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Performance of International Joint Ventures: What Factors Really Make a Difference and How?[†]

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This article presents an in-depth review and critique of previous research on international joint venture (IJV) performance over the past 10 years. In doing so, the authors tease out the most important conceptualizations of IJV performance, the dominant drivers of IJV performance, and the key links among all these variables. They propose a comprehensive model that relates drivers to IJV performance measures and also performance measures to each other over time to guide future research.

Keywords: *international joint ventures; IJV performance; performance drivers; equity joint ventures*

It has been 10 years since Yan and Zeng (1999) published their critique of the literature on international joint ventures (IJVs). Research examining IJVs since then has greatly

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enhanced our understanding of IJV operations (e.g., Hoang & Rothaermel, 2005; Isobe, Makino, & Montgomery, 2000; Luo, 2001; Tong, Reuer, & Peng, 2008). However, the conceptualization of IJV performance and its determinants remains an often-debated issue in IJV research (Reus & Ritchie, 2004). Generally speaking, IJV performance has been conceptualized as the following broad constructs: survival, financial outputs (e.g., return on investment [ROI] and market share), overall satisfaction, achievement of individual or joint goals, and learning. However, there is considerable disagreement about the validity and reliability of virtually all of these measures (Krishnan, Martin, & Noorderhaven, 2006).

In addition, even if researchers could agree on how to conceptualize and measure IJV performance, they are also far from unanimous about what drives performance. Few researchers use the same constructs to investigate IJV performance. Numerous but conflicting models have proliferated (e.g., Dhanaraj & Beamish, 2004; Gong, Shenkar, Luo, & Nyaw, 2005; J. W. Lu & Xu, 2006; Luo, 2002a, 2002b; Steensma & Lyles, 2000; Yan & Gray, 2001b; Zeng & Chen, 2003). With too few studies using the same variables, a meta-analysis of the existing literature is also not possible. Consequently, researchers' ability to predict IJV outcomes and managers' ability to enact successful performance have been hampered.

In this article, we offer a thorough review and synthesis of the extant research on IJV performance that has been published in the 10 years since Yan and Zeng's (1999) critique. Our purpose is to tease out the most important conceptualizations of IJV performance, the dominant drivers of IJV performance, and the key links among all the critical variables under investigation. Toward these ends, we propose a comprehensive model that relates drivers to different types of performance and also types of performance to each other over time. We are hopeful that this synthetic spadework will streamline future empirical research and craft fertile ground for the development of a more comprehensive, robust, and generalizable theory of IJV performance and survival. Following Shenkar and Zeira (1987), we define IJVs as jointly owned organizational entities by two or more legally distinct organizations, in which the headquarters of at least one is located outside the country of operation of the entity. Based on this definition, our review is specifically limited to equity IJVs. In addition, as our interest in this review is on IJV performance, we primarily focus on those studies that directly and empirically examined IJV performance. Thus, we did not include those studies whose dependent variable is not performance (e.g., IJV formation, employee commitment, employee turnover). Similarly, we also did not include those studies that examined only medium-term measures (e.g., outcome variables as control, trust, etc.) without linking them to final performance. Finally, the 54 studies in our review were obtained from 12 journals in the field of management and international business (see Table 1). The journals selected are a subset of those reported in DuBois and Reeb's (2000) list of the top 30 international business journals and Pisani's (in press) list of 20 influential management journals. For our study, we selected those empirical journals that are research oriented and in the areas of strategic management, organizational theory, and international management. We also added *Organization Science* to our journal list because this journal has been considered as an influential outlet for organization research (Podsakoff, MacKenzie, Podsakoff, & Bachrach, 2008).

Based on our review of the past 10 years of research on IJV performance published in the journals listed, we identified five different IJV performance measures and classified 10 important performance determinants that directly or indirectly influence IJV performance. Despite various performance measures and complex relationships among various determinants of performance,

Table 1
Summary of Journals Included in the Review

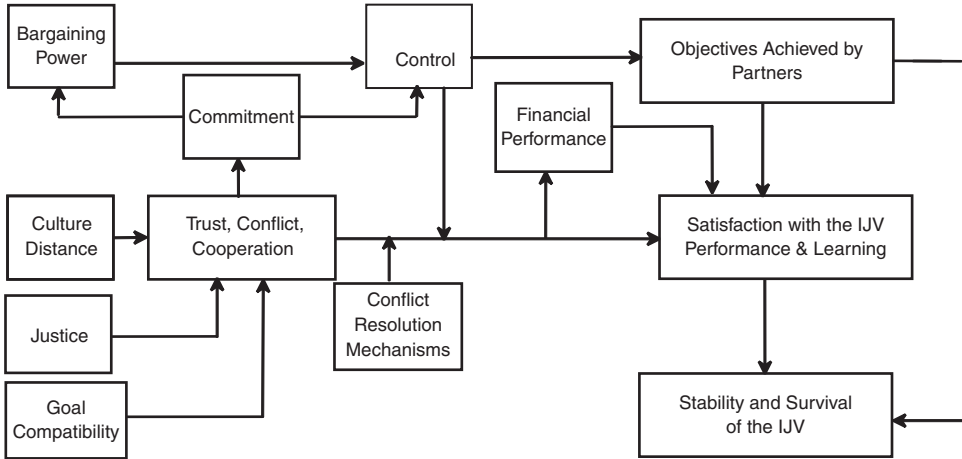
Journal Title	Number of Articles
1. <i>Academy of Management Journal</i>	5
2. <i>Administrative Science Quarterly</i>	1
3. <i>International Journal of Management</i>	2
4. <i>International Business Review</i>	6
5. <i>Journal of International Business Studies</i>	8
6. <i>Journal of International Management</i>	4
7. <i>Journal of Management</i>	3
8. <i>Journal of Management Studies</i>	5
9. <i>Journal of Organizational Behavior</i>	1
10. <i>Management International Review</i>	5
11. <i>Organization Science</i>	2
12. <i>Strategic Management Journal</i>	12
Total	54

most researchers have focused only on particular relationships between individual performance drivers and performance. Consequently, research to date has provided, at best, only a fragmented and incomplete picture of IJV performance and, at worst, a conceptually flawed explanation of why IJVs succeed or fail. To gain a comprehensive understanding of IJV performance, we incorporate the 10 important performance determinants and five performance indicators in one model. Figure 1 depicts the relationships among the different performance drivers and performance measures that have been examined in the extant literature. In the next section, we start from the right part of the model by reviewing the various ways in which performance of IJVs has been conceptualized and measured in previous studies and examining the five performance measures that we believe hold purchase for future research. Then, we investigate those factors that have been considered as IJV performance drivers. For each factor, we offer a core conceptualization, examine its empirical impact to date, and search for the dominant theoretical rationale for its effect on performance. After that, we integrate the different performance drivers and measures into one comprehensive model (Figure 1). Finally, we conclude our analysis by proposing a longitudinal, multilevel model of IJV performance to guide future research.

Conceptualization and Measurement of Performance

Despite more than three decades of work on IJVs, there is no consensus on an appropriate conceptualization and measurement of IJV performance (Chowdhury, 1992). Such a lack of agreement originates from the hybrid structures and transitory nature of alliances (Buckley & Glaister, 2002; Oik, 2002). In particular, some scholars focus on the IJV as an independent entity and use IJV survival or financial output as the ultimate performance indicator. In contrast, other researchers use the parents' perspectives to measure IJV performance, thus focusing on parent firms' satisfaction or the extent to which the IJV achieves parent firms' goals. In this section, we examine five important measurements of IJV performance based on our review, and compare their relative usefulness for future IJV research. Table 2 summarizes our review of performance measures and the studies in which they were used.

