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Combinations of partners' joint venture formation motives

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Abstract

Purpose – Prior research on joint venture (JV) formation often examines a single focal firm and assumes it has a single motive for collaboration. This study seeks to investigate how formation motives of partner firms are symmetrically coupled. It considers motives in the context of different European Economic Interest Groupings (EEIGs) characteristics and partner firm characteristics.

Design/methodology/approach – Self-administered surveys were employed and a total sample of 104 partners cooperating in 47 different JVs (EEIGs) was used for data analysis.

Findings – The paper observes the coupling of different formation motives and finds that different rationales to establish international JVs are held simultaneously by partners. Furthermore, it finds that the number of partners increase when partners hold motives primarily to develop knowledge.

Research limitations/implications – Current theorising might focus too narrowly on particular motives or at best on combinations of motives within a specific theoretical approach. Such a single approach might be rather simplistic due to the multiple rationales to enact EEIGs by partners. Future studies that accommodate multiple perspectives simultaneously in a single paper would significantly advance the field and hold more explanatory power.

Practical implications – The paper finds that in general partner motives are symmetric, but some motives are more natural candidates for partners to couple together. Furthermore, smaller firms can also benefit by forming more complex collaborations and hold multiple motives simultaneously.

Originality/value – The paper reinvigorates theoretical development by showing the amalgamation of different motives and theories for JV establishment. It also provides new guidelines to practitioners and scholars alike by examining various combinations of collaborative motives and how they are coupled across partners in alliance dyads.

Keywords Joint ventures, Partnership, Business formation, Europe

Paper type Research paper

Introduction

There are numerous strategic motives that partners can have to form inter-organizational relationships. Joint ventures (JVs) can act as a vehicle for learning; create economies of scale and scope; enable firms to address host government

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policies; facilitate entry into new product or geographical markets; help firms strengthen or consolidate existing market positions; or assist with risk management (Contractor and Lorange, 1988; Glaister and Buckley, 1996; Hitt *et al.*, 1997; Koza and Lewin, 1998). While over the years there have been important theoretical advances made in the JV literature in studying these drivers of inter-firm collaboration, this has unfortunately come at the cost of imputing a single motive to investing firms, even though practitioners may hold multiple motives for engaging in JVs (Colombo, 2003; Reuer and Koza, 2000). As a result, there exists limited prior empirical research that has provided an overview of different formation motives that practitioners may have at the same time to form JVs, partly due to the challenges in obtaining such information (Kale and Sing, 2007). For example, Glaister and Buckley (1996) provided a detailed empirical examination of rationales for the establishment of JVs, yet their study did not accommodate the possibility that firms might simultaneously hold multiple motives when forming JVs.

The prior accounts of firms' motives for forming JVs are therefore limited in the sense that they focus on a specific motive by a single focal firm. The drawback of adopting a focal-firm perspective is that it essentially provides a one-sided analysis of why JVs exist (Zajac and Olsen, 1993; Wang and Zajac, 2007). As a result, these studies provide practitioners with little advice on how their own rationales might be multifaceted, as might those of their partner(s). The findings of this paper enable managers to better understand their counter-parts' rationales for JV formation and how they are coupled with their own. Furthermore, this paper provides practitioners with some exploratory evidence on how to structure a specific deal based on specific firm- and alliance level characteristics that are related to single or multiple motives. This paper therefore aims to provide:

- a preliminary analysis of which specific motives are held simultaneously by partners;
- an overview of the inter-relatedness of these motives in explaining JV enactment; and
- an overview of how these different motives are associated with alternative deal structures.

In order to address these questions, we have structured the paper as follows. First, a theoretical overview of the different categories of formation motives is provided for summary purposes. This is followed by a section briefly describing the methods used to examine the clustering of these motives. We then compare the different formation motives held by partners in the same JV deal to detect potential symmetries or asymmetries in firms' strategic intents for their collaborations. We then analyze how firm-level and JV-level characteristics are associated with these formation motives. We conclude with an interpretation and discussion of the findings.

JV formation motives

Prior research has extensively studied what might motivate firms to engage in JVs (Dong and Glaister, 2006; Glaister and Buckley, 1996; Harrigan, 1985). For instance, Dong and Glaister (2006) observed partner selection criteria and formation motives of Chinese and Western firms. They find that partners operating in Sino-foreign JVs have different reasons to establish JVs in China; however, their analysis did not compare the

different formation motives between partners at the dyad level, partly due to a lack of observations obtained from partners from the same JV. Bierly and Gallagher (2007) discuss the importance of strategic fit between partners; however they ignore the potential similarities that partner firm can have.

