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## **Factors Influencing International Joint Venture Performance: Theoretical Perspectives, Assessment, and Future Directions<sup>1</sup>**

### **Abstract**

- Despite firms' increasing adoption of the international joint venture (IJV) as a strategic foreign market entry mode, there is widespread concern with their performance. Accordingly, a sizeable stream of research has focused on identifying factors conducive to superior IJV performance. However, considerable fragmentation and inconsistency in empirical findings has limited theory development and the advancement of management practice in this important field.
- This article provides a systematic, analytical, and integrated assessment of over ninety empirical studies on drivers of IJV performance. In this context, empirical findings are evaluated across an integrated framework consisting of background, antecedent, core, and external variables. Emphasis is placed on isolating ways of enhancing the field's disciplinary maturity.

### **Key Results**

- This assessment exercise shows confounding findings for the majority of hypothesised IJV performance drivers—including control and organizational learning aspects—even when accounting for study performance measure, time period, geographic focus, and level of analysis. Nonetheless, a range of factors demonstrates a consistent pattern of association with performance and, of these, relational parameters are perhaps the most important.

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## Introduction

Intensified technological and competitive challenges accompanying market globalization have resulted in the upsurge of international joint ventures over the past two decades (Beamish/Delios 1997a).<sup>2</sup> Despite the risk of greater resource commitment, IJV arrangements provide potentially better long-term financial payback in comparison with less resource-laden foreign market entry and expansion modes such as exporting, licensing, and contract manufacturing. The strategic importance of an IJV operation lies in that a firm can maintain more control over international business and enhance experiential knowledge, critical for further overseas commitments (Berdrow/Beamish 1999). Moreover, it may be neither feasible nor wise to compete in foreign markets via wholly owned production subsidiaries, as environmental risk or protectionist legislation may require local involvement (Blodgett 1992).

Examination of the international business and strategic management literatures reveals that the identification of factors influencing IJV performance has received focal empirical attention. These studies have been stimulated by two major trends. First, the proliferation of IJVs as critical elements in an organization's business network and strategic weapons for competing within core markets (Harrigan 1986). Second, there is substantial evidence reporting unsatisfactory IJV performance (e.g., Beamish 1993, Hill/Hellriegel 1994); in fact, Beamish and Delios (1997b) reveal that an average of two in five IJVs are perpetual strugglers or outright failures. Thus, understanding IJV performance dynamics is vitally important to managers interested in developing and maintaining this type of cross-cultural strategic partnership.

Notwithstanding both the theoretical and pragmatic contributions of empirical IJV performance research, study findings are distinguishable by a certain degree of fragmentation and inconsistency. This is due to: (1) the different theoretical underpinnings adopted by IJV studies; (2) the fact that many studies were conducted in isolation, with little regard for the findings of previous research; (3) the tendency to investigate simultaneously just a few of the many factors linked to IJV performance; (4) the use of disparate construct operationalizations and research designs; and (5) disregard for the influence of contextual externalities on IJV behavior and success (Geringer 1998, Parkhe 1993a). And in spite of the volume of research on the drivers of IJV performance, as yet there has been no systematic attempt to analyze, assimilate, and project existing knowledge. Earlier reviews of the IJV literature have offered valuable insights into performance issues and identified areas worthy of empirical investigation, but they centered on particular aspects—for instance, the control–performance relationship (Beamish 1985, Geringer/Hebert 1989) or IJV instability (Yan/Zeng 1999).

This article provides a methodical, analytical, and focused review of those empirical studies examining the factors affecting IJV performance, with a view to isolating fruitful avenues of future empirical investigation. The *raison d'être* for such an exercise is that the lack of a comprehensive synthesis and evaluation of the research findings on the performance drivers of these complex, high-risk strategic arrangements limits theory development and management practice in this important area of international business (Parkhe 1993b, Yan/Zeng 1999). Our intent is thus to facilitate theory building on the subject by consolidating disaggregated extant knowledge, and to provide practitioners with insights into IJV management practices pinpointing key success factors and elements threatening operational longevity.

The present study has five objectives to accomplish, also serving as the basis for organizing the remainder of the article: (1) examine the main theoretical paradigms used to explain IJV operation and performance; (2) develop a classificatory framework that integrates the scattered theoretical knowledge on IJV performance and its determinants; (3) aggregate and analyze all pertinent empirical findings utilizing the integrated framework; (4) draw conclusions from the analysis of the empirical findings, and derive implications for management; and (5) highlight directions for future research and make suggestions for their implementation.

## IJVs and Theory

An examination of the IJV literature identifies several major theoretical paradigms that have been employed to explain the organization, operation, and outcomes of IJVs. To some extent this can be attributed to developments in the wider collaborative strategy field that offer valuable input in gaining an understanding of IJVs, together with the fact that IJVs represent a multifaceted organizational phenomenon (Kogut 1988a). Table 1 summarizes the underlying logic, focal aspects, and areas of concern for each paradigm, while these are described in the following.

The principal theoretical approach to explaining IJV formation and development is based on *transaction cost economics* (TCE) (Hennart 1988). Proponents of TCE argue that alliances occur because the sum of production and transaction costs associated with joint ownership is lower than that for sole ownership or market transactions (Kogut 1988a). As regards foreign market entry, an IJV may be preferable to the former because of the difficulties and costs involved in managing overseas employees, and to the latter as the local partner's equity stake lowers opportunism and monitoring costs and the local partner can contribute

Table 1. Alternative Theories for Researching IJVs

Organization theories	Underlying logic	Focal aspects	Areas of concern	Examples of studies
<b>Transaction costs economics</b>	The sum of production and transaction costs associated with joint ownership is lower than that for sole ownership of the venture or market transactions.	The size and division of exchange and production costs incurred, mitigation of the hazards of partner opportunism, the use of administrative procedures for control, and the alignment of financial incentives.	No account is taken of the fact that IJVs are intrinsically strategic and can embody many different parental motives. Lack of attention to the social fabric of IJV partnerships.	Hennart 1988 Kogut 1988b Ramanathan et al 1997
<b>Agency theory</b>	IJVs act as agents through which parent organizations (the principals) aim to increase their business activities and success. The principals act to control costs they attribute to the agency relationship.	Principal and agent agendas may differ, leading to future conflict; this is exacerbated by cultural distance and avoided via parent-initiated control mechanisms.	Agency hazards constitute just one difficulty amidst the many facing IJV managers. The assumption that IJV managers serve their own purposes before those of the parent firm may not be pragmatic.	Reuer/Miller 1997 Contractor/Kundu 1998 Kumar/Seth 1998
<b>Resource-based view</b>	IJVs form to create bundles of strategic and social resources that serve as a source of competitive advantage and, in turn, superior performance.	Achieving positional advantages on the basis of interfirm resource complementarity, the scarcity of valuable firm resources, the coalitional nature of organizations, and the resource interface in IJVs.	A comprehensive set of sources of advantage has not yet been isolated in the general management literature; little has been determined in the case of collaborative strategy. Difficulty in testing an IJV performance model for this dynamic perspective using cross-sectional data.	Eisenhardt/Schoonhoven 1996 Mjoen/Tallman 1997 Das/Teng 2000
<b>Behavioral perspective</b>	The development and successful evolution of IJVs depends largely on behavioral interactions and the presence of goodwill among the parties involved.	Relational and interactional characteristics—such as trust, commitment, cooperation, and forbearance—and processes within the interfirm partnership.	Softer aspects should not always be placed before structural factors in developing IJV businesses, let alone be treated as an 'end' rather than a 'means'. Problems exist in the quantification of relational variables; the extant research is too general and diffuse.	Inkpen/Birkenshaw 1994 Eroglu/Yavas 1996 Inkpen/Currall 1997



Table 1. Alternative Theories for Researching IJVs (Continued)