Figure 1
A Conceptual Model for Studying International Joint Venture Performance



Survival

Survival is one of the common indicators of IJV performance used by many researchers (Dhanaraj & Beamish, 2004; Gaur & Lu, 2007; J. W. Lu & Xu, 2006; Meschi & Riccio, 2008; Steensma & Lyles, 2000). The basic assumption of this approach is that the longer the IJV survives, the more successful it is because an IJV is expected to be sustainable only as long as it represents the most efficient organization mode (Inkpen & Beamish, 1997). In this sense, longevity is a sign of IJV success and termination is a sign of IJV failure. However, this assumption does not always hold. Suppose one IJV was created 10 years ago whereas another was created 5 years ago. With information only on age, it is impossible to say that the former has a better performance than the latter simply because it has existed for 5 years longer (Lyles & Baird, 1994). So although the first IJV may still be the most efficient mode for its two parents, this information provides an insufficient basis on which to compare its performance with other IJVs. In addition, using termination as a measure of failure poses a significant limitation because it is problematic to assert that all terminated IJVs are unsuccessful. First, the strong performance of an IJV may prompt one parent firm to buy out the other and turn the venture into a wholly owned subsidiary (Berg & Friedman, 1978). In addition, IJV termination may actually signal its success because IJVs may be terminated once participants have successfully accomplished their initial objectives (Gomes-Casseres, 1987; Kumar, 2005). In these situations, conceptualizing longevity as a sign of failure would be inappropriate (Yan & Zeng, 1999).

Table 2
International Joint Venture (IJV) Performance
Measures Studied in the Literature

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

Recently, scholars have attempted to resolve these issues regarding the validity of survival as an IJV performance measure in three ways. First, not only IJV survival but also IJV sales growth has been used as a performance measure (e.g., J. W. Lu & Xu, 2006). This study found that IJV sales growth had a positive impact on IJV survival, providing evidence that IJV exit is often associated with negative performance (e.g., Geringer & Hebert, 1989). By applying multiple other performance measures as criterion, this study confirmed the validity of survival as a performance measure. Second, Makino, Chan, Isobe, and Beamish (2007) noted the importance of capturing the motivation for an IJV's termination, that is, whether it was intended or unintended. By using the latter to signal poor performance, they provided a way to use longevity as an appropriate measure of IJV performance. Finally, real options theory (cf. Kogut, 1991; Reuer & Tong, 2005) may suggest another new approach to IJV survival by emphasizing the reasons for IJV termination. According to real options theory, IJV is an investment to obtain growth options and expand into new and uncertain markets. Thus, if the termination is the realization of a growth and expansion opportunity, such termination can be considered as a success (Kumar, 2005). In this sense, real options theory argues that IJV termination should be evaluated by the link to the original motive of the IJV.

Financial Output Measures (e.g., ROI and Market Share)

Researchers have become increasingly interested in both profitability measures (e.g., ROI or asset turnover) and market performance measures (e.g., market share) as preferred approaches to IJV performance (J. W. Lu & Xu, 2006; Luo, 2002a, 2002b, 2005, 2007a, 2008; Robins, Tallman, and Fladmoe-Lindquist, 2002; Zhang, Li, Hitt, & Cui, 2007). However, financial measures for the IJV itself have been criticized because they tend to be rolled into consolidated corporate data. Therefore, they are difficult to isolate and are frequently not available at all.

Despite these problems, objective measures are preferred when all variables are obtained from the same respondent to avoid common method variance (e.g., Luo, 2002a, 2002b, 2007a). Financial measures are not only used independently but also used to validate subjective performance measures. For example, Choi and Beamish (2004) confirmed the appropriateness of assessment of satisfaction with IJV performance by showing its high correlation with return on assets and return on sales. This high correlation between subjective and objective performance measures has been consistently found in other studies as well (e.g., Isobe et al., 2000). Recently, a large number of published articles simultaneously investigated subjective and objective measures (e.g., Dhanaraj, Lyles, Steensma, & Tihanyi, 2004; Luo, 2001). Such integration increases the validity of these measurements and makes result robust.

Overall Satisfaction

Managers' subjective evaluations of the IJV's overall performance have been treated as an omnibus measure of IJV performance in a number of studies (Boateng & Glaister, 2002; Demirbag & Mirza, 2000; Isobe et al., 2000; Kwon, 2008; Li & Hambrick, 2005; Luo & Park, 2004; Nakos & Brouthers, 2008; Yeheskel, Zeira, Shenkar, & Newburry, 2001; Zhang & Li,

2001). Subjective measures build on Anderson's (1990: 23) reasoning that "joint ventures should be evaluated primarily as stand-alone entities seeking to maximize their own performance, not the parent's" and use items designed to measure IJV managers' evaluations of their venture's overall performance.

Although this is a commonly used performance measure for IJVs, this approach may often raise threats to validity because of sampling error. Satisfaction might be differently perceived by different respondents, and because researchers vary in who they survey, sampling differences may affect the validity of these measures. For example, a foreign partner may judge satisfaction using a different set of criteria than a local partner would. Also, IJV managers may rely on evaluation criteria that are different from those used by the IJV's parents. Thus, the satisfaction level with IJV performance may differ depending on who is surveyed. Such criticism can be overcome by simultaneously sampling multiple respondents, including managers of IJV and both partners. For example, Fey and Beamish (2001) used a single item of subjective satisfaction of IJV performance. They included a total of six respondents (two from each parent firm and two from the IJV) to measure the overall satisfaction level. Similarly, Dhanaraj and colleagues (2004) and Lane, Salk, and Lyles (2001) used the local parent, foreign parents, and IJV general managers to evaluate the IJV's overall performance. In the same vein, Gong and colleagues (2005, 2007) simultaneously examined IJV and parent firm managers' evaluations and checked the accuracy of the former's assessments by comparing them with the evaluations of the latter. In contrast to these studies that have attempted to increase accuracy of a subjective performance measure, Luo, Shenkar, and Nyaw (2001) focused on the potential discrepancy between partners' satisfaction with the IJV and investigated the factors that affect such discrepancies.

Achievement of Individual or Joint Goals

Compared to the previous measures (i.e., IJV survival, financial output, and IJV overall performance), achievement of individual or joint goals is measured from each of the partner firm's perspectives. The assumption underlying this measure is that IJV partners join IJVs to achieve their strategic goals by complementing each other's needs. When such goals clearly exist, measures such as survival and IJV overall performance may be unable to accurately capture the success of the IJV. For example, where an IJV is formed to transfer technology, survival may inaccurately capture the IJV's success. Thus, when each partner's goals can be specified, this measure is a subjective assessment of the degree to which partner goals were satisfied (Yan & Gray, 2001a).

