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**EFFECT OF CONTROL AND TRUST ON INTERNATIONAL
JOINT VENTURE PERFORMANCE**

Case Study of Wärtsilä's IJVs in China

Master's Thesis in
International Business
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TABLE OF CONTENTS	PAGE
ABSTRACT	9
1. INTRODUCTION	11
1.1. Research foundations	11
1.2. Research goals and limitations	13
1.2.1. Research goals	13
1.2.2. Research limitations	14
1.3. Literature overview and contributions of this study	15
1.3.1. Literature overview	15
1.3.2. Contributions of this study	17
1.4. Structure of this study	20
2. THEORETICAL PRINCIPLES OF CONTROL IN IJVs	22
2.1. Conception of IJV control	22
2.1.1. Control mechanisms	24
2.1.2. Control focus	25
2.1.3. Control extent	25
2.2. Core theoretical principles of IJV control	26
2.2.1. Resource dependence theory	26
2.2.2. Transaction cost theory	27
2.3. Summary	28
3. THEORETICAL PRINCIPLES OF TRUST IN IJVs	30
3.1. Conception of IJV trust	30
3.2. Core theoretical principles of IJV trust	32
3.2.1. Social exchange theory	32
3.2.2. Transaction cost theory	33

3.3. Summary	34
4. THEORETICAL PRINCIPLES OF IJV PERFORMANCE	36
4.1. IJV performance determinants	36
4.2. Effect of control on IJV performance	37
4.2.1. Control mechanisms	38
4.2.2. Control focus	39
4.2.3. Control extent	39
4.3. Effect of trust on IJV performance	40
4.3.1. Contractual-based trust	40
4.3.2. Competence-based trust	41
4.3.3. Goodwill-based trust	42
4.4. Summary	42
5. RESEARCH METHODOLOGY	44
5.1. Research approach	44
5.2. Implementation of case studies	45
5.3. Design of the case studies	46
5.4. Validity and reliability	47
6. RESULTS OF THE STUDY	48
6.1. Overview of the selected case study IJVs	48
6.2. Results of the study on control and trust in IJVs	52
6.2.1. IJV control	52
6.2.2. IJV trust	55
6.2.3. Link between control and trust in IJV	57
6.3. Results of the study on IJV performance objectives	58
6.4. Effect of control and trust on IJV performance in China	60
6.4.1. Effect of control on IJV performance in China	60

6.4.2. Effect of trust on IJV performance in China	63
7. SUMMARY, CONCLUSIONS AND FUTURE RESEARCH	68
7.1. Summary of the study	68
7.2. Conclusions of the study	71
7.3. Limitations and future research	73
7.3.1. Limitations	73
7.3.2. Future research	74
REFERENCES	75
APPENDIX 1. Research questionnaire	82

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ABSTRACT

The investigation of the factors affecting the performance of the international joint ventures (IJVs) has been widely popular study area among researchers. Perhaps, one of the reasons for this is the statistically very high failure rate of the IJVs. In that regard, most of the earlier literature argued that control and trust are two of those key factors affecting the IJV performance. However, often scholars concentrated only on examining those factors separately and only from a single partner company perspective. Therefore, in order to gain a more comprehensive understanding of the topic, this study focused on jointly investigating the effect of control and trust on the IJV performance by considering all partner companies' points of view. The integrated research approach involved the examination of five study cases based on the Finnish company Wärtsilä IJVs in China.

From a theoretical point of view, this study took into account the earlier research findings explaining the concepts of control, trust and performance within the IJV settings. Their respective diverse dimensions and measurements have been also analysed and presented. Furthermore, the link between control, trust and performance in the IJV has been discussed as well.

From an empirical perspective, this research considered both objective and subjective determinants by considering multiple points of view. The data collection method involved semi-structured phone and face to face interview questions. The main results of the study suggested that all of the interviewed managers from both Finnish and Chinese side agreed that the link between the different dimensions and measurements of control, trust and performance in the IJV is positive, weather it is directly or indirectly achieved.

KEYWORDS: International joint venture, IJV, control, trust, performance, IJVs in China

1. INTRODUCTION

The first chapter of this study would provide the background of the topic as well as the justification of the research. Furthermore, the purpose of the study is to identify and address the research gaps in the literature and previous studies. Consequently, based on these, the research questions will be constructed and presented. The next part would show the objectives of the research followed by short overview of past studies. In order to achieve a better understanding and follow up of the addressed topics in this research, the conclusion of the chapter will show the overall structure of this study by providing a short description of each section.

1.1. Research foundations

In today's exceedingly globalized and focused world, doing business abroad has turned to a great degree into a testing errand for some organizations. The intense business environment has driven organizations to seek various methods of making business. As indicated by Vaidya (2000) multinational firms (MNCs) around the world keep on expanding their business operations by establishing relations with firms from different parts of world. Case in point, the international joint ventures (IJVs) have been seen to be one of the key real internationalization approaches among firms (Dunning 1995). The idea of IJV is alluded as "*separate entity located in a foreign market formed by one (or more) MNC(s) and one (or more) local firm(s) whether through Greenfields development or partial acquisitions*" (Nguyen & Larimo 2009). According to the literature, the main objective of the organizations actualizing such approach is to accomplish lower transaction costs by sharing incomes, hazard, control, information as well as to increase assets, technological advancements, markets share, and overall competitive advantage (Ekanayke 2008; Nippa et al. 2007; Fryxell et al. 2002).

Despite the numerous advantages of IJVs, issues could also arise in relation to the fluctuating business conditions (Glaister & Buckley 1998). According to earlier literature, the failure rate of IJVs is statistically considered as very high - from 30% to 70% (Geringer & Hebert 1991; Ekanayke 2008; Nguyen & Larimo 2009). Groot and Merchant (2000) have brought up that

control issues are often considered as some of the main factors impacting these negative statistics. On the other hand, Robson et al. (2006) proposed that the absence of trust is another fundamental aspect contributing to those negative numbers. Other scholars suggested that trust and control are two different courses in terms of minimizing risk, thus it is vital to investigate them together due to their effects on the IJV performance (Das & Teng 2001).

In the past literature could be observed different approaches of measuring the performance of the international joint venture, e.g. objective vs subjective methods (Nielsen 2007). It has been argued by scholars that the different parties in the IJVs may have very diverse goals (Glaister & Buckley 1998). Moreover, it has been claimed that depending just on subjective or objective methods may not be sufficient. Consequently, scholars recommend that the utilization of both approaches is needed. In addition, since each party has different goals to establishing a joint venture, their understanding of its performance may not be the same. As it is insufficient to just take one party's point of view, it is important to consider all sides when estimating the IJV performance.

Studies on IJV performance have been found to often concentrate on leading economies such as U.S, India, China, Japan, Korea, and central and western European countries (Glaister & Buckley 1998; Yan & Gray 2001; Fryxell et al. 2002; Luo 2002; Kauser & Shaw 2004; Brouther & Bamossy 2006; Ng et al. 2007; Kwon 2008; Klijin et al. 2010). In general, literature concentrating the Finnish-Chinese IJV performances is very limited. Finland is part of the economic European markets and is popular across different industries with highly advanced technologies, quality of products, innovation, manufacturing standards etc. However, due to the relatively small local market size and considering the firm's objectives and field of operation, it could be often seen that businesses tend internationalize in order to achieve their goals in terms of strategic development and profitability. On the other hand, China is one of the fastest developing countries with huge local market size. This creates almost limitless possibilities for companies to do business there, especially for those coming from abroad. However, as mentioned earlier, since the past research on Finnish-Chinese IJV performance is insufficient, it is vital to investigate and understand more about the managerial strategic approaches that are taken in order to enhance the IJVs performance. Therefore, as a case study for this study is selected the Finnish company Wärtsilä as part of five different IJVs in China.

1.2. Research goals and limitations

1.2.1. Research goals

The fundamental motivation behind this study is to examine the significance of control and trust and their correlation towards the IJV performance from a Finnish-Chinese perspective. Therefore, the core research question of this study has been constructed as:

What is the link between control, trust and performance in IJVs in China?

In order to provide a comprehensive answer to the primary question of this study, a set of five sub-goals have been presented as:

1. To investigate the concept of control in IJVs.
2. To examine the concept of "trust" in IJVs.
3. To justify the concept of "performance" in IJVs.
4. To investigate the links "control-performance" and "trust-performance" in the IJVs from a theoretical perspective.
5. To investigate the links "control-performance" and "trust-performance" in the IJVs from an empirical perspective taking as an example the Finnish company Wärtsilä's IJVs in China.

The first sub-goal is to expand the comprehension about control in IJVs by focusing on three key areas: control mechanism, control focus and control extent. Furthermore, theories linked to the IJV control such as the transaction cost theory and resource dependence theory would be clarified.

The second sub-objective is to examine the concept of trust in IJVs in order to provide a wider perspective of its understanding and different dimensions. Similarly, to the previous sub-goal, the transaction cost and resource dependence theories will be examined in order to support the analysis and further understanding of the concept of trust in an IJV setting.

The third sub-goal is to identify the concept of performance in an IJV setting. By investigating its definitions and extend, will provide a deeper understanding of the concept as well as the different perspectives of measuring the IJV performance.

The fourth sub-objective is to identify, within the literature, the links control-performance, trust-performance in IJVs, and then similarly to investigate the link control-trust.

The fifth sub-goal is to investigate from an empirical perspective the links control-performance, trust-performance of Wärtsilä's IJVs in China. Specifically, the selected study case companies will provide further insight into the effects of control and trust on the performance of the IJVs in China.

1.2.2. Research limitations

The extent of this research is limited to IJVs that have been established in China. On the other hand, the manufacturing industry has been selected as main research area of this study. The investigation of the links between the mentioned key concepts in this study (control, trust and performance) takes into account the opinion of each of the partners within the joint venture, from both Finnish and Chinese point of view.

From an empirical perspective, this study will analyse 5 cases which in turn cannot be considered to provide a reference for all other IJVs types and industries. In addition, the interviewees requested anonymity in relation to some of the study data. Therefore, information such as interviewees' names, positions, locations will not be revealed hence further study conclusions based on these factors cannot be made.

1.3. Literature overview and contributions of this study

1.3.1. Literature overview

Earlier literature has been utilized as a part of this research by investigating and analysing the related information through various online sources such as Business Source Premier, Emerald Journals, ABI inform Global etc. These sources consisted of articles from top journals covering major themes such as international business/management/marketing, business research and so forth. The key terminology that has been employed to identify and connect the necessary literature included “International Joint Venture”, “IJV”, "IJV control", "IJV trust", "IJV performance", and "IJVs in China". The most eminent, essential and relevant academic sources have been considered for the purposes of this research. A short summary of those is presented in **Table 1** at the end of this section of the study.

Investigating earlier studies, it could be observed that the study focus has been moved from the formation to the post-formation stage of the IJVs in search for better explanation and understanding of the operations and activities of the joint ventures (Ren, Gray & Kim 2009). Scholars have pointed out that studies have concentrated on investigating and explaining the term “IJV performance” including the aspects that have direct and indirect link to it. The research findings in that regard suggested conflicting results in terms of what influences the IJV performance and how it is being quantified. Based on the earlier studies, researchers have gathered and presented findings in relation to the different determinants of the IJVs performance, e.g. commitment, compromise, bargaining, control, trust, power, conflict management, cooperation, culture distance and objectives (Glaister & Buckley 1998; Yan & Gray 2001; Boateng & Glaister 2002; Fryxell et al. 2002; Luo 2002; Tsang 2002; Child & Yan 2003; Luo & Park 2004; Mohr 2004; Brouthers & Bamossy 2006; Choi & Chen 2007; Lu 2007; Makino et al. 2007; Ng et al. 2007; Nielsen 2007; Nippa, Beechler & Klossek 2007; Seleklergoksen & Uysal-tezolmez 2007; Ren et al. 2009; Yang et al. 2011; Liu et al. 2014; Isidor et al. 2015; Koch & Koch 2018; Mohr et al. 2016).

As mentioned, the past research has been found to have different perspectives on what infers the IJV performance, as well as on the effects of each determining factor. For instance, studies on the effect of control on the IJV performance have shown diverse conclusions. On one hand,

in some studies, it has been recorded that IJVs with shared power achieved better results (Steensma & Lyles 2000), in comparison to the cases where the control has been dominated among some of the parties aiming to achieve the same goal (Killing 1983). On the other hand, other scholars argued that this is not really true as their research has shown that both of the mentioned above types of IJVs have no performance differences (Choi & Beamish 2004). In contradiction to all these come Zhang and Li (2001) who argue that dominant practices in IJVs tend to be more successful. Nonetheless, numerous researchers concluded that control is one of the key elements contributing for the better IJVs performance (Yan & Gray 2001; Fryxell et al. 2002; Nippa et al. 2007; Ekanayke 2008), whilst there are also authors such as Mohr (2004) who claim the opposite.

Concerning the concept of trust and its link to the IJV performance, the earlier literature demonstrated that there is a positive correlation between the two, whether it is direct or indirect. Brouther and Bamossy (2006) affirmed that the stronger the trust among parties, the better IJV performance results would be. In addition, Ng et al. (2007) supported that trust has an affect towards the achievement of the parties' objectives within IJV from both mutual and individual point of view. Likewise, Fryxell et al. (2002), Mohr (2004) and Ekanayke (2008) observed that the influence of trust could be very beneficial to the performance of the joint venture while Isidor et al. (2015) concluded based on data from 97 studied IJVs that trust is one of the core factors affecting the IJV stability hence its performance.

In addition, there have been rare cases in the literature which examine the concepts of trust and control in the IJV together in terms of their relation. On the principle of this new perspective, Yang et al. (2011) have been even more specific in their research and argued that "formal control and trust complement each other only in weak tie relations".

Researchers such as Koch and Koch (2018) have focused their study on the importance of tangible and intangible trust within the IJVs in China. They have found that management control had no effect on the intangible trust while in contrast there was strong positive correlation with the tangible trust through the existence of a foreign general manager. Furthermore, their empirical analysis concluded that whether it is tangible or intangible, the "trust" factor has a strong influence on the IJV performance.

Table 1. Selected previous studies.