Organization theories	Underlying logic	Focal aspects	Areas of concern	Examples of studies
<b>Organizational learning/knowledge</b>	IJVs represent a conduit through which firms can obtain tacit organizational knowledge embedded in others. Firms form partnerships to capitalize on opportunities to acquire particular new skills.	How organizational knowledge possessed by the partners and IJV is used and managed; procedures for information transfer, transformation, and harvesting.	Learning is not a key factor for many firms engaged in IJVs; hence, learning outcomes may have little effect on IJV business performance. Quantitative study on the topic has not been able to elucidate how learning processes unfold over time.	Inkpen/Crossman 1995 Lyles/Salk 1996 Inkpen/Dinur 1998
<b>Political economy</b>	A sponsoring firm's level of control and performance in an IJV business is contingent on bargaining power it accrues from resources and capabilities.	The interplay of power between the partners, their resources, goals, decision making control, and perceptions of equality, and the concept of productive exchange.	Firms recognize that power play does not increase the size of the pie for each partner and enable the most to be made from the joint opportunity. Problems with the quantification of power/dependence.	Lecraw 1984 Yan/Gray 1994 Lee/Beamish 1995
<b>Strategic management</b>	IJVs are motivated by strategic behavior in response to environmental conditions, and their performance hinges on whether a mutual coalition/fit between parent strategy and venture structure is achieved.	Formative and structural aspects of the IJV are attributable to a focal parent's competitive position/strategy along with important traits of its industry.	Lack of attention to the interactive relationship existing between partner firms. Firm homogeneity is unrealistically assumed.	Harrigan 1988 Lyles/Baird 1994 Millington/Bayliss 1997

valuable market knowledge (Hennart 1988). During collaboration, each side assesses constantly costs accruing from its participation, especially those associated with inter-partner competition, the value of proprietary knowhow passed to the partner, and the risk of partner opportunism (Kogut 1989, Ramanathan/Seth/Thomas 1997). If at some point costs are deemed too high, the firm may choose to organize the particular boundary activity in a different way and withdraw from the IJV.

A second theoretical approach from the organizational economics tradition is *agency theory*, which attributes a divergence of interests between shareholders (principals) and managers (agents) to the separation of ownership and control in modern businesses (Hoskisson/Hitt/Wan/Yiu 1999). From this perspective, the IJV management team may be regarded as the agent of the parent companies and, hence, the venture's business structure would reflect the parents' efforts to minimize risks they associate with the IJV's agenda (Kumar/Seth 1998). The foreign partner, in particular, is likely to discern potential difficulties in assessing the abilities and actions of the IJV executive committee due to physical and cultural distance (Contractor/Kundu 1998). Any differences in the local partner's goals for the IJV may cause the foreign firm to suppose that IJV managers will engage in activities that would neglect or compromise its own interests. Alternatively, according to the stakeholder management perspective (Barringer/Harrison 2000), agency problems arise in the IJV context where a parent firm's shareholders become concerned that the alliance venture and partner will compete for the attention of the parent's executives (Reuer/Miller 1997).

Another popular approach has its roots in the *resource-based view* of the firm, which suggests that valuable firm resources—comprising tangible and intangible elements—are usually scarce, imperfectly imitable, and lacking in direct substitutes (Barney 1991). From this viewpoint, IJVs are formed to create bundles of strategic and social resources not otherwise available to either partner, which in turn can generate competitive advantage and improve performance (Mjoen/Tallman 1997). It is about producing the most value from one's existing capabilities and resources by combining these with others' sources of advantage and, in this, ensuring complementarity is paramount. Venturing firms achieve positional advantages when they pursue a value creating strategy not followed by competing organizations; the reason competitors often find it difficult to implement a similar strategy is that they may not possess all the necessary resources themselves or be able to locate a partner willing and able to contribute the extra resources required (Das/Teng 2000).

Criticism that past empirical work on IJVs does not adequately recognize the inseparability of the outcome (e.g., survival, control) from the process has given rise to a *behavioral research* paradigm. On this basis, critical issues pertaining to the relationship process, such as commitment, trust, and satisfaction, have been placed at the heart of voluntary IJV cooperation (Madhok 1995, Parkhe 1993b).

The social dimension within which these arrangements are embedded can be nurtured to increase the partners' goodwill and flexibility regarding the IJV and generate operational efficiencies based on mutual orientation toward the partnership (Ring/Van de Ven 1992). In such cases IJV development is likely to be integrative, as each party would be committed to involving the other in areas where it can provide impetus for alliance development and success. Relationship-oriented exchange behaviors might even result in lucrative ends outside the original IJV agreement.

The quest for *organizational learning* or *knowledge* is another theoretical explanation for firms cooperating and continuing to engage in IJV partnerships. A growing body of research suggests that venturing firms may enhance their competitive positions through acquiring new skills and capabilities from partner firms (Shenkar/Li 1999). Based on this school of thought, IJVs are a repository of valuable information and provide a platform for acquiring a partner's tacit experiential knowledge or even obtaining new knowledge developed by the IJV itself (Berdrow/Beamish 1999). This knowledge can be useful to parent firms in three ways: (a) it can strengthen the strategic, operational, and tactical aspects of their businesses; (b) it can enhance experience in the design, implementation, and management of IJV businesses; and (c) it can be embedded in specific processes and outputs of the IJV and benefit the venture itself, but otherwise be of limited value (Inkpen/Dinur 1998). Proponents of the learning perspective consider IJV behaviors in terms of how managers should be cognizant of knowledge types, manage learning states and connections, and regulate knowledge transfer processes.

The *political economy* paradigm has also been employed to explain the functioning of IJVs, emphasizing particularly the interplay of power between the venture parties, goals of the power wielders, and the concept of productive exchange (Buchanan/Tollison/Tullock 1984). Advocates of this paradigm contend that a major motive for a firm to participate in an IJV is the superior bargaining power accrued from its resources and capabilities (Gray/Yan 1992). Firms controlling 'irreplaceable' IJV resources or inputs would be best placed to dominate proceedings and establish overall management control (Mjoen/Tallman 1997). Nonetheless, the expectations, strategic missions, urgency and commitment, and strengths and weaknesses of the partners would also impact the bargaining process and appearance of conflict throughout the lifespan of the IJV deal (Yan/Gray 1994). Power differences would result in positive ownership and control positions; the latter transpires at two different levels, strategic (e.g., overall business strategy) and tactical (e.g., production technology), for which each party's degree of control depends on its prevailing strengths (Mjoen/Tallman 1997).

A final approach to understanding IJVs is derived from the *strategic management* perspective, which stresses strategic goals and objectives pursued through the venture, along with the various policies, structures, and plans developed to achieve them (Hofer/Schendel 1978). The importance of this theory can be attri-

buted to the fact that firms utilize complex modes of interorganizational collaboration, such as IJVs, in their efforts to increase competitiveness and maximize profits (Kogut 1988a). In expanding abroad firms often pair with local businesses in foreign markets to obtain particular competitive advantages (e.g., product-market access), following a carefully made strategic decision (Barringer/Harrison 2000). During IJV development, emphasis is placed on achieving success through matching the strategy of the parent organization with the structure by which the venture is controlled (Franko 1971). Further, attention is devoted to establishing strategic symmetry between the sponsoring firms, in terms of company missions, resources, management skills, and allied attributes, critical in building a complementary and equitable business relationship (Harrigan 1986).

A number of observations can be made regarding the preceding overview of IJV research paradigms. First, each theory tries to explain IJVs from a different perspective, although several of the constructs employed are common to some of them due to overlapping theoretical domains. For example, knowledge acquisition and agency problems could be contemplated together within the TCE framework.<sup>3</sup> Identifying the many connections and overlaps among the various theories is beyond the scope of the present assessment exercise. Second, the applicability of each theory depends on situation specific factors—for instance, the resource-based view is better suited to IJVs operating in highly competitive business environments. Third, while certain theories place emphasis on the establishment and structuring of IJVs (e.g., TCE), others focus more closely on management and performance outcomes (e.g., political economy). Finally, although the theoretical perspectives are all relevant to developing a deeper understanding of IJVs, no single paradigm provides an adequate foundation for a general theory explaining the economic and social outcomes of IJVs.