Managers' subjective assessment of IJV parents' goal achievement might be the most commonly used performance measure (Fryxell, Dooley, & Vryza, 2002). For example, Robson, Katsikeas, and Bello (2008) focused on joint goal achievement as an IJV performance measure. They viewed IJV performance as a second-order construct comprising multiple dimensions including effectiveness, efficiency, and responsiveness, and joint goal achievement was used as a key item of alliance performance. Other studies (e.g., Brouthers & Bamossy, 2006; Child & Yan, 2003; Luo, 2002c; Ng, Lau, & Nyaw, 2007) also have developed a composite measure to cover the various objectives of IJV parents.

Although this measure is the most commonly used measure in IJV research, criticism can be levied against it because the parents' weighing of the importance of the goals may vary. In addition, the overall valuation of the IJV could be different depending on the goals of parents. For example, when the U.S. parent of a highly regarded joint venture in China was bought out by a large British conglomerate, the new "parent" dramatically cut support to the IJV because the IJV was less strategically important to the new owner than to the previous one. This implies that the original U.S. parent had very different objectives for the IJV than the new British parent (B. Gray, personal communication, April 11, 1996). When high variation between respondents exists, summing or averaging of each respondent's evaluation may not be a valid measure of IJV performance. To overcome this limitation, scholars have examined the evaluations of managers from the parent companies as well as those of managers of the IJVs, which increases the overall accuracy of this measure (Gong et al., 2005, 2007; Luo, 2008; Ng et al., 2007; Zollo, Reuer, & Singh, 2002). In addition, Krishnan and colleagues (2006) developed a subjective performance measure by incorporating overall satisfaction and specific goal achievement.

Learning

Ever since Vernon's (1977) introduction of the notion of an obsolescing bargain, IJV scholars have been interested in partner learning as a measure of IJV success. From the knowledge-based perspective, the transfer of critical knowledge and skills from the parents to the IJV is fundamentally important for IJV success. For example, Dhanaraj and colleagues (2004) and Lane and colleagues (2001) used knowledge transfer as one measure of performance. Similarly, Zollo and colleagues (2002) and Tsang (2002) used knowledge accumulation as a key organizational outcome of IJVs. This measure of knowledge accumulation is perceptual in the sense that respondents indicated their satisfaction with the level of knowledge accumulation from participating in the IJV.

Two concerns arise from using learning as an IJV performance measure. First, like goal achievement, learning is a perceptual measure. Consequently, different respondents might provide different answers, which threatens the validity of this measure. Second, learning tends to be a subordinate goal in IJVs (e.g., Gong et al., 2007), and thus this measure also suffers from the criticism that partners' learning is not equivalent to the performance of the IJV as a stand-alone entity.

To sum up, despite researchers' efforts to understand IJV performance, no single conceptualization of IJV performance is problem free. Each has strengths and weaknesses that warrant careful scrutiny in future research designs. Given the limitations of each performance measure, the safest approach for future research may be to compensate for each measure. For example, the simultaneous application of subjective and objective measures is desirable. Furthermore, when the performance measure involves subjective evaluation, the use of multiple respondents, including managers of the IJV and parent firms, is particularly encouraged (Brouthers & Bamossy, 2006). In addition to this complementary approach, special attention should be paid to survival and learning. According to the learning perspective, IJV termination might be considered as either a success (Hennart, Roehl, & Zietlow, 1999) or a failure (Hamel, 1991). Therefore, when survival is a performance measure, the underlying rationale of termination and types of termination should be considered in the theoretical arguments.

Determinants of IJV Performance

In this section, we explore 10 determinants of IJV performance. Our initial investigation turned up 54 studies of the determinants of IJV performance. We organized the variables of those studies into 10 overarching constructs summarized in Table 3 along with the studies in which they were utilized. Each of these constructs is reviewed in detail below, and recommendations for future research using each construct are offered.

Commitment

Commitment reflects a partner's positive valuation of a collaborative relationship. It can be described as the willingness of IJV partners to exert effort on behalf of the IJV relationship (Mohr & Spekman, 1994). By reducing the threat of opportunistic behavior, commitment reduces transaction costs and the costs associated with partnership, thereby enhancing performance. Many IJV scholars have focused on the effect of commitment on IJV performance, and a positive relationship has been empirically supported (e.g., Demirbag & Mirza, 2000; Glaister & Buckley, 1999; Isobe et al., 2000; Kwon, 2008; Nakos & Brouthers, 2008; Robins et al., 2002).

One important issue related to commitment arises from its conceptualization. Commitment can be both psychological and behavioral. For commitment to be present, partners need to express their long-term interest in the relationship but also need to take affirmative actions to demonstrate their willingness to act on their promise. One obvious form of behavioral commitment involves commitment of resources to the IJV (Cullen, Johnson, & Sakano, 1995). For instance, Isobe and colleagues (2000) demonstrated that resource commitment to technology transfer has a positive impact on the perceived economic performance of IJVs. Child and Yan (2003) also examined commitment in terms of capital investment, new facilities, and operational inputs and found a positive relationship between the quality of resource commitment and perceived economic growth of IJVs.

On the other hand, committed partners in an IJV relationship also opt for long-term gain in their collaboration (Mohr & Spekman, 1994). For example, Nakos and Brouthers (2008) demonstrated that the parent's long-term orientation or commitment toward IJV is positively related to the parent's perceived profit of the IJV. Tsang (2002) also found a positive relationship between the parent's overseeing effort and attention to the IJV and management involvement with the parent's knowledge acquisition.

Although behavioral and psychological commitment both individually influence IJV performance, it is also important to note that these two types of commitment are often intertwined. The more a partner devotes resources to the IJV, the more this partner's fate is bound to the IJV, which leads to greater psychological commitment. Similarly, if a partner considers the IJV as strategically important, it will be more willing to contribute resources to it. Although these interactive effects encourage researchers to look at commitment more comprehensively, previous studies have suffered from imprecise conceptualization of commitment and have not always pinpointed these different dimensions (cf. Demirbag & Mirza, 2000; Kwon, 2008; Luo, 2002a). So it is important to consider both the psychological and the behavioral aspects simultaneously when studying this construct. Ignoring the interactive effects of behavioral and psychological commitment will produce neither a precise nor a comprehensive understanding of this phenomenon.

Table 3
International Joint Venture Performance Drivers Studied in the Literature

