the important decisions without the consent of the other. All the major decisions on the strategic and operational level are taken through mutual consent. Under such form of cooperation each IJV partner is equally at risk and is not subservient to the other partner as would be the case where majority control is vested in one party. Shared ownership however is a difficult form of IJV to manage as it is accompanied with the risks such as disagreements and deadlocks, slow decision making, cultural clashes, and early termination of the IJV. The manufacturing nature of WQDC makes shared management critical because the Finnish partner is supplying the technology, knowledge and know how whereas the Chinese partner provides the knowledge of the local market and government. Besides such technology related joint ventures in China have to be equally shared, a condition imposed under the Chinese law. Ideally Wartsila would like to have its own wholly owned subsidiary and if that is not possible , then a majority owned IJV but WQDC is a 50/50 IJV because diesel engines are strategic components and their production in China is possible only through a 50/50 IJV under the Chinese Law .

Compared to the 50:50 ownership, majority ownership results in dominant control by one partner. Dominant parent IJVs are managed by one parent like wholly owned subsidiaries. Most of the key positions are filled by the dominant parent. The board of

directors although made up of executives from each parent plays a largely ceremonial role as the dominant parent makes all the venture's operational and strategic decisions. If the IJV is 50:50 owned between the partners, then how Wartsila as a foreign parent is able to exercise control over it in a way that it can achieve its objectives in the IJV, because "control" in this research work has been defined as the process through which a parent firm manages the IJV in a way that would confirm to its interests. The objective of this thesis is to explore the use of four human resource-based control mechanisms (mentioned earlier) in order to find out how a foreign parent can exercise control over the IJV which is equally owned.

5.3.1. Staffing personnel on key positions

Staffing of key positions is an important HR strategy used by Wartsila to gain control over the IJV. Key positions are the important management positions where major decisions of the IJV are taken. Some of the key positions in an IJV are 1.CEO , 2.GM , 3.Chairman of the board , 4.financial manager , 5 . marketing manager , 6 . production manager , 7. purchasing manager , 8. quality control manager and 9. human resource manager.

In WQDC IJV , Wartsila fills a number of the key positions as compared to the Chinese Partner . These key positions filled by Wartsila include: 1. MD/GM of the IJV, 2.Production manager , 3.Purchasing manager , 4.Quality control manger , 5. Marketing manager and 6. Human resource manager. The appointment of personnel on key positions gives Wartsila considerable influence over the IJV . The GM is in charge of the daily management of the venture. The appointment of GM also gives to the parent firm the right to control other functions indirectly. This is because the GM has the authority to appoint other functional managers of the IJV, which is subject to the approval of the board. Thus the appointment of the GM gives Wartsila a greater sense of control over the IJV. The position of the human resource manager also gives control over the IJV because of his/her role in developing and implementing appropriate recruitment , dismissal and compensation policies to discipline and motivate the workers of the IJV . The appointment of the marketing manager gives the parent

company control over the international marketing and information about the domestic market. The appointment of purchasing manager allows for the supervision of procurements by the foreign parent. Similarly the appointment of production manager and quality control manger is of key significance in the Chinese market. Chinese managers and workers usually lack the concept of quality. Because Chinese state owned enterprises were evaluated on the basis of their quantity rather than quality of their products under the traditional planned economy. The filling of these two positions allow the foreign parent to ensure the quality of its products , achieve production targets , gain control over the IJV and finally lead to better performance .

The staffing of these top management positions give the foreign parent firm effective control over the key decision areas while meeting the simultaneous needs of flexibility and local responsiveness. Staffing of these key positions give Wartsila control over the key areas of technology, production and manufacturing, purchasing, quality control, marketing and human resources. These are the key areas from Wartsila perspective which Wartsila wants to manage by itself rather than allowing the Chinese partner . Wartsila as global firm and leader in the business possess superior knowledge and knowhow in these key areas and its contribution is high and critical in these areas therefore managing these areas will result in the attainment of its objectives and the overall success of the IJV. On the other the Chinese partner's competencies in these areas are limited and therefore his control over the mentioned areas will result in poor performance. Although all the decisions are taken with mutual consent but the filling of such key positions allows Wartsila to safeguard its interests in the cooperation.

In addition to the top managers, Wartsila also appoints personnel in the middle level management and the lower level. These personnel appointed from top to bottom include top managers, directors, managers, team leaders , technicians , assemblers , specialists , logisticians , training supervisors etc . However in the staffing of some positions such as engineers , technicians , assemblers , specialists and logisticians the “experience factor” counts more than the academic background . Unlike the competitors, most of the service engineers , assemblers or technicians etc. working at the sites maybe not have higher

degrees but they are skilled at performing their duties and have gained experience as a result of many years on job .

Regarding the four main staffing strategies used by the parent firms for filling the key positions (ethnocentric , polycentric , geocentric and region-centric) , Wartsila follows “ethnocentric” strategy that means that the personnel appointed on key positions are Finnish nationals also described as parent country nationals (PCNs) .These are competent and mature individuals capable of independent decision making , have emotional stability , culturally sensitive and capable of mixing with people from different backgrounds , adaptable , multilingual and willing to serve in overseas operations .

The expatriates that are staffed on key positions in the IJV have job contracts of at least two years but they have the option to stay there for the third year provided they are performing well. So their duration there is from two to three years with minimum two years contract. About 80% of the contracts are like this. However the job contracts also vary according to one’s position in the organizational hierarchy , e.g. for those appointed in the lower positions such as trainers and specialists , job contract is normally not more than one year because their job is short term in nature . Most of the senior managers are appointed in the IJV for long term durations such as three years or even more which gives them enough time to adapt to the local environment and culture , gain experience and knowledge . The short term assignments are mainly for the technical and production personnel such as 6 months. These technical personnel visit the China in order to give training related to the production, manufacturing, assembling etc . These trainers and specialists are sent to the IJV on short term assignments whenever the need arises and after completing their assignment comeback. The main point behind the use of PCNs (Parent Company Nationals) is that they are highly trusted people who over the years have learned the corporate norms , practices and values of the parent company and are supposed to work as the agents of the headquarter who act in the interest of the parent company . Through these PCNs on key positions Wartsila is able to exercise socio cultural control as they diffuse organizational values and practices to the personnel in the IJV.

The top management provides feedback to the head quarter through frequent reporting. Such a frequent coordination between the head office and the IJV regarding all the strategic and operational matters by the top management keeps the head office informed about the performance of the IJV through different documents such as balance sheets , profits and loss statement , budgets , finance plans , market and sales reports etc . Such reporting arrangements are mostly done on monthly and quarterly basis. Monthly reports are submitted to the head office which allows the head office to have enough information about different aspects of IJV and how it is functioning. Information exchange and coordination is an important element of control and therefore the head office must have the knowledge of events and circumstances through various reporting and feedback arrangements. More complete information offers the prospects of more complete control. Though the managers exercise a fair deal of autonomy in day to day matters but while reaching upon important decisions with the Chinese partner regarding strategic matters, they are coordinated with the headquarters and then finalized. The top managers and the middle managers exercise a fair deal of autonomy while performing their duties since they are located in China and well aware of the local situation and business environment, however at the same time all the major decisions related to the strategic aspects of the IJV have to be coordinated with the head quarters.

On the whole Wartsilä is satisfied with the IJV performance. The company regards its personnel appointed in the IJV as a crucial competitive resource that has played a vital role in the attainment of the parent company objectives and safeguarding its interests in the IJV.