## **An Integrated Approach to IJVs**

What is needed is the adoption of a paradigmatic pluralism which would help develop a theoretically integrated model of IJV performance that will put together the different constructs studied in IJV theories and establish relationships between them (Ramanathan et al 1997). Such paradigmatic eclecticism may provide more creative, innovative, and insightful ideas, facilitating new theory generation and enhancing the level of disciplinary maturity in the field. Accordingly, an attempt is made to synthesize the scattered knowledge on IJV performance determinants into an integrated organizing framework, in order to enable an unambiguous taxonomy of the various constructs studied. Drawing heavily on the coding method used in grounded theory, a procedure was undertaken that conceptuali-



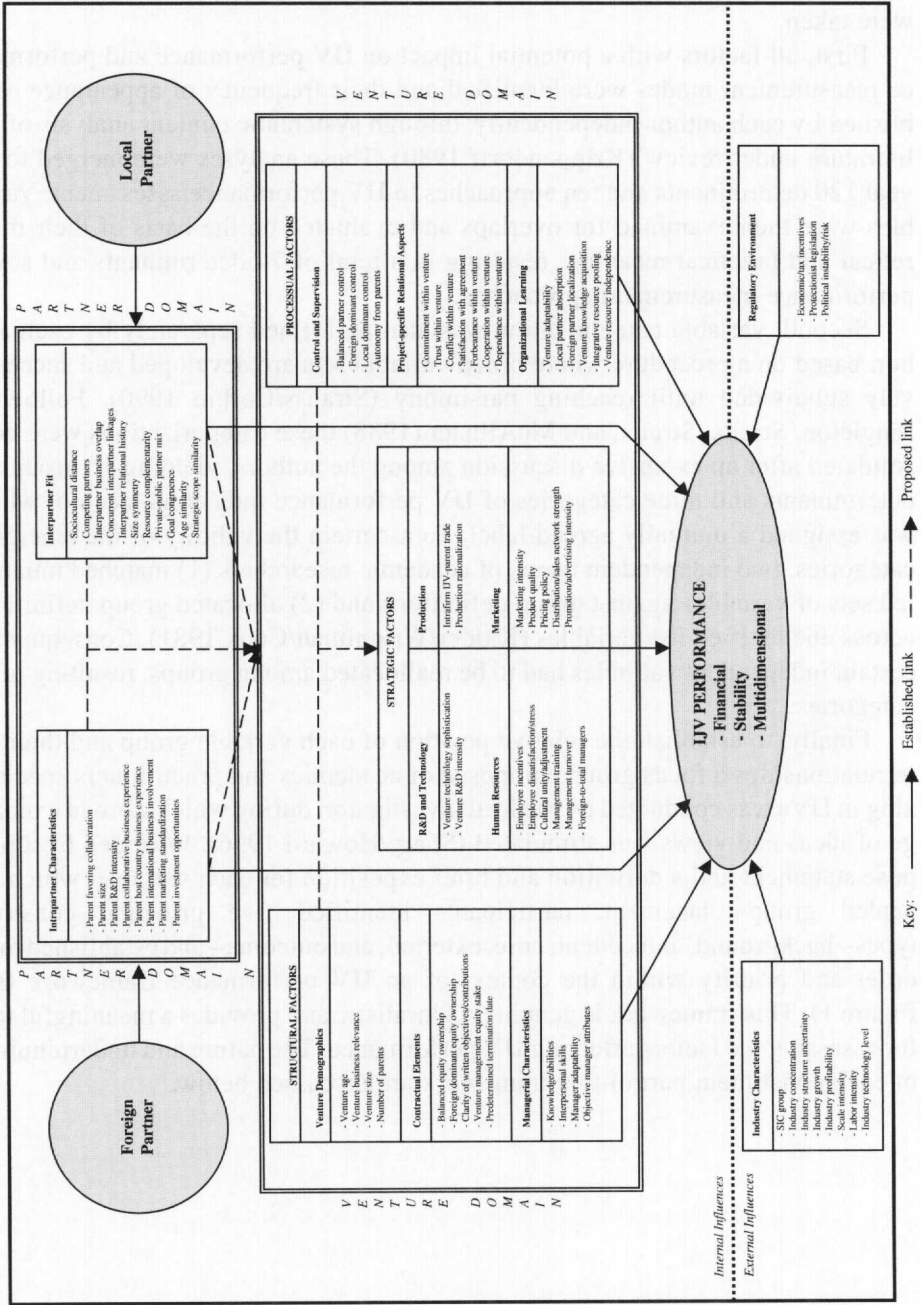
zes, categorizes, compares, and associates textual data obtained from various sources (Corbin/Strauss 1990). This is essentially an analytical process facilitating the identification and development of concepts that can be used as basic building blocks for theory advancement (Strauss/Corbin 1990). Here, three sequential steps were taken.

First, all factors with a potential impact on IJV performance and performance measurement modes were identified and their frequency of appearance established by each author independently, through systematic content analysis of the literature under review (Krippendorff 1980). These analyses were merged to reveal 120 determinants and ten approaches to IJV performance assessment. Variables were then examined for overlaps and evaluated on the basis of their theoretical and practical meaning, resulting in a total of 74 determinants and seven performance measurement approaches.

Second, variable categorization was also performed separately by each author, based on a procedure where broad variable sets are developed and successively subdivided until reaching parsimony (Strauss/Corbin 1990). Following Singleton, Straits, Straits, and McAllister (1988) these categorizations were consolidated after an extensive discussion among the authors, yielding 16 groups of determinants and three categories of IJV performance indicators, each of which was assigned a mutually agreed label. To ascertain the validity of the emerging categories, two independent teams of academic researchers (1) matched unlabelled sets of variables against group definitions and (2) allocated group definitions across unclassified list variables (Kidder/Wrightman/Cook 1981). Consequently, certain independent variables had to be reallocated among groups, resulting in 14 categories.

Finally, to establish the relative position of each variable group and their interrelationships a focus group composed of academics and practitioners specializing in IJVs was conducted by the lead investigator, during which a broad exchange of ideas and views was stimulated (Sharp/Howard 1996). Informed by a purpose statement and a definition and brief exposition for each variable, which revealed group placement, participants identified five principal construct types—background, antecedent, core, external, and outcome—and established their order and priority within the context of an IJV performance framework (see Figure 1). This framework is genuinely pluralistic and provides a meaningful tool for assessing the factors affecting IJV performance. The nature and underpinnings of each constituent part of this framework are discussed below.

Figure 1. Organizing Framework of Factors Influencing IJV Performance



## Background Variables

This set contains factors shaping the domain of the venture partners—foreign investor(s) and host country firm(s)—and comprises two variable subsets: *intra-partner characteristics* and *interpartner fit*. The former category includes factors found exclusively within the foreign investor's organization that demonstrate its ability to successfully undertake an IJV (e.g., international business experience). The latter category holds elements relevant to partner choice, with the emphasis placed on ascertaining whether it possesses: trustworthiness credentials (e.g., relational history); affinities conducive to cooperation (e.g., sociocultural); adequate resources (e.g., resource complementarity); and the drive to work toward achieving common benefits (e.g., goal congruence).

## Antecedent Variables

This group concerns structural and processual aspects of IJV development. Structural variables include: (1) *venture demographics*, i.e., the age and parental status of the IJV; (2) *contractual elements*, governing the formal IJV agreement such as ownership participation and clarity of objectives and obligations; and (3) *managerial characteristics*, objective attributes of IJV managers, as well as subjective qualities such as their experiential knowledge and interpersonal skills. Processual factors also comprise three groups: (1) *control and supervision*, variables concerning the locus of parental control and IJV autonomy; (2) *project-specific relational aspects*, relating to the atmosphere of the interpartner arrangement (e.g., trust); and (3) *organizational learning*, elements indicating the partners' ability and willingness to adjust to the IJV's requirements (e.g., resource integration).

## Core Variables

This group is also in the venture domain and contains strategic factors pertaining to enterprise functions at the forefront of the IJV's efforts to attain a high level of performance. *R&D* strategy refers to the IJV's potential to develop products that are both technologically sound and commercially suitable. Here attention is given to R&D intensity and technological sophistication. *Production* strategy may play a crucial role in IJV performance through the provision of adequate supply and goods of appropriate quality. In this context, extant research has examined parent firm-IJV product/materials flow and production rationalization. *Marketing* strategy has been emphasized in the literature; sound product, pricing, distribution, and promotion strategies are expected to favorably affect IJV performance. Likewise, *human resource* strategy has been recognized, with attention to issues such

as unity of the IJV's employees and the recruitment, development, and turnover of IJV managers.