Performance Drivers	Variables	Studies
Commitment	Resource commitment Psychological commitment	Barden, Steensma, and Lyles (2005); Child and Yan (2003); Demirbag and Mirza (2000); Glaister and Buckley (1999); Isobe, Makino, and Montgomery (2000); Kwon (2008); Lin (2005); Nakos and Brouthers (2008); Robins, Tallman, and Fladmoe-Lindquist (2002); Tsang (2002)
Bargaining power	Resource-based power Context-based power	Isobe et al. (2000); Tsang (2002); Yan and Gray (2001a)
Control	Control structure Ownership structure Strategic control Operational control Structure control Output control Process control Social control	Barden et al. (2005); Boateng and Glaister (2002); Brouthers and Bamossy (2006); Choi and Beamish (2004); Demirbag and Mirza (2000); Dhanaraj and Beamish (2004); Fryxell, Dooley, and Vryza (2002); Gaur and Lu (2007); Lin (2005); Luo (2007); Luo, Shenkar, and Nyaw (2001); Makino, Chan, Isobe, and Beamish (2007); Merchant (2000); Nakos and Brouthers (2008); Newburry and Zeira (1999); Steensma and Lyles (2000); Yan and Gray (2001a); Zhang and Li (2001)
Trust	Interpartner trust Interpersonal trust	Brouthers and Bamossy (2006); Fryxell et al. (2002); Krishnan, Martin, and Noorderhaven (2006); Kwon (2008); Lane, Salk, and Lyles (2001); Luo (2001, 2002a, 2008); Nakos and Brouthers (2008); Ng, Lau, and Nyaw (2007); Robson, Katsikeas, and Bello (2008)
Justice	Distributive justice Procedure justice Interactional justice	Choi and Chen (2007); Luo (2005, 2007a, 2008); Robson et al. (2008)
Conflict	Task conflict Relationship conflict Conflict resolution	Demirbag and Mirza (2000); Li and Hambrick (2005); Steensma and Lyles (2000); Yan and Gray (2001a)
Conflict resolution	Joint problem solving Forcing Domination Compromising	Lu (2007)
Cooperation	Cooperation Joint participation	Anh et al. (2006); Demirbag and Mirza (2000); Gong, Shenkar, Luo, and Nyaw (2007); Luo (2002b); Luo and Park (2004); Zhan and Luo (2008)
Culture distance	Organizational culture distance National culture distance Culture sensitivity	Anh, Baughn, Hang, and Neupert (2006); Brouthers and Bamossy (2006); Lu (2007); Lu and Lee (2005); Luo (2001); Luo and Shenkar (2002); Makino et al. (2007); Meschi and Riccio (2008); Pothukuchi, Damanpour, Choi, Chen, and Park (2002); Simonin (1999); Yeheskel, Zeira, Shenkar, and Newburry (2001)
Goal congruity	Goal congruity	Boateng and Glaister (2002); Luo (2001); Luo and Park (2004); Yeheskel et al. (2001)

Beside looking at the direct relationship between commitment and IJV performance, some studies have investigated the mediating effect of commitment on the relationship between other IJV performance drivers (e.g., trust, conflict) and performance (Cullen et al., 1995; Nakos & Brouthers, 2008). Also, the indirect impacts of commitment on performance through other underlying mechanisms such as bargaining power and control have also been explored (Barden, Steensma, & Lyles, 2005, Lin, 2005). We discuss these findings when we examine the relevant performance drivers (e.g., bargaining power, trust, and conflict) below.

Bargaining Power

Bargaining power among parent companies is determined by each company's resource contribution to the IJV or the relative strategic importance of the IJV to each company (Yan & Gray, 2001a, 2001b). Researchers have found that a parent company with more power over an IJV than other partners tends to achieve its desired performance because it obtains "control" over the IJV and thereby can actively pursue its own strategic objectives (Yan & Gray, 1994, 2001a). Because bargaining power is a relative construct, its predicted effect on performance is also a relative one. One partner's bargaining power should have an effect on performance objectives favored by that partner but not necessarily on overall performance of the joint venture. So, generally speaking, a given partner's bargaining power is expected to have an indirect, positive effect on that partner's satisfaction with the IJV performance, that is, that partner's achievement of goals, that partner's perception of the IJV performance, and so on.

Two types of bargaining power have been studied: resource based and context based. Resource-based power is influenced by partners' contribution of strategic resources and expertise to the IJV (Yan & Gray, 2001a). Therefore, it is often related to resource commitment, which we discussed previously. On the other hand, context-based bargaining power mainly includes two elements: (a) the alternatives available to each partner during the partner selection or negotiation stage and (b) the perceived strategic importance of the IJV to each parent (Yan & Gray, 2001a). Yan and Gray (2001a) argued that partners for whom the joint venture is of considerable strategic importance may be more dependent on the IJV and, as a result, have less context-based bargaining power. However, because of this strategic dependence, these same partners may also contribute more resources to the venture. Consequently, there may be a trade-off between the context-based and resource-based bargaining power—that is, one may offset the other.

Following power-dependence theory (Emerson, 1962), the greater the importance of an IJV to a partner, the more that partner is dependent on its counterpart. This dependence, then, results in lower context-based bargaining power for the first partner. However, under goal incongruity theory, because the first partner has less power, it is likely to be more difficult for it to achieve its goals. Consequently, the first partner may also try to increase its resource contribution to the IJV to offset the negative effects of its dependency because bargaining power also is derived from the resources each partner contributes to the venture. Thus, the more a partner strategically values the IJV, the more likely it will contribute more resources to it. For example, Isobe and colleagues (2000) indicated there is a positive relationship between the degree of strategic importance a foreign firm attributes to an IJV and its level of

commitment to technology transfer. Higher technology contributions can increase a partner's bargaining power. What's more, a greater perceived importance of the IJV to a partner can also enhance its psychological commitment (Isobe et al., 2000; Tsang, 2002), which is also good for IJV performance, as we discussed in the commitment section.

In addition, the effect of context-based bargaining power may be negated by that of resource-based power. For instance, if one partner has only context-based bargaining power, its partner may agree to give it more power at the table during the negotiation stage. But when running the business, the one with more power is also likely to be the one that contributes more resources. Therefore, context-based bargaining power may not matter that much once the joint venture contract has been signed. Resource-based bargaining power appears to play a more important role in determining the partner's relative control over the IJV. To sum up, resource-based and context-based bargaining power individually and interactively affect a partner's control, which accordingly influences the achievement of that partner's performance objectives. It is also noteworthy that for emerging-market IJVs, the less powerful partners (from the developing countries) usually aim at acquiring new managerial and technical know-how from the more powerful partners (from the developed countries). If the powerful partners are willing to share their expertise with the emerging market firm, power may be less an issue for the latter because it still can fulfill its learning objective. As demonstrated by Brouthers and Bamossy (2006), Western European partner organizations that are willing to make an effort to teach their knowledge to the emerging market firm (Eastern European partner) can not only achieve their own performance objectives but also help the emerging market firm to meet the desire for knowledge acquisition.

Control

Control refers to the amount of decision power each parent exercises in influencing the IJV to achieve its objectives (Killing, 1983). Research on control has focused on the relative division of control among the IJV's partners and investigated how the control or ownership structure influences IJV performance (e.g., Boateng & Glaister, 2002; Brouthers & Bamossy, 2006; Demirbag & Mirza, 2000; Dhanaraj & Beamish, 2004; Gaur & Lu, 2007; Lin, 2005; Luo, 2007b; Makino et al., 2007; Merchant, 2000; Newburry & Zeira, 1999; Zhang & Li, 2001). Unfortunately, joint venture researchers differ substantially in their findings with regard to the control structure–performance link. For instance, Steensma and Lyles (2000) demonstrated that shared control over an IJV among parent companies results in higher performance. To the contrary, Choi and Beamish (2004) empirically found that IJVs with split control outperformed those with shared and dominant control, where no performance difference was found between the latter two. These findings both contrast earlier research by Yan and Gray (1994), who found that firms with shared control outperformed those with other types of control. This lack of consensus on desirable types of IJV control has inspired IJV scholars to begin to adopt a contingency view of control's effect. For instance, Barden and colleagues (2005) observed a moderating effect of resource commitment on the relationship between control structure and partner conflicts. Fryxell and colleagues (2002) found a moderating effect of partner trust on the relationship between control and perceptions of IJV

performance. Future research is encouraged to continue this path to uncover the situational factors that influence the control structure–IJV performance relationship.