Prior literature has also discussed formation motives by adopting a choice perspective. In these cases firms can have different reasons to choose a JV over an acquisition (or divestiture). Hennart and Reddy (1997), for instance, argue that a difficulty in disentangling desired assets from non-desired assets might lead to choosing a JV over an acquisition. In situations where separation of desired assets is difficult to achieve, firms will incur high management costs. Because JV formation is a method to bypass some inefficient costs, firm might pursue JVs over acquisitions (Hennart, 1988).

The variety of different studies addressing JV formation motives can be grouped in a number of categories. We follow prior work by Glaister and Buckley (1996) and Hennart (1988) to identify four classes of formation motives. Table I summarizes these different categorizations.

Knowledge/technology development

The first category in Table I is knowledge/technology development. Organizations form JVs to learn and develop new capabilities. This motive is related to the exchange of knowledge and technologies which enable partners to become more efficient and effective in the development of these capabilities in-house (Kogut and Zander, 1993). The market value of firms competing in emerging, knowledge-intensive industries is predominantly, if not entirely, based on their option to grow in the future (Folta, 1998; Kogut, 1991). For this reason an organization's ability to develop, search for, and exploit capabilities that they currently do not have is important. An example is NUMMI, a JV established by GM and Toyota. One of the reasons for establishing this

Category	Related alliance motives
Knowledge and technology development	Supplementary technological knowledge
	Exchange of complementary technology/knowledge
	Exchange of existing technology/knowledge
	Developing a new technology/knowledge
	Enabling product diversification
Cost and risk reduction	Sharing of research and development costs
	Sharing of investment costs
	Economies of scale: joint operations lower unit costs
	Spreading the risk of a large project over more than one firm
Low-cost sourcing	Transfer of business units to lowest cost location
	Exchange of patents or territories to other partner(s)
	To concentrate on higher business margin
Market power	Improvement of servicing international customers
	Facilitates international expansion
	Compete more effectively against a common competitor
	To maintain position in existing market

Table I.
An overview of categories of joint venture formation motives

Sources: Dong and Glaister (2006); Glaister and Buckley (1996)

partnership by both sides was to learn from each other: i.e. GM learned "the Toyota way" of production and quality control and Toyota acquired GM's skills in product design and marketing in the American market (Liker, 2004).

Risk and cost reduction

A second category of motives is risk and cost reduction. JVs are regarded as an attractive mechanism for hedging risks because neither partner bears the full risk and cost of a particular activity (Johnson and Houston, 2000; Porter and Fuller, 1986). One partner might manage the operation, while the other merely contributes capital and absorbs some of the risk of failure (Mariti and Smiley, 1983). Contractor and Lorange (1988) argue that a JV can reduce a partner's costs and risks, because it enables the spreading of the risk of a large and costly project over more than one firm. Furthermore, a JV can lower the total investment cost of a particular project or the assets at risk by combining expertise and slack facilities in the parent firms. An example of a JV that was established by the partners to reduce costs and risks is the mobile phone software developer Symbian. This organization is owned by hardware manufacturers Ericsson (15.6 percent), Nokia (47.9 percent), Panasonic (10.5 percent), Samsung (4.5 percent), Siemens (8.4 percent) and Sony Ericsson (13.1 percent). The aim of the JV is to produce intelligent software for mobile phones, enabling users to access telephony, e-mail, web, electric diary and entertainment in one device. The high initial investment costs and associated risks with the technological development resulted in the formation of this JV. Partners were not prepared to undertake the entire development process by themselves due to these high costs and risks (Buckley *et al.*, 2009).

Low-cost sourcing

A third category of JV formation motives noted in prior literature is low-cost sourcing. JV formation enables organizations in similar industries to rationalize production by outsourcing activities to each other. Costs might be reduced through economies of scale and learning by doing, while avoiding the uncertainties and difficulties of full-scale merger or greenfield operations (Johnson and Houston, 2000). Partners might also form a JV to source activities to lower cost locations. By doing so, the enactment of the JV results in overall cost reductions by using the comparative advantage of the other partner. Where, for example, components are made by both partners in different locations and with unequal costs, production can be transferred to the lower cost location (Buckley and Casson, 1988). An example is the JV between Damen ShipYards Group NV and state-owned Vietnam Shipbuilding Industry Corp. These organizations planned to form a JV named Damen Vinashin Shipyard (DV) to manufacture various kinds of ships like tugboats, high-speed ships and vessels. Damen ShipYards previously produced ships in The Netherlands but is able to produce at a lower cost in Vietnam by enacting this JV.