### External Variables

Variables over which executives have little or no control fall into two categories: *industry characteristics* and *regulatory environment*. Relevant industry characteristics include growth rate, technology status, and labor and scale intensity. Consideration of such attributes can provide insight into foreign market entry and expansion barriers confronting an IJV, the nature and intensity of competition facing IJV operations, and the IJV's future competitive position, development, and success. The regulatory environment consists of all those forces shaping the host country politico–legal framework within which the IJV must operate. Potentially important factors are financial and allied incentives for foreign investors, legislation protecting indigenous manufacturing firms, and political stability.

### Outcome Variables

Three distinct IJV performance measurement approaches are identified in the literature. The first is *financial* assessment, where performance is usually appraised on the basis of objective indicators (e.g., profitability, sales growth) that constitute the dominant model of empirical strategy–performance research (Hofer 1983). A number of recent studies have operationalized financial performance using perceptual measures based on managerial assessment of IJV economic goal attainment (e.g., Luo/Chen 1997), or company share-price reaction to the public announcement of an IJV strategy (e.g., Koh/Venkatraman 1991). The second approach is also unidimensional and involves assessing IJV *stability*, in terms of operational survival (e.g., rate of unexpected dissolution) or specific signs of instability (e.g., unplanned equity renegotiation).<sup>4</sup> Stability measurement has the benefit of being fully objective, insofar as it is based on systematic tracking, whereas financial indicators may be inaccurate or difficult to interpret (Anderson 1990).

The third approach is *multidimensional* assessment, where diverse IJV performance facets (i.e., market and financial outcomes together with inputs and throughputs such as employee morale and knowledge acquisition) are incorporated into the measurement (Anderson 1990). The rationale for this approach lies in that unidimensional performance measures may not adequately capture the extent to which an IJV has achieved its objectives (Luo 1999)—these may be unrelated to venture longevity or economic fulfilment (e.g., access to new markets). Multidimensional assessment of IJV performance is customarily based upon ma-



nagers' perceptual judgements, whereby respondents are asked to self-rate performance to: (1) give an overall viewpoint on satisfaction with performance or goal achievement, and/or (2) provide indications along multiple, specific outcome dimensions. Here the level of detail varies considerably across studies. Olk (1997), for example, asked managers to evaluate IJV performance on 31 outcome-specific criteria, whereas Zeira, Newburry, and Yeheskel (1997) employed only four indicators of this kind. Occasionally, the informants are also asked to attach weights to the importance of the criteria used in order to tie performance measurement to the achievement of objectives (e.g., Ding 1997).

## Empirical Assessment

Having developed the classificatory framework, we now proceed to aggregate and analyze empirical findings pertinent to the subject. Our investigation focuses on studies examining factors related to IJV performance and, thus, does not cover research considering IJV performance in absolute terms, such as market entry mode appraisal papers. Studies eligible for inclusion had to: (1) be empirical in nature, based on the collection and analysis of primary and/or secondary data; (2) concentrate on IJVs involved in the manufacture of products, as they constitute the overwhelming majority (Hu/Chen 1996); (3) concentrate on the corporate level as the unit of analysis;<sup>5</sup> (4) clearly state and operationalize both determinants and indicators of IJV performance; and (5) document explicitly new research findings. Eligible studies were identified using three types of literature sources: *primary*, journal articles, conference proceedings, and working papers; *secondary*, review papers in journals, textbooks, and subject abstracts; and *tertiary*, handbooks and subject bibliographies (Sharp/Howard 1996). The literature search was based on both computerized and manual methods. While the former method was effective in identifying subject abstracts and bibliographies, journal articles, and working papers, the latter was more practical in scanning books and conference proceedings. In total, ninety-one articles appearing before the end of 2000 were identified, published in 36 literature sources—most commonly *Journal of International Business Studies*, *Management International Review*, and *Academy of Management Journal*.<sup>6</sup>

The thrust of IJV performance research occurred in the 1990s, while relatively few studies were conducted in the 1970s and 1980s. Performance analysis usually occurs at the microbusiness level; mesoeconomic approaches were used in one-fifth of the studies reviewed.<sup>7</sup> Emphasis was placed on ventures involving only two parent firms and those based in developing or newly industrialized countries, frequently in South East Asia; this trend is attributable to microbusiness re-

**Table 2.** IJV Performance Determinants by Method of Performance Assessment<sup>(a),(b)</sup>

Determinants of Performance	Total	Overall Performance			Specific Performance Measure								
		(n = 95) <sup>(c)</sup>			Financial Performance (n = 26)			Stability Performance (n = 25)			Multidimensional Performance (n = 44)		
		[+]	[0]	[-]	[+]	[0]	[-]	[+]	[0]	[-]	[+]	[0]	[-]
<b>INTERNAL INFLUENCES</b>													
<i>Intrapartner Characteristics</i>													
Parent favoring collaboration	3	3					1				2		
Parent size	10		6	4		4	4		1			1	
Parent R&D activity	4	1	3		1	1			1			1	
Parent collaborative business experience	7	3	4		1	1			2		2	1	
Parent host country business experience	7	3	3	1		3	1		2			1	
Parent international business involvement	7	2	4	1	1	3	1		1	1			
Parent marketing standardization	2	1		1					1		1		
Parent investment opportunities	1	1			1								
<i>Interpartner Fit</i>													
Sociocultural distance	24	4	11	9		4		1	2	7	3	5	2
Competing partners	3	1	2		1					2			
Interpartner business overlap	6	2	2	2	1	1	1				1	1	1
Concurrent interpartner linkages	2	2							2				
Interpartner relational history	7	4	2	1	2		1		1		1	1	
Size symmetry	8		6	2		1	1			4		1	1
Resource complementarity	5	3	2		1				1		2	1	
Private-public partner mix	4		1	3		1							2
Goal congruence	2	2							1		1		
Age similarity	1		1							1			
Strategic scope similarity	1		1							1			
<i>Venture Demographics</i>													
Venture age	22	11	10	1	4	4		2	2		5	4	1
Venture business relevance	10	5	4	1	4	1		1		1		3	
Venture size	15	5	9	1	2	6	1	1	1		2	2	
Number of parents	5	3	1	1	1			1	1		1		1
<i>Contractual Elements</i>													
Balanced equity ownership	14	2	10	2	1	1	1		1	6		3	1
Foreign dominant equity ownership	12	2	7	3		4	2		1		1	3	1
Precise objectives/contributions	5	4	1						1		3	1	
Venture management equity stake	1	1									1		
Predetermined termination date	1	1									1		
<i>Managerial Characteristics</i>													
Knowledge/abilities	3	2	1								2	1	
Interpersonal skills	1	1									1		
Manager adaptability	2	2									2		
Objective manager attributes	1		1									1	
<i>Control and Supervision</i>													
Balanced partner control	12	2	7	3					1		2	6	3
Foreign dominant control	18	5	10	3		2	1		1		4	7	2
Local dominant control	9	2	6	1					1		2	5	1
Autonomy from parents	4	1	3								1	3	
<i>Project-specific Relational Aspects</i>													
Commitment within venture	7	5	2								5	2	
Trust within venture	9	7	2						3		4	2	
Conflict within venture	12		2	10			1			3		2	6
Satisfaction with agreement	4	4							2		2		
Forbearance within venture	1	1									1		
Cooperation within venture	6	6									6		
Dependence within venture	3	2		1						1	2		