5.3.2. Training and development of the employees

Training and development of the workforce forms an important part of Wartsila's human resource strategies. It is a costly activity and every year Wartsila spends a considerable amount on the training and development of people who work in its overseas operations. People are one of the most important resources of a firm and if they are well trained and developed, will be able to contribute better towards the

achievement of organizational objectives. Training is essential for all the employees whether they are new comers or those who are already on job. Training and development programs are designed in order to enhance the skills and knowledge of the employees which makes them capable of fulfilling their job responsibilities more efficiently and in this way contributes towards the achievement of organizational goals. Since Wartsila contributes most of the technology, know-how and knowledge (tangible and intangible) to the IJV, therefore training is the primary responsibility of Wartsila . The importance of training can be discerned from the fact that the number of training days in Wartsila Corporation in 2009 were 48400 . The number of training days in Wartsila Finland Oy Ltd. In 2009 were 15000. Similarly Wartsila Finland Oy Ltd. arranged a total of seven hundred and seventy two courses in 2009.

Wartsila as a parent firm takes active part in the training and development of the employees working for the WQDC and in other global operations. Trainings and development programs are arranged in three different ways by Wartsila . First there are internal trainings which are arranged by the company internally. The company has the expertise as well as the resources for such trainings. These trainings are not paid for by the company or the individual. Second are those trainings for which the company pays such as courses etc. that the company deems important for its employees. These trainings are also arranged internally but delivered by the external trainer. For example most of the trainings and courses in the area of project management are arranged internally but delivered by the external trainer and the company pays for them. These trainings are recommended by the superiors after the competence assessment process. In third case, it is the employee that decides which form of training is more relevant to the his job and will be useful for career advancement. These trainings can be termed as optional trainings. For example an MBA degree from a university that would result in better job performance and career advancement of an employee. Or some individual courses that maybe arranged by an open university. For such a training that involves a high cost, the employee has to sign a contract based on negotiation with the company which includes the terms and conditions under which the company will allow for such a training. The company may bear the full cost or partial cost of such training depending upon the contract signed between the company and the employee. Wartsila makes every

possible effort to arrange training and development programs for its employees, working for the company globally.

The number of such training and development programs offered by the company (globally) can be thousand or even more. As already mentioned earlier Wartsila Finland alone organized 772 courses in 2009. These programs are offered in a wide range of competence areas offered to personnel at all levels of organizational hierarchy .On the Company's intranet a training calendar is available which provides updated list of courses (with dates , duration , titles etc.) available for different categories of employees . Trainings are parted in different areas such as leadership, culture, technical, manufacturing and production, IT etc. A large number of such training and development programs have been devised according to the requirements of different job natures and levels. The training structure at Wartsila can be broadly divided into three categories . First among them is "Management and leadership" training which is for different managerial levels of the company and consists of two types of training (which consists of several training programs: top management training (by the corporation) and local management training by the local HR. Second type is the "General Skills Training" organized by the local HR consisting of introduction to the company , company's health , safety and environment , Opex / quality , language , information technology , presentation skills , negotiation skills , culture and communication and finance and accounting . The third type is "Professional skills training" which includes business specific training, department specific training, task specific training, process training, technical training, project training, introduction and coaching. Managers and team leaders are required to take training courses through all of these three categories but only after they are recommended by the superiors according to the recognized need in the development discussion whereas experts and team members have to receive the general skills training and the professional skills training according to the recommendations in the development discussion. In the corporate level management training, the participants are nominated but the local management and leadership training is open for all managers and even non-managers. For example "Global Calendars" which are for the higher level of professionals such as top managers, directors , coordinators etc . These are mostly leadership courses and arranging them

involves considerable costs for the company. Only a limited number of nominated professionals attend these courses. For example if a global training course is arranged in Madrid (Spain) , the top professionals of Wartsila working in different continents will travel to attend this course .

Classroom is the biggest means of training and is considered very effective because it involves face to face interaction between the trainees and the trainer. Classroom training takes place through classrooms involving lectures , handouts , and blending of a number of techniques . These classroom training courses are both for the white collar and the blue collar employees and for the managers . In short training takes place through different ways depending upon the type and nature of training such as on-site trips and observation , participation , hand outs and reading material , videotapes , communication workshops , team formation , classes and lectures etc . E-learning is another important source of training . Some 200 e-learning courses are available on the company's intranet which can be accessed from all around the world . E-learning courses include training courses both for the white collar and the blue collar employees and are based on the self-study approach .

The training and development programs are properly supervised , constantly improved and monitored . In the small industries , it is the HR managers who are in charge of trainings whereas in the large operations such as those in China , the company appoints training coordinators . These HR managers and training coordinators also communicate with each other through global virtual meetings in order to share their knowledge and innovations .

The top management of the IJV is a highly qualified and well trained team of professionals which is competent not only in technical skills but has the capability to work efficiently in different cultural settings in any part of the world and these professional have cultural and communication competencies in addition to technical ones . They can be defined as “global managers” or “global leaders” of the firm . They go through regular training and development programs in order to upgrade their knowledge and competencies as they advance in their careers .

Normally it is the company that would propose to an employee to take a particular kind of training for skill development after taking into account the development areas of the employee and the skills that he/she need . The trainee's location , skills , customs , way of thinking , problems being faced are taken into consideration by the company . In order to know the effectiveness of training , its impact on employee performance is monitored and in this way modifications are made in the training programs towards gradual improvement .

Training programs differ according to their objectives e.g. language and cultural training is intended to improve the quality of communication within the IJV as well as between venture and its parents . Training is also important in order to preserve knowledge related to the competitive advantage of the firms e.g. protection of technology and preventing its diffusion to outside firms , production and manufacturing techniques , assembling , engineering etc . Similarly orientation and on-job training programs for the new staff of the IJV , are useful control mechanisms to facilitate organizational socialization by introducing and reinforcing the objectives and policies of the IJV , a series of training and information sessions . Training can be purely of technical nature as well such as relating to IT , production and manufacturing techniques , assembling , automation and other engineering aspects of the IJV . These programs can also be used to achieve harmony between partners by improving employees understanding of each other's culture , objectives and business practices . Similarly managers are also trained in important inter-personal areas such as communication, negotiations, conflict resolution, networking etc. to achieve better venture performance . Well trained personnel can perform their responsibilities efficiently and therefore can contribute to the overall success of the IJV .

The training programs can range from few days to several months and as long as a year or more e.g. the young professional training in which the firm recruits a team of talented young highly qualified professionals of 12 – 15 members , mostly Engineers with M. Sc degrees and send them to different parts of the world and work there in the subsidiaries/IJVs in different capacities . In this way they are exposed to different

working environments and cultures around the globe . The end product is a very highly skilled team of young professionals who are seen as bright prospects for the future and act as the competitive advantage of the firm . After the completion of young professional training of 1 and a half year , these candidates are given permanent contracts from the parent firm and assigned positions . Similarly an MBA degree can also be termed as a long term training .