Author/Year	Research Title	Methodology	Sample
<u>Geringer and Herbert</u> (1989)	Control and performance of international joint venture	Theoretical	-
<u>Glaister and Buckley</u> (1998)	Management-performance relationship in UK joint ventures	Survey	94 IJVs
<u>Inkpen and Currall</u> (1998)	The nature, antecedents and consequences of joint venture trust	Theoretical	-
<u>Child and Yan</u> (1999)	Investment and control in IJV: The case of China	Survey	67 IJVs
<u>Das and Teng</u> (2001)	Trust, control and risk in strategic alliances: an integrated framework	Theoretical	-
<u>Yan and Gray</u> (2001)	Antecedent and effect of parent control in IJV	Survey	90 IJVs
<u>Zhang and Li</u> (2001)	The control design and performance in IJV: a dynamic evolution perspective	Case studies	8 cases
<u>Fryxell et al.</u> (2002)	After the ink dries: the interaction of trust and control in US-based IJV	Survey	129 IJVs
<u>Boersma et al.</u> (2003)	Trust in international joint venture relationship	Case studies	4 cases
<u>Mohr</u> (2004)	Trust, control, interaction and performance in IJVS-A taxonomy of German-Chinese JVS	Interview + Survey	27 interviews + 110 IJVs
<u>Brouther and Bamossy</u> (2006)	Post-formation processes in Eastern and Western European JV	Case studies	8 cases
<u>Robson et al.</u> (2006)	Behavioural attributes and performance in ISA: review and future directions.	Theoretical	-
<u>Nippa, Beechler and Klossek</u> (2007)	Success factors for managing international joint venture: A review and an integrative framework	Theoretical	-
<u>Selekler-goksen and Uysal-tezolmez</u> (2007)	Control and performance in IJV in Turkey	Survey	45 IJVs
<u>Ng et al.</u> (2007)	The effect of trust on international joint venture performance in China	Survey	298 IJVs
<u>Ekanayke</u> (2008)	The role of trust in joint venture control: a theoretical framework	Theoretical	
<u>Kwon</u> (2008)	Antecedent and consequences of IJV partnership: A social exchange perspective	Survey	94 IJVs
<u>Nguyen and Larimo</u> (2009)	Foreign parent strategies, control and international joint venture performance	Survey	49 IJVs
<u>Ren et al.</u> (2009)	Performance of international joint ventures: what factors really make a difference and how	Theoretical	-
<u>Jagd</u> (2010)	Balancing trust and control in organizations: toward a process perspective	Theoretical	-
<u>Klijin et al.</u> (2010)	Combinations of partners' joint venture formation motives	Survey	47 IJVs

Table 1. Selected previous studies (Cont.)

Yang et al. (2011)	When do formal control and trust matter? A context-based analysis of the effects on marketing channel relationships in China	Theoretical	-
Liu et al. (2014)	A Meta-analysis of Factors Leading to Management Control in International Joint Ventures	Theoretical	-
Isidor et al. (2015)	The impact of structural and attitudinal antecedents on the instability of international joint ventures: The mediating role of asymmetrical changes in commitment	Survey	97 IJVs
Koch and Koch (2018)	Joint venture survival in China: the importance of tangible and intangible trust	Survey	274 IJVs
Mohr et al. (2016)	The contingent effect of state participation on the dissolution of international joint ventures: A resource dependence approach	Survey	623 IJVs

1.3.2. Contributions of this study

In the past literature, researchers have investigated the relations between control and performance, and trust and performance within the IJVs but mostly separately, and rarely together. Therefore, considering both perspectives together as mentioned above, it is this study's approach and goal to contribute to the existing literature findings in relation to the identification of those IJV performance determinants. This can likewise help firms to comprehend the significance of considering jointly control and trust as key factors affecting the performance of their IJVs. Das and Teng (2001) argued that trust and control are two distinct aspects which need to be jointly taken into account in order to achieve lower levels of risk hence better IJV performance.

In addition, past studies have been noted to investigate the perspective of only one of the parties when it comes to analysing the IJV performance. Therefore, this study considers all partners' points of view in relation to their IJV performance interpretation. Furthermore, according to Glaister and Buckley (1998) to consider only one party's point of view would be inappropriate due to the lack of broader perspective on the determinants of the IJV performance. Thus, this study would be able to contribute to the present literature about the IJV performance determinants by applying objective as well as subjective approaches based on the results of the examined case study companies.

In addition, this study will aim to provide a more profound comprehension of the challenges that Finnish-Chinese companies face in terms of control and trust and their effect on the overall performance of the IJV. This would create the opportunity to establish a stronger and more efficient relationship between the IJV parties whilst achieving their individual and mutual goals and improving the overall performance of their joint venture. The accompanying **Figure 1** portrays the commitment of this study.

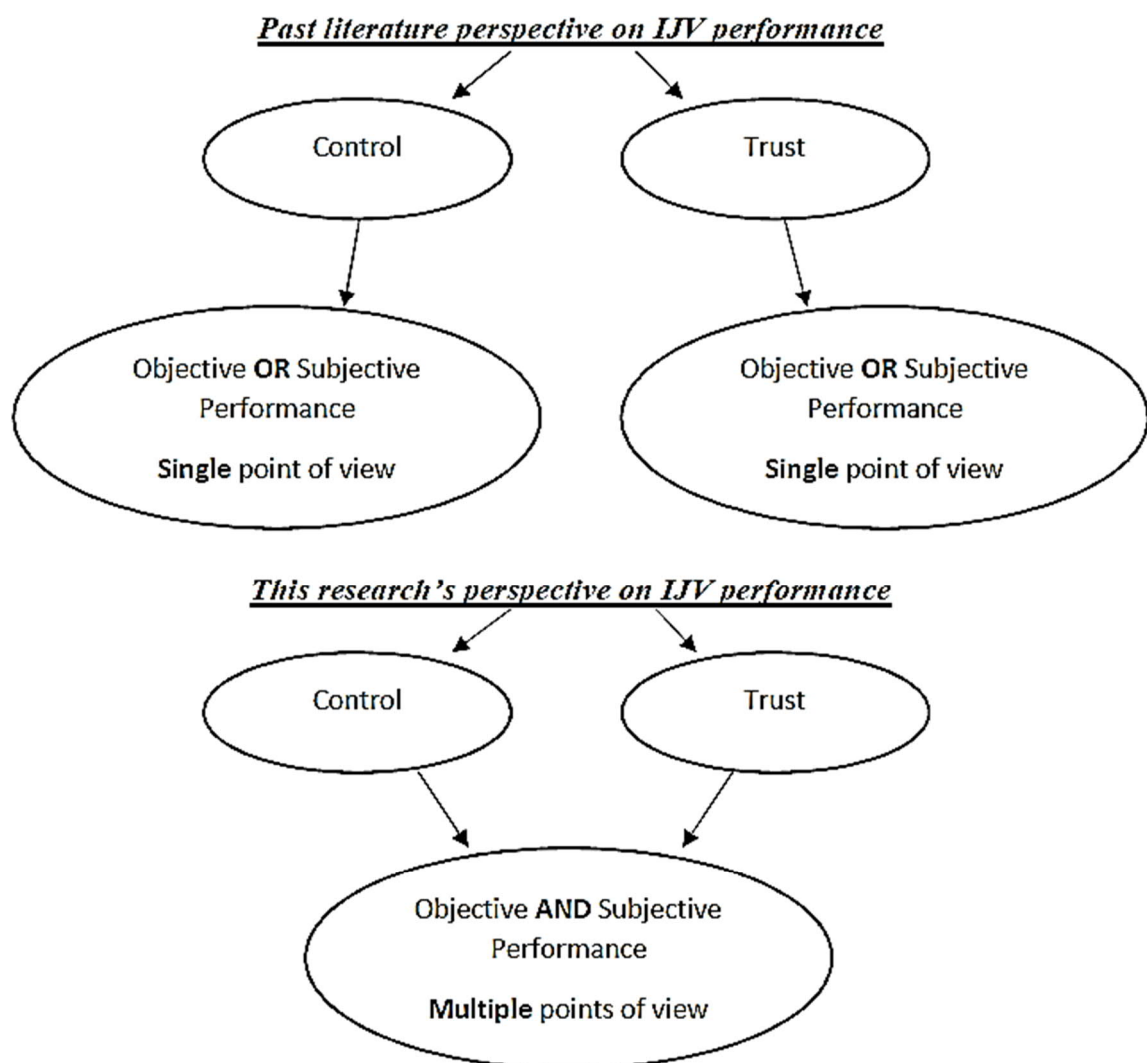


Figure 1. Contribution of this paper.

1.4. Structure of this study

As mentioned in the beginning, the following paragraphs aim to provide a brief guideline of the main discussions in each part of this study. In addition, an overview of the structure of this study will be presented in **Figure 2**.

Part 1 of this study consist of the foundation and the points of the research while providing an overview of the issues encountered according to the past literature. In addition, the chapter will hint towards the potential solution of to these issues.

Part 2 involves sections outlining the concept of control in IJVs and its different levels of measurement according to the past studies on IJV control. The last section will provide a brief overview of part two.

Part 3 describes the multifaceted nature of the concept of trust in IJVs and its different levels of measurement according to the past studies on IJV trust. The last section will provide a brief overview of part three.

Part 4 gives overview of the concept of IJV performance, its different levels of measurement according to the past studies on IJV performance as well as the effects of control and trust in this setting. The last section will provide a brief overview of part four.

Part 5 clarifies the research techniques utilized in this study. This involves a description of the applied research methodology approaches, selection of the empirical cases, critical analysis as well as the proposed potential contributions of the study. The last sections of part five will provide a brief overview of the research design as well as the validity and reliability of the study.

Part 6 provides description of the empirical cases as well as the research findings.

Part 7 summarizes and concludes the theoretical and results of the study, and also introduces the Limitations and suggestions for further studies.

<p>1. INTRODUCTION</p> <p>1.1. Research foundations</p> <p>1.2. Research goals and limitations</p> <p>1.3. Literature overview and contributions of this study</p> <p>1.4. Structure of this study</p>	
<p>2. THEORETICAL PRINCIPLES OF CONTROL IN IJVs</p> <p>2.1. Conception of IJV control</p> <p>2.1.1. Control mechanisms</p> <p>2.1.2. Control focus</p> <p>2.1.3. Control extent</p> <p>2.2. Core theoretical principles of IJV control</p> <p>2.2.1. Resource dependence theory</p> <p>2.2.2. Transaction cost theory</p> <p>2.3. Summary</p>	↓
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<p>5. RESEARCH METHODOLOGY</p> <p>5.1. Research approach</p> <p>5.2. Implementation of case studies</p> <p>5.3. Design of the case studies</p> <p>5.4. Validity and reliability</p>	↓
<p>6. RESULTS OF THE STUDY</p> <p>6.1. Overview of the selected case study IJVs</p> <p>6.2. Results of the study on control and trust in IJVs</p> <p>6.3. Results of the study on IJV performance objectives</p> <p>6.4. Effect of control and trust on IJV performance in China</p>	↓
<p>7. SUMMARY, CONCLUSIONS AND FUTURE RESEARCH</p> <p>7.1. Summary of the study</p> <p>7.2. Conclusions of the study</p> <p>7.3. Limitations and future research</p>	↓

Figure 2. Structure of this study.

2. THEORETICAL PRINCIPLES OF CONTROL IN IJVs

This part describes the concept of control in IJVs by starting with core definitions and followed by clarification of its different conceptual dimensions. Moreover, the core research studies are presented by investigating the causes of the IJV formation as well as the significance of the concept of IJV control. The end of this part will conclude with a short summary of the key points.

2.1. Conception of IJV control

An interesting observation in the literature is that, although the establishment of IJVs is one of the most popular internationalization approaches for companies, they often fail (Geringer & Hebert 1991; Glaister & Buckley 1998; Child & Yan 1999; Boersma et al. 2003; Brouthers & Bamossy 2006; Nguyen & Larimo 2009). From this point of view, the significance of control in IJVs and its link to the success of the partnership accumulates extraordinary consideration from researchers. Brouthers and Bamossy (2006) declare that in the cases where companies have neglected the integration of control processes, have frequently resulted in failure of the IJV operations. Besides, Ng et al. (2007) proposed that integrating appropriate control processes within the IJVs is one of the crucial aspects for the accomplishment of the IJVs survivability and successfulness. Essentially, Nguyen and Larimo (2009) research identifies that control is assumed as an imperative part of the successful IJV. Similarly, Das and Teng (2001) recognized that the social risk as well as the performance risk are tackled successfully when control is appropriately implemented in the IJV. On the other hand, Liu et al. (2014) have found factors affecting the control within the IJV which can be ordered according to importance as: resource contribution; equity share; trust; and strategic importance to the IJVs.

Because of the significance of control in IJVs, scholars have concentrated on investigating the related issues and trying to provide solutions to them. According to the organisational theoretical studies, control alludes to the procedure that manages practices of organizational partners for the achievement of their objectives (Glaister & Buckley 1998; Das & Teng 2001; Jagd 2010). The idea of control in IJVs is considerably more unpredictable and

multidimensional concept, due to the fact that two or more organisations participate in the utilization of the administrative control within the IJVs.

Killing (1983) explained the basic point of view of IJV control and characterized control as the level of force every parent company uses in order to accomplish its targets within the venture. Later on, numerous analysts took this thought to direct their studies to investigate the link between control-performance of the IJV, although their findings were conflicting. For instance, Steensma and Lyles (2000) argued that the shared control is better for IJVs. While, Choi and Beamish (2004) claimed that regardless if it is shared or dominant control, the IJV performance would not be affected. On the other side, Zhang and Li (2001) argued that the dominant parent control practises tend to contribute for the better performance of the IJVs. Along these lines, the significance of IJV control has different perspectives, and particularly when the IJV performance is considered.

According to Child et al. (2005:15) control is a focal part of the IJV, and crucial component in any framework that considers management personnel as responsible for their practices and choices. Das and Teng (2001: 258) characterized control as *“a regulatory process by which the elements of a system are made more predicate through the establishment of standards in the pursuit of some desired objective or state”*. In other words, one of the key points in exercising control within IJV is to achieve consistency in an administrative sense. This consistency provides certainty that IJV's parties would act according to the agreement they have made when forming the IJV. In the event that every one of the parties have such certainty, they have better chances to achieve better performance within their IJVs (Fryxell et al. 2002; Nguyen & Larimo 2009).

Geringer and Hebert (1989: 236-237) described the concept of control as: *“the process by which one partner influences, to varying degrees, the behaviour and output of the other partner, through the use of power, authority and a wide range of bureaucratic, cultural and informal mechanisms.”* Moreover, the authors identified three different courses of control in IJVs. These included the control mechanisms, the control focus, and the control extend. The first one relates to the ways that control is implemented. The second justifies the range of practices that the parent firm aims to be involved or not within the partnership. The third one relates to the level of the enforced control by the parent firm within the venture. As the authors suggested, it is vital that these three dimensions are investigated together in order to provide a more comprehensive interpretation of the impact of control to the IJV's performance.