**Table 2.** IJV Performance Determinants by Method of Performance Assessment<sup>(a),(b)</sup> (Continued)

Determinants of Performance	Total	Overall Performance			Specific Performance Measure								
		(n = 95) <sup>(c)</sup>			Financial Performance (n = 26)			Stability Performance (n = 25)			Multidimensional Performance (n = 44)		
		[+]	[0]	[-]	[+]	[0]	[-]	[+]	[0]	[-]	[+]	[0]	[-]
<b>INTERNAL INFLUENCES</b>													
<i>Organizational Learning</i>													
Venture adaptability	3	1	1	1							1	1	1
Local partner absorption	3	1	1	1	1							1	1
Foreign partner localization	3	1	1	1				1		1		1	
Venture knowledge acquisition	4	2	2					1			1	2	
Integration resource pooling	3		3						2			1	
Venture resource independence	1			1									1
<i>R&amp;D and Technology</i>													
Venture technology sophistication	9	2	4	3		3	1			1	2	1	1
Venture R&D intensity	6	3	3		2	2		1	1				
<i>Production</i>													
Intrafirm IJV-parent trade	6	3	2	1	1			1	2		1		1
Production rationalization	1		1						1				
<i>Marketing</i>													
Marketing intensity	9	2	3	4	1	2			1	3	1		1
Product quality	2	2			2								
Pricing policy	1			1			1						
Distribution/sales network strength	4	3	1		1	1					2		
Promotion/advertising intensity	3	1	2			2					1		
<i>Human Resources</i>													
Employee incentives	2	2									2		
Employee dissatisfaction/stress	1	1									1		
Cultural unity/adjustment	2	1		1							1		1
Management training	4	2	2			1					2	1	
Management turnover	2			2									2
Foreign-to-total managers	6		3	3		1	1				2		2
<b>EXTERNAL INFLUENCES</b>													
<i>Industry Characteristics</i>													
SIC group	8	3	5		2	2		1	2				1
Industry concentration	4		2	2		1	1			1			
Industry structure uncertainty	2	1		1	1								1
Industry growth	4	2	2		1	1			1		1		
Industry profitability	2	2			1						1		
Scale intensity	1			1						1			
Labor intensity	2		2			1							1
Industry technology level	1		1										1
<i>Regulatory Environment</i>													
Economic/tax incentives	5	4	1		2						2	1	
Protectionist legislation	6	2	3	1		2		1		1	1		
Political instability/risk	5		4	1		2			2				1

Note: (a) [+], positive association reported; [0], no association reported; [-], negative association reported.

(b) Numbers indicate the frequency of association between individual independent factors and IJV performance.

(c) The studies of Inkpen and Makino (1995), Lee and Beamish (1995), Makino (1995), and Makino and Beamish (1998) each employed two performance measurement systems.

search, whereas mesoeconomic analysis is commonly used to examine geographically spread IJV populations. Some studies set a lower bound on IJV operating duration to ensure availability of normalized IJV performance data, often favoring the two-year stabilization period suggested by Beamish (1984). However, the majority of studies did not impose a minimum operating duration. Study samples ranged from only one to as high as 2,442 cases, with many falling below 50.

In 31 studies IJV performance data collection schemes included more than one point in time. Meso-economic research designs are accountable for this, considering that barely 20 percent of microbusiness studies assumed a temporal dimension. With few exceptions meso-economic studies were based on secondary data or firsthand documentary evidence; microbusiness studies most often relied on personal interviews. Although the 1980s witnessed the widespread use of managerial informants from parent organizations, studies reported in the 1990s more frequently used an IJV manager as the key informant. The independent factors most commonly studied relate to the domain of the venture and, to a lesser extent, that of the partner. Environmental influences are examined infrequently, and relatively few studies include factors from all three domains. In the majority of cases, the performance construct was operationalized using multidimensional measures. The analysis usually involved multivariate methods, although few studies employed structural equations modeling.

Empirical findings extracted from the studies were aggregated to determine the relative importance of factors identified as influencing IJV performance. Subsequently, the accumulated effect of each variable on performance (in terms of financial, stability, and multidimensional assessments, see Table 2) and the extent to which this effect varies in relation to IJV operating period and geographic location and study analytical level,<sup>8</sup> were examined. The nature of association (positive, negative, or not significant) between each independent factor and IJV performance is thus illustrated across all variable groups.<sup>9</sup>

### Intrapartner Characteristics

Because of many conflicting findings, it is difficult to clarify the effect of this subset of background variables on IJV performance. A parent firm's *positive attitude toward collaborative modes of business* is the only intrapartner factor with consistent results—a positive association (e.g., Beamish 1984). The effect of a parent firm's *size* on the performance of its IJVs is uncertain: results are negative in six studies (e.g., Isobe/Makino/Montgomery 2000), whereas four others (e.g., Barkema/Vermeulen 1997) reveal nonsignificant findings. In this context, analytical level appears to have an important effect in that the performance of large firms' IJVs is weak only in microbusiness study. There is less evidence linking parent firm *R&D intensity* to IJV performance: Nakamura (1991) alone finds a significant positive association, while Franko (1971), Isobe et al (2000), and Makino and Delios (1996) assert no relationship.

Confusion has arisen over the importance of a parent firm's *prior collaborative experience*. Three studies (e.g., Sim/Ali 1998) indicate that this background factor is linked positively to IJV performance, whereas four others (e.g., Barkema/Shenkar/Vermeulen/Bell 1997) find no significant association. A parent



firm's level of *host country business experience* is associated positively with IJV performance when performance is gauged multidimensionally (Artisien/Buckley 1985) or in terms of stability (e.g., Barkema/Vermeulen 1996). Four studies employing financial measures (e.g., Chen/Hu/Shieh 1991) cast doubt on the existence of an overall positive effect by exhibiting either negative or nonsignificant findings. Consideration of the operating period reveals that, while pre-1990 attempts to link host country business experience to IJV performance show a positive association, later studies provide contradictory findings. Research on the *international business involvement* of a parent firm also gives conflicting results, positive (e.g., Makino/Delios 1996), negative (Hu et al 1992), and not significant (e.g., Reuer 2000). Similar variation exists in the case of studies examining the correlation between a parental policy for *international marketing standardization* and IJV performance: Millington and Bayliss (1997) observe a positive effect, while Franko (1971) identifies an inverse relationship. Finally, favorable parent *investment opportunities* may effect superior IJV performance (Chen/Ho/Lee/Yeo 2000).

### Interpartner Fit

The impact of *sociocultural distance* on IJV performance is unclear, whether assessed multidimensionally or simply through partner nationality. This is apparent even when discounting from the discussion those studies unable to identify performance differences among IJVs involving various western investors (e.g., Beamish 1984). Except for the work of Park and Ungson (1997) and Sim and Ali (2000)—the former actually finding improved IJV stability—there is consensus that partners' cultural distance is related inversely to this performance measure (e.g., Barkema et al 1997). There is also consensus that no significant link exists between sociocultural distance and financial IJV performance (e.g., Luo 1997). By contrast, there is considerable incongruence in the findings where multidimensional IJV performance measures are utilized. Only Lin and Germain (1998) advocate the importance of sociocultural similarity, while others find no association (e.g., Mjoen/Tallman 1997) or report a paradoxical positive association (e.g., Hu/Chen 1996). Further, studies with a pre-1990 IJV operating period or focusing on developing country settings are more likely to suggest a negative relationship.

The importance of ensuring similarity between partner business interests was investigated in eight studies, with various and contradictory findings. Two stability-based performance studies (e.g., Park/Ungson 1997) showed that a prospective parent should avoid *collaborating with direct competitors*, while Park and Kim's (1997) market valuation findings suggest the opposite. Similarly, findings by Awadzi (1987) and Koh and Venkatraman (1991) indicating that partners should

have a general *business domain overlap*, are negated by the work of others (e.g., Zeira et al 1997). Two partner selection factors were found to improve performance by removing the threat of defection from an IJV project: the presence of *concurrent long-term relational ties* (e.g., Kogut 1989) and a *history of collaborative strategy* (e.g., Luo 1997) between partners. An established relationship might nevertheless have no positive effect on IJV performance (e.g., Park/Kim 1997).

Partner *size symmetry* is revealed relatively unimportant to managers concerned with partnership options (e.g., Kogut 1988b). Only Crutchley, Guo, and Hansen (1991) and Osland and Cavusgil (1996) identify a link, negative in nature, between this variable and IJV performance. A more consequential matter lies in ensuring *resource complementarity* (e.g., Sim/Ali 1998). When partners' resource contributions are combined with the development of relevant skills, resource similarity was found to facilitate greater coordination and better IJV management (Olk 1997). Perplexingly, Sim and Ali's (2000) performance study was unable to prove any kind of association involving this fit construct. In spite of Luo's (1997) nonsignificant findings, major problems may arise in IJVs that involve a *state-owned local business entity* (e.g., Beamish 1984). *Goal congruence* exhibits a positive association with IJV performance (e.g., Simiar 1983). Two interpartner factors, partners' *age* and *strategic scope similarity*, were considered only once each and found to be of no importance (Park/Ungson 1997).