Market power

The final category for JV formation motives is market power (Glaister *et al.*, 2003; Dong and Glaister, 2006). JVs can influence how a firm competes with other organizations. Partners can ally with potential rivals or other organizations to block a common competitor in the same market (Contractor and Lorange, 1988). This way the current position of a partner in a market can be maintained. An example is the formation

of MSNBC, a JV between Microsoft and NBC that was formed to compete against other cable news networks such as CNN and Foxnews.

Research methods

Sample

Although the literature has focused on each of the specific motive categories discussed above, there are no studies to our knowledge that have looked at the extent to which partners hold these motives simultaneously. In order to derive an understanding of what the combinations of partners' motives are, we distributed self-administered surveys to key respondents operating in European Economic Interest Groupings (EEIGs). EEIGs are JVs between international firms involving at least two partners operating in different member states of the European Union (EU). In 1985, the European Commission introduced a new organizational form in the EU under the name EEIGs[1]. EEIGs are legal entities, which are set up between at least two different organizations established in different member states of the EU. EEIGs fall under the definition of international joint ventures (IJVs) because in all cases a third, but separated legal entity is established. The ultimate objective of the enactment of this organizational form "EEIG" by the European Commission is to enable closer ties between organizations within the EU and thus stimulating international co-operative activities. Although negative reports appeared in 1997 related to the low levels of success of EEIGs, there exist today approximately 1,500 of these JVs each with approximately four partners involved[2].

They are classified under the definition of JVs, because they entail the formation of a separate legal entity. The EEIG was enacted by the European Commission in 1985 in order to promote international cooperation between organizations across the EU.

Collecting data on EEIGs has a number of advantages. First, one of the requirements to establish an EEIG is that the partners are obliged to submit documents at either Companies House or Chambers of Commerce in the EU in one of the related countries. These documents provide the researcher an accurate overview of the total number of EEIGs and the total number of partners in each respective EEIG in a country. Each document holds information about the name of the partner's organization, the director, manager or CEO acting as one of the partners, the organizational details of the partners. Second, EEIGs are a relatively unexplored set of JVs.

Preliminary versions of the questionnaire were reviewed by four managers of EEIGs and three academic scholars to ensure face validity. The survey was then translated into Dutch, German, Italian, French and Spanish by native speakers studying strategic management courses at an English speaking university. All questionnaires were back-translated by a second native speaker who was unfamiliar with the study. In case of differences, one of the authors consulted a third native speaker. We collected information on EEIGs from March 2005 until August 2005 and focused on JVs that were formed in the period between 1985 until 2004. We obtained information on all EEIGs in The Netherlands and the UK.

Validity

We performed a number of tests to assess the validity of the data. In order to reduce common method bias, specific questions in the interview protocol were worded and sequenced in such a way so as to reduce potential contamination effects by using

different anchors across the measured constructs (Barden *et al.*, 2005). Also, multiple items constructs were developed by exploratory factor analysis, as response bias has been shown to be more problematic at the item level than at the construct level. Furthermore, we performed Harman's (1976) single-factor test to assess whether a significant amount of common variance exists in the data (Reuer and Ariño, 2007). Unrotated factor analysis criteria revealed four factors with the first factor explaining 30 percent of the variance in the data, indicating that the findings cannot be attributed to common method bias.

In addition, we assessed the potential for non-response bias by testing for significant differences in the mean values on all items between early and late respondents. We performed paired-sample *t*-tests comparing the responses of participants returning the questionnaire in the first and fourth inter-quartile range over time (Armstrong and Overton, 1977), but did not find any significant differences. Finally, a number of EEIGs were established in the 1990s when the EU introduced the act. This might create potential recall bias in the data with respect to the accuracy of the formation motives, because managers need to remember the initial reasons why the JV was established. In order to test for major differences, we divided the sample into "old" and "recent" EEIGs and performed an independent *t*-test sample on the four motive categories. We then compared the results, but no major differences were noted[3]. We therefore used the entire sample of JV partners ($n = 117$) for the analysis of the results and the sub-sample multiple partners ($n = 83$) operating in the same JV.