The importance of training and development can be understood from the fact that Wartsila sends trainers on regular basis to China in the areas of production , manufacturing , IT & sourcing . So training and development of employees is an ongoing process . Training is conducted in China ,Finland and many other locations . If there is a bigger group to be trained such as the blue collar employees then training is conducted in China because it is easy and less costly for Wartsila . However sometimes personnel from China also travel to Finland in order to receive training usually when only one or two persons have the same training need but such cases are very few because of the higher costs involved . In the starting phase about six to 7 employees were brought to Finland from China and trained in their respective areas in production and manufacturing and were sent back to China where they served as full time trainers for the local staff .Similarly personnel visit from Finland to china on regular basis mostly technicians to deliver trainings when ever needed and on different locations . For example ten employees from China were trained in Finland in all important aspects of manufacturing and production of diesel engines . These employees after having received enough training and experience were then sent to China , in order to train the local employees . So they were used as trainers for the local employees . In this way the required skills in the areas of production and manufacturing are transferred to the employees working in China . Similarly 5 Finnish technical employees were appointed as trainers in the first two years of the IJV . They were of Finnish origin and technical experts in the areas of production and engineering .

Training involves high cost and these costs can increase even further if the employee leave the jobs and join other companies . Because in such a case they have to be replaced by new staff and training have to be conducted from the start again . In China

such a possibility is high among the multinational firms as employees join and leave and this turnover rate is about 10 to 12% for employees who leave per year as compared to Finland where such rate is only 1.2% . Which means that training and development is a costly activity but has to be carried out because of its immense importance for the employees and for the overall performance of the business . The benefits of these training and development programs however outweigh the costs .

Training and development is an important human resource activity as Wartsila company has three major values related to products and services which are 1. quality 2. on time delivery , 3. cost efficient. Training and development of the employees help Wartsila to achieve all these values as without proper training and development none of these would be possible .

Wartsila is strongly committed to the training and development of employees and both the white and the blue collar employees receive substantial training before they assume responsibility and the process of training and development goes on while they are on job . As the employees get promoted in the organizational hierarchy , they have to attend additional training courses to increase their knowledge and competencies . Training plays a crucial role in the competence building of the employees and in the overall achievement of the IJV goals . Training and development leads to enhanced skills and knowledge of the employees which in turn allows them to perform their duties more efficiently. Therefore training is an important control mechanism because it can remove performance deficiencies. Through proper training people can be made to think and act in ways consistent with the parents and other stakeholders cultures , objectives and interests . Besides training can be used as a mechanism for establishing and perpetuating an IJV culture , which is appropriate for the venture . Organizational culture consists of norms , values and set patterns of behaviors that the employees within the organization are supposed to follow . Organization culture cultivates an “in-group” feeling among the members of the organization . As such organizational culture plays an important role in the socialization and acculturation of IJV managers . Culture guides people through shared values and norms , therefore they voluntarily behave in a manner that is desired by other organizational members as well . Culture induces the

conformity of the individual behavior to the group . Organizational culture provides a sense of control to the foreign parent because it unifies the way organizational members process information and react to the environment , which results in the achievement of a higher level of behavioral predictability . Similarly through proper training , employees can be made loyal to the IJV rather than to any particular parent .

5.3.3. Compensation and rewards

Compensations and reward strategies are being used as effective control tool by the Finnish parent to exercise control over IJV . The employees at WQDC can be broadly divided into two categories : blue collar and white collar . The compensation and reward system for the blue collar is simple while that of the white collars is a complicated one . The blue collar employees are paid on the basis of per hour salary according to the local Chinese standards and laws on monthly basis . Most of these blue collar employees are local Chinese with minimum skills who after joining the company receive training related to their jobs . Fixing salary for the white collar employees (Finnish expatriates) is a complicated task. The compensation system designed for the Finnish expatriates provides incentives for the expatriates to leave the home country for the foreign assignment, to maintain a given standard of living for the expatriates, take into consideration expatriates' career and family needs and facilitate re-entry into the home country at the end of the foreign assignment. The top management, directors, managers etc. are paid on the basis of IPE (International Position Evaluation) system which is a global compensation system used in Wartsila . In addition the blue collar Finnish expatriates are also paid on this compensation system. According to IPE compensation system salaries for the white collar employees are fixed on the basis of a number of criteria such as the difficulty or hardship in performing a particular type of job , level of qualification , experience (number of years) . Also a small percentage of the salary is subject to negotiation between the employer and the employee and this small percentage is flexible. On the basis of all these criteria the salary is fixed. So the salary differs from country to country for the Finnish expatriates.

International Position Evaluation (IPE) system is a global factor-based approach, which enable the firms for fast, reliable , precise and consistent measurement of positions' size and value to an organization across job families, within any type of organization, anywhere in the world , thus overcoming the ambiguities caused by comparing job titles alone and have an objective basis for determining pay for positions , insuring internal equity across job families , and measuring the organization's position against the market . Not all positions at any one organization level have the same impact, require the same level of knowledge and skill, or face the same innovation and communication requirements or operating complexities. The true value of the IPE System is that it is a totally independent and objective method, allowing the firm to compare various aspects of a job, and to rank positions accurately against each other – across job families, within any type of organization, anywhere in the world. The IPE methodology evolves in response to changes in the environment and user feedback, ensuring that it is continuously updated and improved. The IPE provides a number of important benefits such as simplicity of process , time-saving , significantly reducing the paperwork , any time anywhere access , online calculations , quick comparisons , corporate governance and globally consistent results .

Apart from the basic salary that is calculated through IPE , Wartsila has the policy of giving rewards to its employees in the form of bonuses and increments for motivation based on achieving targets and mostly based on results/performance . There are three main types of bonuses : (1) Monthly bonuses which are only for the management level employees on the basis of individual performance by achieving predefined targets . These bonuses are paid once a year and the payment date is 15th march . A very small number of employees receive these bonuses every year . Such targets maybe in the areas of production and manufacturing , sales etc. (2)Then there are common bonuses . These bonuses are paid to the whole team for showing good “team work” . All employees (both the white collar and the blue collar) are entitled to these bonuses , they are also paid once a year on 15th march based on if the company achieve targets mostly in the area of production (3) Spot bonuses : compared to other bonuses are not paid on the bases of achieving predefined targets or results , their nature is different . They are paid on the basis of completing a difficult project smoothly and safely without any major

hurdles or unpleasant incident/accidents e.g. the building of a power station in any foreign location without any human accidents or other damages . These bonuses are paid at any time of the year to anyone (white or blue collar) . Rewards are also paid in the form of allocating a particular sum/amount for the whole industrial unit . For example if the IJV is showing good production performance and the achieving targets , the top management will allocate a certain amount of fund for all the employees working in that factory . However in such a case it is the industrial manager who will decide how that amount has to be distributed among the employees .

Apart of the bonuses, the company has the policy of giving increments to employees who show consistently good performance for a longer period of time . These increments result in increased salary. For example there are “merit-increments” which are given to the most deserving employees on the basis of merit. These are not bonuses as they are permanent increments in the salary ranging from 7% to 15% , which means a new salary . When an employee stays on the same position but shows good performance consistently for a longer period , the superior will propose a merit increment for him . It is not promotion as promotion involves moving up in the hierarchy whereas here the employee stays on the same position .

Compensation and rewards are recognized as powerful and effective managerial tools for attaining the parent firms strategic objectives and has a significant impact on the attitude and behavior of the employees (both white collar and blue collar) in the Chinese market . In today’s business world where everyone has access to information , the labor force keeps itself well informed about the opportunities available in the market and also what compensation packages the competitors maybe offering for the same labor and service . Because of this access to information and the employees turnover is high in China. In such a situation the WQDC has to compete for highly skilled , better qualified , talented and experienced personnel . Firms therefore compete for better workforce in China by offering better compensation and incentives to the employees in the market. It allows the parent firm to attract , recruit , motivate and retain the human capital . More over through compensation and reward strategies Wartsila influences critical employee

attitudes , behaviors , continued organizational membership and reciprocity toward the organization .