## Venture Demographics

Considerable performance research suggests that IJVs are subject to a positive *duration dependence* (e.g., Lin/Germain 1998). Still, many studies do not support this link (e.g., Beamish 1984). The contention that IJVs become more successful over time only holds true for developing country settings, microbusiness studies, and studies conducted in the 1990s. With the exception of one nonsignificant result (Merchant/Schendel 2000), the financial performance of an IJV improves where its *business is related*, horizontally or vertically, to that of the focal parent (e.g., Park/Kim 1997). Multidimensional IJV performance measurement approaches consistently yield nonsignificant findings (e.g., Sim/Ali 1998), while related IJV projects are found to be more (Reuer 1998) or less (Park/Ungson 1997) stable than unrelated projects. Excluding Chen et al (1991), research into the relative effect of *IJV size* on performance suggests either a positive (e.g., Hu/Chen 1996) or no significant (e.g., Makino/Delios 1996) correlation. Of the studies testing the relationship between *number of parent firms* and IJV performance, those using pre-1990 data assert a positive association (e.g., Hu/Chen 1996), whereas post-1990 investigations reveal either an inverse (Olk 1997) or no significant (Beamish/Kachra 1999) association.

## Contractual Elements

The distribution of equity ownership is the only contractual item studied in depth. Except for Blodgett's (1992) and Park and Kim's (1997) findings that IJVs with *balanced equity ownership* perform better than those unilaterally-dominated, and Lecraw's (1984) and Ramaswamy et al's (1998) evidence to the contrary, extant research repudiates the existence of any significant link (e.g., Park/Ungson 1997). Geographic location is germane to this issue: balanced equity ownership is more likely to negatively affect performance among developing country-based IJVs. There is considerable variation in empirical findings regarding the impact of *foreign dominant equity ownership* on IJV performance. Several researchers find no relationship (e.g., Lee/Beamish 1995); two studies support foreign dominant ownership (Makino 1995); and three others hold that such ownership lowers performance (e.g., Beamish 1984). IJVs without explicit *goals and parental contributions* encounter performance difficulties (Lyles/Salk 1996); however, Lyles, Sulaiman, Barden, and Kechik (1999) detect no relationship. Although studied only once each, two other contractual elements may also increase IJV effectiveness: the sale of *equity to key managerial stakeholders* (Beamish 1984); and a definite *venture lifespan and endpoint* (Killing 1983).

## Managerial Characteristics

Despite the unique managerial challenges posed by these interorganizational entities (Shenkar/Zeira 1992), only a few studies have explored associations between managerial attributes and IJV performance outcomes. Two of the three studies investigating the correlation between *experiential knowledge and abilities* and performance identify a positive relationship (e.g., Killing 1983), while no significant association is established in the study of Parker, Zeira, and Hatem (1996). Two studies found *interpersonal skills* (Parker et al 1996) and managerial *adaptability* (Killing 1983, Parker et al 1996) to be important IJV performance determinants. Parker et al.'s (1996) study also examines the effect of managers' *demographics* on venture performance; here, nationality, gender, and allied objective attributes prove to be of little significance.

## Control and Supervision

*Dominant parental control* over IJV operations correlates positively to performance in three studies (e.g., Lin/Germain 1998). However, other studies oppose unilateral dominance suggesting that split control IJVs exhibit superior performance (e.g., Beamish 1984), or find no clear association (e.g., Hebert 1994).

Similarly, findings are inconsistent regarding the importance of relative partner decision making authority. Research indicates that a *foreign partner's dominant influence on decision making* enhances IJV performance (e.g., Ding 1997), has no impact on performance (e.g., Yan/Gray 1994), or even lowers it (e.g., Lyles/Baird 1994). For this factor, studies based in the 1990s are more likely to find a positive association. *Local dominant control* is shown to augment IJV performance in two studies (e.g., Beamish 1984), while several others suggest little impact (e.g., Eroglu/Yavas 1996). Finally, the idea of granting complete *autonomy* to the IJV business is also contentious: Demirbag and Mirza (2000) connect performance benefits with greater venture autonomy, while Awadzi (1987) and Hebert (1994) can find no relationship.

### Project-specific Relational Aspects

The relationship between partner *commitment* and IJV performance is considered in seven studies, five of which report a positive correlation (e.g., Hu/Chen 1996), while the other two find no correlation (e.g., Lee/Beamish 1995). The impact of *trust* development is in like manner clear: seven studies (e.g., Hebert 1994) conclude that trust is a key factor in IJV success, although Inkpen and Currall (1997) and Lyles et al. (1999) find no significant association. In contrast, substantial evidence suggests that dysfunctional *conflict* is related inversely to venture performance (e.g., Ding 1997); however, Eroglu and Yavas (1996) and Lyles et al (1999) detect no relationship. Links between other relational dimensions and IJV performance also appear straightforward. Performance is higher where partners remain *satisfied with the venture agreement* (e.g., Zeira et al 1997), *forbear* for each other (Inkpen/Currall 1997), and *cooperate* fully (e.g., Sim/Ali 1998). The same positive effect may transpire as a result of interpartner *dependence* (e.g., Beamish 1984) despite evidence to the contrary reported by Chen and Boggs (1998).

### Organizational Learning

The relationship between learning and IJV performance remains indeterminate. Positive, negative, and nonsignificant findings were found for IJV *adaptiveness* (e.g., Berdrow/Beamish 1999), *local partner absorption* (e.g., Luo 1997), and *foreign partner localization* (e.g., Beamish/Inkpen 1995). Further, in opposition to results proving high performance is attributable to *IJV knowledge acquisition* (e.g., Lyles/Salk 1996), other pertinent research concludes there to be no relationship (e.g., Lyles et al. 1999). Of the two resource status factors, *resource integration* is found to have little bearing on IJV performance (e.g., Tiessen/Linton 2000), while venture *resource independence* is shown to trigger poor performance (Zeira et al. 1997).



## R&D and Technology

The *technological sophistication* of an IJV may signify that it is to serve as a channel for technology transfer. In light of this supremacy of unilateral goals over mutual designs and greater coordination, performance suffers (Park/Ungson 1997). However, four microbusiness studies find technology level not to be significant (e.g., Luo/Chen 1997), and two others discover a positive association (e.g., Iso-be et al 2000). Three studies highlight the positive effect the magnitude of an IJV's *R&D involvement* has on performance (e.g., Kogut 1989). Nonetheless, further evidence attests that R&D-intensive IJVs are no more likely to perform well than other venture types (e.g., Luo 1995).

## Production

Only six studies endeavor to explore aspects of production. The performance effect of *parent-child materials flow* remains unclear: Nakamura (1991), Nakamura, Shaver, and Yeung (1996), and Yan (1997) offer proof that this interstakeholder product exchange benefits IJV performance, Killing (1983) detects a negative association, and Franko's (1971) and Sim and Ali's (2000) findings downplay any correlation. Franko (1971) also examines the effect of cost-cutting *specialization/rationalization* on IJV performance, but finds no significant relationship.

## Marketing

Several aspects of IJV marketing strategy have received empirical attention, albeit relatively limited. Four studies suggest that IJV projects with extensive *downstream operations* perform poorly (e.g., Kogut 1988b). Five others refute this association, indicating average (e.g., Merchant/Schendel 2000) or strong (e.g., Liu/Pak 1999) performance of marketing-driven IJVs. The finding that IJV marketing intensity negatively influences performance only holds true for ventures established in developed countries and mesoeconomic studies. Certain elements of the marketing mix can positively affect venture performance: the *quality of the IJV's product* (e.g., Luo/Chen 1997); offering products at a *low price* (Luo 1995); and *salesforce budget size and sales network development* (e.g., Luo 1995). However, Good's (1972) research finds that the sales network is not an important IJV marketing strategy constituent. Further research is also needed to clarify whether an intense *promotional campaign* underpins IJV success, as findings are inconsistent: Fey (1995) finds a positive correlation, while Luo (1995) and Luo and Chen (1997) find no association.