Beside taking a contingency perspective, more studies are needed to tease out the differential impacts of different types of control on IJV performance. According to Yan and Gray (1994), IJV parents exert management control in three different ways: (a) strategically in making key strategic decisions, (b) operationally by managing the venture's routine operations, and (c) structurally by designing the IJV's corporate structure and operating procedures. Consequently, each of these types of control may differentially influence IJV performance (Yan & Gray, 2001a). On the other hand, Aulakh, Kotabe, and Sabay (1996) made a distinction among output, process, and social controls. Nakos and Brouthers (2008) demonstrated a mediating effect of process control on the relationship between commitment and IJV financial performance but did not examine output or social controls. To enrich our understanding of control's impact on IJVs, future studies are needed to distinguish different types of control and their respective effects.

Finally, as control is a relative construct (Yan & Gray, 2001b), research often relates one party's control to its own goal achievement. For example, Luo and colleagues (2001) indicated that a foreign partner's control led to goal achievement for that partner but also was not related to the Chinese parent's satisfaction with performance. This is because one of the Chinese parent's goals was to acquire foreign technologies to stimulate its own expansion. In this case, the foreign partner's control might not inhibit the Chinese partner's goal achievement. Therefore, one partner's control is positively related to its own achievement of goals but may or may not be negatively related to the other partner's achievement of goals.

Trust

Trust is the willingness of a party to rely on another party's actions in a situation involving risk and uncertainty (Mayer, Davis, & Schoorman, 1995). Trust facilitates mutual understanding and allows mutual benefits, and thus it is believed that trust directly leads to better IJV performance (Brouthers & Bamossy, 2006; Luo, 2001; Ng et al., 2007; Robson et al., 2008). Besides investigating the direct effect of trust on IJV performance, some studies have also looked at the indirect effect of trust. For instance, Nakos and Brouthers (2008) suggested that trust influenced perceived financial performance through increasing alliance commitment. More recently, IJV scholars have begun to take a contingency perspective on trust's impact and have focused on the question, "When does trust matter to IJV performance?" For example, Krishnan and colleagues (2006) found that the positive effect of trust on IJV performance is intensified under high interdependence and competition between partners and that this effect is mitigated under high environmental uncertainty. Luo (2002a) suggested that the positive link between trust and financial performance is stronger when commitment is high. Fryxell and colleagues (2002) demonstrated that trust interacts with social control mechanisms to influence IJV performance. Thus, the link between trust and performance is not universal, and conditional factors will determine whether trust matters to IJVs.

Methodologically, to properly test the causal connection between trust and performance, future research needs to employ a longitudinal approach that takes time into consideration

(e.g., by measuring trust prior to, and even after, performance; e.g., Brouthers & Bamossy, 2006; Lane et al., 2001). This is particularly important because trust is also a developmental construct and can change over time if partners do not live up to the expectations their counterparts have of them. Only a longitudinal approach with repeated measurements can capture the evolution of trust. However, most of the previous research supporting a positive trust to performance relationship is cross-sectional and relies on data with concurrent variation between IJV performance and mutual trust (e.g., Kwon, 2008; Luo, 2002a; Ng et al., 2007). On the other hand, extant studies of trust and IJV performance also suffer from common method bias resulting from the fact that trust and performance data were obtained from the same source or rater at the same point in time. To control common method bias, researchers should use different measurement methods to measure trust and performance, for example, using self-reported data on trust and archival data on IJV performance (e.g., Luo, 2008).

Another issue that is worth mentioning is that trust is a multilevel construct: that is, it is critical for understanding relationships at the interpersonal, intergroup, organizational, and interorganizational levels (Bonoma, 1976). Because IJVs often involve complex interpersonal, intergroup, and interfirm dynamics, it is particularly important to apply a multilevel approach to IJV trust research (Currall & Inkpen, 2002). However, among the studies mentioned above, only Luo (2008) specifically examined both interorganizational and interpersonal trust. We recommend here that the issue of interpersonal trust in IJV management teams and interfirm trust be approached from a multilevel perspective by operationalizing each type of trust to tease out any discrepancies among various levels of trust. For example, trust between specific partner firms' managers may be strong whereas more generic trust between the firms themselves may be weak. Thus, future studies should adopt a multilevel approach to trust in IJVs.

Finally, trust has also been considered as a mediating mechanism that underlies other performance drivers' effects on performance, particularly organizational justice. We now turn our attention to justice.

Justice

The effects of organizational justice in IJVs have attracted research attention in recent years (J. Choi & Chen, 2007; Luo, 2008). Organizational justice is defined by Greenberg (1987) as the extent to which people perceive organizational events as being fair. Specifically, organizational justice is widely regarded to take three major forms: distributive justice, procedural justice, and interactional justice (Greenberg, 1987). Distributive justice is the perceived fairness of decision outcomes, such as pay. Procedural justice refers to the perceived fairness of the procedures used to make decisions. Interactional justice captures the perceived fairness of how decisions are enacted by authority figures (Greenberg, 1993). All three dimensions of justice have been found to be directly and positively related to IJV financial performance (Luo, 2007a). In addition, the indirect effect of justice has also been examined. For instance, Luo (2008) observed a mediating role of trust on the relationship between procedural fairness and performance outcomes, and Robson and colleagues (2008) found that distributive fairness also influences performance through trust. Finally, the three types of justice also interact with each other to influence IJV performance (Luo, 2007a).

Two important questions concerning justice are how the cultural backgrounds of the IJV's parents influence justice perceptions and what the implication is for IJV performance. Procedural justice, for example, is valued or interpreted differently across cultures (Cohen, 1991). Also, people with different collective experiences of injustice may also perceive procedural justice differently (Davidson & Friedman, 1998). Because shared justice perceptions are beneficial, particularly when cultural distance between IJV parties is high (Luo, 2005), how IJV partners can reduce disagreement in their justice perceptions becomes an important question for future research.

Conflict

According to Schmidt and Kochan (1972: 363), conflict is defined as "overt behavior arising out of a process in which one unit seeks the advancement of its own interest in its relationship with others." Generally, IJV conflict among partners is found to be negatively related to performance (Demirbag & Mirza, 2000; Steensma & Lyles, 2000; Yan & Gray, 2001a)—a finding that is generally true in the team's literature as well (De Dreu & Weingart, 2003). However, a closer examination reveals some differences depending on whether task or relationship conflict is measured. Task conflict refers to differences in viewpoints and opinions pertaining to a group task, and relationship (or emotional) conflict is defined as personality clashes or interpersonal tension characterized by anger, frustration, and other negative feelings (Dirks & Parks, 2003). Some team conflict studies have found evidence that task conflict (at moderate levels) is positively linked to performance (Jehn, 1995), especially midway through a team's life (Jehn & Mannix, 2001), whereas scholars uniformly agree that relationship conflict adversely affects team performance. Moderate levels of task conflict may improve the partners' decision-making process by increasing the diversity of ideas under consideration (Jehn, 1995) and thus contribute to IJV success. Because task and relationship conflict generally have opposite effects on performance, a general measure of the level of conflict in IJVs may mask these important distinctions and fail to capture the true effect of conflict on performance. So we suggest that future studies measure task and relationship conflict separately (cf. Li & Hambrick, 2005). For task conflict, for example, measures such as frequency of conflict along dimensions of the IJV such as marketing, capital expenditures, and manufacturing issues could be used. And for interpersonal conflict, measures such as mistrust can apply. By distinguishing different types of conflict, we can get a more complete understanding of the conflict–performance relationship in IJVs.