Scale construction and validation

The motives identified in the prior literature are subject to a degree of conceptual overlap. Consequently, we conducted an exploratory principal component analysis which enables the identification of coherent groups of specific motives. The advantage of a principal component analysis is that it produces an orthogonal set of motives (Hair *et al.*, 1998). We choose this method because it does not incorporate the theoretical background or type of motive, which means that the factor outcome is a classification of motives irrespective of the theoretical background or classification. Hence, the analysis provides different factors or motive groups on which we are able to identify multiple motive establishments.

The final model resulted in the extraction of four factors, together explaining 59.8 percent of the variance. Factors were derived via a varimax-rotated component matrix and selected after an eigenvalue score of 1 or higher and a scree plot test. All factors showed positive relationships between the variables in the scale. The resulting factors in order of variance explained were labelled and are shown in Table II. These four different motives were knowledge development, sharing of risks and costs, outsourcing (focus on core competences), and strengthening of international market position.

A total of 178 EEIGs are registered in The Netherlands and the UK. Of the 676 partners identified, 104 surveys from 55 IJVs were obtained, representing a 15 percent response rate. We were able to collect 83 responses from 21 JVs as the collaborations involve at least two parties: eight EEIGs are dyadic JVs; one JVs has three partners; three JVs have four partners; four JVs consist of five partners, three JVs have six partners, one JV is established by eight partners and one JV has nine partners. The collection of this information enabled us to investigate similarities and differences

Table II.
Principal component analysis[a]

	Knowledge and technology development	Risk and cost reduction	Low-cost sourcing	Market power	Communalities
Supplementary technological knowledge	*0.84*	0.20	0.15	−0.14	0.79
Exchange of complementary technology/knowledge	*0.82*	0.15	−0.01	0.00	0.69
Exchange of existing technology/knowledge	*0.79*	0.20	−0.11	0.01	0.68
Developing a new technology/knowledge	*0.76*	0.22	0.20	−0.03	0.66
Enabling product diversification	*0.54*	−0.03	0.33	0.28	0.48
Sharing of investment costs	0.23	*0.74*	0.10	0.17	0.63
Economies of scale: joint operations lower unit costs	0.09	*0.74*	0.31	−0.01	0.65
Sharing of research and development costs	0.27	*0.73*	0.23	0.15	0.69
Spreading the risk of a large project over more than one firm	0.16	*0.67*	0.11	0.13	0.50
Transfer of business units to lower cost location	0.06	0.12	*0.75*	0.00	0.57
Exchange of patents or territories to other partner(s)	0.16	0.14	*0.72*	0.18	0.60
To concentrate on higher business margin	0.10	0.25	*0.69*	0.29	0.63
Improvement of servicing international customers	0.01	−0.11	0.11	*0.74*	0.57
Facilitates international expansion	0.00	0.20	0.03	*0.73*	0.57
Compete more effectively against a common competitor	0.11	0.13	0.24	*0.63*	0.49
To maintain position in existing market	0.01	0.32	0.20	*0.54*	0.44
Eigenvalue	5.41	2.72	1.44	1.19	
Percentage variance explained	30.1	15.1	8.0	6.6	
Cumulative percentage variance explained		45.1	53.2	59.8	
Cronbach alpha	0.87	0.81	0.75	0.68	

Notes: [a]Rotation converged in eight iterations; $n = 117$; extraction method: principal component analysis; rotation method: varimax with Kaiser normalization

in formation motives across partners. The sample comprises participants from 16 different countries. Organizations are active in the following industry- segments: energy (8 percent); non-heavy industry, such as chemicals, electronics and pharmaceuticals (15 percent); education, such as research institutes and universities (12 percent); legal services (30 percent); management consultancy (25 percent); and other industries or sectors (10 percent). The age of the JVs varied between six months and 19 years, with an average of eight years. In order to find out how firms hold different formation motives and whether partners' motives are symmetric, we performed a hierarchical and non-hierarchical cluster analysis, as well as an analysis of variance (ANOVA).