2.1.1. Control mechanisms

According to Fryxell et al. (2002: 868) control mechanisms as a “*structural arrangements deployed to determine and influence what members of an organization do*”. Studies suggested that there are two sorts of control mechanisms: formal and informal control (Das & Teng 2001; Fryxell et al. 2002; Jagd 2010). The formal control alludes to build up and use formal regulations and practices to screen, prize and protect the objectives of the firms (Fryxell et al. 2002). On the other hand, the informal control respects to the setting up of internal standards, values, and working ethics (Fryxell et al. 2002). In this way, control is planned to diminish objective incongruence and inclination difference among parties. In the literature can be found various terms/names of these mechanisms (Das & Teng 2001; Fryxell et al. 2002; Jagd 2010). However, as the mentioned above are the most common, they would be also used in this study. Moreover, these have been recorded by academics to have a vital role within the IJVs due to their diverse impact on organizational behaviours (Fryxell et al. 2002).

Fryxell et al. (2002) pointed out that the advantage of the **formal control** mechanism is to have the potential opportunism to be effortlessly recognized and managed in an auspicious way. In addition, the authors emphasize that it is vital to implement formal control in the early phase of IJV establishment in order to avoid potential strategic and conceptual/administrative misunderstandings which could negatively affect the IJV performance. Therefore, when forming the IJV parties settle mutual agreements based on the selected type of control mechanism. For instance, foreign parent companies frequently implement ownership equity as the primary control mechanism in their IJV (Glaister & Buckley 1998; Child & Yan 1999; Fryxell et al. 2002; Kauser & Shaw 2004; Selekler-goksen & Uysal-tezolmez 2007). Studies suggested also other types of control mechanisms adopted by parent firms, e.g. voting, board of directors/management, and transfer of important employees (Fryxell et al. 2002; Selekler-goksen & Uysal-tezolmez 2007).

On the other hand, **informal control** is intended to allow the development and teaching of standards and quality mechanisms based on an individual level, e.g. training, interaction, socialization (Fryxell et al. 2002). The idea behind this is to strengthen the relationship among the parties in order to improve the parent companies’ confidence in the IJV (Child et al. 2005). Additionally, researchers noted that informal control may decrease the levels of risk in terms of opportunism, contribute to the establishment of feasible/realistic objectives, reduce

monitoring/contraction costs, and provide flexibility/adaptability hence positively contributing to the IJV performance (Das & Teng 2001; Fryxell et al. 2002).

2.1.2. Control focus

The concept of control focus alludes to the range of control implementation within the IJV. As indicated by studies, parent companies decide what level of control they will have in the venture whether it is more (broad) or less (narrow), it affirms to their objectives and recourses (Geringer and Hebert 1989). Usually, when having the concept of broader control focus, it suggests that the parent firm manages all operations within the IJV. On the other hand, the “narrow” perspective of control focus implies to the cases where parent firm aims to put the emphasis on controlling according to their top objectives to only the most essential parts of the IJV.

Authors such as Child and Yan (1999) argued that the foreign parent companies frequently concentrate more on the significance of the money related aspects. Consequently, they put their own managerial personnel to ensure that the IJV is strictly controlled in terms of the financial operations. However, Kauser and Shaw (2004) hold that the larger part of IJVs focus their control only on certain activities. Other studies suggested that parent companies try to utilize their efforts only in areas such as technologies and markets (Youngster et al. 2005). In other words, there are many areas where the parent firm may focus its control as it all depends on the circumstances in the business environment as well as the companies’ objectives and recourse capabilities (Nguyen & Larimo 2009).

2.1.3. Control extent

According to scholars the concept of control extent explains what is the degree of control that the parent company enforces within the IJV, e.g. from “tight” to “loose” control (Hebert 1989). These two have a very contrasting nature. For instance, the tight control involves aspects such as time management, working efficiency and quality, personnel’s clothing standard, reliability etc. All these provide the parent firms with high levels of assurance of the IJV’s overall performance and objectives commitment. Furthermore, researchers claimed that the control mechanisms are very much linked to the concept of tight control, e.g. reporting, training,

administrative systems (Child et al. 2005; Nguyen & Larimo 2009). On the other hand, the concept of loose control implements just a few control mechanisms, often only one, and thus firms utilize their efforts and concentration only to these areas. This provides the parent companies in the IJV with managerial flexibility in terms of the personnel's performance and behaviour.

2.2. Core theoretical principles of IJV control

According to the literature, the transaction cost theory as well as the resource dependence theory are considered to be the most regularly utilized concepts to clarify the IJV control (Child & Yan 1999; Yan & Gray 2001; Zhang & Li 2001). In the following sections these theories are discussed at first separately and later together for the purposes of this study.

2.2.1. Resource dependence theory

The resource dependence theory examines how companies' operations are affected from their external resources in a sense that every firm is assumed to have a need from such in certain conditions, e.g. technology, know how, management systems, market knowledge, marketing channels, capital, supply chain network, lower production and labour costs (Pfeffer & Salancik 1978; Yan & Gray 1999). Furthermore, the theory clarifies one of the greatest motives to establish an IJV – to reach these external resources (Larimo 2002; Nippa, Beechler, & Klossek 2007; Hillman, Withers & Collins 2009; Klijn et al. 2009; Mohr et al. 2016). In general, the firms which have access to such resources tend to have more empirical control over their partner hence be the more independent party in the venture (Hillman, Withers & Collins 2009).

The importance of control in the IJVs is another aspect that has been explained by the resource dependence theory (Pfeffer & Salancik 1978). It is vital that the party that has access to the complimentary resources is able to manage them efficiently in order to be able to continue maintaining control practices over their partner in the long run. Nevertheless, if one partner provides too many key resources (e.g. over time) to the other partner, firstly, it may destabilize

the IJV, and secondly, their positions might change in terms of the control practices (Hillman et al. 2009; Child et al. 2005; Zhang & Li 2001).

On the other hand, Mohr et al. (2016) argued that “*state participation reduces the risk of IJV dissolution and that the strength of this effect differs depending on the type of state-controlled actor that is involved in an IJV*” and also that the state participation hence trust is influenced by the host country experience as well as the IJV age.

Therefore, as the theory suggests, in general the resource management as well as the control implementation directly impact the IJV performance (Choi 2001) while there can be also other indirect factors affecting this relationship such as the state participation (Mohr et al. 2016).

2.2.2. Transaction cost theory

The transaction cost theory suggests that the structure and managerial decisions in terms of markets, hybrids, and hierarchies, are highly influenced or directly based on the aspects such as transaction frequency, uncertainty, threat of opportunism, bounded rationality, and assets specificity (Williamson 1975, 1985, 1991). The term “transaction” itself alludes to the transfer of property rights expressed in assets while “transaction costs” refers to the actual costs of achieving this trade, i.e. market system operations (Coase 1937). Thus, in relation to the structure of the transaction cost theory, the “market” refers to the complete transfer of property rights, the “hybrid” involves controlled transfer of property rights, and the “hierarchy” where the property rights remain within the firm (Williamson 1991).

According to the literature, the common governance structures are the “hybrid” types due to the frequent mutual involvement of the markets’ and hierarchies’ transactions (Hennart 1993). Examples of such “hybrid” structures include strategic alliances, licensing, joint ventures and many others. According to Beamish and Banks (1987: 3), the joint ventures for instance, could be accounted as the better way to tackle common issues such as uncertainty, opportunism, and financial challenges. Perhaps, the joint ventures are the top strategic approach for parent firms when it comes to intermediate markets with high transaction costs (Hennart 1988). This is due to the conditions flexibility as well as the lower transaction costs of the joint ventures in comparison with the markets’ and hierarchies’ types of structures (Fryxell et al. 2002; Ali &

Larimo 2011). From international perspective, the IJVs have been considered as one of the most appropriate and viable market entry strategies due to the easier obtaining of knowledge about the market from the local partner. Furthermore, the risk is shared, the costs are lower hence the level of opportunism is less than market' and hierarchy' types of structures (Fryxell et al. 2002; Ali & Larimo 2011).

The importance of the IJV control has been highlighted and explained also by the transaction cost theory with reference to some features of governance structures: uncertainty, threat of opportunism, transaction frequency, bounded rationality, and assets specificity (Williamson 1985). All these need to be appropriately managed and controlled as otherwise the IJV performance would be negatively affected (Ekanayke 2008). For instance, parent firms should integrate strictly regulated measurements to receive accurate reports on the IJV's operations, to be able to better defend their personal objectives and assets. Therefore, in terms of the IJV control and performance literature, the transaction cost theory is found to be a good solution and explanation to any empirical contradictions (Geringer & Hebert 1989).

2.3. Summary

In summary this part of the study opened up the identification and understanding of the IJV control concept. The initial meaning of IJV control from structure point of view was discovered inconsistent in the IJV performance literature due to different theoretical and empirical studies. In spite of the fact that the concept has been investigated by numerous researchers, there is no popular or widely spread meaning of the concept of IJV control. Nevertheless, this study would refer to Geringer and Hebert (1989: 236-237) who identified IJV control as *“the process by which one partner influences, to varying degrees, the behaviour and output of the other partner, through the use of power, authority and a wide range of bureaucratic, cultural and informal mechanisms”*.

Another aspect of this chapter involved the further understanding of the IJV control by introducing three different perspectives of the concept. These included control mechanisms, control extent and control focus, and have been additionally analysed to provide more comprehensive overview on the effect of control over the performance of the IJV.

The last sections of this part presented theoretical frameworks related to key IJV aspects such as the link between control and performance. One of the theories discussed, the resource dependence theory, identified what, why, how in terms of control and recourses in IJVs and presented some common issues, e.g. long term IJV control structure management. The other theoretical perspective involved the transaction cost theory which investigated the factors influencing the IJV establishment, operations and performance.

3. THEORETICAL PRINCIPLES OF TRUST IN IJVs

This part exhibits the different perspectives of the concept of trust in relation to the international joint ventures. Initially, the meanings of IJV trust and its different points of view will be presented. After this will follow examination of the core theories related to the concept and more specifically to the aspects influencing firms to establish IJVs as well as the significance of IJV trust in this setting. At the end of this part will be provided a brief outline of the key issues discussed.

3.1. Conception of IJV trust

Many studies suggested that trust is one of the factors that has a key role within the IJV activities as it can affect performance, e.g. more trust the better the IJV performance and the opposite the less trust the worse the performance which may even lead the IJV to fail (Mohr 2004; Robson et al. 2006). Furthermore, scholars contended that one of the keys to achieve good performance of the IJVs involves creating trust inside the IJVs itself as trust as a concept is a crucial segment to affect alluring practices and improve employees' relationships and working ethics (Brouthers & Bamossy 2006; Ren, Gray & Kim 2009). Despite the fact that researchers concurred that trust is fundamental to IJVs success, there is constrained comprehension of the nature and components that organizations implement to create and manage trust (Inkpen & Currall 2004).

In the literature could be found many interpretations of trust correlated with the point of view of the authors (Rotter 1967: 651; Inkpen & Currall 1998: 3; Mayer et al. 1995: 712; Gargiulo & Ertug 2005). For instance, a link between most of these different perspectives on trust has been suggested to be that trust is in direct correlation to the development of uncertainty over time, e.g. future events as well as the other party's reaction of those (Parkhe 1998). However, for the purposes of this study will be utilized Boersma, Buckley and Ghauri's (2003: 1032) description of IJV trust which states that trust is "*an expectation that a party can be relied on to keep to agreements (promissory), will perform its role competently (competence) and that the party will behave honourably even where no explicit promises or performance*

guarantees have been made (good will)". This definition provides a more comprehensive perspective on the conceptualization of IJV trust, i.e. parties' belief that agreements will be followed and fulfilled, and also that the sharing of risk would not be used to benefit one party over the other within the venture.

Dimensions of Trust

Investigating further the concept of trust in terms of IJV perspective, researchers have characterized and measured the most important segments according to their point of view in order to provide a better understanding. Few examples of past research contributions framed as the "*dimensions of trust*" included: "*Contractual-based trust, Competence-based trust, Goodwill-based trust*" (Sako 1992); "*Credibility trust, Benevolence trust*" (Ganesan 1994); "*Calculus-based trust, Knowledge-based trust, Identification-based trust*" (Lewicki & Bunker 1996); "*Relational trust*" (Rousseau et al. 1998); "*Affect-based trust, Cognition-based trust*" (Fryxell et al. 2002); "*Credibility trust, Benevolence trust*" (Voss et al. 2006). A short clarification of each of these dimensions has been presented in **Table 2** below.

Table 2. Past literature on dimensions of trust.

<i>Source</i>	<i>Dimensions of Trust</i>
Sako (1992)	<ul style="list-style-type: none"> • Contractual-based trust – belief in either verbal or written agreement • Competence-based trust – belief in the partner's performance capabilities • Goodwill-based trust – belief in the partner's focus on the common goals
Ganesan (1994)	<ul style="list-style-type: none"> • Credibility trust – i.e. contractual-based trust + competence-based trust • Benevolence trust – i.e. goodwill-based trust
Lewicki and Bunker (1996)	<ul style="list-style-type: none"> • Calculus-based trust – belief in the partnership benefits over time • Knowledge-based trust – belief in the partner's behaviour predictability • Identification-based trust – belief based on social bonds of care, concern
Fryxell et al. (2002)	<ul style="list-style-type: none"> • Affect-based trust – belief based on the developed social emotional bonds • Cognition-based trust – belief based on objectives and circumstances
Rousseau et al. (1998)	<ul style="list-style-type: none"> • Relational trust – belief based on the developed partner's bond over time
Voss et al. (2006)	<ul style="list-style-type: none"> • Credibility trust – belief in the IJV partner's capability to fulfil their duties • Benevolence trust – belief in the intentions of the IJV partner's goodwill

It is interesting to notice that dimensions such as the relational trust, good-will based trust, benevolence trust, affect-based trust and the identification-based trust have all a common base which relates to the emotional bonds. Likewise, all other mentioned dimensions have also a common background which in this case is related to the rational and evidence based belief. Thus, in the literature all these terms have been utilized synonymously. On the other hand, this study will relate to Sako's (1992) three dimensions of trust due to their broader perspective hence the ability to provide better understanding of the concepts of IJV performance and IJV trust. The first one of those is the "contractual-based trust" which suggests the belief in either verbal or written agreements. Sako's (1992) second type of trust is the "competence-based trust" which relates to the belief in the partner's performance capabilities. Whereas, the last one is the "goodwill-based trust" which reflects to the belief in the partner to aim reaching the mutual objectives.

3.2. Core theoretical principles of IJV trust

According to the literature, the social exchange theory as well as the transaction cost theory are considered to be the most regularly utilized concepts to clarify the IJV trust (Fryxell et al. 2002; Kauser & Shaw 2004; Brouter & Bamossy 2006; Nielsen 2007; Ekanayke 2008). In the following sections these theories are discussed at first separately and later together for the purposes of this study.