## Human Resources

Attention has been devoted to human resource complexities resulting from the high level of partner interaction in IJVs. Variables pertaining to *employee well-being*, such as incentives offered (Lyles/Baird 1994) and empowerment (Fey 1996), improve IJV performance. Notwithstanding this, other research indicates paradoxically that IJV performance increases as *job dissatisfaction and stress* increase (Cartwright/Cooper 1989). While Cartwright and Cooper (1989) conclude that the presence of a *unitary work culture* impedes IJV performance, Zeira et al (1997) find foreign partner cultural adjustment to be related positively to IJV performance. *Training* of the workforce and managerial staff has been researched in four studies: Fey (1995) and Lyles et al (1999) find that insufficient training causes performance problems, whereas Good (1972) and Lyles and Salk (1996) identify no relationship. Two other management issues were studied: manager *turnover* (e.g., Isobe et al. 2000) and the *proportion of foreign managers* within the IJV (e.g., Beamish 1984) have both been found to adversely affect IJV performance. While the latter finding reflects the strategic necessity of leveraging a local partner's knowledge of market conditions, three other studies could not establish any relationship between this variable and IJV performance (Lyles/Baird 1994).

## Industry Characteristics

Limited emphasis has been given to the impact of industry factors on IJV performance. Of the studies considering the importance of *SIC category*, those with a pre-1990 IJV operating period consistently find no significant association (e.g., Beamish 1984), whereas more recent evidence identifies a definite link (e.g., Beamish/Kachra 1999) or, again, no link (Anand/Khanna 2000). The importance of industry *concentration* is unclear: results are negative in two studies (e.g., Kogut 1988b), Kogut (1989) identifies a relationship where performance is high at both extremes of concentration, and Good (1972) signifies no association of any kind. Similarly, Luo's (1999) finding that industry *structure uncertainty* actually enhances IJV performance obscures whether there is a negative effect (Inkpen/Currall 1997). Although two studies (e.g., Luo 1997) assert that industry *growth rate* positively affects performance, two others (e.g., Kogut 1989) demonstrate that this external factor plays no role in influencing venture performance. The significance of industry *profitability* appears more straightforward, in that both Luo (1999) and Tiessen and Linton (2000) reveal a positive link between this factor and IJV performance. Three industry factors were considered only once each: industry *scale intensity* is shown to have a negative influence on IJV performance (Kogut 1989); and *labor intensity* and *technology level* are both found to be of no significance (Hu/Chen 1996).

## Regulatory Environment

Research within this subset concentrates on the availability of financial incentives and intensity of government legislation. *Tax and economic incentives*, possibly as a result of location within LDC special economic zones, assist parent firms in improving IJV performance (e.g., Osland/Cavusgil 1996). Only Hu and Chen (1996) conclude that economic advantages yield no discernible benefits. *Protectionist regulation* within a national setting has only a moderate bearing on IJV performance (e.g., Makino 1995). In contrast, such influence may be marked: Blodgett (1992) and Osland and Cavusgil (1996) reveal a positive association, while Makino (1995) suggests a negative association. *Prima facie* a positive link here is surprising, given that a risky *political environment* leads to unsatisfactory IJV performance (e.g., Barkema/Vermeulen 1997). On the other hand, there are research findings that downplay the significance of political uncertainty (Merchant/Schendel 2000).

## Conclusions and Implications for Management

IJV performance research constitutes the largest stream of empirical inquiry within the collaborative strategy field, yet it remains chaotic and to a large extent ambiguous. This is indicated by the fact that studies often: (1) lack a sound framework that would yield a comprehensive set of both determinants and indicators of IJV performance; (2) fail to contemplate the various theoretical perspectives; (3) define, operationalize, and categorize IJV performance determinants in different, and sometimes contradictory, ways; (4) are conducted in isolation, leading to a fragmented body of knowledge; and (5) fall short of connecting empirical findings to a rigorous future research program. This situation is echoed in our endeavor to synthesize and analyze the empirical results of this stream of research. Studies were found to be spread thinly across multifarious IJV performance determinants, rendering the extraction of conclusions dangerous and potentially misleading. What is more, for most independent factors that did attract considerable research attention, the consolidated results are inconclusive.<sup>10</sup>

Despite these limiting considerations, this sphere of research has been instrumental in our understanding of the complexities underlying IJV performance characteristics. The present assessment reveals important trends that should prove useful to international management practitioners and scholars. Of the 12 groups of controllable factors, interpartner fit is the most widely researched, with particular emphasis on the effects of sociocultural distance. Another well-investigated area concerns venture demographics, with much attention given to IJV age

and size. The factors least studied represent production, technology, and R&D strategies and managerial characteristics, notwithstanding that these issues are considered important to the development and management of joint ventures in the broader collaborative strategy literature. Compared to internal determinants of IJV performance, external influences were virtually neglected. This also is counter-intuitive, since IJVs are often subject to complicated competitive and institutional pressures (Lu/Bjorkman 1997).

Several factors demonstrate a consistent pattern of association with overall IJV performance and should be a high priority from a global management perspective. In the *background* variable groups, success factors include a parent's positive attitude toward collaborative forms of business, avoiding partnerships with state-owned organizations, simultaneous development of additional ties with the partner, and ensuring interpartner goal congruence. In terms of *antecedents*, firms should clarify objectives and contributions, stress managerial adaptability, and heed interpartner relational variables such as commitment, trust, conflict, cooperation, and satisfaction with the alliance agreement. Concerning *core* factors, it is important that IJV marketing strategies are framed around product quality and strong distribution and sales networks, sound incentives are offered to employees, and management turnover is minimized. Finally, the significance of two *external* factors, industry profitability and the realization of economic/tax incentives, has been established by extant research.

While these performance drivers encompass many different considerations in IJV development, it can be observed that all key background and antecedent factors reflect the development of either strategic (rather than cultural/fundamental) fit between the partners, or behavioral aspects within partnerships. Hence, as well as attending to the alignment of venturing firms' project objectives and expectations, managers formulating IJV strategies should pay close attention to the social bases of alliance establishment.

Despite the scarcity of research across many determinant groups, differences can be noted for a number of performance drivers when considering the IJV's operating period, its geographic location, and the study's level of analysis. As regards *operating period*, the strategic importance of four elements, host country business experience, sociocultural distance, resource complementarity, and number of parent firms, lessened in the 1990s, whereas the opposite is true of venture age, foreign dominant control, and SIC group. With regard to *geographic location*, three variables only affect the success of IJV operations located in developing countries: these are sociocultural distance, balanced equity ownership, and venture age. A further factor, marketing intensity, has a marked, but opposite, impact on performance in the cases of IJVs in less-developed and advanced countries. A set of variables are also susceptible to the influence of *analytical level*; these are venture age and marketing intensity, once more, plus parent firm size and venture technology sophistication.

*Multidimensional* measures of IJV performance were the most frequently used, particularly in relation to managerial characteristics, control and supervision, relational aspects, organizational learning, and human resources. However, this measurement system exhibited consistently high correlations only with respect to relational aspects. Unidimensional IJV performance assessment approaches (*financial* and *stability*) were more commonly employed to test the effects of in-trapartner and industry characteristics, and here results vary considerably. Further, there is substantial incongruity in empirical findings where it is possible to compare different IJV performance measurement approaches. For instance, sociocultural distance is found to have a dramatic negative effect on stability, whereas no relationship is established with financial performance and the multidimensional effect is unclear. Parent firms facing manifest psychic distance should therefore focus on manipulating venture and partnership characteristics that play an important role in moderating instability (e.g., concurrent interpartner relational linkages). Consequently, despite evidence that perceptual and objective IJV performance measures correlate (e.g., Lyles/Baird 1994), it may not be proper to treat them as equivalent modes of assessment.

## Future Research Directions

Future research may pursue several directions that would make this body of knowledge theoretically more grounded, methodologically more robust, and empirically more coherent. These are discussed below.