In case of the WQDC compensation and reward strategies are used as control mechanism mainly in two ways by the foreign parent . The first one is by explicitly tying the employee's bonus and his career development to the achievement of the IJVs long term strategic objectives . This approach has been found to create an unbiased and undivided allegiance to the IJV . A well designed compensation and reward system for the managers and the other key employees , can also therefore prove instrumental in better IJV performance . For WQDC compensation and reward strategies of the personnel both for blue and white collar employees are based on results and achievement of the predefined targets .Rewards are linked to results and are paid on the basis of individual target achievement or the overall IJV performance or a mix of these . Employees tend to work harder and show greater commitment towards their jobs when they feel that they are receiving a just and fair compensation for their labor and hard work . Rewards based on performance promote goal congruence and act as a positive motivational control in IJVs .

Incentives not only motivate individuals to work longer on a task but also serve to enhance the quality of attention individuals devote to the task . As such compensation and rewards result in enhanced loyalty , trust , commitment and motivation . As already explained , the WQDC is a separate company from the legal point of view and the personnel who are staffed in the IJV are the employees of that IJV company yet in practice the parents can exercise influence over the IJV because the key people staffed on these positions are at the same time the agents of the parent firm under the agency theory . The control basis of compensation schemes can be best understood in the light of agency theory that suggests that an agent is capable of engaging in dysfunctional behaviours known as "adverse selection" and "moral hazard" . The dysfunctional behaviours arises when the agent and the principal have different risk preferences and conflicting objectives . In the light of agency theory such moral hazard problems can be minimized by developing an incentive-based compensation scheme (a control subsystem) , which aligns the interests of principal and the agent . Incentive-based

compensation schemes have been found to increase motivation which in turn improves performance . Rewards based on performance promote goal congruence and act as positive motivational control in IJVs . Through compensation and rewards the IJV fulfils three main organizational needs : attraction of the potential employees to the organization , the motivation of employees to perform and the retention of good employees . More over through compensation and reward strategies Wartsila influences critical employee attitudes , behaviours , continued organizational membership and reciprocity toward the organization .

Secondly , by keeping the venture's GM and other key employees on the foreign parent's own payroll results in allegiance of these personnel to the foreign parent . The white and the blue collar employees are compensated on the basis of standards sit within the IJV or local standards in other words . However the Finnish expatriates serving in the IJV receive a certain proportion of their salaries and rewards and other incentives from Wartsila , the parent firms . In this way the foreign parent firm can use compensation and reward strategies as a control mechanism for the managerial staff in the IJV who supervise the local staff . Compensation together with different kinds of rewards and incentives makes the company's workforce loyal and dedicated and reduces the threats that the company's managers or other blue collar employees will take any measures contrary to the interests of the company .

5.3.4. Performance appraisal and evaluation

Performance appraisal is used as an important control mechanism by the foreign parent in several ways . Through effective performance appraisal and evaluation process foreign parent is able to identify , observe , measure and develop human resources in organizations . In addition performance appraisal is an important human resource strategy due to its linkages with the compensation, training, and other employment practices . By linking performance appraisal with results the foreign parent can exercise a considerable control over the IJV . The basic criteria of performance evaluation at WQDC is goal achievement and results . Since Wartsila has appointed the human resource manager to the IJV therefore most of the human resource matters including the

performance appraisals are greatly influenced by the Wartsila . The managers are specifically told about the targets to be achieved in the start of the project . Those employees who achieve their targets / goals are appraised positively while those who fall short of achieving the pre-established targets are recommended to improve their targets and do not receive positive appraisals by their superiors . Goals & targets are predefined in form of hard measures such as total sales , production output and the overall IJV performance etc. while managers are evaluated for a raise in salary or promotion . Performance appraisal of the employees is significant because it provides information about how well jobs are being performed and objectives are being attained. For the Finnish expatriates , mostly managers besides goal achievement/results , some other competencies that are taken into consideration as evaluation criteria include technical ability, leadership and management skills , job knowledge , results oriented , cultural empathy and openness , adaptability and flexibility , family situation , integrity ,tolerance , problem solver , communication skills , diplomatic skills , relational skills and language aptitude ,team worker etc. Performance evaluation is important human resource activity in the IJVs and a very challenging one as well . Performance appraisal is carried out through open communication between the employee and superior in order to make it a reliable and effective process .

The personnel working for WQDC can be broadly divided into white collars and blue collars . White collars include the top management , directors , managers , middle managers etc. whereas blue collar employees include technicians , assemblers and other factory workers . For the white collars the company follows the “competence assessment process” which consists of meetings between the white collars and the appraisers . The competence assessment process consists of face to face discussions between the employees and their evaluators . Personal development meetings are held twice a year with the superiors which are detailed and comprehensive in nature . In these Personal Development Discussions , the past performance of the managers are reviewed in detail and measured along the given targets , Also the future targets for appraise are laid down and the duration in which they are to be achieved . These personal development discussions between the professionals and their superiors are of key importance in the performance appraisal process . Through these mutual discussions

the superiors try to discover the competence gaps of the professionals in case they had not been performing well in the past or below expectations . After detailed discussions those areas of expertise in which the professional may be lacking are identified and corrective measures are recommended by the superior . Courses and skilled development programs are recommended in order to fill those gaps . There is a large number and variety of courses from which the employees can be recommended based on their competence gaps .

Competence assessment involves the use of various assessment tools that could be used by the employees struggling with different aspects of their job . Competence assessment process involves the measurement of an employee's performance against an agreed set of standards for work-based activities. The assessment mainly consists of four main dimensions : the knowledge and understanding required to carry out a task ; the performance indicators to be looked for ; the scope or range of situations across which an employee is expected to perform ; and any particular evidence requirements. A wide variety of techniques or instruments are used to assess competence. These include specific work-based ability and aptitude tests, as well as traditional methods of performance appraisal and evaluation. It also includes direct observation at work by trained assessors, the collection of personal portfolios, and peer assessment techniques . All require the careful review of work behavior against a set of indicators that have been clearly shown to be associated with successful performance. In simple words competency assessment involves the measurement of an individual's competencies. With the advent of increased agency responsibility for staffing decisions, valid personnel selection assessments are more critical than ever . Competence assessment tools help the employees who maybe struggling with certain aspects of their jobs , put together high performance project teams, assist with change management or survey potential issues within a team, department or company. It involves the identification of strength and weaknesses , pinpoint the training needs and be used to evaluate the success of training courses . From the employee retention perspective , competence assessment tools help in managing the team relationships , conflict resolution , tailor training programs , and ensuring that staff are doing the right job for the company . A positive work environment where staff feel valued is one they are less likely to leave .

The managers who achieve their targets are positively evaluated and receive rewards . But those who are not performing their responsibilities well receive low ratings . In short performance appraisal is linked to results and the achievement of targets which shows how well a particular job has been performed . For example in the start of production of WQDC , a local quality manager was appointed but the company was not satisfied with his job performance , the management tried to improve his performance by various means but still he was not performing up to the desired standards . Then he was given warnings but lastly he was discharged of his duties and a Finnish expatriate was sent as a quality manager who was more skilled , experienced and highly trusted employee . WQDC provides career development opportunities for the good performers otherwise there will be less incentive for many to stay within the company . The employees can climb up the hierarchy with increased salary .