3.2.1. Social exchange theory

According to the literature, the social exchange theory has been widely applied in empirical studies investigating the relationships between the different stakeholders within the strategic alliances including the IJVs (Kwon 2008; Khorassani et al. 2011). The theory has been defined as "*voluntary actions of individuals that are motivated by the returns they are expected to bring and typically in fact bring from others*" and has been considered to be one of the most central elements in the relational exchange setting (Blau 1964: 91). Moreover, trust is considered to be one of the key cornerstones of social capital for achieving effective and efficient inter-firm relationships hence operations and performance (Know 2008). On the other hand, Khorassani

et al. (2011) argued that trust is based and developed on the mutual belief that partners will cooperate and benefit each other over time.

Similarly, the IJVs which have been functioning for a longer time and their verbal and written agreements have not been fully implemented, the main management principle derives from the developed professional relationships and trust among the partners (Das & Teng 2002). Therefore, as pointed out in numerous studies, trust is one of the most important factors affecting the degree of commitment between partners for better cooperation in order to achieve mutual objectives, less transaction costs, minimize control, prevent opportunistic behaviour hence improve the overall IJV performance (Ali & Larimo 2011; Kwon 2008).

According to different researchers, having trust in IJVs could lessen the expense of writing and policing contracts, as well as to persuade parties to adhere to the venture when confronting challenges (Das & Teng 2002; Khorassani et al. 2011). The concept of IJV trust has been described by scholars as the social link between partners that improves their on-going relationship and cooperation (Inkpen & Currall 1998). Furthermore, the trust in IJV opens up partners in terms of exchanging or sharing valuable information which would assist them in increasing the efficiency of their operations hence improve the IJV performance (Kwon 2008; Voss et al. 2006). Overall, as scholars have examined, in order to investigate further the concept of IJV trust, the social exchange theory must be applied as it explains how trust is gained and how it improves the partners' relationship and IJV performance.

3.2.2. Transaction cost theory

As mentioned in part two of this study, the transaction cost theory relates to the structure and managerial decisions in terms of markets, hybrids, and hierarchies, are highly influenced on behaviour aspects such as threat of opportunism and bounded rationality (Williamson 1975, 1985, 1991). In terms of doing business internationally, the transaction cost theory suggested that firms favour the IJVs as opposed to the wholly owned internationalization approach due to the lower risks (Nielsen 2007).

Nevertheless, as studies have suggested, perhaps one of the main weaknesses that the IJVs may have is the shared ownership (Boersma, Buckley, & Ghauri 2003). For instance, the shared

control over the strategic approaches and activities may significantly increase costs in areas such as planning, negotiating, agreement security, adaptation, set-up, operations, bonding etc. (Boersma, Buckley, & Ghauri 2003). However, researchers have observed that all these transaction costs could be reduced when there is a mutual trust between the parties in the IJV (Brouthers & Bamossy 2006).

Another key issue from IJV perspective is the opportunistic behaviour that may arise among partners as pointed out in the transaction cost theory (Williamson 1985; Das & Teng 2001; Ekanayke 2008). According to researchers, trust could be perceived as one of the best solutions to this problem making it an extremely important factor that directly impacts the IJV performance (Fryxell et al 2002; Brouthers & Bamossy 2006; Ekanayke 2008; Kauser & Shaw 2004).

3.3. Summary

The significance of trust within the IJVs has been widely discussed by researchers hence a variety of conceptual interpretations have been formulated. This, unfortunately, resulted in having more than one and not always clear meanings of the concept of IJV trust. Therefore, for the purposes of this study trust will be interpreted as “*an expectation that a party can be relied on to keep to agreements (promissory), will perform its role competently (competence) and that the party will behave honourably even where no exploit promises or performance guarantees have been made (good will)*” (Boersma, Buckley, & Ghauri 2003: 1032).

As mentioned, the dimensions of trust have been truly diversified in the literature. However, this study will implement Sako’s (1992) comprehensive dimensions (contractual-based trust, competence-based trust and goodwill-based trust) in order to investigate further their connection with the IJV performance.

The social exchange theory clarifies the significance of trust between partners from a social perspective as well as the methods that are used to build that trust. The IJV trust is a major social factor affecting the on-going IJV relationships and operations. Thus, as the social exchange theory suggested, the presence of trust within the IJVs is crucial for the achievement of greater performance.

On the other hand, the transaction cost theory complements the social exchange theory in terms of the explanation of the IJV performance principles. The theory clarifies the significance of trust in the IJV operations, how it could lower the transaction costs and prevent the opportunistic behaviour.

4. THEORETICAL PRINCIPLES OF IJV PERFORMANCE

The objective of this fourth part of the study is to comprehensively analyse the concept of IJV performance. To begin with, the importance IJV performance is explained and measured. This would be followed by two separate sections discussing the past literature on the effect of control and the effect of trust on IJV performance. At last, a brief outline of this part is introduced.

4.1. IJV performance determinants

According to the literature, a vast number of IJVs have failed due to performance issues (Brouther & Bamossy 2006; Nippa, Beechler & Klossek 2007; Nguyen & Larimo 2009; Glaister & Buckley 1998). Such outcome has triggered the interest of many researchers to investigate the factors affecting the IJV performance, e.g. Larimo (2002), Selekler-goksen and Uysal-tezolmez (2007), and Ren, Gray and Kim (2009).

Mohr (2004) hold that a large portion of scholars concur that IJV performance is a very complex concept, and thus it is extremely difficult to have a single description. Besides, every partner in the IJV may likewise have their own standards for performance assessment, due to the fact that they have distinctive inspiration (objectives) to establish the IJV. Indeed, estimating performance correctly in a single organisation is highly debatable because there is no elucidation between the markers indicating the performance and the factors affecting the performance. Moreover, the number of partners in the IJV creates even further challenges in accomplishing this. Thus, scholars have not been able to provide one, universal description on IJV performance hence how it is estimated (Geringer & Hebert 1989; Glaister & Buckley 1998).

Past literature on IJV performance have majorly depended on two strategies for estimating the IJV performance: objective and subjective. The objective incorporates an assortment of finance related aspects such as profits, costs, growth, IJV duration and so on (Glaister & Buckley 1998; Nielsen 2007; Ren, Gray, & Kim 2009). Researchers contend that this strategy might be great at clarifying the past performance of IJVs. In any case, this approach neglects to mirror the

goals of IJVs in the long term. As Glaister and Buckley (1998) point out, the objectives of the IJVs might also involve, for example, entering and establishing positions in new markets or gaining knowledge. Moreover, the authors identified that IJVs parties may be dissatisfied regardless of achieved financial goals. Consequently, taking into account just the financial perspective of IJV performance estimation would not be sufficient.

On the other hand, subjective measurement approach alludes to quantify the IJV performance and objective achievement based on the parent's firm perspective (Killing 1983; Glaister & Buckley 1998; Nielsen 2007; Yan & Gray 1994; Yan & Gray 2001). However, as all parties have their own goals in the IJV and based on the previous studies, it could be concluded that the subjective measurers are equal to the objective in terms of significance to the IJV performance.

Scholars have identified in the past literature some contradictions related to the IJV performance measurement (Glaister & Buckley 1998). On one hand, it has not been clearly identified from whose point of view the IJV performance has been measured. On the other hand, it is also not clear if this measurement has been objectively or subjectively evaluated. Another issue involved the applicability of the IJV performance measurement methods over time.

Therefore, in order to further investigate and provide more comprehensive view over the IJV performance, this study would utilize all partners' points of view on their performance within the IJV through objective as well as subjective measurement approaches. These would include financial results, objective accomplishment and IJV performance satisfaction rates among the partners.

4.2. Effect of control on IJV performance

Many earlier studies pointed out the significance of control in the IJV performance results (Geringer & Hebert 1991; Glaister & Buckley 1998; Child & Yan 1999; Boersma et al. 2003; Brouthers & Bamossy 2006; Nguyen & Larimo 2009). As indicated by Geringer and Hebert (1989), it is highly important to investigate together the dimensions of control (control

mechanisms/focus/extent) as this would improve the comprehension of how control influences the IJV performance.

4.2.1. Control mechanisms

According to Fryxell (2002: 868), the control mechanisms are “*structural arrangements deployed to determine and influence what members of an organization do*”. As mentioned in previous parts of this study, literature has defined two variants of control mechanisms consisting of formal and informal control in the context of IJVs (Das & Teng 2001; Fryxell 2002; Jagd 2010). These control mechanisms and their key role in the IJV performance will be comprehensively described in the coming sections.

In 2002 has been published a study describing the correlation between the IJV performance and the control mechanisms (Fryxell, Dooley, & Vryza 2002). The researchers identified that the informal control has a positive effect on the IJV performance while the formal control provides more positive results to the cases where the IJVs are newly formed. In addition, other researchers discovered that when the IJVs achieve positive results there is a tendency that parent firms are trusting more and more their partners, and also that they are implementing more formal control practises over time (Brouther & Bamossy 2006: 220).

In terms of the identification of the factors triggering positive IJV performance results, researchers have found as such the ownership equity as the most frequently utilized control mechanism by the parent firms. (Nippa, Beechler, & Klossek 2007; Glaister & Buckley 1998; Child & Yan 1999; Fryxell et al. 2002; Kauser & Shaw 2004; Selekler-goksen & Uysal-tezolmez 2007). Moreover, Nguyen and Larimo (2009), argued that the informal and formal control may have varying effects on the IJV performance in respect of the objectives of the parties, e.g. informal control benefits if the goal is to acquire local recourses while formal is better to achieve economies of scope and scale. However, some studies opposed the above findings by stating that while informal control benefits the IJV performance, the formal control mechanisms actually have a negative impact to the performance results (Ekanayke 2008; Kauser & Shaw 2002).

All these different research findings showed somehow inconsistent results in terms of describing the correlation between the formal control mechanisms and the performance of the IJV. On the other hand, however, scholars have completely agreed that the informal control benefits the IJV performance. For the purposes of this study and based on some of the studies, the informal as well as the formal control mechanisms would be both perceived as beneficial to the IJV performance (Fryxell, Dooley, & Vryza 2002; Brouther & Bamossy 2006: 220; Nippa, Beechler, & Klossek 2007).

4.2.2. Control focus

As mentioned in previous parts of this study, the level of control that is implemented in the IJV has been referred as control focus. Furthermore, studies suggested that two types of control more popular among parent companies: narrow and broad (Geringer & Hebert 1989). These types of control relate to key aspects of the IJV operations such as: marketing; procurement; management; finance; R&D; production; and HR (Nguyen & Larimo 2009).

On one hand, scholars showed that the control focus benefits the IJV performance from a financial perspective, e.g. profits, sales, markets (Kauser & Shaw 2002). On the other hand, scholars also showed that companies that implement more control over their partners in the IJV tend to be more pleased with the performance of the alliance than those who have less control (Glaister & Buckley 1998: 243). Moreover, these more control implementing firms tend to be faster and more successful in accomplishing their goals in comparison to their partners in the IJV (Yan & Gray 2001; Williamson 1975). Therefore, based on all the studies, it could be concluded that the control focus benefits the IJV performance.

4.2.3. Control extent

As discussed in previous parts of this study, the concept of control extent alludes to the amount of control that has been practiced by firms in the IJVs (Geringer & Hebert 1989). For instance, the firms exercising tight control have high level of assurance that their partners in the IJV will follow their will. In addition, past literature demonstrated the significance of the correlation between the concept of control extent and the IJV performance.

Through the use of objective and subjective approaches to measure the IJV performance, Nippa, Beechler and Klossek (2007) found that the strict implementation of control (i.e. tight control) by the foreign parent firm has a great benefit to the overall performance of the IJV. Nevertheless, there have been also scholars who were not able to identify any correlation between the concept of control extend and the IJV performance satisfaction, e.g. Kauser and Shaw (2002).

Other researchers argued that the concept of control extend is correlated to the financial performance of the joint venture while it also has significantly low influence on the objectives achievement (Selekler-Göksen & Uysal-Tezölmez 2007; Child & Yan 2003). Therefore, for the purposes of this study and based on the discussed literature, the concept of control extent would be perceived to have a beneficial correlation with the IJV performance from financial and partner's satisfaction point of view. Additionally, this study will interpret as argued by scholars, that the extent of control and the objectives achievement do not have any mutual links.

4.3. Effect of trust on IJV performance

As indicated in earlier parts of this study, many researchers have found that trust has extreme significance in the strategic alliances and especially the IJVs (Fryxell et al. 2002; Boersma, Buckley, & Ghauri 2003; Kauser & Shaw 2004; Mohr 2004; Brouthers & Bamossy 2006; Robson et al. 2006; Nielsen 2007; Ekanayke 2008; Ren, Gray, & Kim 2009). Therefore, as previously explained, three dimensions of trust (i.e. contractual-based trust, competence-based trust and goodwill-based trust) would be investigated in order to provide a more comprehensive understanding of the effect of trust on the IJV performance.

4.3.1. Contractual-based trust

As briefly mentioned in **Table 2** earlier in this study, the contractual-based trust refers to the trust that has been founded on the belief in either verbal or written agreement between the partners in the IJV (Sako 1992). In other words, this explains that the firms which are expected

to act and behave according to the agreed terms, have been perceived as a reliable and trustful partner.

Researchers have found that there is a positive correlation between the concept of contractual-based trust and the IJV performance (Sako 1992; Ng, Lau, & Nyaw 2007; Sako & Helper 1998; Boersma et al. 2003). However, regardless of the evidence these studies have found on the existence of a positive relation between the contractual-based trust and the IJV performance, there is still room for further investigation on the topic. Consequently, based on the past literature, this study would perceive the concept of contractual-based trust to have a positive effect on the IJV performance.

4.3.2. Competence-based trust

In terms of the competence-based trust, as also mentioned in **Table 2** earlier in this study, it alludes to the firm's belief of their partner's performance capabilities (Sako 1992). In other words, this creates confidence within the trusting firm that their trusted partner would act responsibly hence be able to complete their duties successfully. As found by studies, the core of the competence-based trust concept has been perceived as rational, thus always requiring proof of the partner's professional abilities (Das & Teng 2001; Mohr 2004; Jagd 2010). Furthermore, it has been argued in the literature, that the competence-based trust has the capacity to positively affect the IJV performance by lowering the transaction costs, e.g. opportunism, risk (Fryxell et al. 2002; Brouters & Bamossy 2006; Das & Teng 2001).