Grouping of motives

The hierarchical cluster analysis suggests five different clusters (Table III). To fine-tune the results from the hierarchical cluster analysis, a *K*-mean cluster analysis was also conducted. The centroids of the five cluster variables derived from the hierarchical analysis were inserted in the model. Comparable to the hierarchical analysis, the non-hierarchical procedure produced similar results for the analysis. The clustering variable mean values are shown in Table IV.

The results from the hierarchical and non-hierarchical cluster analysis suggest five distinctive clusters with, respectively, 19, 17, 24, 26 and 18 cases. Partners categorized in Clusters 1 and 2 have a single rationale to form the JV. Partners which are grouped in Clusters 3, 4 and 5 have multiple reasons to establish JVs. Furthermore, multiple formation

Stage	Cluster combined		Coefficients	Difference	
	Cluster 1	Cluster 2		Real	Percentage
8	8	62	137.1	–	–
7	10	35	151.8	14.7	10.7
6	8	36	170.2	18.4	12.1
5	*2*	*17*	*193.7*	*23.5*	*13.8*
4	2	7	222.7	29.1	15.0
3	1	10	255.5	32.7	14.7
2	1	8	312.7	57.2	22.4
1	1	2	458.2	145.5	46.6

Note: $n = 104$

Table III.
Agglomeration schedule

	F1 – knowledge and technology development	F2 – risk and cost reduction	F3 – low-cost sourcing	F4 – market power	No. of firms in the cluster (%)
Cluster 1	2.12	1.86	1.59	*3.84*	19 (18)
Cluster 2	*3.32*	1.49	1.10	1.74	17 (16)
Cluster 3	*4.28*	1.52	1.43	*3.52*	24 (23)
Cluster 4	*4.76*	*3.38*	1.65	*3.46*	26 (25)
Cluster 5	*4.47*	*3.24*	*3.22*	*4.06*	18 (17)

Note: $n = 104$

Table IV.
Mean scores clusters

motives are pursued in more than 65 percent of the cases. Hence, these initial findings support our conjecture that partners routinely enter into JVs with more than one type of strategic intent.

JV level and partner level characteristics

The cluster analysis identifies five groups of firms that possess single or multiple formation motives. It is important to analyze to what extent these motives are related to specific characteristics of the partner firm or the JV. In order to do so, we conducted an ANOVA to detect any significant differences in these characteristics between the five groups of firms. Table V provides an overview of the different characteristics of the partners used in the analysis. We divided the characteristics into two categories:

(1) firm specific attributes; and

(2) JV specific attributes.

Our first attribute is concerned with the number of other JVs managed by the partner. It was expected that when partners established multiple JVs, the motive for entering a new JV would be more specific; however, the results are not significant. Our findings show that partners who have concurrent JVs can still have multiple motives for JV establishment. It can also be observed that the types of motives that firms have for forming JVs do not vary significantly across firms of different sizes.

There are specific JV characteristics that are influenced depending on the motives that partners hold. We expected to find a positive relationship between the number of multiple formation motives and the number of partners who participate in the JV. More partners make a JV more "diverse" in skills and competences. This in its turn enables partners to achieve different goals by collaborating with different partners in that same JV (e.g. a partner might acquire knowledge especially from one partner and at the same time achieve economies of scale with another partner, or enhance market power in a country with another partner, etc.). The results indicate that significant differences exist in the composition of the partners in the JV. We find that in the case where JVs are formed by a partner to reduce risks and costs, the number of partners operating in the JV is significantly lower compared to firms that hold other rationales. Furthermore, when partners have more than two different motives, the JV also tends to have a lower number of partners.

	Overall mean	Cluster 1 mean	Cluster 2 mean	Cluster 3 mean	Cluster 4 mean	Cluster 5 mean	*F*-value	χ^2
Firm characteristics								
Concurrent (I) JVs	7.22	5.58	15.06	3.58	8.58	4.71	0.706 (n.s.)	
Firm size (no. of employees)	201.35	227.44	286.13	246.57	112.20	134.41	0.877 (n.s.)	
EEIG characteristics								
No. of partners	4.6	3.0	6.9	6.7	3.3	3.1	2.959**	
Equity	0.72	0.79	0.82	0.79	0.58	0.67		0.50 (n.s.)