For the blue collar employees of WQDC , the performance appraisal and evaluation cannot be regarded as an exact replication of the Wartsila rather the process has been adapted according to local Chinese conditions because of cross cultural differences , management patterns , firm's strategy etc. The performance evaluation process used at Wartsila for the blue collar employees is more complicated and elaborate than the one used at the WQDC . Though it is always one of the major objectives of Wartsila to standardize all its processes globally but in practice that may not be possible and many human resource processes have to be adapted to local environment to make them more effective . The performance appraisal and evaluation system at Wartsila is based on important job factors and competencies allotting scorings/ratings to each competency however at WQDC a sort of simple ladder has been created and where different blue collar jobs fall into that ladder from bottom to top . Job titles are defined such as junior foreman , senior foreman , lift driver , junior quality inspector , senior quality inspector etc . and skills , responsibilities and accountabilities for each job are also defined . Personnel falling into each job category are appraised on the basis of how well they are performing that particular job . Similarly salaries and incentives within each job title are defined .

All the employees working for Wartsila do not perform at the same level of efficiency . All of them cannot be described as target achievers or top performers . Rather a very

small portion of them fall in the category of excellent ones . Same is the case with almost all firms . A firms human resource is a mix of highly efficient , good , satisfactory , low performers and poor performers . In Wartsila's case , about 80% of the employees are described as showing satisfactory or good performance , which reflects that most of the personnel are motivated and contributing to company objectives . However only 10% of the employees fall in the category of "excellent performance" , these are highly efficient , competent and motivated employees and can be described as the competitive edge of the firm and as such it is important for the firm to retain them . The criteria of "excellent performance" is based on extremely high result achievement capabilities of the employees and therefore only few as 10% are categorized as Excellent . However there are low or poor performers as well approx. 10% . Their poor performance can be of different reasons such as lack of skills and competence in their respective areas , health problems , adjustment problems etc . The firms by using different motivation strategies try to improve the performance from low performance to good or satisfactory performance . However , apart from all these efforts those consistently perform poorly are finally terminated from their jobs but some may still be kept on job due to some genuine reasons such as health reasons because even if they try their best their bad health would not allow them to improve . Also some of these may stay because of having "good citizens" image . Performance appraisals also identifies the job responsibilities of the employees and also how those responsibilities are being performed. Regarding the nature of duties to be performed , Wartsila has a detailed written job description for all jobs in all areas of management , finance , accounting , marketing , commercial , human resources , production etc. So all the employees know about their responsibilities and accountabilities by the time they are appointed on a particular position . These job guidelines and written procedures and practices also prove instrumental in the achievement of organizational goals . . Through a well structured performance appraisal system , Wartsila is able to measure and evaluate an employee's job-related behaviors and outcomes .

Performance appraisal of the employees allows the firm to know about how well jobs are being performed and objectives are being attained. Some of the main purposes of performance appraisals are management and staff development, performance improvement and compensation. The process of employee development takes place on

the basis of performance appraisals, through which expatriates are identified and prepared for increased responsibilities. Besides, in order to make employees more effective and productive, the role of performance appraisals is a very crucial one since it encourages successful performance and helps to identify and overcome individual weaknesses . It is also a tool through which parent firms measure their progress towards the achievement of important IJV objectives. Lastly, it allows parents to determine appropriate pay for the employees based on merits and results . Effective performance appraisal has been found to be closely related to increased motivation, effort and performance. Performance appraisal results in the reduction of role ambiguity and such reduction in role ambiguity is commonly associated with increases in effort, performance, satisfaction, commitment, and decrease in turnover.

Thus the parent company by making specific reward outcomes contingent upon good performance evaluation and by ensuring that specific objectives or controls are incorporated in the performance appraisal system , is be able to exercise influence over the objectives and strategies of the IJV . The key personnel are appraised in accordance to the laid down policies and procedures of the foreign parent which means that the foreign parent is able to keep the best people within the IJV . These key personnel further carries out the performance appraisals of the local white collars and blue collars , which means that the foreign parent is able to exercise control over both the Finnish expatriates and the local staff , which means control over the IJV . It can be concluded from the above discussion that performance appraisal of the managers and employees is considered as an important inter-organizational activity and forms an “integral” part of parent control system .

6. SUMMARY AND CONCLUSIONS

The main objective of this research work was to explore the use of four human resource based control mechanisms by the foreign (Western) parent within the context of an equally owned IJV in China . These control mechanisms are 1. Staffing of the key position within the IJV, 2. Training and development , 3. Compensation and rewards , 4. Performance appraisals . This study suggests that these four control mechanisms proved effective from the foreign parent perspective and enabled the foreign parent to exercise influence over the four important areas of the IJV . Even though majority equity gives considerable control to the parents over the IJV (Killing 1983 ; Anderson & Gatignon 1986 ; Glaister 1995) , this study supports the view that parent firms can achieve their strategic objectives within the IJV through the exercise of non-equity control mechanisms (Glaister & Wang 1994 ; Harrigan 1986 ; Schaan 1988) ; Yan & Gray 1996) and therefore reliance only on majority ownership as a tool for achieving the strategic objectives may not be the right strategy .

From among the four control mechanisms included in this study the staffing of key positions within the IJV proved the most effective and important control mechanism because the foreign parent is geographically remote from the IJV and therefore the expatriates act as direct agents of the foreign parent . The staffing of key positions in a IJV allows the foreign parent to gain control over the critical areas of the IJV such as in the areas of marketing , human resource , technology , production and quality , purchasing etc . By filling the key positions (such as GM , marketing manager , human resource manager , purchasing manager , production manager and quality manager in WQDC) the foreign parent gained control over key areas where it has superior skills , knowhow and knowledge . Filling key positions with PCNs shows the importance staffing as control mechanism for the foreign parent . The key personnel serves as agents of the foreign parent in the IJV and are more likely to act in the in accordance to the interests of that parent because of shared values , norms , loyalty and faithfulness . By appointing the GM and other top managers in the areas of marketing , human resources , quality control , purchasing , procurement and production etc. the foreign parent gained control over the key areas of the IJV and by gaining control over these

critical areas it is able to exercise overall control over the IJV and is therefore able to manage the IJV in a way to achieve its objectives . Although WQDC is a 50/50 IJV , the foreign partner was able to fill the key positions because of its superior management , technological knowhow and strong financial resources . Killing (1983) also suggested that parent with the superior managerial skills and knowledge required by the IJV to be successful should first assume control over the IJV . The managers staffed on top positions act as boundary spanners between the foreign parent and the IJV , enhances foreign parent's ability to protect the resources it provides , help it to align its objectives with those of the IJV and enable transfer of its culture , policies and practices to the IJV , therefore enhancing foreign parent's ability to exercise control over the IJV . Though effective reporting arrangements , the expatriates staffed on key positions keep the head office well informed about all important aspects of the IJV and which allows the foreign parent to monitor the operations of the IJV on regular basis . Yan & Child (2004) found that foreign managers in developing country IJVs assume great control over both operational and strategic decisions and this management participation can help the implementation of decisions independently of the other parent . This in turn means loss of control for the local parent . These key personnel coordinate with the headquarter through frequent reporting and information exchange regarding the key aspects of the IJV which also results in effective control . The position of the GM is very crucial from the control perspective because GM is in charge of the daily operations of the IJV and is responsible for implementing the decisions of the board . Sometimes the GM is also given the responsibility to appoint the other key functional positions . The result of this study supported the observation of Tretiak & Holzmann (1993) because they found that it was quite common for the foreign partners to appoint the GM of the Sino-foreign IJVs . Staffing of the key positions of the IJV also helped in the transfer of the important resources such as knowledge , and technology from the foreign parent . Moreover the key staff play a crucial role in case if the foreign parent want to implement certain policies and procedures in the IJV . Yan & Child (2004) also held that foreign managers in developing country IJVs assume significant control over both operational and strategic decisions and this management participation can help the implementation of decisions independently of the other parent . A number of other important studies (e.g. Schaan 1988 ; Geringer & Hebert 1989 ; Geringer & Frayne 1990 ; Kumar & Seth 1998

; Torbiörn 1994 ; Welch et al. 1994 ; Roth 1995) suggest that influencing the staffing of an IJVs management positions may represent a crucial strategic control mechanism for an IJV parent which implies that IJV control may be the main driver behind the decisions concerning the strategic staffing of IJVs .