In addition, Mohr (2004) has also discussed the positive correlation between the concept of competence-based trust and the IJV performance. The author implemented in his research a subjective approach which aimed to estimate how pleased the firms are with the achieved IJV performance and objectives. Further studies have additionally supported the finding of the positive correlation between the competence-based trust and the IJV performance by providing evidences from different perspectives, e.g. quality of information, financial objectives (Voss et al. 2006; Muthusamy et al. 2007). Therefore, based on the past literature and for the purposes of this study the concept of competence-based trust would be perceived to have a beneficial effect on the IJV performance.

4.3.3. Goodwill-based trust

Regarding the goodwill-based trust, as Sako (1992) described, it consists of the belief that the partner's focus is on the achievement of the common goals. As the author pointed out, in comparison with the contractual-based trust and competence-based trust, the goodwill-based trust has no firmer ground to rely on (i.e. promises, standards). Instead, it focuses on supporting and developing the partnership relations and operations in order last longer in time (Sako 1992). In addition, the nature of the goodwill-based trust has been found to be more related to the partner's social emotions (Das & Teng 2001; Mohr 2004; Jagd 2010).

As similarly to the other dimensions of trust, the goodwill-based trust can also benefit significantly the IJV performance by lowering the transaction costs hence the eventual opportunism (Das & Teng 2001). Moreover, studies have found evidence that the higher levels of goodwill-based trust, contributes to the better IJV performance (Brouthers & Bamossy 2006).

As mentioned previously, Mohr (2004) conducted his study based on objective and subjective performance estimation approaches. His objective approach included "hard" (e.g. profits, development, market share, growth) and "soft" (e.g. stability, technology) aspects to measure the IJV performance. On the other hand, his subjective approach estimated how pleased the partner firms are with the achieved levels of the "hard and soft" aspects as well as the overall IJV performance and objectives.

Other researchers also supported the findings that the goodwill-based trust has a positive correlation with the IJV performance, i.e. correlation with the partner's satisfaction levels, financial outcomes, social equities, and efficiency (Mohr 2004; Kauser & Shaw 2002; Ekanayke 2008; Nielsen 2007). Therefore, based on the past literature, this study would perceive the concept of goodwill-based trust to have a positive effect on the IJV performance.

4.4. Summary

The complexity of the concept about IJV performance has created challenges to researchers to come up with on single explanation for it. Instead, the majority of the studies investigated the

concept from their own prism due to the influence of different factors affecting their research, e.g. motivation, scope, scale. Furthermore, due to the absence of clear identification of the difference between the determinants and indicators of performance, the actual IJV performance measurement becomes more difficult (Geringer & Hebert 1989; Glaister & Buckley 1998).

Recognising the complexity of the situation, scholars proposed for two different approaches to estimate the IJV performance: objective and subjective. The objective approach referred to the financial pointers which can contribute only by clarifying earlier IJV performances while neglecting to mirror any future goals of the IJV (Glaister & Buckley 1998; Nielsen 2007; Ren, Gray & Kim 2009). On the other hand, the subjective approach aimed to estimate how pleased the parent firms are with the achieved IJV performance and objectives (Killing 1983; Glaister & Buckley 1998; Nielsen 2007). Therefore, as discussed within the literature, by applying both, the objective and the subjective measurement approaches, would help future research to achieve more comprehensive understanding of the IJV performance.

Past literature aimed to identify the correlation between control and trust in the strategic alliances (Das & Teng 2001; Fryxell et al 2002; Mohr 2007; Ekanayke 2008). In this sense, researchers concurred of the existence of that link in a positive perspective and contended that trust can be achieved and reported via the implementation of control, e.g. applied rules, standards, regulations, reporting systems (Long & Sitkin 1995; Bhattacharya et al. 1998; Long & Sitkin 1995; Bhattacharya et al. 1998).

However, not all scholars fully agree on some aspects. For instance, Ekanayke (2008) argued that there is positive correlation between trust and control but only in terms of informal control. On the other hand, some researchers hold that this link has negative outcomes (Inkpen & Currall 1998; Das & Teng 2001). Moreover, some authors also proposed that such link might be actually a non-existent, though the research findings did not confirm this (Mohr 2007).

Regardless of the fluctuating results and points of view in all these studies, scholars have managed to provide a deeper understanding of the correlation between the control and trust in the IJV performance. Therefore, based on the theoretical findings in that regard, it could be determined that: 1) trust and control are not correlated; 2) trust and control are positively correlated; and 3) trust and control are negatively correlated.

5. RESEARCH METHODOLOGY

This part of the study indicates the methodology that has been adopted. Logically at first will be analytically introduced the choice of research method, the case study as well as the positive and negative sides of the research. In addition, the actual design of the integrated case study will be clarified in more detail. At the end, key aspects such as the reliability and validity will be explored.

5.1. Research approach

The interpretation of this study impacts directly the choice of research methodology aiming to identify the key points in the different situations whilst investigating their natural causes. With the support of theoretical foundations such as the social exchange, resource dependence and transaction cost theories, this study will examine the connection between key aspects impacting the IJV performance such as the control focus, extend and mechanisms as well as the goodwill, competence and contractual trusts. This will be achieved with the support of the chosen methodological approach.

In their studies, the authors often use a variety of tools and methods favourable to the dedicated analysis and defence of their points of view. Similarly, this study introduces the most appropriate method which will aid to the achievement of its objectives. When researchers examine business topics, the most frequently applied methods involve either quantitative or qualitative approaches but also a mixture of both is not uncommon.

The existence of many discussions about the advantages and disadvantages of the quantitative and qualitative approaches suggests that it is very challenging to state which may have greater benefit towards the achievement of the objectives of the study it supports. On one hand, the quantitative methods have more experimental nature and focus on investigating the actual reliability of the generalization of certain topics. This method has a logically organized structure and produces less subjective results based on statistical examinations. On the other hand, the qualitative method involves more realistic approach in order to deep dive further into

the examination of the results and provide a more comprehensive analysis and conclusions. Moreover, this method relies and focuses more on the individual's specific opinion which is reflected by variety of circumstantial settings. The qualitative approach aims to confirm developing concepts through wider range of evidences such the different data collection approaches which provides less limitations in comparison to the quantitative method. (Yin 2010.)

For the purposes of achieving the objectives of this study, the qualitative approach has been selected as the preferred method of research. It will provide a better understanding and further clarification on what is the link between control, trust and performance in IJVs in China.

5.2. Implementation of case studies

The development of case study has been considered as one of the more commonly applied qualitative approaches. Its empirical nature investigates the contemporary settings of a real-life conditions. The main advantage of the case study involves the ability to discover new perspectives while implementing variety of tools and techniques for collecting the data. All this supports the research in a way which positively impacts its reliability. Nevertheless, a case study also limits and prevents scholars in confirming and applying the research findings in other settings. Moreover, this type of approach consumes greater amounts of time due to the greater size of the data that needs to be analysed. Although the case study has its downsides when those are understood and interpreted correctly, the researcher will have the opportunity to enhance its reliability and validity of the results. (Yin 2003.)

According to Yin (2003), the research question together with the focus on contemporary events, and the control over behavioural events are three crucial elements when implementing the case study approach. As argued within the literature, the case study approach provides great results when there is need to reply to questions such as "what", "how" and "why" (Yin 2003: 5). Thus, based on the research question of this study "*What is the link between control, trust and performance in IJVs in China?*" integrating a case study research approach is fully suitable. In addition, since this research does not have an experimental nature, the control over behavioural events setting is limited out. On the other hand, the main goal of this this study integrates the examination of contemporary events such as the current relationships among the IJV partners

rather than those in the past. Consequently, the case study appears as the most appropriate tactic to achieve the objectives of this research.

5.3. Design of the case studies

The case study design integrated for the purposes of this study is formed by four different aspects involving: the study questions, the elements of analysis, the data collection, as well as the case study evidence examination (Yin 1994: 20). In addition, to be noted is also the fact the objectives of this study have been influenced by the author's awareness of the limited academic information on the topic hence the created curiosity to investigate further towards answering the core research question of this study: "*What is the link between control, trust and performance in IJVs in China?*"

As a next step, a key aspect is the selection of cases in terms of number and nature. As one possibility, which is also applied in this study, the design will include multiple case studies, although it is also commonly observed in academia to be adopted the single case study approach (Yin 2003). Thus, the design of this case study will be shaped by five different case companies aiming to examine, analyse and compare the discoveries of their case studies.

Another important segment in the case study design is the data collection approach. As commonly used and also applied in this study is the traditional implementation of interviews as the core research approach. Those will be segmented into three different groups: structured, semi-structured and unstructured. On one hand, with the use of structured interviews will be restricted the number of deceitful answers. On the other hand, the unstructured ones will provide greater freedom of speech which will negatively affect the time spend for the data analysis which will be also impacted from the additional unnecessary, due to low value, data. And last but not least, the semi-structured interview questions will provide the participants with the opportunity give their answers in an open but limited form in relation to the specific subjects (Saunders et al. 2007). Those semi-structured interviews will be carried out via phone and personal (face to face) meetings ranging from sixty to ninety minutes in duration. The integrated research questionnaire is presented in **Appendix 1**, located at the end of this study. As an additional source of information will be used the companies' websites where variety of reports and facts could be found and used in this study.

In terms of the actual analysis of the collected data, some specific techniques will be applied as pointed in Marschan-Piekkari and Welch (2004: 571) study. Such will include but will not be limited to: thick underlying/descriptions as well as references and quotations of the interviewed participant's answers.

5.4. Validity and reliability

Defining validity in relation to the qualitative research approach consists of the aim for better understanding via the examination and analysis of the research findings through variety of tools and techniques (Roberts et al 2006). As mentioned previously, adopting interviewing research approach is a very usual practice among qualitative researchers for gathering more detailed information about specific topic of interest. However, it is important to note the validity of such information. Therefore, in relation to some topics this study will adopt a mixture of open and closed (multiple choice) questions in order to further enhance the validity of the interviewees' answers hence findings. Although this research has concentrated on investigating IJVs in China, the questionnaire has been created and used only in English language in order to limit out any potential misinterpretation of the questions. Although, there are various tools and techniques to confirm the validity of a study, for the purposes of this study the focus will be on the application of direct quotations from the open responses as well as statistical analysis of the answers of the closed questions.

Regarding the reliability, in relation to the qualitative approach, it could be defined or achieved as the necessity of adopting the same approach of the case study design hence the data collection methods (Yin 2003: 37). As mentioned, this research includes 5 companies' cases which consist of the Finnish company Wärtsilä's' IJVs in China. Although, those may share similar foundation practices, the understanding and application of control and trust within those ventures may widely differ according to the variety of circumstantial scenarios and experiences in that regard. Similarly, since the findings of this study will be carried out based on the author's perspective and the selection of interviewees', it is not guaranteed that the same results will be achieved if another researcher carries out the same study approach and principles with other participants.

6. RESULTS OF THE STUDY

The purpose of this part of the study is to introduce and analyse the results of the study. Firstly, will be presented the selected case companies. Secondly, those companies will be examined jointly in relation to their understanding and implementation of control and trust within the IJV. This will be followed by a further discussion based on each party's point of view regarding investigated topics. The analysis will focus on identifying the effects of control and trust to the performance of the studied IJVs. At the end will be presented a brief overview of the results of the study.

6.1. Overview of the selected case study IJVs

The selected IJVs cases are five, all of which located in China and having Wärtsilä as one of the venture parties. The purpose of all those joint ventures is manufacturing as well as exporting of the production to other manufacturing locations or stakeholders. A summary of the selected study case companies can be found at the end of this sub-section of the study (**Table 3**).

Study Case Company 1

The first case company is Wartsila CME Zhenjiang Propeller Co. Ltd. and is located in Zhenjiang which is about 220 km west of Shanghai, China. This joint venture has been formed in 2004 between Wartsila and China Marine Equipment Co. Ltd. The shares are 55% to 45% in favour of Wärtsilä. The scope of production includes: fixed pitch propellers; controllable pitch propellers; shaft-line packages; CPP blades and hub components; CPP total package systems; and nial-bronze castings. The purpose of the joint venture is to expand Wärtsilä's technology advancement/innovation, market promotion/awareness as well as the overall production capacity and efficiency. Currently, the joint venture is performing well on the market and holds leading place in the Chinese marine propulsion industry.

Study Case Company 2

The second case company is Wärtsilä Qiyao Diesel Company Ltd. and is located in the Shanghai area, China. This joint venture has been formed in 2005 between Wartsila and Shanghai Marine Diesel Engine Research Institute which was part of China Shipbuilding Industry Corporation (CSIC). The shares within the joint venture were split equally among the partners having 50% each. The sole purpose of the venture involves the production of auxiliary engines in China according to Wärtsilä's design and their delivery through Wärtsilä's global sales network in response to the market demands in the industry. The joint venture maintains leading market position in its own field of expertise through consistent high quality manufacturing standards.

Study Case Company 3

The third case company is Qingdao Qiyao Wärtsilä MHI Linshan Marine Diesel Co. Ltd. or also called QMD and is located in the ship-building and Repair Base in Haixi Bay Qingdao China. Currently, the joint venture is called Qingdaohaixi Marine Diesel Co. Ltd. also called QMD, and has been established in 2006 between Wärtsilä, China Shipbuilding Industry Corporation (CSIC) and Mitsubishi Heavy Industries (MHI). The biggest shareholder in the venture is CSIC with 50% shares, followed by Wärtsilä with 34% and MHI with 16%. The purpose of this joint venture is to manufacture large, low-speed marine engines which is strategically located in the Chinese market in order to supply the market demand through fast and efficient delivery of high quality engines.

Study Case Company 4

The fourth case company is Wärtsilä Yuchai Engine Co. Ltd. and is located in Doumen District, Zhuhai City, Guangdong Province, China. The joint venture has been established in 2013 between Wärtsilä and Yuchai Marine Power Co. Ltd. (YCMP) with equal shares of 50%. Wärtsilä's initial investment in this joint venture is known to be EUR 17 million. The purpose of the venture is to establish high-quality and cost-efficient manufacturing (assembly and

testing) of medium-speed marine engines (W20, W26 and W32) which will respond to the demand of the rapidly developing shipbuilding industry in China.

Study Case Company 5

The fifth case company is CSSC Wärtsilä Engine Co. Ltd. and has been located in Lingang, Shanghai, China. The joint venture has been established in 2014 between Wärtsilä and China State Shipbuilding Corporation (CSSC). The shares have been agreed as 51% to 49% in favour of CSSC. Wärtsilä's initial equity investment in the joint venture has been publically announced as EUR 12 million. The purpose of this joint venture is to manufacture medium and large bore medium-speed diesel as well as dual-fuel engines. The main target markets for the joint venture are in the expanding markets of LNG and offshore and also the biggest container vessels.

Table 3. The study case companies in brief.