Two other issues also deserve more careful consideration with respect to the effect of conflict within IJVs. The first issue concerns how each partner's cultural views on conflict may influence its beliefs about its positive or negative value. It has been suggested that people from different cultures perceive conflict in different ways (Ren & Gray, 2009; Tinsley & Weldon, 2003). So it is quite possible that in an IJV, one partner may think it is in conflict with its counterpart but the other does not even notice the conflict because of different cultural expectations. How to resolve the conflict in this case becomes a challenging question (Ren & Gray, 2009).

The second issue, related to the first, is a structural one also stemming from cultural differences. Because conflict is part and parcel of organizational life (Coser, 1964; Pondy,

1967), it is inevitable that IJV partners will encounter some conflict, especially when cultural differences give rise to disagreements over appropriate practices and procedures for managing the IJV. Li and Hambrick (2005) found that parent company affiliations in IJVs can engender fault lines (Lau & Murnighan, 1998) and lead to relationship conflict. On the other hand, Ren (2008) showed that network ties within multicultural teams play a pivotal role in ameliorating the levels of conflict within teams. Specifically, bridging ties that link people from different cultural subgroups were found to be a buffer against conflict (Ren, 2008). Future studies are encouraged to investigate whether network ties across parent affiliations in IJVs help reduce the levels of conflict in IJVs.

Effectiveness of Conflict Resolution

In addition to understanding the level of conflict within an IJV, it is also important to know whether and how conflicts are resolved within the venture. Thus, effectiveness of conflict resolution is a related but separate issue from the level of conflict in an IJV. Whether the partners have effective skills for dealing with their conflicts constructively may determine whether their task conflict leads to positive performance outcomes or morphs into relationship conflict and triggers negative performance. For example, with good techniques, such as joint problem solving, conflicts may not necessarily be destabilizing to the IJV but may instead lead to resolutions that are beneficial to all parties involved. On the other hand, forcing and domination may generate relationship conflict and therefore lead to less satisfaction for at least one of the partners (Lu, 2007) and consequently have a destructive effect on IJV performance. Given that a certain amount of conflict is inevitable in interorganizational arrangements, whether the IJV has effective mechanisms for resolving conflicts that arise (e.g., joint problem solving, compromising) may be a more important predictor of performance than the level of conflict itself.

However, all of the studies on conflict and IJV performance reviewed here (Demirbag & Mirza, 2000; Li & Hambrick, 2005; Steensma & Lyles, 2000; Yan & Gray, 2001a) ignored the effects of conflict resolution mechanisms. This cannot generate a comprehensive understanding of conflict's effect on IJV performance. Future studies should distinguish between task and relationship conflict and also include a measure of how effectively the partners are addressing the conflicts that do occur.

Cooperation

Cooperation is a process of mutual forbearance in the allocation of resources such that one party is made better off and no one is worse off than it would otherwise be (Buckley & Casson, 1988: 32). Cooperation is argued to be a positive predictor of IJV performance, and empirical studies have consistently affirmed this result (e.g., Anh, Baughn, Hang, & Neupert, 2006; Demirbag & Mirza, 2000; Luo & Park, 2004; Zhan & Luo, 2008). For example, Gong and colleagues (2007) empirically showed that partner cooperation is positively associated with partners' satisfaction with IJV performance. Luo (2002b) also found a positive

relationship between cooperation and IJV financial output. Thus, based on these studies, we argue that partner cooperation in the IJV planning and goal setting can enhance IJV performance. However, it is useful to note that high levels of coordination and participation are consistent with a shared-control structure and, consequently, may be capturing the same variance that other researchers have attributed to the control structure.

Culture

Culture is “the collective programming of the mind which distinguishes the members of one group from another” (Hofstede, 1984: 21). It specifies how things are to be evaluated and what behaviors are desirable or proscribed for members of the culture (Probst, Carnevale, & Triandis, 1999). Culture has been proposed as one of the most important drivers of IJV performance (Lu, 2006). Because organizations are embedded in the larger societies in which they operate, research on cultural differences of IJVs should examine both the national and the organizational cultures of the IJV’s parent firms (Sirmon & Lane, 2004).

National culture refers to the collective values, norms, and priorities that are common to the members of a nation (Hofstede, 1984; Sirmon & Lane, 2004). Empirical results on the effect of similarity among the partners’ national cultures are mixed (e.g., Anh et al., 2006; Brouthers & Bamossy, 2006; L.-T. Lu, 2007; L.-T. Lu & Lee, 2005; Luo & Shenkar, 2002). On one hand, national cultural differences have been found to lead to misunderstandings in negotiation processes and ambiguity about parents’ goals within IJVs (e.g., Simonin, 1999), to reduce trust (Luo, 2001) and perceived IJV performance (Yehekel et al., 2001), and to increase IJV instability (Makino et al., 2007; Meschi & Riccio, 2008). On the other hand, they may also act as a source of admiration, leading to a higher level of communication and more sustained collaboration (Park & Ungson, 1997). Thus, the relationship can be quite complex (Salk & Shenkar, 2001). Identifying the conditions under which national culture distance between partners can be beneficial might be a prosperous direction for future research. For example, if there is greater cultural sensitivity in the culturally distant partners, the cultural difference may not be a strong obstacle to communication because partners appreciate their counterpart’s culture and can behave with sensitivity and understanding. As Brouthers and Bamossy (2006) suggested, cultural understanding can enhance trust between partners, which will lead to higher performance. So when studying cultural distance or similarity in IJVs, researchers should also take cultural sensitivity into consideration. In addition, we also suggest that whether cultural distance is beneficial or not depends on the cultural dimensions under study. For instance, having differences in masculinity tend to generate positive outcomes, whereas differences in other cultural dimensions (e.g., individualism–collectivism) could engender negative outcomes (Pothukuchi, Damanpour, Choi, Chen, & Park, 2002; Ren, 2008). More empirical studies are needed to further test the effect of different types of culture dimensions (e.g., Hofstede, 1984).

In addition to national culture distance, organizational culture distance can also influence IJV performance (Sirmon & Lane, 2004). Organizational culture distance captures differences in a firm’s ongoing organizational practices and operations. Such differences can lead to conflicting expectations, misunderstandings, and communication problems that are dysfunctional to IJV

performance (Fey & Beamish, 2001; Pothukuchi et al., 2002; Yeheskel et al., 2001). Like national culture, organizational culture is also multidimensional. It comprises decision-making practices, communication flow, emphasis on human resources, organization of work, influence and control, and so on (Fey & Beamish, 2001). So it is important for researchers to measure organizational cultures based on these different components. In addition, more research on whether the different types of organizational culture distance also have differential effects on IJV performance is warranted (e.g., Johnson, Cullen, Sakano, & Takenouchi, 1997).

Finally, the interaction between national culture and organizational culture differences is also an interesting direction for future research. Sirmon and Lane (2004) argued that differences in national culture increase partners' organizational culture differences. Also, if the IJV partners establish a corporate culture of mutual accommodation and respect, the cultural distance may not be as big a problem because partners are sensitive to the differences and attempt to learn from them.

