

**NETWORKS AND SOCIAL RELATIONSHIPS
IN MANAGEMENT OF INTERNATIONAL JOINT VENTURES**

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Despite their popularity in nowadays business international joint ventures have proven very difficult to manage. The previous research on international joint ventures has been claimed unable to advice managers in leading the ventures towards successful long-term development. In this paper the research on joint ventures is analysed and a new avenue for research is suggested. This research would see the international joint venture as a new venture whose operations need to be organized and which needs to be positioned in the relationship networks. There is seen a need to set the joint venture as the focal actor that has relationships to multiple other actors whose importance varies along its development. This approach avoids the prevailing overemphasis on parent relationship, and seeing the joint venture only as one subsidiary among others. Some conceptual tools of the network approach are suggested well appropriate for this kind of research.

INTRODUCTION

International joint ventures (IJVs) are one of the most prominent modes of nowadays' international business (Zeira and Newburry 1999). Yet, international joint ventures have very high failure rates (see e.g. Harrigan 1988; Reuer 1998). The combination of shared ownership across national borders, relationship institutionalisation and formal independence of joint ventures result in great task and organizational complexity (Killing 1988) that makes an international joint venture a demanding way to organize a business.

Joint venture is often seen as an entry mode to foreign markets, as a mode of inter-firm cooperation and as a strategic weapon in global competition (Hellman, Hovi and Nieminen 1993: 14–15). Still, in the establishment of an international joint venture is created a new business entity for which the managers strive for establishing a favourable market position. Especially the equity joint ventures have independent management organs and as Lorange and Probst (1987) stated: “an organization must adapt and evolve on its own to meet the new environmental circumstances”. This brings forth two important aspects of management of international joint ventures: the context dependence of joint ventures and the focal role of the joint venture itself. However, majority of the previous research on international joint ventures has focused on the parent motives, partner selection, parental conflict/control, and performance measurement (Parkhe 1993). Surprisingly little we seem to know about the actual implementation and management of these business units (Wathne, Roos and von Krogh 1996; Spekman, Forbes, Isabella and MacAvoy 1998).

An equity joint venture is already by definition a small network as it is a sum of contributions of at least two separate firms (e.g. Pfeffer and Novak 1976; Killing 1982). Thus, there exists a triad from the very beginning. Through the parent relationships the joint venture becomes already in its initiation embedded in a network of relationships, which influences the management of the business unit. Every business unit needs also to be in contact with its environment and other actors outside it at least to obtain resources and create markets for the produced products or services (cf. Håkansson and Snehota 1989). Therefore, the first key question of the joint venture management is seen to culminate to its dependence on outside relationships and their influence on its development.

When we discuss management we should inevitably look at managers, i.e. the individual level actions. However, for example, Spekman et al. (1998:748) claim that “little is known about the managerial requirements of the different life cycle stages through which alliances pass” and “too little attention is given to the alliance manager as a central figure in determining the success/failure of an alliance”. The prior research on joint ventures is heavily focused on firm level analysis and relationships between the parent companies, and leaves often out of consideration that all economic actions are embedded in relationships between individuals (Granovetter 1985). With respect to management of any business unit a critical issue is this social nature of all the actions (see e.g. Granovetter 1985; Ring and Van de Ven 1994; Ghoshal, Bartlett and Moran 1999). This social embeddedness of firms brings forth the person-level interaction required, e.g., to form a channel for business dealings, to transfer technological skills and create power structures (Halinen and Törnroos 1998). This means that social interaction often underlies the organizational market, technological and political interactions. On this basis the social, person-level relationships are seen to form the second key question of international joint venture management.

The aim of the present paper is to analyse the prior research on international joint ventures in order to find out what kind of tools it gives for research on long-term management of international joint ventures. If we consider the context dependence and social embeddedness of the joint venture itself as the most important issues in joint venture management the theoretical approaches mostly used in IJV-research seem not to be the most appropriate ones. Therefore, the usefulness of the network approach and its concepts in an attempt to contribute to the knowledge on IJV-management is discussed. This leads to two-sided research question for this study: What kind of tools does the

prior research on international joint ventures provide for analysis of the context dependence and the role of social relationships in IJV-management? What kind of conceptual tools can the network research provide to research on IJV-management?