Case Number	IJV Name	IJV Location	Year of Establishment	IJV Partners	Wärtsilä's Share	Main Products	IJV Focus
1	Wartsila CME Zhenjiang Propeller Co. Ltd.	Zhenjiang, China	2004	1	55%	Propellers; shaft-line packages; CPP components and systems; castings etc.	Technology innovation; market promotion; production capacity
2	Wärtsilä Qiyao Diesel Company Ltd.	Lingang Shanghai, China	2005	1	50%	Auxiliary engines	High quality manufacturing standards; market leadership
3	Qingdao Qiyao Wärtsilä MHI Linshan Marine Diesel Co. Ltd.	Qingdao, China	2006	2	34%	Large, low-speed marine engines	Strategic locations; fast and efficient deliveries; market growth; high quality manufacturing
4	Wärtsilä Yuchai Engine Co. Ltd.	Zhuhai, China	2013	1	50%	Assembly and testing of medium-speed marine engines	Supply market demand; market share growth
5	CSSC Wärtsilä Engine Co. Ltd.	Lingang Shanghai, China	2014	1	49%	Medium and large bore medium-speed diesel/ dual-fuel engines	LNG, offshore, and larger container vessel markets expansion

6.2. Results of the study on control and trust in IJVs

6.2.1. IJV control

The study results suggested that the all parties involved in the joint venture aim to have more or even full control over the others regardless of their share size. Their main argument for trying to achieve this is their belief and understanding that control is vital and is at the core of the success hence the better IJV performance. For instance, in the study case company 1, the manager from the Chinese partner side, confirmed the above by explaining:

“Our aim is to support our partners in improving their technology, promote their products and expand their manufacturing capacity based on our expertise and local market knowledge. Therefore, in order to achieve this, we try to apply more control in most of the joint venture activities and operations regardless of the fact that our partner has the bigger shares.”

On the other hand, however, the manager from the major shareholder side of the IJV in the first case also emphasized the importance of implanting control from their side by explaining:

“It is very important for us to have control so that we can achieve our targets and know where we need to improve.”

In addition, in the second study case, the manager from the Finnish partner of the IJV, emphasized:

“Having control is also one of our targets because it allows us to secure in way our know-know.”

The results of the study on control in the IJVs have shown quite interesting clash of willingness to exercise control over each other based on areas of interest. All partners tried to implement formal and informal control mechanisms to find ways to apply their views more efficiently. The study results have shown that those methods are rather tight regardless from which side are executed. Therefore, regardless of Liu et al. (2014) findings, due to the different perspectives and circumstances it is difficult to claim with certainty a specific ranking in terms of the most important issues in the summarized empirical findings in IJV control in **Table 4**.

Control mechanisms

The results of the study showed that some of the mostly applied formal control mechanisms included: use of the bigger share size as well as the integration of key and sufficient number of personnel within the venture board to gain voting dominance. It is interesting to point out from the study results that all case companies have venture boards and they all have tried to have as more representation as possible in order to gain greater voting power as one of the applied control mechanisms in their joint venture regardless of the size of their equity shares.

In terms of the informal control mechanisms, the study results have provided evidence that all parties tend to implement such practices. For instance, some of the most used approaches included: outgoing activities, informal personal communication and relationships, building friendships, training, meetings etc. This has been supported by a manager from the Chinese partner from case 1:

“Social gatherings and building personal relationships outside work help us to integrate our ideas more efficiently at the office.”

Control Focus

In terms of control focus, the results of the study have shown that all the parties in the IJV emphasize their interests towards subjects such as quality, financing (including accounting and auditing) and time. Therefore, in order to achieve the objectives of the venture, those areas were found to be of a high importance hence had to be carefully managed and controlled.

However, it was interesting to find that in all case companies, the Chinese partner was keener on managing and controlling the manufacturing processes as well as the local marketing and human resources activities of the joint venture due to their expertise and local knowledge of the market. While, on the other hand, their partners were more interested in providing the technical guidelines, strategic development, market research and global marketing operations.

Control extent

As mentioned previously all partners in the joint venture aim to implement tight control over the operations of interest in the venture. Thus, the area of focus to extend control for the Chinese partner side, related to the manufacturing processes as well as the local marketing and human resources activities, involved daily reporting while their partners required monthly and quarterly reporting. For instance, a manager from the Finish partner side of the IJV of the fourth study case in this study stated:

“The need of monthly and quarterly reporting on different segments of the IJV operations is a crucial aspect for the successful development and performance improvement of the venture.”

Table 4. Summarized empirical results on IJV control.

Type	Case Study Company	1	2	3	4	5
	Wärtsilä's Share	55%	50%	34%	50%	49%
Formal Control Mechanisms	Verbal and written agreements	✓	✓	✓	✓	✓
	Bigger shareholder	✓	-	✓	-	✓
	JV board presence	✓	✓	✓	✓	✓
	Key personnel	✓	✓	-	✓	✓
	Voting	✓	✓	✓	✓	✓
	Other formal control mechanisms	-	-	-	-	-
Informal Control Mechanisms	Informal social activities	✓	✓	✓	✓	✓
	Building personal relationships	✓	✓	✓	✓	✓
	Management trainings	✓	✓	✓	✓	✓
	Other informal control mechanisms	✓	✓	✓	✓	✓
Control Focus Areas	Finance (accounting and auditing)	✓	✓	✓	✓	✓
	Manufacturing	✓	✓	✓	-	✓
	Quality	✓	✓	✓	✓	✓
	Marketing (+sales/deliveries)	✓	✓	✓	✓	✓
	Technology	✓	-	-	-	-
	R&D	✓	-	-	-	-
	Strategy	✓	✓	-	✓	-
	Other areas	-	✓	✓	✓	✓
Control Extent Practices	Daily reporting	✓	✓	✓	✓	✓
	Monthly reporting	✓	✓	✓	✓	✓
	Quarterly reporting	✓	✓	✓	✓	✓
	Yearly reporting	✓	✓	✓	✓	✓
	Other practices	-	-	✓	-	-

6.2.2. IJV trust

The study research results confirmed that that all parties within the joint venture trust each other and rely on it in connection to different areas. For instance, both sides have admitted that although they might not have a written agreement for certain aspects of their business operations, they trust their partner by believing in their commitment in achieving good performance and fulfilment of the verbally agreed tasks and operations for the benefit of the venture. Trust is at the core of the JV formation as explained by one of the managers from the Chinese partner side in the fifth case company within this study:

“Trust is vital for us and our business operations. Without it we would not have gone forward and establish the joint venture.”

In addition, from the Finnish partner side in the fourth study case company the manager stated:

“One of the key deciding factors when selecting partner to form a joint venture is the trust and believe that this partner is competent, has the knowledge and capacity and will operate and perform according to our agreement and mutual goals.”

On the other hand, however, as stated by one of the managers from the Finnish partner side from the first study case joint venture it is not always easy to have trust in the beginning:

“Trust is important for us and in our experience and it has grown over the years. At the beginning we did trusted our partner, however we were also having stricter control over the joint venture operations just in case. Now we do really trust our partners since they have proven through their work and performance and we do not need to have as before the additionally allocated resources to follow up and control the venture operations in detail.”

Contractual trust

The results of the study have found that all parties in the joint venture have achieved mutual trust through the implementation of written agreements. This was the preferred method when building the business relationship between the parties especially at the beginning where complete trust was not yet fully achieved. However, due to cultural differences, even at later

stage, written agreements are enforced in order to avoid uncertainty. In that sense, a manager from the Finnish partner side of the fifth examined joint venture in this study explained:

“We have invested a lot in the joint venture and we continue to do so. Nowadays, business can be unpredictable and challenges await as behind every corner. Therefore, it is important for us to have written agreements in order to have an insurance and a piece of mind, regardless of how much we trust our partners since sometimes it could be that it is out of their hands.”

Competence trust

The study findings suggested that the competence trust is shown in all five study case joint ventures. All parties have done their homework by examining their partner in advance, researching and comparing with a few more alternatives before committing further. The use of this common approach also emphasized on the partner qualifications, market presence and know-how. For instance, one of the managers from the Finnish partner side of the second study case company mentioned:

“Our trust in our partner has been built on their proven record of doing business. For example, they have: expertise in their field, market leadership, successfully established supply chain, good local networks and knowledge.”

Goodwill trust

As the empirical results have found, the goodwill trust among the partners has been shown in most cases at a later stage, after some years of operation of the joint venture. Thus, when this point of mutual understanding and trust has been reached among parties, they tend to believe that their partner will perform as expected without the need of any additional verbal or written agreements. As an example, one of the interviewed managers from the Finnish partner side of the fifth study case joint venture shared:

“It is our mutual benefit to trust each other. We have almost equal shares and investments, thus we need have a trusting relationship in order to succeed and perform more efficiently.”

In addition, one of the managers from the Chinese partner side from the second study case company stated:

“Having additional verbal and written agreements is not always necessary when we have trust in each other since this will only cost us more time and resources which can be relocated elsewhere in the venture operations.”

6.2.3. Link between control and trust in IJV

As briefly implied previously, there is a positive link between control and trust within the studied international joint ventures especially at the beginning after those have been formed. All study case companies confirmed that they see tight relationship in that regard. A manager from the Finnish partner side of the first studied case company explained:

“A link between trust and control in our joint venture has been seen especially in the beginning of our venture operations. Nowadays this link is still there although not that strongly expressed due to the mutually developed trust with our partner.”

On the other hand, a manager from the Chinese partner side from the third study case company explained:

“Since we are major shareholder we are able exercise more control within the joint venture. From our perspective this is needed in order to deal with challenges faster and better. Therefore, having more control, has definitely also improved our trust towards our partners within the venture.”

In conclusion, as mentioned earlier, the results of the study suggested that there is a positive relationship between trust and control within the studied joint ventures. This link has been especially observed at the beginning of the joint venture operations. Managers from all partners' sides confirmed that having control is one of the key elements to build trust over time. A brief overview of the study findings in that regard is presented in following **Table 5** by incorporating the results from both partner perspectives with the support of a Likert Scales as an average score from 1 to 5 where 1 is strongly disagree and 5 is strongly agree.

Table 5. Summarized empirical results on IJV trust and link with IJV control.

Case Study Company			1	2	3	4	5
Wärtsilä's Share			55%	50%	34%	50%	49%
Type of Trust within the IJV	Overall	In general we do trust other parties in the JV.	5	5	3,5	5	4,5
	Contractual-based trust	We do trust our JV partners based on verbal and written agreements.	5	5	4	5	4,5
	Competence-based trust	We do trust our JV partners based on their competence, experience and expertise.	5	5	5	5	5
	Goodwill-based trust	We do trust our JV partners based on our belief in their performance towards the achievement of mutual benefit - no agreements involved.	5	5	4,5	5	5
Link between the IJV Trust and Control	No link		-	-	-	-	-
	Negative link		-	-	-	-	-
	Positive link		✓	✓	✓	✓	✓
	Other		-	-	-	-	-

6.3. Results of the study on IJV performance objectives

According to the findings of the studied case companies, some of the main reasons for the formation of the Finnish-Chinese joint ventures included: bigger market share, efficient supply chain (strategic locations), high manufacturing quality standards, and last but not least, the higher profitability. In addition, could be mentioned also the sharing of know-how, technology advancement and innovations as well as the local market knowledge and networking. Most of those reasons have been mutually beneficial and set as each partners' personal objectives when forming the joint venture.

Study results have confirmed that most of the mentioned objectives have been reached by the parties within the joint venture. Consequently, both the Finnish and Chinese partners stated that they are satisfied with their joint venture performance overall. When analysing the findings in more detail, it could be concluded that the Finnish partner side has been the side that was

closer to completely achieving all their targets in comparison to their Chinese partners. For instance, one of the managers from the Chinese partner side from the fourth study case company mentioned:

“We were not able to meet all our objectives. For example, we wanted to gain more knowledge about western markets as well, however we weren’t able to do so since we were too focused on our local markets were our strength is. Nevertheless, we are not so down about this since we have managed to achieve most of our goals where the positive financial results and high satisfaction levels have made us very pleased with the performance of our joint venture.”

Similarly, as in the previous section, a brief overview of the results of the study in relation to the performance objectives of the studied IJVs is presented in **Table 6** below with the support of a Likert Scales as an average score from 1 to 5 where 1 is strongly disagree and 5 is strongly agree.

Table 6. Summarized results of the study on the IJV performance objectives.

Case Study Company		1	2	3	4	5
Wärtsilä’s Share		55%	50%	34%	50%	49%
Type of Objective	Overall partnership satisfaction	5	5	4,5	5	5
	Financial results (profitability)	5	5	4	5	4,5
	New markets	4	5	4	5	5
	New know-how	5	4,5	3,5	4	5
	Technology innovation/advancement	5	3,5	3	3	4
	Market promotion	5	5	3,5	4,5	4
	Expand production capacity	5	3,5	4	5	4
	Supply chain and network efficiency	4,5	4,5	5	5	5
	High quality manufacturing standards	5	5	5	5	5
	Market leadership	4	5	3,5	4,5	4
	Overall objectives achievement	5	5	4	5	4,5
	Other	-	-	-	-	-

6.4. Effect of control and trust on IJV performance in China

6.4.1. Effect of control on IJV performance in China

As mentioned earlier and based on the results of the study, the control is a key aspect within the IJV. It is important and regularly exercised, especially in the beginning when the joint venture starts operating, because then the trust levels between the partners may not be high enough. Therefore, as previously discussed, all parties tend to adopt different approaches to attain control within the joint venture, e.g. formal and informal.

Managers from both Finnish and Chinese partner side on all of the five studied case companies agree that there is a positive link between the different control mechanisms and the IJV performance. Moreover, the formal and informal control mechanisms have been successfully used to achieve the set of individual and mutual objectives of the parties. For instance, a manager from the first studied case company from the Finnish partner side explained:

“Control is important for us, especially in the beginning, when we start our joint operations. It helps us in tracking the current situation, making forecasts and achieving the targets we have set. The fact that we hold the majority of shares gives us the possibility to have stronger representation and influence on the venture board decisions.”

Another manager from the Finnish partner side from the fourth study case company stated:

“Achieving high quality standards is one of our top priorities because through high quality products we attract the customers in our industry which of course relates positively to our financial results afterwards. Therefore, one of the ways to achieve this is through strict control mechanisms such as written agreements.”

On the other hand, a manager from the Chinese partner side from the second case company mentioned:

“Control is a key tool in our business. It helps achieve our individual and mutual targets and contributes to the improved overall satisfaction over the joint venture performance.”

As an addition to the above, a manager from the Chinese partner side of the fifth study case company stated:

“Without control we would not be able to reach the joint venture’s financial and operational objectives.”