Table V.
ANOVA

Notes: Significance at: $^{*}p < 0.10$, $^{**}p < 0.05$ and $^{***}p < 0.001$; $n = 104$

Discussion

Clustering of single and multiple formation motives

The findings reveal that there exist two distinctive groups of firms with respect to formation motives. Some firms establish JVs for a variety of different reasons, whereas others have a narrower set of ambitions. The symmetrical motives in Table VI show that at the aggregate level only ten JVs (8 percent) include partners with a very specific motive and that 92 percent of all JVs include at least one partner that has multiple intentions. Clusters 1 and 2 consist of partners who establish JVs for a single reason; however they represent only 34 percent of the total. Cluster 5 even includes firms that establish JVs for all the identified motives simultaneously. The results imply that the current literature on JV formation tends to focus too narrowly on a particular motive or theory, thereby providing limited guidance to practitioners that engage in JVs.

The cluster analysis indicates that knowledge/technology development is an important reason for firms to establish a JV. Out of the total number of organizations, 82 percent use the JV to generate knowledge. This finding supports the recent academic attention stressing that technology/knowledge transfer is an important rationale (Lane *et al.*, 2001; Lane and Lubatkin, 1998). Although 16 percent of the JV partners establish JVs only to develop new knowledge and technologies, in the majority of cases this motive is coupled with other reasons. Nevertheless, knowledge and technology development remains the most dominant intention compared to the other rationales in our study.

Besides, knowledge and technology development, our findings indicate that market power also plays a important role in JV establishment. Out of the total sample, 84 percent of the respondents form JVs for this reason. One group of organizations establishes JVs purely to increase market power. However, similar to knowledge development, market power is often coupled to other rationales. For instance, the motive to reduce risks and costs is always coupled to market power. This finding is interesting, because in the 1990s some scholars assumed that risk and cost reduction was an important rationale to enact JVs (Contractor and Lorange, 1988). Our finding shows that in less than 45 percent of the cases, partners possess this motive. Only two

To do Right: other partner	Cluster 1 Single motive (F4)	Cluster 2 Single motive (F1)	Cluster 3 Multiple motive (F1 and F4)	Cluster 4 Multiple motive (F1/F2/F4)	Cluster 5 Multiple motive (F1/F2/F3/F4/F5)
Below: focal partner					
Cluster 1 – single motive (F4)	*5*				
Cluster 2 – single motive (F1)	0	*5*			
Cluster 3 – multiple motive (F1/F4)	6	18	*16*		
Cluster 4 – multiple motive (F1/F2/F4)	9	6	14	*9*	
Cluster 5 – multiple motive (F1/F2/F3/F4/F5)	3	11	10	12	*2*

Notes: $n = 126$; F1, knowledge and technology development; F2, risk and cost reduction; F3, low-cost sourcing; F4, market power

Table VI.
Combinations of symmetrical formation motives among JV partners

out of five clusters show that it is an important reason and the mean scores are relatively low (Cluster 4 = 3.38; Cluster 5 = 3.24). In the cases where risk and cost reduction is important; it is always coupled with a different rationale and it is ranked as second or third on the list of motives that partners hold.

Finally, another motive that plays a limited role in JV formation is low-cost sourcing. It only appears to be of relative importance for one cluster. In the case that a firm enacts a JV for this specific reason, the partner always has a different intention as well. In these cases, the low-cost sourcing motive always has the lowest mean score compared to the others.

Symmetries in formation motives by partners in the same JV

Table VI shows the combinations of partners' JV formation motives. We find strong symmetries between formation motives by partners. In the case that both partners have single rationales, that particular motive was also held by the other partner. When partners establish the JV to develop knowledge or technologies, all the other partners in the JV at least share that same interest. We did not find any coupling of formation motives in which each partner has a different set of ambitions. In both cases of knowledge and technology development and market power, there exists no collaboration in which the partner has a completely different intention to form the JV. This implies that in these cases partners extensively search for others to collaborate with and that they only establish a JV when there is a match between the partner's intentions and their own. Furthermore, we did find partners that participated in a JV only to generate knowledge, but in most cases this motive is combined with market power (35 cases). When a partner purely has the intention to increase market power, other partners with multiple motives tend not to work so frequently with this partner (three, six and nine cases). This finding implies that there is not only transparency in the reasons why other partners establish JVs, but also that partners need to contribute to the JV and not only use it as a mechanism to enhance market power.