Compensation and reward strategies can be used as effective control mechanism for the foreign parent because in China's business environment salaries and incentives are highly valued . Compensation and rewards is a powerful tool for attaining the parent firm's strategic goals and has a significant impact on the attitude and behavior of the employees . From the legal perspective , WQDC is a separate company and as such a separate legal entity but under the agency theory the foreign parent is able to enhance its influence over the IJV by using compensation and reward strategies in three different ways i.e. first by connecting compensation and rewards with the individual employee performance and target achievements , second by explicitly tying the employee's bonuses/increments and his career development to the attainment of the IJV long term strategic objectives and third by keeping the venture's GM and other key personnel (PCNs) on the parent's own payroll as it has been already discussed that the managers staffed on key positions by the foreign parent receive a certain share of their salaries and certain rewards and increments directly from the foreign parent . Apart from all these three techniques , the compensation and incentive system for the key personnel is designed in a way that can motivate them to undertake the international assignment . Briscoe (1995) also suggests that the international compensation should provide an incentive for the expatriates to leave the home country for the foreign assignment , maintain a given standard of living for the expatriates , take into consideration expatriates' career and family needs and facilitate re-entry into the home country at the end of the foreign assignment .

These compensation and reward strategies have enabled the foreign parent to fulfill three main organizational objectives which are attraction of the potential employees to the organization , keeping them motivated so that they can perform their job efficiently and lastly retention of the good employees . In addition the foreign parent is able to win employees loyalty , trust and satisfaction which are of key importance in the attainment of the overall strategic objectives and the success of the IJV . Compensation and reward

strategies have a considerable influence on critical employee attitudes , behaviors , continued organizational membership , and reciprocity toward the organization . It promotes a sense of belongingness among the employees to the organization . Rewards based on performance facilitate alignment of objectives and act as positive motivational control in IJVs . Kumar & Seth (1998:585) holds that compensation arrangements with appropriate incentive plans and bonuses can reduce the threat of IJV managers taking actions contrary to interests of the parent firms . Chong & Eggleton (2007) suggests that incentive-based compensation schemes have been found to increase motivation which in turn improves performance . Incentives and rewards not only motivate employees to work longer on a task but also serve to enhance the quality of attention they devote to the task .

Training and development has also proved an effective control mechanism in the IJV because the foreign parent has superior knowledge , technology and know-how . It helped in removing the local employees deficiencies therefore allowing them to work better and allowing the IJV to be successful . Wartsila has control over all the important aspects of training and development such as which training programs are important for the IJV personnel , their schedules , where , when and how these have to be organized . Therefore by ensuring that appropriate training programs are developed for the venture ,the foreign parent is able to influence IJV operations . The importance of training and development can be discerned from the fact that every year the firm makes considerable investment in its training and development programs to train personnel working in international operations . The reason that Wartsila carries out most of the training and development as compared to the Chinese partner is because it has the superior knowledge and know in areas of technology , production , marketing , human resources , assembling etc. Therefore the Chinese partner is completely dependent on the Wartsila for the training and development of the IJV personnel . Training and development results in improved employee performance through learning of new attitudes , skills and knowledge . Whether these training programs are held internally by the parent firm or arranged externally , what is important for Wartsila is the content of these training programs because without the proper content most of the training programs will not

bring the desired results for the individual employees and the overall performance of the IJV .

By providing a large numbers of training programs related to diverse competencies Wartsila makes sure that its international managers are able to work efficiently in different cultural settings in any part of the world with cultural and communication competencies in addition to the technical ones . Briscoe (1995) has also regarded training as an important prerequisite for the international managers . Geringer & Frayne (1990) suggests that through proper training and development strategies employees can be made to think and act in ways consistent with the parents and other stakeholders cultures , objectives and interests . Besides training can be used as a mechanism for establishing and perpetuating an IJV culture , which is the appropriate for the venture . Similarly through proper training , employees can be made loyal to the IJV rather than to any particular parent . Through training and development programs the loyalties of the employees are unified to the IJV in order to prevent any division of loyalties between the parent and the IJV because in the absence of proper training an IJV can be sabotaged by personnel at top , middle and even lower levels of the organizational hierarchy .

Performance appraisal and development strategies have been instrumental in enabling the foreign parent to keep the best people within the IJV . The process of performance evaluation and appraisal is carried out by the foreign parent personnel both for the key managers and the local staff which gives a considerable control to the foreign parent over the IJV because performance appraisal is related with the selection, compensation, training, and other employment practices . Performance appraisal is mainly based on results and target achievement . Through a well structured performance appraisal system , firms are able to measure and evaluate an employee's job-related behaviors and outcomes . Performance appraisal of the employees is significant because it provides information about how well jobs are being performed and objectives are being attained. It also identifies the job responsibilities of the employees and also how those responsibilities are being performed . in order to make employees more effective and productive, the role of performance appraisals is a very crucial one since it encourages

successful performance and helps to identify and overcome individual weaknesses . It is also a tool through which parent firms measure their progress towards the achievement of important IJV objectives. Lastly, it allows parents to determine appropriate pay for the employees based on merits and results Geringer & Frayne (1990) has also suggested that parent firms can influence the performance of IJVs by influencing the purpose, method and frequency of performance appraisals which is employed and thus what expectations are established and reinforced regarding the operations of the ventures. Thus the parent company by making specific reward outcomes contingent upon good performance evaluation and by ensuring that specific objectives or controls are incorporated in the performance appraisal system , may be able to exercise influence over the objectives and strategies of the IJV . Dowling et al. (1999) hold that international performance management can be considered as a strategic HRM process that allows MNC to evaluate and improve the performance of its local and international operations against clearly, preset objectives that are directly linked to international strategy . Performance appraisal process aims at identifying the strengths and weaknesses so that training and development programs can be made according to the needs of the employees .

Figure 5. presents a summary of the four control mechanisms used in the IJV in diagrammatical form .