Goal Compatibility

Goals refer to the IJV parent's specific objectives and expectations in establishing the IJV. Goal compatibility refers to the extent to which foreign and local parents have similar strategic objectives about the direction and evolution of the IJV. The ongoing compatibility of parents' objectives is a significant and positive predictor of IJV performance (Kogut, 1988). For instance, Yeheskel and colleagues (2001) and Boateng and Glaister (2002) both observed a positive relationship between goal similarity and perceived IJV effectiveness. As we discussed earlier, two possible mechanisms that underlie this positive relationship are trust and conflict. Goal congruity helps reduce uncertainty about the other party's behavior and leads to personal attachment in IJVs, thereby increasing trust (Luo, 2001). On the other hand, divergence in parents' goals furnishes an opportunistic environment (Luo & Park, 2004) and generates conflict (Luo, 2001).

Thus, parents' goal compatibility may influence partners' satisfaction through affecting relationship quality between partners. However, in addition to this indirect effect, goal characteristics may also directly affect survival—a relationship that needs to be explored because some joint ventures may intentionally be operated for only a limited time frame (Luo, 2002c). On the other hand, if partners' initial goals remain unwavering in the face of market changes, the IJV's tenure may be adversely affected.

An Integration of Previous Research on IJV Performance

Thus far, our 10-year review of the IJV literature has identified 5 different IJV performance measures and classified 10 important performance determinants that directly or indirectly influence IJV performance. As we mentioned initially, previous researchers have focused only on particular relationships between individual performance drivers and performance. To gain a more comprehensive understanding of IJV phenomena, we have integrated the different performance drivers and measurements into one comprehensive model (Figure 1). Such a

model overcomes several limitations in our current conceptualizations of IJVs. Next, we summarize what we have discussed so far and briefly explain our model.

First, commitment to IJVs is positively related to bargaining power and control. A partner's bargaining power also has a positive effect on this partner's control over the IJV, which accordingly influences the achievement of the partner's objectives. As Pfeffer and Salancik (1978: 27) stated, "One of the inducements received for contributing the most critical resources is the ability to control and direct organizational action." Therefore, resource-based bargaining power will enhance a partner's management control (Yan & Gray, 2001a). The effect of context-based bargaining power, on the other hand, may be negated by that of resource-based power because, if a partner strategically values the IJV, it is more likely that it will contribute additional resources to it. So we believe resource-based bargaining power matters more than context-based bargaining power in determining partners' relative control over the IJV.

These predictions are also in accord with transaction cost economics, which argues that IJV partners will try to pursue their own interests while simultaneously trying to overcome their partners' opportunistic behaviors (Kogut, 1989). By gaining more control over IJVs, partners can actively pursue their own strategic objectives and monitor their partners' opportunism. Thus, a partner's control will positively influence the achievement of its own objectives. As Newman (1992: 78) stated, "Each potential partner, thinking about its own wants and resources, would like the lion's share of the benefits of the cooperative activity. Relative power comes into play."

The other main drivers of performance are trust, conflict, and cooperation. Before examining their direct effects on IJV performance, however, we first consider the variables that lead to the partner's relationship quality (e.g., trust, conflict, and cooperation). The extant literature shows that partners' relationship quality can be predicted by partners' cultural differences and the parents' goal congruity. When partners have conflicting cultural schemas, understanding each other's decision rationale becomes more difficult. National and organizational cultural differences generate conflicting expectations, misunderstandings, and communication problems that are detrimental to partners' trust and cooperation. On the other hand, similar goals lead to personal attachment and promote collaboration. In addition, perceived justice is also considered as an important predictor of trust and cooperation. Shared perceptions of high justice enhance relational value, reduce relational risk, and therefore can improve cooperation and trust (Luo, 2008), which in turn benefit IJV performance.

We now turn to the effects of trust, conflict, and cooperation on performance. Harmonious and trustworthy relations not only enhance partners' satisfaction with the IJV but also can lead to efficient use of resources and reduced costs, thereby increasing profitability (Sarkar, Cavusgil, & Evirgen, 1997). What's more, frequent discussion and communication also enable IJVs to learn. Therefore, in Figure 1, we show the direct effects of positive relationship quality on financial performance, satisfaction, and learning. However, we believe all these relationships are moderated by the IJV control structure. A shared control structure necessitates communication and discussion and provides incentives for mutual forbearance similar to the presence of trust (Hebert, 1996). Thus, the relationship between relationship quality and performance should be stronger in shared control IJVs. Also, based on previous studies (Nakos & Brouthers, 2008), we also expect trust and conflict to influence performance by enhancing commitment to the IJV.

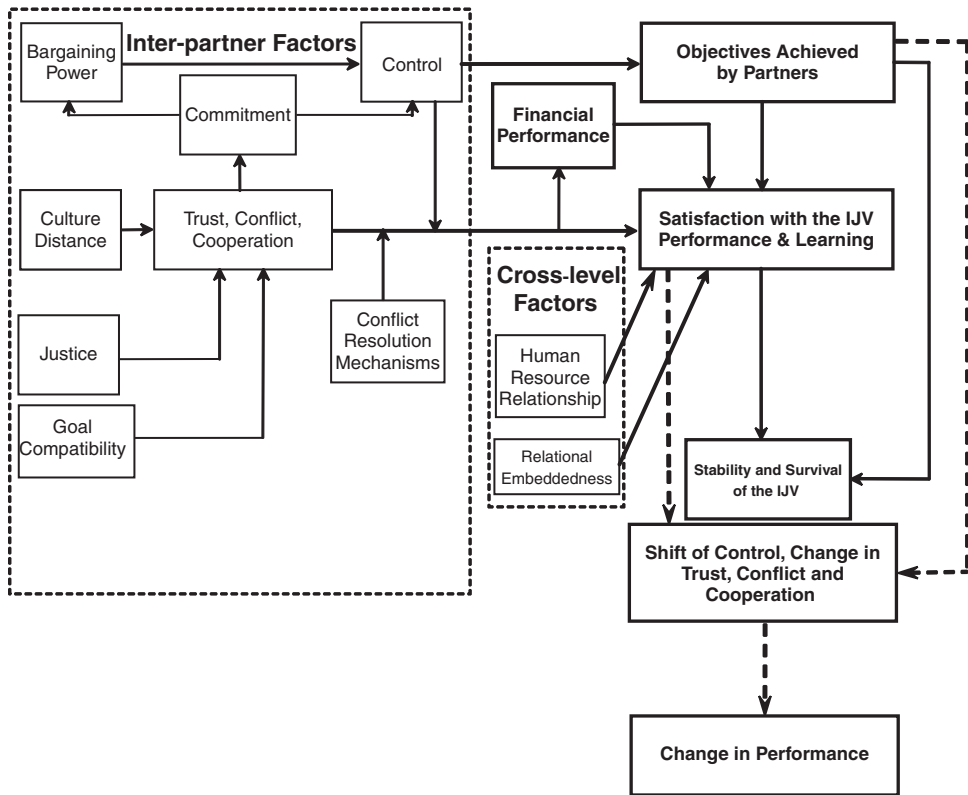
Conflict and the mechanisms employed to resolve it deserve special mention in Figure 1. Although relationship conflict is detrimental for IJV performance as we suggested earlier, a moderate level of task conflict can increase the diversity of ideas, thereby improving the IJV's decision-making process (Jehn, 1995). Thus, IJVs can benefit from the diverse ideas and learn from the discussion process, which will make the relationship more satisfying (Lin & Germain, 1998). In addition, the effects of conflict generally are greatly dependent on the partners' conflict resolution mechanisms. If one partner employs a destructive approach, such as harsh words or domination, the positive effects of task conflict are reduced and little learning can occur. Thus, conflict resolution mechanisms are expected to moderate the relation between relationship quality and IJV performance.