APPROACHES TO INTERNATIONAL JOINT VENTURES IN BUSINESS MARKETS

The concept of joint venture is not clear and unambiguous. Joint ventures are often discussed under concepts of strategic alliance and inter-organisational relationship, which the prior researchers have used to refer to many kinds of dyadic or network-like arrangements. Wide definitions are common, like “inter-organisational relationships are relatively enduring transactions, flows and linkages that occur among or between organization and one or more organizations in its environment” used by Oliver (1990:241). Borys and Jemison (1989) paralleled joint ventures to acquisitions, licensing and R&D partnerships. More recently some researchers have seen it important to specify the differences of various types and e.g. Zeira and Newburry (1999) compared the international joint venture and acquisition processes.

In this study is focused on international joint ventures (IJV) i.e. on formal cooperative arrangements between two or more legally independent organizations of different nationalities (cf. Parkhe 1991) that have pooled resources and shared risks jointly owned business entity to achieve some common goal. As Hellman, Hovi and Nieminen (1993) note joint venture is a special way of organizing business activities in a specific market: it is a hybrid form of organization between pure market and hierarchy. Moreover, joint ventures can be either contractual or equity joint ventures. Here the interest is on the latter ones because in the establishment of an equity joint venture is created a new firm which needs to be positioned in the market and whose activities are continuously organized as a response to various change forces.

For the analytic purposes of the present paper a simple two by two matrix illustrating the basic research approaches in international joint venture research can be constructed (see figure 1). On one axis there is the role that has been given to the joint venture as a business unit. Here is suggested that the joint venture is seen either as a subsidiary of a larger firm (often a MNC) or as a new venture having an independent role in the market. On the other axis is the viewpoint into the international joint ventures used in the research, which is either the one of the parent companies' or

the viewpoint of the joint venture seeing it as the focal actor. Other kind of classifications of joint venture research concentrating on the substance or the primary concepts of the previous studies can be found in e.g. Parkhe (1993), Spekman et al. (1998) and Yan and Zeng (1999).

Figure 1. Alternative approaches to international joint ventures (IJVs).

		Viewpoint into the IJV	
		Parent's	IJV's
Role of IJV	Subsidiary	INTERFIRM COOPERATION	PROFIT CENTRE (SBU)
	New Venture	ENTRY MODE STRAT. WEAPON	FOCAL ACTOR

IJVs as entry modes and strategic weapons

In the lower left hand corner of the matrix is the research that has seen international joint ventures primarily as entry modes to new markets or as strategic weapons in global competition. The joint venture is looked from the viewpoint of the parent(s), usually the foreign one, and the emphasis is on the antecedents of foreign market entry, e.g. motives for joint venture establishment and partner selection. The entry mode choice is usually approached from the transaction cost perspective and the increasing efficiency of the global markets is seen to favour cooperative and contractual forms of entry (e.g. Contractor 1990; Contractor and Kundu 1998; Taylor, Zou and Osland 1998).

Hennart (1988) has concentrated on the transaction costs explanations for joint ventures. He saw joint ventures as the best strategy in a limited number of specific circumstances where markets fail but full ownership is not effective due to, for example, management costs or scale or scope economies. He has also empirically tested the determinants of joint venture choice (Hennart 1991) and noted the transaction costs approach to be generally able to explain the empirical results of choice between joint ventures and wholly owned subsidiaries as the governance structures. Kogut (1989) narrowed this research stream down to the fear motive of joint ventures. Firms are seen

willing to choose joint venture as the mode of transacting because of failure of any contract to provide effective guarantees of continuing relationship quality when relying on an outside supplier. The vulnerability of mutual investment in a joint venture is kept as a hostage that should safeguard against opportunism (Madhok 1995). Joint ventures may also be established for pure profit-seeking purposes (Kogut 1989) with primary missions of stabilizing competition or using scale economies.