### Encouraging Paradigmatic Pluralism

The preceding review has amply demonstrated the positive impact of paradigm pluralism on knowledge discovery, generation, and development in this important field of research. Despite paradigmatic differences in the studies examined, there is considerable complementarity in their theoretical underpinnings with functional consequences for theory building. Empirical attempts melding together different theories should be encouraged in future research, as they can facilitate the development of richer, more insightful explanations of IJV performance (Kogut 1988a). Nonetheless, the fact that relational parameters alone were found to be consistently associated with IJV performance implies that the behavioral paradigm and associated perspectives, such as social exchange theory (e.g., Blau 1964), warrant focal attention in model building efforts. However, drawing simultaneously from knowledge developed within other theoretical domains, where feasible, would attach a holistic view to explanations of IJV phenomena.



### **Expanding the Set of Independent Variables Tested**

Although a variety of background, antecedent, and core variables have proven consistently significant in IJV performance research, few studies test the importance of a comprehensive but varied set of factors. Such endeavors would facilitate a simultaneous examination of associations between diverse independent variables and IJV performance indicators and permit identification of the interrelationships involved. Further, although a large number of independent variables are identified in the literature, there are additional variables with a possible determining effect on IJV performance that should be considered. For instance, there is a need to study the effects of other strategic factors across IJV settings, especially those relating to production, R&D, and technology, as well as for more research into managerial capabilities.

### **Controlling for Contingent Forces**

Because of huge diversity in the way IJVs are employed, researchers in the field may need to include contingency factors that potentially have an impact on empirical findings. To capture such effects, performance study could assess the role of different IJV goal types and categories of IJV business-resource focus. For instance, there might be subtle, but important differences in performance drivers for narrow purpose IJVs versus those that span multiple value chain links, or for foreign market entry IJVs versus technology development IJVs. Here, it may be enlightening to isolate performance determinants for those organizations within hightech business that, as a distinct strategic group, proactively pursue growth through partnering and develop new structures to accommodate the growing role of IJVs. In addition, making a distinction between IJVs that (are to) provide parent firms with much needed resources and those that furnish parent firms with the opportunity to exploit their valuable resources may prove constructive. For example, it can be theorized that relational aspects play a greater role in the case of IJVs sponsored by entrepreneurial organizations that do not have a strong base of social resources (Eisenhardt/Schoonhoven 1996).

### **Accounting for External Factors**

Despite the fact that alliance strategies can be undermined by uncontrollable events (Inkpen 1995), there is a lacuna of knowledge regarding the impact external parameters have on IJV performance. Examining a wider range of both macroenvironmental (e.g., economic, political) and microenvironmental (e.g., market structure, competitive intensity) factors would allow more efficacious IJV performance study. Researchers might, for instance, acknowledge that governments,

as extensions of their respective societies, can be key players in the creation of viable IJV strategies. Further, it would be enlightening to compare and contrast the role controllable independent factors play in influencing performance in: (a) centrally planned versus market-driven economies; (b) low- versus high-context cultural settings; (c) developing versus developed countries; (d) low- versus high-tech industries; and (e) buyers' versus sellers' markets.

### **Improving IJV Performance Conceptualization and Operationalization**

One weakness of this stream of research is the use of diverse, and sometimes improper, measures of IJV performance, which may explain inconsistencies in empirical findings. To alleviate this problem, it is essential that theoretically anchored and methodologically robust measures be developed, drawing from the literatures of organizational effectiveness (e.g., Lewin/Minton 1986), management (e.g., Venkatraman/Ramanujam 1987), international business (e.g., Hitt/Hoskisson/Kim 1997), and strategy (e.g., Chakravarthy 1986), where the topic of business performance has received heightened conceptual and empirical attention. Researchers could benefit particularly from a recently developed evaluative framework of performance assessment, consisting of eight criteria: performance dimensions, frame of reference, stakeholder perspective, unit of analysis, scope of analysis, time horizon, data source, and assessment mode (Katsikeas/Leonidou/Morgan 2000). Future research may also find advantage in the conceptualization of IJV performance as a dynamic process (cf. March/Sutton 1997), in line with Anderson's (1990) input-output continuum of IJV business performance.

### **Enhancing Methodological Rigor**

Notwithstanding the methodological standards maintained in this stream of research, certain research design and implementation improvements could be made in an effort to enhance the level of disciplinary maturity in the field. First, more studies should involve case-research, as the complex, dynamic, and intangible nature of several IJV performance determinants necessitates collection of qualitative data (Berdrow/Beamish 1999). Second, although a relative lack of comprehensive longitudinal studies is apparent in most fields of international management, the fact that such an absence exists within the IJV performance area may be particularly damaging since these business entities evolve through multiple life-stages (Reuer 1998). Third, an efficient means of testing a wider range of pre- and post-incorporation variables would be to combine mesoeconomic examination of IJV failure and microbusiness IJV performance analysis, despite the difficulties inherent in such an undertaking; these approaches have generally proven

effective in examining different independent factors. Fourth, the complex causal associations between determinants of IJV performance and its outcomes, as well as among variables within these groups, require sophisticated analytical approaches (e.g., structural equation modeling) that are utilized rarely in extant study.

### **Alleviating Implementation Hurdles**

Syndicated research teams with cross-cultural, multidisciplinary, and academic/practitioner foci should be established to overcome conceptual (e.g., inconsistent definitions and categorizations) and methodological (e.g., minimum IJV operating duration, sample development) difficulties inhibiting empirical IJV performance study. A team's cross-cultural character would facilitate the development of universally acceptable conceptual frameworks, employing common research frames and making time and cost efficiencies. Team multidisciplinary orientation would provide expertise on various IJV management functions and introduce creative new concepts, methods, and techniques. And an academic/practitioner interface would ensure a balance between theory and practice in IJV research, by isolating hidden pragmatic aspects associated with, and enriching the applied usefulness of, IJV performance models.

### **Endnotes**

- 1 The constructive comments and suggestions of Roger Mansfield (Cardiff University), Saeed Samiee (University of Tulsa), and Neil Morgan (University of North Carolina at Chapel Hill) are gratefully acknowledged.
- 2 An IJV is defined on the basis of three characteristics: (1) it is a separate corporate entity, where two or more legally distinct organizations contribute assets, own the venture to some degree, and share associated business risks (Harrigan 1988); (2) each partner participates deliberately because of a need to take advantage of the skills, resources, and strategies of the other member(s) (Singh 1997); and (3) at least one parent is headquartered outside the venture's country of operation (Geringer/Frayne 1993), or the venture is owned by two or more parents of different nationality (Beamish/Inkpen 1995).
- 3 We are grateful to an anonymous MIR Reviewer for raising this particular point.
- 4 Although IJV instability has been viewed as distinct from IJV performance in some recent work (Beamish/Delios 1997b, Yan/Zeng 1999), the fact that many empirical studies have explicitly treated this variable as a performance outcome has led us to position it as such for review purposes.
- 5 Two studies (Berg/Friedman 1981, Duncan 1982) adopting an industry performance focus were excluded.
- 6 A complete list of the 91 IJV performance studies included, along with tables presenting their key characteristics and summarizing their methodological approaches, are available from the lead author.
- 7 Although the unit of analysis in all studies under review is the company, either as a whole or in terms of SBUs, IJV performance determinants are studied from two different perspectives: the

- microbusiness and the mesoeconomic. The former examines managerial and business dynamics of the individual firm. The latter centers on the subject from the standpoint of the industry(ies) considered and generates results mainly through econometric testing (Randoy 1997); the term “meso-implying in-between—is used as there are higher levels at which to examine the business process, e.g., government and society (Toyne/Nigh 1997).
- 8 A table exhibiting findings across IJV operating periods (pre- and post-1990), geographic locations (developed countries, developing countries/NICs, and cross-region), and study analytical levels (microbusiness and mesoeconomic) are available from the lead author.
  - 9 A meta-analytical study of the available empirical findings was deemed inappropriate mainly for the following reasons: the link between many variables and IJV performance was examined in only one or two studies; construct operationalizations, measurement scales, and statistical methods were commonly diverse; and exact *p*-values resulting from testing for the effects of factors on IJV performance were in many cases undisclosed.
  - 10 In primarily summarizing issues with regard to the contradictory empirical findings of prior IJV performance research, this article provides a sound base for future work focused on developing theory to explain the confusion surrounding particular factors.

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