Theoretical pluralism

Our research approach is justified in that separating the individual motives derived from the different theories and then recombining them in the cluster analysis, enables us to see links between these motives that are obscured by the separation implied by the different theories. We find not only a wide combination of motives but also some surprisingly strong coupling of motives previously thought to be separate. Despite its inclusion in several theoretical approaches, sharing of risks and costs does not come through as an important JV formation motive. Moreover, the multiple motives found in practice cut across the theoretical silos and provide an interesting pattern of combination of rationales. Current theorising might focus too narrowly on particular motives or at best on combinations of motives within a specific theoretical approach. Researchers in the field of IJVs often use a single theoretical perspective for the development of their investigations. In some cases, such a single approach might be rather simplistic due to the multiple rationales to enact IJVs by partners. Studies that accommodate multiple perspectives simultaneously in a single paper would significantly advance the field and hold more explanatory power. Although the aim of this paper does not lie in the advancement of how different theoretical approaches are amalgamated, the combination of motives that is discussed might provide an initial

starting point for future research to incorporate different theories or motives in the way they are coupled according to our findings. Although it is important to take caution in the fact that different motives cannot be allocated to a specific theoretical perspective, the findings might enable researchers to reflect on which theories to use in the development of their future work.

Managerial implications

From our findings, we can derive a number of specific guidelines for executives who are involved in JVs. These can be summarized as follows:

- *Singular motives for JV formation are the exception rather than the rule.* Researchers in the field of JVs often use a single theoretical perspective for the development of their investigations. Our findings reveal that such a single approach might be rather simplistic due to the multiple rationales that partners have to enact JVs. Our findings help practitioners to better understand the way in which JV formation motives are coupled and why other partners collaborate, but it also helps practitioners to better anticipate these rationales.
- *Opportunities for more complex collaborations can also be achieved by smaller firms or those that do not have many JVs previously formed.* Our findings show that firms still pursue a new JV for multiple reasons even when they have a large alliance portfolio. Alliance experience does not play a role in the reason why firms enact JVs. Furthermore, the scarcity of financial resources that smaller firms are often confronted by also does not influence whether they pursue a single motive or multiple motives.
- *In multi-motive collaborations some motives are natural candidates for partners to couple together.* Knowledge/technology development and market power are motives that are often coupled together. Furthermore, risk and cost reduction is always coupled to market power. JVs can be formed purely to develop knowledge or technology or to create more market power, but for alternative motive categories partners hold multiple rationales.
- *Despite having multiple motives, partners in JVs often have similar motives.* In situations where firms have three or more motives it can become difficult to align the wishes of partners and find a JV deal structure that satisfies all partners. Our findings indicate that partners often share the same primary motive, but that the partner's second or third motive is different. Hence, even though partners have multiple motives there might be an incentive for alignment in these cases.

Limitations

Besides, the relevance of our findings on simultaneous multiple motive formation, the paper does have some limitations. One limitation is that we investigate whether partners have multiple formation motives at the initial stage of JV formation. However, it is likely that during the lifecycle of the JV, one or more partners' motives change, or one or more firms enter into or exit collaboration. This paper only addresses a snapshot of multiple motives at the initial formation stage and does not contain longitudinal data that would enable us to discuss changes in partner motives over time. This would be an interesting avenue for future research. Finally, there are many different formation motives for JVs as well as methods to group formation motives. In this paper, we

followed the suggested approach by Glaister and Buckley (1996). Future research can focus on other methods to group formation motives.

Conclusion

This study investigated the different combinations of partners' JV formation motives. Our findings indicate that partners hold multiple motives simultaneously to establish a JV. Knowledge development and market power are motives that can be the primary basis of partners to form JVs. Other rationales, such as sharing of risks and costs and low-cost sourcing are in our cases coupled with other motives. We explored whether symmetries exist between partners' formation motives at the aggregate level. We find that only in a few cases do partnering firms possess identical or single motives to form the JV. In cases where partners have two or more motives or when sharing of risks and costs are an important rationale, the number of partners in the JV tends to be less.

Notes

1. Council Regulation (EEC) No. 2137/85 of 25 July 1985 on the EEIG.
2. The 1,500 EEIGs is an estimate. We received a report from the EC on the number of existing EEIGs as per 24 July 2004; but additional research on the existence of such legal entities made us readjust the figure provided by the EU. The partner's average (four partners) is obtained via primary and secondary data collection.
3. *t*-levels for equality of means: knowledge development *t*-value = 0.176; sharing of risks and costs *t*-value = 1.153; strengthening of position in market *t*-value = 1.005; core competence (outsourcing) = −0.093.

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