Based on the above points of view of the Finnish and the Chinese managers, it could be concluded the following **1st Proposition**: *There is a positive link between control mechanisms and the IJV’s (1.1) overall partnership satisfaction, (1.2) financial results (profitability), and (1.3) overall objectives achievement.*

In terms of the control focus, the study findings have shown that each individual party within all of the examined joint ventures will direct their control efforts towards areas of their interest. Although, the areas of interest among the IJV partners may differ, all parties in all studied cases agree that the control focus and the overall joint venture performance have a positive link. As an example, a manager from the Finnish partner side in the third study case company explained:

“Although, we are the minority shareholder in the venture, we try to concentrate our efforts in controlling areas of high importance for us, such as the high quality manufacturing processes as well the supply chain improved efficiency.”

Another manager from the Finnish partner side but from the fourth study case company stated:

“One of our goals is to control the processes and operations within the joint venture that are of our interest since those directly affect our end goals - to supply the market demand, achieve market growth and improve profitability.”

A manager from the Chinese partner side from the fifth study case company mentioned:

“One of the reasons our partner wanted to establish joint venture with us was because of our local market knowledge and manufacturing expertise. Therefore, we have to put extra efforts in controlling those areas in order to achieve better JV performance and overall satisfaction among our stakeholders.”

Similarly, managers from the other studied joint ventures have also confirmed the above points that were made about the control focus. Therefore, it can be concluded that all parties within

the studied cases companies support the **2nd Proposition** of this study which states that: *There is a positive link between control focus and the IJV's (2.1) overall partnership satisfaction, (2.2) financial results (profitability), and (2.3) overall objectives achievement.*

In relation to the control extent, from the perspective of the Finnish partner side of all of the studied IJVs, it has been found that they all exercise strict control over the operations of their joint ventures by requesting monthly, quarterly and yearly reports. In addition, all managers agree that this is important since it has a positive contribution towards the overall IJV performance. For instance, a manager from the first study case company said:

“In order to react quickly to any potential problems that may arise, we need regular reports from our Chinese partners.”

Another manager from the second studied cases joint venture again from the Finnish partner side mentioned:

“Having monthly, quarterly and yearly reports help us shape our vision and strategy and also tell us where we need to extent our control in order to reach our objectives.”

On the other hand, from the Chinese partner perspective, the control extent is different in comparison to the Finnish points of view. The results of the study have shown that Chinese partner side have even stricter control practices such as reporting on a daily basis. All Chinese managers agree that this important for the achievement of their objectives. For example, the local manufacturing operations and standards to achieve high quality production is crucial for them, thus it needs daily reporting in order to be controlled. A manager from the third studied case company explained:

“Precise information on our manufacturing processes, equipment, resources and materials reported on a daily basis is one of the key elements to achieve better performance results via high quality products and cost efficiency.”

Another manager from the Chinese partner side from the fifth studied case mentioned similarly:

“Markets are moving fast, as well as the competition. Therefore, daily reporting on the IJV activities are very important for us. They allow us to control better our operations and give us better overview of our position on the market. In this way we are able to better access our

performance, improve the areas where needed and achieve our objectives. These in turn will make us more pleased with the results of our efforts.”

As mentioned, all of the above opinions of the managers of the different study case companies show that a strict control over the operations of their joint ventures is needed. Therefore, it could be concluded as a **3rd Proposition** of this study that: *There is a positive link between control extent and the IJV's (3.1) overall partnership satisfaction, (3.2) financial results (profitability), and (3.3) overall objectives achievement.*

6.4.2. Effect of trust on IJV performance in China

The results of the study, in relation to the effect of trust on the IJV performance, showed that there is trust among all of the different partners within the studied joint ventures. Moreover, study results have shown that trust grows stronger over time. As each party develops stronger relationship over time with their partner, it has been observed that less written agreements have been used as well. This has been additionally supported by the belief that the other party has the capacity, expertise and knowledge to achieve the set of objectives and commitment to the agreed terms. Those in turn will lead to the accomplishment of the mutual benefits and will have a positive effect towards the IJV performance.

As an example of the mentioned above, is the opinion of a manager from the second studied case company from the Finnish partner side who stated:

“The trust in our Chinese partner has been built on their experience, already established market leadership as well as history of operation. Nowadays after years of doing business together has made us trust them even more.”

Another manager from the Finnish partner side from the first studied case company mentioned:

“Fortunately, we have not experienced any negative situations with our Chinese partners. They always perform well and according to expectations and agreements. This has built our trust over time to point where we have cases where we can rely only on their word without the need of an actual written agreement. We strongly value and trust our partnership and believe that indirectly it has a positive effect on the overall performance of the joint venture.”

Similarly, a manager from the Chinese partner side from the fourth case study stated:

“Trust is a big factor in our business relationship with our partner within the joint venture. Because of it, we have managed to attract our partners to increase their investments and do more business with us. Over the years of doing business together we have experienced that our partner has been always fulfilling their promises, whether those are written or not.”

In addition, another manager from the fifth studied case said:

“We trust our Finnish partners because of their strong worldwide reputation in the field as well as our positive experiences with them over the years. We could say that trust definitely has positive role in the overall performance of our joint venture.”

Based on all of the managers’ opinions above, it could be concluded that there is a positive link between the IJV performance and the contractual trust. Therefore, the **4th Proposition** of this study could state that: *There is a positive link between contractual trust and the IJV’s (4.1) overall partnership satisfaction, (4.2) financial results (profitability), and (4.3) overall objectives achievement.*

In terms of competence trust, the results of the study have shown that both Chinese and Finnish partners have trust in each other. This trust has been formed even before the establishment of the joint venture, when each party has researched each other and believed in the reputation and history of a reliability and competence of the other side. In addition, all managers of the studied case companies agree that there is a positive link between the performance of their joint venture and the competence trust. As an example, one of the managers from the Finnish partner side from the third study case company has given his opinion:

“The trust we have in our partner’s competence is very strong. For sure, it creates better business environment and creates more efficient business operations which in turn help us reach our targets much easier. This, absolutely, has a positive effect on our joint venture performance.”

Similarly, a manager from the Finnish partner side from the second studied case company further clarified:

“We have done our homework in advance. We have researched all the potential partners and chose the one with the best competence background in our field when forming the joint venture. We already had the trust in them based on that. Over time our trust in them became even stronger since they have worked consistently, fulfilled all our agreements and contributed to the joint venture profitability.”

On the other hand, a manager from the Chinese partner side from the fourth studied joint venture stated:

“One of the reasons to agree to form a joint venture was our willingness to learn about our partner’s know-how and technology. We believe in our partner’s competence since they are one of world leaders in the field. We considers this partnership as a great mutual benefit and look forward to our future joint business operations.”

Another manager from the Chinese partner side from the fifth study case mentioned:

“We have great trust in our partners’ capabilities and expertise. It is not by accident that they have a worldwide known name in the industry. Our trust in them definitely has a positive relationship with the performance of our joint venture and its operations and we are very pleased about it.”

In short, based on mentioned opinions of the managers above, it could be concluded that all studied partners believe that there is a positive link between the IJV performance and the competence trust. Therefore, as a next fully supported **5th Proposition** of this study could be that: *There is a positive link between competence trust and the IJV’s (5.1) overall partnership satisfaction, (5.2) financial results (profitability), and (5.3) overall objectives achievement.*

The empirical results of the study cases’ investigations within this study suggested that often when partners show initiative by carrying out additional activities for their own cost (and without agreement) has helped achieving a greater mutual benefit in the long run within the IJV. Both Finnish and Chinese partners of the studied case companies confirmed that there is a positive link between the goodwill trust and the performance of their joint venture.

For instance, one of the managers from the Finnish partner side from the fourth studied case explained:

“We believe that our partner will comply with their promises. In some cases, we do not even need an actual agreement with them. Based on our experience with them we believe that they will perform according to our expectations and achieve our mutual objectives. In that sense, we believe that the trust in our partner had perhaps indirectly but still a positive effect on the performance of our joint venture.”

In addition, another manager from the Finnish partner side from the second studied case company admitted:

“Since our partner is has knowledge and experience from the local markets, we completely trust them when it comes to solving some local challenge. We are very pleased with our mutual understanding and business relationship with our partners so far. We believe that trust is definitely one of the factors to achieve that.”

Similarly, a manager from the Chinese partner side from the fifth study case company mentioned:

“In our business culture, trust is considered as one of the most important aspects of the mutual business operations. Without it, we would not be able to integrate smooth and efficient operational network which will seriously challenge us in reaching profitability and the overall achievement of our targets. Therefore, since trust is at the core of our business culture, often we do not need an actual written or verbal promises from our partners.”

Another manager from the Chinese partner side from the fourth studied case company stated:

“The investments from both sides in the joint venture are not small at all and return will take some time to reach us. Therefore, we need to have no choice but to have strong mutual trust and cooperation in order to reach our goals.”

In short, based on the above empirical data from the studied case companies, it could be concluded that there is a strong positive link between the IJV performance and the goodwill trust. Therefore, the completely supported **6th Proposition** of this study could be that: *There is a positive link between goodwill trust and the IJV's (6.1) overall partnership satisfaction, (6.2) financial results (profitability), and (6.3) overall objectives achievement.*

Table 7. Summarized empirical results on the effect of control and trust over the IJV performance based on the five-point Likert Scale approach as an average score of the responses where 1 is not at all and 5 is highly affected.

Case Study Company		1	2	3	4	5
Wärtsilä's Share		55%	50%	34%	50%	49%
Do you think that your control mechanisms affected your IJV performance in terms of your:	1) Overall partnership satisfaction?	5	5	4,5	5	5
	2) Financial results (profitability)?	5	5	4	5	4,5
	3) Overall objectives achievement?	4,5	5	4	5	4,5
Do you think that your control focus areas affected your IJV performance in terms of your:	1) Overall partnership satisfaction?	5	4,5	4,5	4,5	5
	2) Financial results (profitability)?	5	4,5	4,5	4	4,5
	3) Overall objectives achievement?	5	4	3,5	4,5	4,5
Do you think that your control extent practices affected your IJV performance in terms of your:	1) Overall partnership satisfaction?	5	4,5	4	5	4
	2) Financial results (profitability)?	4	4	3,5	5	5
	3) Overall objectives achievement?	4,5	4	3,5	5	4,5
Do you think that your contractual-based trust affected your IJV performance in terms of your:	1) Overall partnership satisfaction?	5	5	5	5	5
	2) Financial results (profitability)?	5	5	4,5	5	4
	3) Overall objectives achievement?	5	5	4,5	5	4,5
Do you think that your competence-based trust affected your IJV performance in terms of your:	1) Overall partnership satisfaction?	5	5	5	4,5	5
	2) Financial results (profitability)?	5	4,5	4,5	4,5	4
	3) Overall objectives achievement?	5	4,5	4,5	4,5	4,5
Do you think that your goodwill-based trust affected your IJV performance in terms of your:	1) Overall partnership satisfaction?	5	5	4	5	5
	2) Financial results (profitability)?	4	4	3,5	4	4
	3) Overall objectives achievement?	4,5	4,5	4	4,5	4,5

7. SUMMARY, CONCLUSIONS AND FUTURE RESEARCH

This last main section of the study begins by providing a brief overview of the discussed theoretical concepts. After this, the results of the study are concluded and the empirical framework of this study is presented. At the end, will be discussed the potential empirical and theoretical implications.

7.1. Summary of the study

As previously mentioned, the main goal of this study was to find an answer to the question: *“What is the link between control, trust and performance in IJVs in China?”* In order to achieve the main objective of this study, the research has examined five study case companies in China, all of which directly involved in the manufacturing industry and sharing as one of the joint venture partners, the Finnish company Wärtsilä. In addition, the following sub-goals have been introduced to support the investigations of this study:

1. To investigate the concept of control in IJVs.
2. To examine the concept of "trust" in IJVs.
3. To justify the concept of “performance” in IJVs.
4. To investigate the links “control-performance” and “trust-performance” in the IJVs from a theoretical perspective.
5. To investigate the links “control-performance” and “trust-performance” in the IJVs from an empirical perspective taking as an example the Finnish company Wärtsilä’s IJVs in China.

All those sub-goals have been further investigated in the different sections of this study. For instance, the 1st sub-goal has been discussed in the 2nd part of this research where the concept of control in IJVs has been theoretically examined. Findings suggested that that this area has been widely popular among scholars because of the key role of the control within the

international joint ventures. Academics have specifically pointed out that the complexity of control significantly grows when there are two or more partners involved in the same time in the governance, decision making, operations or any other activities within the same joint venture.

As discussed in the second section of this study, Geringer and Hebert's (1989: 236-237) concept of control has been used to provide better understanding: *"the process by which one partner influences, to varying degrees, the behaviour and output of the other partner, through the use of power, authority and a wide range of bureaucratic, cultural and informal mechanisms."*

In addition, the concept of control has been further discussed by being divided into three separate areas: control mechanisms, control focus and control extent. Those have been investigated with the support of some of the most popular theories in this part of the academia: the transaction cost theory as well as the resource dependence theory. Those theories provided a better understanding of why companies establish international joint ventures as well as why they need to control them.

The next and 3rd section of this study followed the chronological order of the integrated sub-goals, and discussed the second one by investigating the concept of trust in the IJVs. As mentioned, for the purposes of this study will be utilized Boersma, Buckley and Ghauri's (2003: 1032) description of IJV trust which states that trust is *"an expectation that a party can be relied on to keep to agreements (promissory), will perform its role competently (competence) and that the party will behave honourably even where no exploit promises or performance guarantees have been made (good will)"*.

Furthermore, the key theory on this topic has been presented based on three different perspectives: contractual trust, competence trust and goodwill trust (Sako 1992). Similarly, those have been investigated with the support of some of the most popular theories in this part of the academia: the transaction cost theory as well as the social exchange theory. Those theories provided a better understanding of why companies establish international joint ventures as well as why they need to have trust in their partners.

The 4th section of this study focused on the theory behind the 3rd and 4th sub-goals stated in this research. Therefore, with the support of the literature, the concept of performance in the IJVs

has been introduced and followed by presenting a key theoretical perspectives on the effects of control and trust over the performance of the IJV. The last, has been additionally supported by proposing a conceptual framework.

Defining and measuring the concept of performance of the IJV is highly challenging task. Simply because there is always more than one side in the venture, it natural to have different perspectives on the subject. Academics often argue in this direction and try to provide sufficient evidence. However, there are limitless number of scenarios and circumstances that could have an effect on the. Therefore, since the understanding of the IJV performance is very subjective, measuring it is even more difficult exercise. Nevertheless, areas such as overall partnership satisfaction, financial results (profitability), and overall objective achievement are segments that could provide more clarification on the topic hence contribute towards the achievement of the main goal of this study.