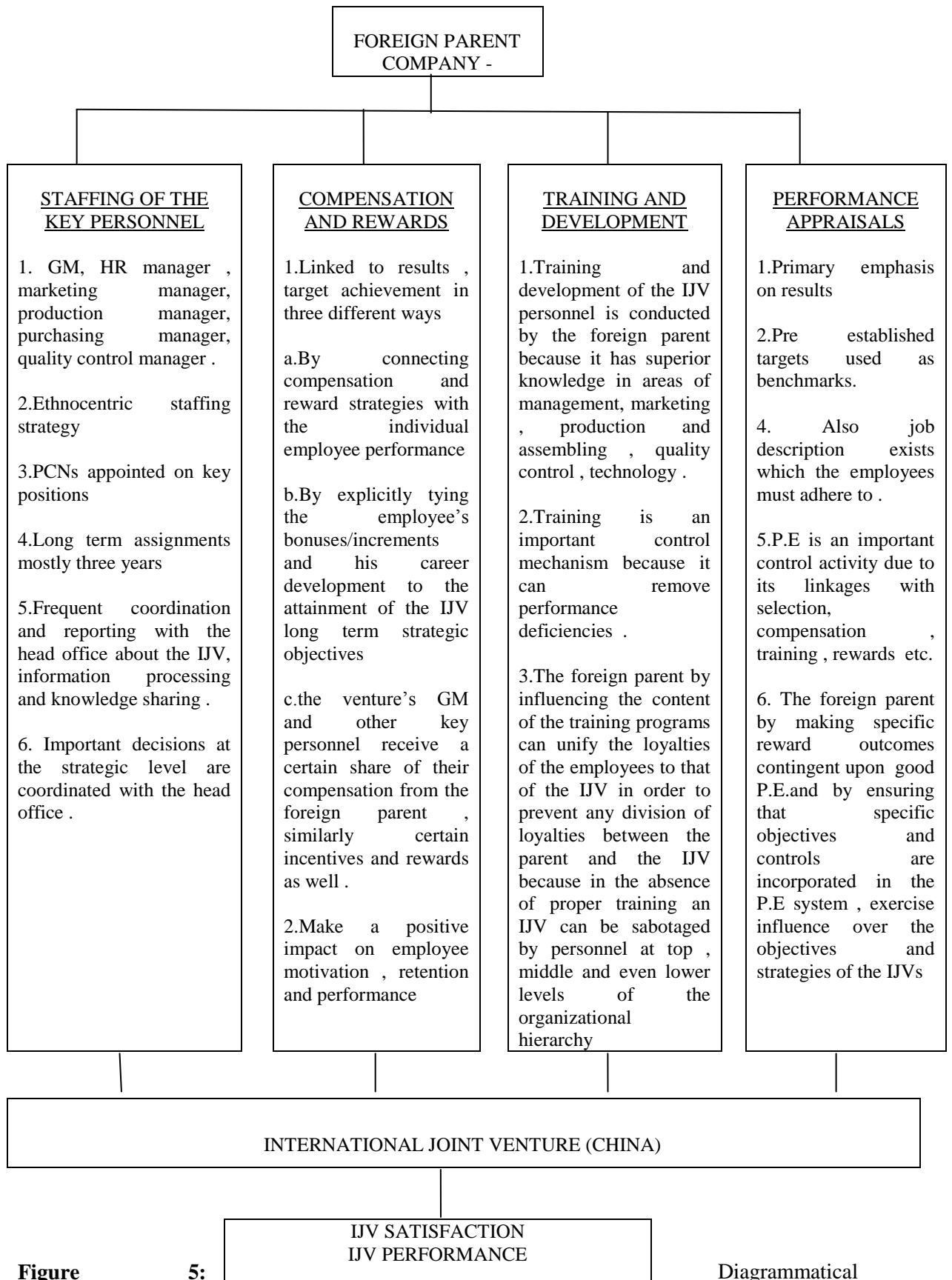


Figure 5:
presentation of

Diagrammatical control mechanisms.

The study comes up with three main findings . First it was one of the main findings of the study that the foreign parent used the ethnocentric staffing strategy and the key positions were filled only by the PCNs (and not by the HCNs or TCNs) . The PCNs are supposed to be highly trusted professionals with international competence and superior knowledge in areas of marketing , management , technology transfer , human resources etc . and as such provide better control over the foreign operations . They are appointed on long term basis i.e. mostly three years so that they can get used to the local environment and culture and develop strong ties and familiarity with the local partner's management team because abrupt changes / transfer can damage the trusting relationships with the local partner . Newburry and Zeira (1997) also suggest that one way to sustain trusting relationships between the partners is to avoid abrupt changes in personnel by one partner after the other partner has gained a familiarity with a given management team .

Second , the study finds that by the effective and efficient use of human resource based control mechanisms , foreign parent felt satisfied with the performance of the IJV and also its control over the IJV . For example by appointing key personnel on positions where the foreign parent had superior know how and knowledge (i.e. in the areas of marketing, human resources, purchasing and procurement, quality control, production & assembling) resulted in greater satisfaction with IJV performance . From the perspective of a parent , the IJV that has helped the parent to achieve the objectives , which led it to establish an IJV , will be displaying good performance . This measure has been variously used in the literature (e.g. Child & Yan 2003 ; Yan & Child 2004) and recommended particularly for IJVs in developing countries (Yan & Gray 2001) . By the exercise of these four human resource control mechanisms , particularly by staffing personnel on key positions in the IJV , the foreign parent felt satisfied with the overall performance of the IJV because through control , the foreign parent is able to integrate the venture's activities with the overall strategy and activities of the parent . Through the effective exercise of these four human resource based control mechanisms the foreign parent was able to enhance its influence over the important areas of the IJV where it had the greater competence advantage compared to its Chinese partner . Technology , marketing , human resources , quality control , production , purchasing

and procurement are the areas where the foreign partner had relative competence advantages and as such the exercise of these four human based control mechanisms i.e. staffing of key positions , training and development , compensation and rewards and performance appraisal enabled it to exercise influence in all these critical areas of the IJV . Foreign parent has been able to actualize its objectives and has successfully protected the strategic competencies it shared with the IJV . Child & Faulkner (1998) also suggests that it is important for the parents to exercise control selectively over those activities and decisions the parent regards as critical . Groot & Merchant (2000) also suggested that having control over the IJV means that it is more likely that an individual partner's objectives for the IJV will be met. According to Glaister & Buckley (1998) , parents that assume more responsibility in IJV management are found to have better perception of IJV performance.

Third the study also finds that though the foreign parent considered all these four control mechanisms important , their relative ranking based on their importance was different . The staffing of key positions was found to be the most important and effective control mechanism followed by training and development , compensation and rewards and performance appraisal and evaluation . This ranking of control mechanism was discerned from the views of the interviewees about the relative effectiveness and applicability of each control mechanism in achieving the foreign parent's objectives in the IJV . Wang et al. (1998) in his study has also described the importance of staffing the key positions by the foreign parent in the IJVs located in China .

From the foreign parent perspective some of the major advantages that it gained by forming the IJV include gaining of strategic position in the foreign market (China) , establish strong business presence/credibility in the foreign market , establishing a base for accessing neighboring markets , opportunity for good long term profit , low cost production , creating synergies from complementarities of resources with the local partner , better local acceptance , fulfilling the legal requirements and to be able to compete globally . From the foreign parent perspective the major risk/threat involved in forming IJV in China is the loss of competitive advantage to the local (Chinese) partner . For example in this case study the competitive advantage of the foreign parent is its

superior technology and knowhow , the learning of which is among the primary objectives of the local partner for forming the IJV . By forming the IJV , the local partner can learn the technology and also transfer the new technology to its other businesses and thus create a positive spillover for the local partner . Chan et al. (1997) also suggests that the main risk in alliances is the possibility of opportunistic behavior by the alliance partners . Some other risks include incompatible management styles by the partners , differences in organizational cultures and providing sub-standard products and services . However since the IJV has been successful in achieving its objectives and is expected to continue for a longer duration shows that both the partners are satisfied with the performance of the IJV . Things have progressed well and so far no major conflict has occurred between the partners . The trust level is high between the partners . Goal congruity exists and both the partners have shown their commitment to the IJV by fulfilling their promises and obligation . At one stage in the initial period of the IJV , the foreign partner was not satisfied with the quality of the finished product because the quality control manager was appointed by the local parent . However timely corrective measures were taken and this important position of quality control manager was filled by a Finnish expatriate manager and thus the foreign partner gained control over the important area of quality control.