Primary interest is in initiation of the joint venture and often the partner selection, negotiations and initial characteristics of the joint ventures are discussed. Country- or area-related studies and comparisons of joint ventures in different environments with respect to motives or partner selection issues are common (e.g. Beamish 1985; Arino et al. 1997). In these studies the environment is analysed and its possible influences on the joint venture are examined. For example, Beamish (1985) compared the joint ventures in developed countries to those in less developed countries and noted their characteristics to differ. Arino and his colleagues (1997) emphasized the operational and cultural differences between Russian and Western managers as the major sources of difficulties as well as pointed up other contextual conditions, like bureaucratisation. Some studies emphasize the strategic role of joint ventures in the business unit network of the parents and set the focus on specific management issues, like control. In their landmark article Geringer and Hebert (1989) divided control to three dimensions of focus, extent and mechanisms. Consistent with the other research in this corner they saw transaction cost approach, together with strategy-structure approach, as most valuable conceptual framework for studying joint venture control. Recently, Johnson and her colleagues (2001) have noted both the motives for and effects of parental control to differ by national culture. However, in these studies the implementation, management and the longer-term development of the joint venture itself does not usually receive attention and what is analysed is the parents' decisions and satisfaction.

To the studies on joint ventures as entry modes to foreign markets is often related performance measurement or other kind of end result analysis (Inkpen and Beamish 1997; Hennart, Kim and Zeng 1998). These studies are typically not life cycle or development studies but represent the deductive/theory-testing approach with beforehand-specified variables and statistical analyses. The studies have primarily been motivated by the notice of high failure or exit rates of joint ventures and the researchers have looked for explanations for these. Hennart, Kim and Zeng (1998) warn of easy

interpretations of the shorter lives of joint ventures in comparison to wholly owned subsidiaries as failures. They may have been intended for time-limited tasks or they may continue their operations as wholly owned subsidiaries of one of the parents. Often they are very prosperous although not any more in form of joint ventures. To avoid this kind of hasty interpretations of success and failure of international joint ventures, Yan and Zeng (1999) call for developmental definitions and studies on joint venture instability.

IJVs as a form of inter-firm cooperation

The upper left hand corner of the matrix is to great extent filled by the general studies on inter-firm cooperation and strategic alliances of which joint venture is one type (e.g. Devlin and Bleackley 1988; Oliver 1990; Lorange and Roos 1992; Ring and Van de Ven 1994). They give explanations for joint ventures derived from organizational theory and stress cooperative motivations (Kogut 1988). Often this research on joint ventures emphasises the long-term advantages to the parents resulting from learning (see e.g. Hamel 1991). The learning-based motives for joint ventures include the creation of new products, acquisition of new technologies and exchange of distinctive managerial skills in a shared organizational entity (cf. Anderson 1990). Research on technology transfer via joint ventures also fits this corner because of emphasizing, especially, the cooperative aspects of inter-firm relationships (e.g. Farhang 1994; Lan 1996). Joint ventures are noted as one of the principal and most effective modes of international inter-firm relationships aiming at transfer of technical and other resources on a continuing basis (Contractor 1990).

The studies emphasize the complexity and inherent instability of joint ventures as business units because of the multi-parent situation. The analysis is often based on the notion of resource dependencies between the firms and the joint venture is seen as the concretisation of the dependence relationship between the parents. The studies emphasize the resource dependence and knowledge acquisition motives for cooperation and remind about the likelihood of changes in the dependencies as a result of the interactions (Inkpen and Beamish 1997). Kemp and Ghauri (1998) note the symmetry in the dependence between the parents to be especially important for satisfaction in the joint venture relationship. The dynamics are result of changes in the dependence of the parents on each other and, of learning.