Toward a Multilevel Model for Analyzing IJV Performance

Figure 1 outlines the 10 factors that are the best predictors of IJV performance, namely, commitment, bargaining power, control, trust, justice, conflict, effectiveness of conflict resolution, cooperation, culture, and goal compatibility. Most of these 10 performance drivers are relational variables—that is, they are conceptualized to capture an aspect of the partners' relationship such as bargaining power, trust, or cultural distance and are measured at the level of the individual parent companies. However, IJVs are multilevel in nature in that they involve relationships between the IJV and each of its parent companies as well as between the parent companies (Hitt, Beamish, Jackson, & Mathieu, 2007; Kumar & Seth, 1998). Although previous studies have mostly focused on the latter, two studies have begun to examine how the relationship between the IJV and each parent company can influence the IJV's performance. One of these considered the human resource relationship between the parent company and the IJV (Gong et al., 2005), and the other considered the relational embeddedness between a parent company and IJV (Dhanaraj et al., 2004). The human resource relationship involves the management of human resources between the parent and the IJV. For instance, difficulty in reentry to parent headquarters, possible compensation gaps between parent and IJV, and blocked promotion for expatriates are key aspects of the human resources relationship that affect IJV performance (Gong et al., 2005). Relational embeddedness between parent and IJV refers to the strength of social ties between them (Uzzi, 1997; Uzzi & Lancaster, 2003).¹ Relational embeddedness is particularly critical when learning is a measure of performance because a strong relationship stimulates knowledge transfer between actors (Dhanaraj et al., 2004). These findings suggest that a multilevel model of IJV performance is needed to capture the complex relationships between performance drivers and performance. Therefore, we added these two cross-level factors in the model and developed a multilevel, longitudinal model on IJV performance to guide future research (see Figure 2).

As depicted by Figure 2, the 10 performance drivers that we discussed earlier represent interpartner factors, and the cross-level factors we focus on here are the human resource relationship and relational embeddedness. The human resource relationship between each parent company and the IJV (Gong et al., 2005) may influence the partner's satisfaction with the IJV. Also, relational embeddedness between IJV and parent firms will play a pivotal role in an IJV's learning and performance (Dhanaraj et al., 2004). Despite the multilevel attributes of IJVs (cf. Hitt et al., 2007), it is surprising that few studies have empirically focused

Figure 2
A Longitudinal Model for Studying International Joint Venture Performance



on multilevel issues such as the relationships between an IJV and its parent firms and the performance implications of them for IJV performance. Thus, as our conceptual model proposes, additional research on how the IJV's relationships with its parents affect its performance is needed. For example, performance of an exemplary U.S.–Chinese IJV suffered when the U.S. parent company was purchased by a British firm that subsequently withdrew resources from the IJV.

Another contribution of this model is that it also highlights relationships among the drivers and performance outcomes that remain underexplored. For example, little attention has been paid to the fact that the five indicators of IJV performance are not entirely independent of each other. IJV financial performance and the achievement of each partner's strategic goals will likely influence the partner's satisfaction with the IJV. Successful achievement of partners' initial goals may also lead to the termination of the IJV as such (e.g., through spin-off or absorption as a wholly owned subsidiary of one of the parents). On the other hand,

through a feedback process over time, IJVs can learn from their past performance, and the capabilities generated by learning can also provide IJVs with lasting competitive advantage and enable IJVs to survive (C. J. Choi & Lee, 1997).

Finally, little research has explored the possibility of reciprocal effects of performance on the interpartner variables (Gray & Yan, 1997). These effects seem likely, however. For example, Gulati (1995) showed that trust at Time 1 breeds trust at Time 2 in strategic alliances, and according to goal/expectation theory cooperation often lies in partners' expectation of continued cooperation (Pruitt & Kimmel, 1977). Thus, the longer the duration of the IJV, the more likely the partners will continue to cooperate and trust one another (Zeng & Chen, 2003). Still, several factors can disrupt the positive feedback loops. For example, learning enables IJVs to survive as discussed previously. However, the acquisition of knowledge from each other also enables partners to become increasingly independent of the each other that may not only trigger a shift in the control structure, thereby leading to a concomitant performance change, but also increase the possibility of internalization of the IJV (Inkpen & Beamish, 1997). On the other hand, "learning race" between IJV partners may also erode trust and damage relationship quality (e.g., Khanna, Gulati, & Nohria, 1998). In addition, poor financial performance not only can reduce partners' satisfaction of with the IJV but also tends to increase conflict because partners may attribute such performance failure to their counterparts (e.g., Clapham & Schwenk, 1991). Moreover, the partners' satisfaction with the IJV also influences their choices about whether to continue or terminate the relationship and their subsequent level of investment in improving the relationship quality, which, in turn, affects subsequent performance. Finally, the achievement of partners' goals may also lead to the shift in the control structure. These reciprocal effects of performance on the interpartner variables are shown in bold dashed lines in Figure 2. Because little attention has been paid to these longitudinal and reciprocal relationships between the various performance drivers and performance measures, they offer a fertile area for future research.

In closing, to date research on joint venture performance has been extensive but fragmented and piecemeal. Because of this, it has been difficult, if not impossible, to separate out what really drives IJV performance or to gain a comprehensive understanding of it. By carefully reviewing the accumulated knowledge on IJV performance and determinants in the extant literature, this article offers several contributions to future research on IJVs. First, we show the strengths and weaknesses of extant performance measures and propose how future research can overcome some of the past limitations. Second, constructing a comprehensive list of performance determinants of IJVs enabled us to compare and integrate what has been done in past research. By considering relationships among the various drivers (e.g., overlapping constructs, mediating and moderating effects) that previous studies have neglected, we recommend a more targeted focus for future research. Third, we synthesized performance measures and determinants into a comprehensive, multilevel model to guide future research on IJVs. Although most extant research on IJVs has focused on interpartner relationships, the multilevel nature of IJVs (Hitt et al., 2007; Kumar & Seth, 1998; Luo & Park, 2004) deserves further exploration. We take a look at the picture as a whole—that is, consider how both the interpartner and the IJV–parent relationships work in tandem to affect IJV performance. Finally, we sort out the differential effects of drivers on performance constructs—that is, the possibility that not all drivers affect the five types of performance in the same way (e.g., some may affect learning but not market share, whereas others primarily

affect survival but not necessarily learning). Ultimately, our model can be used as a framework to build a more general theory of IJV performance. Moreover, we believe that an empirical test of this model in the various IJV settings (e.g., IJVs in developed vs. developing countries, similar vs. different cultures) will allow researchers to find a better way to make IJVs more successful.

Note

1. Relational embeddedness overlaps with commitment. However, relational embeddedness here is the mutual relationship between parent and IJV, whereas commitment implies directionality from a parent to the IJV. Relational embeddedness also overlaps with trust. However, relational embeddedness captures the relationship between each parent and IJV, whereas trust as a performance driver refers to the parent firms' willingness to rely on each other. Therefore, relational embeddedness is conceptualized as a multilevel concept, whereas trust is not.

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