In order to have a better understanding on the effects of control and trust over the IJV performance, it has been important to examine the literature which argued that both had a positive link towards the IJV performance. Consequently, a total of six different propositions have been presented for the purposes of this study.

The following 5th section of this study aimed to clarify the adopted research approach. The main reason to integrate a qualitative case study research practices was its suitability with the main research goal of this study. By nature, the qualitative study approach provides very detailed information about the researched topics and this is exactly what was needed in this study. Therefore, in order to gain a more comprehensive foundation on the effects of control and trust on the IJV performance, a semi structured questionnaires and telephone interviews have been used to gather the needed information.

The 6th section of this study discussed the last sub-goal of this research. This involved the investigation of the links “control-performance” and “trust-performance” in the IJVs from an empirical perspective taking as an example the Finnish company Wärtsilä’s IJVs in China.

The empirical research results identified that all partners within the five studied case companies try to have more control within the joint venture regardless of their share size. The study findings also confirmed that all parties tend to implement formal as well as informal control mechanisms in order to achieve tighter control within the joint venture. However, the areas of

interest in that regard differed among partners. On the other hand, all parties agreed that trust is one of the most important elements in their joint business operations. Study results found that all partners have established a strong mutual trust that has grown over the years and have led to situations where no additional agreements are needed in some areas of operation. They believe in each other's competence and mutual benefits drive to have a smoother operations and better performance of the IJV. Consequently, all partner sides from the studied case companies agreed that there is a positive link between control, trust and performance in the IJV.

7.2. Conclusions of the study

Past literature showed that scholars have been very keen on researching different topics in relation to the IJV performance. In particular, key elements such as control and trust have been found to be widely popular and considered as the two major keystones affecting the IJV performance. However, the literature is quite limited when it comes to examining those two together and taking into account the points of view of all the different parties within the joint venture. Therefore, the aim of this study was to investigate the effects of control and trust over the performance of the IJV by considering the different points of view of the involved parties. The research results gave the possibility to draw 3 main conclusions as indicated below.

As previously mentioned, in relation to the IJV performance, the research approach that was used in the study investigated the concept of control by segmenting it into: control mechanisms, focus, and extent (Geringer & Hebert 1989). Those dimensions have in turn been investigated together with the identified performance measurements in this study: overall partnership satisfaction, financial results (profitability) and overall objective achievement. The results of the study in the 6th section of this study have shown strong results in support of the 1st, 2nd and 3rd propositions that have been made in this research. Managers from all of the studied IJVs agreed that there is a positive link between control and performance within the IJVs. This leads to the 1st main conclusion of this study that control is important and has an effect on the IJV performance.

While investigating the IJV performance, a similar approach has been used to "break down" the concept of trust into: contractual, competence and goodwill trust. This was needed in order to have a more comprehensive understanding and examinations of the relationship of each of

those areas and the performance of the IJV. The empirical evidence suggested that there is strong positive link between trust and IJV performance meaning that the 4th, 5th and 6th propositions of this study are fully supported. This leads to the 2nd main conclusion of this study that trust is important and has an effect on the IJV performance.

This study has also examined the link between control and trust in the IJVs. The results of the study indicated that this link exists and is also very strong, especially at the beginning of the joint venture operations. As mentioned earlier in the study, managers from all of the studied case companies strongly agreed that having control is one of the key elements to build trust over time. This leads to the 3rd main conclusion of this study that there is link between trust and control in the IJVs.

In conclusion, it could be stated that control and trust are linked and both have an effect on the IJV performance weather directly or not. Therefore, it is highly important those concepts to be correctly understood and successfully applied in an empirical setting. **Figure 3** below provides a brief overview of the empirical results of this study by presenting the links and effects of control and trust on the IJV performance.

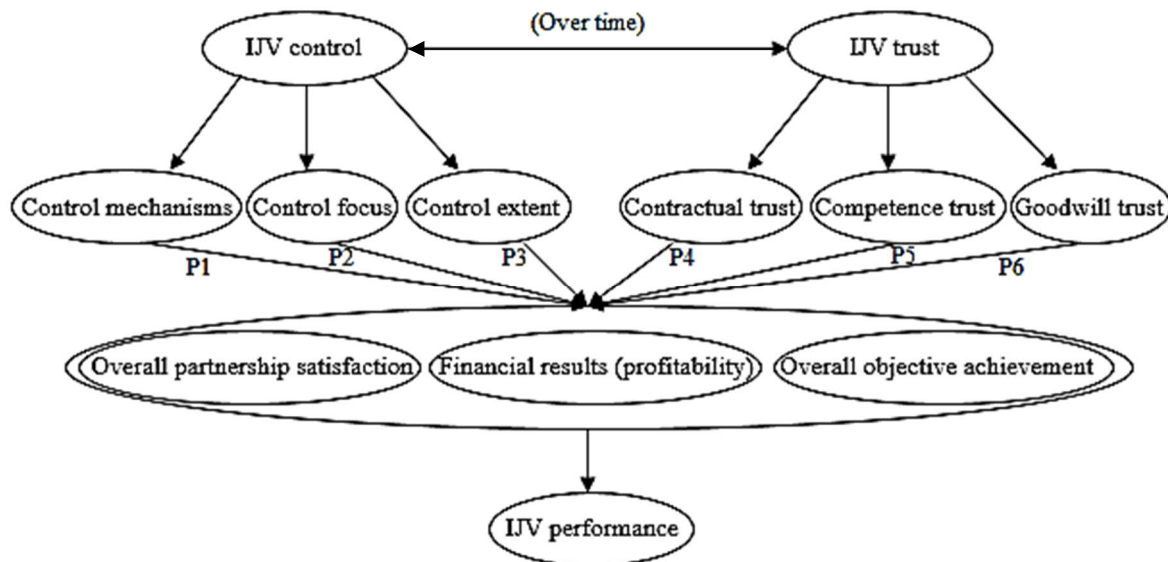


Figure 3. Brief overview of the results of the study in this research (*P=Proposition).

7.3. Limitations and future research

7.3.1. Limitations

The links between control, trust and performance in relation to international joint venture operations and activities have been investigated from a theoretical and empirical point of view in this study. Analysing the empirical results, it could be concluded that companies need take into serious consideration key aspects such as the control actions they implement since those have direct and indirect effect on the overall performance of their joint ventures. Exercising control may lead to a better internal organization and positions with higher authority. In addition, the cost effectiveness could be improved hence positively contribute to the profitability and overall financial performance of the IJV. The study confirmed that all of the researched dimensions of control (mechanisms, focus, and extent) have a positive link towards the joint venture operations and their overall performance. Therefore, those different dimensions and the actions behind them should be definitely considered and integrated by the companies that aim to enhance the performance of their IJV.

On the other hand, as the research findings have suggested, exercising control is one of the factors that may lead to a greater trust between the IJV partners. Trust in turn, is another finding in this study that has been confirmed to have a positive effect towards the IJV performance. As all studied case companies agreed trust is at the core of their business, since it is one of the factors that could lead to smoother joint venture operations, reduced transaction costs, defend from opportunism, improve partners' relationship and increase their investments, and achieve stronger social links. Therefore, as a recommendation to the companies aiming to achieve better IJV performance, it is crucial to improve the mutual trust with their partners.

In summary, as discussed above, it is vital for companies to consider and successfully integrate together control and trust in the right balance in order to maximize the probability of improved IJV performance.

7.3.2. Future research

As mentioned, this study investigated the concepts of control and trust and their link towards the IJV performance from both theoretical and empirical point of view. The main benefit of this research was to examine the above links from the perspective of both control and trust simultaneously. The idea behind this is to provide more critical and deeper understanding of how vital the roles of control and trust are, and how those together may affect the IJV performance.

In addition, the empirical study has been carried out with the assistance from managers from all partner sides of the joint venture, which allowed multiple points of view to be considered when drawing the conclusions on the topic. Consequently, the study achieved more comprehensive results by emphasising to the researchers the importance of investigating together the effects of control and trust on the IJV performance.

Perhaps, some of the limitations of this study could be that the results of the study are based on a few study case companies from a single industry (manufacturing) where the Finnish company Wärtsilä is always one of the parties involved in the IJVs located in China. Consequently, in order to gain a deeper insight on the topic, as a suggestion for further study could be a larger scale of research which could consider other companies, industries and locations (developed vs developing countries).

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APPENDIX 1. Research questionnaire

As mentioned earlier in this study, the adopted research method consisted of semi-structured interview questions. A sample of the used research questionnaire could be found below.



Research Questionnaire

Date: _____

Place: _____

Please fill in the following section by adding your:

- ❖ Company name: _____
- ❖ IJV name: _____
- ❖ IJV location: _____
- ❖ IJV year of establishment: _____
- ❖ IJV partners and their respective share size:
 - Partner 1 name: _____
 - Partner 1 share size: _____
 - Partner 2 name: _____
 - Partner 2 share size: _____
 - Partner 3 name: _____
 - Partner 3 share size: _____
 - Others: _____

Please answer all of the following questions:

1. What were your main performance objectives when forming the IJV?

Strongly disagree – Somewhat – Strongly agree

a. Overall partnership satisfaction.	1	2	3	4	5
b. Financial results (profitability).	1	2	3	4	5
c. New markets.	1	2	3	4	5
d. New know-how.	1	2	3	4	5
e. Technology innovation/advancement.	1	2	3	4	5
f. Market promotion.	1	2	3	4	5
g. Expand production capacity.	1	2	3	4	5

h. Supply chain and network efficiency.	1	2	3	4	5
i. High quality manufacturing standards.	1	2	3	4	5
j. Market leadership.	1	2	3	4	5
k. Overall objectives achievement.	1	2	3	4	5
l. Other: _____	1	2	3	4	5

2. Please describe if you had any challenges in achieving those IJV performance objectives and how did you tackle them?

3. What was the term of validity of the IJV formation agreement with your partner(s)?

- | | |
|-------------------|---------------|
| a. No fixed term. | d. 7-9 years. |
| b. 1-3 years. | e. 10+ years. |
| c. 4-6 years. | |

4. What is your IJV share size and how it was negotiated?

5. What was your experience/activity in the Chinese market before the formation of this IJV?

- | | |
|---------------------------------------|--------------------|
| a. No previous experience/activities. | d. Other IJV(s). |
| b. Exports. | e. Acquisition(s). |
| c. Licensing. | f. Others: _____ |
| | _____ |

6. Please describe you experiences (if any) with previous IJVs that your company has been part of before this one?

7. Please describe how did you select your current partner(s) for the IJV and how many were considered during the selection process?

8. Please point out which control mechanisms you have exercised in your IJV and describe why?

a. Verbal and written agreements: _____

b. Bigger shareholder: _____

c. JV board presence: _____

d. Key personnel: _____

e. Voting: _____

f. Other formal control mechanisms: _____

g. Informal social activities: _____

h. Building personal relationships: _____

i. Management trainings: _____

j. Other informal control mechanisms: _____

9. Do you think that those control mechanisms affected your IJV performance in terms of your overall partnership satisfaction, financial results (profitability) and overall objectives achievement? Please circle your answer for each row:

	Not at all – Somewhat – Highly affected				
a. Overall partnership satisfaction.	1	2	3	4	5
b. Financial results (profitability).	1	2	3	4	5
c. Overall objectives achievement.	1	2	3	4	5

10. Please point out your control focus areas within the IJV and describe why?

- a. Finance (accounting and auditing): _____

- b. Manufacturing: _____

- c. Quality: _____

- d. Marketing (+sales/deliveries): _____

- e. Technology: _____

- f. R&D: _____

- g. Strategy: _____

- h. Other areas: _____

11. Do you think that those control focus areas affected your IJV performance in terms of your overall partnership satisfaction, financial results (profitability) and overall objectives achievement? Please circle your answer for each row:

	Not at all – Somewhat – Highly affected				
a. Overall partnership satisfaction.	1	2	3	4	5
b. Financial results (profitability).	1	2	3	4	5
c. Overall objectives achievement.	1	2	3	4	5

12. Please point out your control extent within the IJV and describe why?

- a. Daily reporting: _____
- b. Monthly reporting: _____
- c. Quarterly reporting: _____
- d. Yearly reporting: _____
- e. Other practices: _____

13. Do you think that those control extend practices affected your IJV performance in terms of your overall partnership satisfaction, financial results (profitability) and overall objectives achievement? Please circle your answer for each row:

	Not at all – Somewhat – Highly affected				
a. Overall partnership satisfaction.	1	2	3	4	5
b. Financial results (profitability).	1	2	3	4	5
c. Overall objectives achievement.	1	2	3	4	5

14. In relation to your trust in your partner(s) within your IJV, do you agree with the following statements:

	Strongly disagree – Somewhat – Strongly agree				
a. In general, we do trust other parties in the JV.	1	2	3	4	5
b. We do trust our JV partners based on verbal and written agreements. (Contractual based trust)	1	2	3	4	5
c. We do trust our JV partners based on their competence, experience and expertise. (Competence-based trust)	1	2	3	4	5
d. We do trust our JV partners based on our belief in their performance towards the achievement of mutual benefit - no agreements involved. (Goodwill-based trust)	1	2	3	4	5

15. Do you think that your contractual-based trust in your partner(s) affected your IJV performance in terms of your overall partnership satisfaction, financial results (profitability) and overall objectives achievement? Please circle your answer for each row:

	Not at all – Somewhat – Highly affected				
a. Overall partnership satisfaction.	1	2	3	4	5
b. Financial results (profitability).	1	2	3	4	5
c. Overall objectives achievement.	1	2	3	4	5

16. Do you think that your competence-based trust in your partner(s) affected your IJV performance in terms of your overall partnership satisfaction, financial results (profitability) and overall objectives achievement? Please circle your answer for each row:

	Not at all – Somewhat – Highly affected				
a. Overall partnership satisfaction.	1	2	3	4	5
b. Financial results (profitability).	1	2	3	4	5
c. Overall objectives achievement.	1	2	3	4	5

17. Do you think that your goodwill-based trust in your partner(s) affected your IJV performance in terms of your overall partnership satisfaction, financial results (profitability) and overall objectives achievement? Please circle your answer for each row:

	Not at all – Somewhat – Highly affected				
a. Overall partnership satisfaction.	1	2	3	4	5
b. Financial results (profitability).	1	2	3	4	5
c. Overall objectives achievement.	1	2	3	4	5

18. How would you describe the link between control and trust in your IJV?

- No link.
- Negative.
- Positive.
- Other: _____

19. How would you describe the effect of control on the performance of your IJV?

20. How would you describe the effect of trust on the performance of your IJV?

Thank you very much for your time and participation in this study!