The study attempted to fill in the gap by investigating these four human resource based control mechanisms from the foreign (Western) parent perspective in China in an equally owned IJV . These four control mechanisms are inter related in a way as the filling of key positions will also facilitate the parent firm in the exercise of other three control mechanisms . The study shows that the parent firm can gain control over the IJV located in a foreign market through the efficient and effective use of human resource control mechanisms . The exercise of all these four control mechanisms by the foreign parent has been studied under the agency theory because the exercise of all these control mechanisms involves foreign parent personnel.

The research work also suggests that human resource based control mechanisms can be another potentially useful way of developing and protecting a firm's competitive advantage and for the attainment of foreign parent's strategic objectives . These human

resource techniques such as recruitment and staffing, training and development , performance appraisal , and compensation and rewards which have proven effective in various other organizational environments may have potential applications for the effective management of IJVs . As such comes up with a model of strategic management of IJVs for the foreign parents based on these four control mechanisms . As such this research work extends the study of human resource management to a new and increasingly critical area of interest namely the strategic management of international joint ventures .

This study explores the use of control mechanisms only from the foreign parent perspective . However for the continued survival and success of IJVs , it is necessary that all the partners perceive that they maintain a certain level of control over the IJVs to advance the interests of the parent firms as well as to feel satisfied with the performance of the IJVs .Future studies should focus the issues of control and performance from the perspectives of both the local and the foreign parent firms . Also termed as split / shared control of IJVs in which the perspectives of both the foreign and local partners are included . The researcher believes that the concept of a multiple stakeholder approach to IJV control is of sufficient theoretical and managerial importance . Hence it would be useful to apply a dual parent perspective especially in IJVs in emerging economies (Luo et al. 2001, Chen 2004).

In addition the study is limited to four types of human resource based control mechanisms, simply applying certain types of control mechanisms may not guarantee satisfactory results in a volatile and uncertain situations in China . Future research may try to identify different combinations of control mechanisms and under what situations they could be applied successfully . Each IJV is unique in own way and correspondingly each requires a control system appropriate for its specific circumstances . Just like every other aspect of the management of the IJV , IJV control systems are subject to negotiations . Reliance on the human resource management control mechanisms alone may not be sufficient enough to result in IJV performance satisfaction . Similarly the impact of foreign parent nationality on the choice of control mechanisms can also be explored .

Finally the generalization of this study should be made with some caution because it's a single case study and involves the study of one Sino-Western IJV . A multiple case study would produce more reliable results .

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APPENDIX 1: Interview Questionnaire

1. STAFFINNG PERSONNEL ON KEY POSITIONS

1. How foreign parent can use staffing of key positions as a control mechanism ?

2. Which partner (Finnish or Chinese) fills majority of the key /top management positions in the IJV . Does filling of key positions give you more influence over the IJV?

*** Note : Some of the key positions in IJV : (1) CEO ,(2) General Manager , (3) Chairman of the board , (4) Financial manager , (5) deputy chairman of the board , (6) Deputy general manager , (7) marketing manager , (8) production manager , (9) purchasing manager , (10) quality control , (11) human resource manager) .

3. What level of control does your firm has over the strategic decisions of the venture into this foreign market (China) ? (no control at all ::::: moderate control ::::: total control) . Similarly , what level of control does your company has over the daily operations of your recent venture into this foreign market ? (no control ::::: moderate control ::::: total control) . Is such control the result of your staffing of key positions?

4. Is there a planned rotation of the IJV top managers between the IJV and the headquarters ?

5. While making important /major decisions within the IJV, are they referred to the headquarters of the parent firm before final approval ?

6. Does your firm frequently send managers from the head office to the IJV on short term assignments (6 months)?

8. Do the top management of the IJV report to the head office by means of various documents such as balance sheets, profit and loss statements , budgets , finance plans , market reports , etc . ? If yes ,, what is the frequency of reporting arrangement ,

meetings between top management , and formal review of IJV : (1) Under constant review , (2) monthly , (3) quarterly , (4) twice a year , (5) annually , (6) infrequently .

2.TRAINING AND DEVELOPMENT OF THE EMPLOYEES

1.How training and development can be used as a control mechanism . Does your firm train the staff and managers of the IJV ?

2. Where training and development of the IJV managers takes place: in the parent company headquarters or in the host country? Do you think that such training and development programs are effective ? How ?

3. What are major sources of training in your firms : (a) books (b)cross-cultural training (c).e-learning (d)language classes (e)cultural immersion programs (f) working on global teams (g) international assignments .

4.Do IJV top managers have to attend executive development programs and seminars conducted by either parent?

5.If local (e.g. Chinese employees) of the IJV have been trained in the foreign(Western) parent country ?

(These employees include such as : directors , other managers , sales representatives , office workers , foremen , workers .If European technicians had to come to China to train the local employees e.g. directors , managers , sales representatives , office workers , foremen , workers) .

6.Do managers receive substantial training before they assume responsibility ? Is your firm strongly committed to the training and development of employees ?

7.To what extent did the established training programs help the employees in the 1) competence building 2)achievement of JV goals .

8. Is there a planned rotation of the IJV CEO and top managers between the headquarters and the IJV and also to other IJVs of the parent firm?

3. COMPENSATION AND REWARDS

1. How can compensation and rewards be used as a control mechanism?

2. Is the compensation bonus of the top management of the IJV based on performance of the IJV alone (as opposed to being based on the mix of the IJV plus parent performance or some other criteria)?

3. What are the benefits of rewards from the foreign parent firm perspective?

4. Do you think that rewards make a positive impact on the motivation, loyalty, effort, effectiveness, and shirking prevention of the IJV managers? Do they enhance their individual performance and competence towards IJV goal achievement? Do you think that effective compensation and reward strategies can play a crucial role in IJV success?

5. Do the differences in pay of the managers represent their performance level and target achievement?

6. Are the rewards that managers receive linked to results?

4. PERFORMANCE APPRAISAL /EVALUATION.

1. How can performance appraisal and evaluation be used as a control mechanism?

2. How important are hard measures of performance such as sales, output per day or (some other numeric indicator) while managers are being evaluated for a raise or promotion? Do performance evaluations place primary weight on results?

3. Are pre-established performance targets used as a benchmark for performance evaluations? Are the managers clearly and specifically told about the targets to be

achieved at the start of the project ? Do those who do not reach the objectives receive low rating ?

4.Do there exists systematic/written job description in the areas of : general management , finance , accounting , marketing-commercial , human resources , production etc. If so , to what extent the managers are allowed to know the existing written procedures and standard practices (to meet the project goal) ? How much importance is given to the fact whether the managers follow the existing written procedures and practices during the development process to ensure that (the project goal was met) ?

5.Are the employees required to report in details about their work in the company? Do they receive frequent feedback about their performance?