This research stream has, thus, also aimed at capturing the development processes in international joint venture relationships (e.g. Woodside and Pitts 1996; Kemp and Ghauri 1998; Hyder and Ghauri 2000). Most often the development of an inter-firm relationship is described as a sequential process (e.g. Ford 1980; Devlin and Bleackley 1988; Lorange and Roos 1992) that develops through consecutive, but overlapping, stages (cf. cyclical process in Ring and Van de Ven 1994). The other important feature is the double structure of formal organizational and informal individual interactions (Ring and Van de Ven 1994, cf. Dwyer et al. 1987). Hyder and Ghauri (2000) bring to their model also the network formation, which emphasizes the connectedness of firms to other actors in the market. However, also their focus is on the parent relationship and the continuous organizing of the joint venture itself in its local market is not analysed.

IJVs as profit centres of MNC

In research on international joint ventures the parent firm viewpoint has strongly dominated the research. Only quite recently has there emerged some research using the viewpoint of the joint venture itself. Then there is usually talked about strategic business units and the joint venture is seen as a profit centre of a multinational company (see e.g. Andersson 1997; Moore and Birkinshaw 1998; Birkinshaw and Hood 2000). In this research no distinction is usually made between wholly owned subsidiaries and joint ventures, but the analysis covers both. Interestingly the viewpoint is more the one of the subsidiary's and to lesser extent the viewpoint of the parent company's although the implications are intended to subsidiary management of the MNCs. Already, Anderson (1990) emphasised the need to evaluate joint ventures primarily as stand-alone entities seeking to maximize their own performance, not the parents. Also Zeira and Newburry (1999) saw granting autonomy to an equity international joint venture to be important right after the initial formation. The joint venture should, thus, be encouraged by the parents to find its own best way. This research stream has many similarities with transaction costs based research in the explanations for joint ventures. However, the explanations are derived primarily from the strategic behaviour theories (Kogut 1988), which mean emphasis on the profit maximisation.

Also network approach has lately been used to study the subsidiaries' roles in the MNCs and their relationships to the headquarters (Pahlberg 1996; Andersson 1997). The studies show the

usefulness of the network approach for incorporation of the specific external environment of the subsidiaries in the analysis. They indicate how subsidiaries' integration in the MNC internal network varies and some units are much more connected to their own external network. Birkinshaw and Hood (2000) noted the local network embeddedness to be especially strong in subsidiaries in export-intensive leading-edge industries. These subsidiaries are more embedded, more autonomous and more internationally oriented. This emphasises the importance of taking into account the environmental factors when analysing the subsidiary roles. Through interaction with suppliers, customers and other counterparts the subsidiaries may become controllers of some critical resources for the whole corporation and then they can also influence the strategic behaviour in the MNC (Andersson 1997). Birkinshaw (1999) made similar kind of finding when he found that local market relationships could be a source of stimulus for subsidiary initiative. He analysed also the managerial behaviour in pushing their initiatives in the corporate context and noted that building of distinctive capabilities and personal relationships are most effective ways to counter the corporate resistance.

To this group belong also the studies on centres of excellence, which can be defined as "a small group of individuals recognized for their leading-edge, strategically-valuable knowledge and mandated to leverage and/or make that knowledge available throughout the global firm" (Moore and Birkinshaw 1998). The centres of excellence research emphasizes that many crucial assets, especially intangible ones, are not any more situated in the headquarters but in the various affiliate companies around the world. New knowledge also often comes from interactions with clients and team members around the world. This makes as the major challenge for the top management of MNCs the development and dissemination of knowledge on the worldwide basis.

Towards IJVs as context dependent focal actors

In the joint venture operation can be seen to be fundamentally question of establishment and development of a new firm even though it happens in a way inside and with the aid of some existing, usually well-established firms (cf. Gartner 1985). What is important in joint venture establishment, but often ignored in research, is that this new entity can incur debt, sign contracts, or undertake other activities in its own name (Pfeffer and Nowak 1976). Joint ventures are also by definition autonomous organizations and they have own management teams, missions, objectives,

strategies, cultures, and identities (Johnson et al. 2001). In research these actions and issues seem to be analysed only to the extent that they concern the parent companies. To the persons acting for the sake of the establishment of the joint venture it is a new venture that needs to be positioned in the local markets and the international business networks. To successfully position the venture it is relevant to see it as the focal actor whose network of relationships needs to be organized to support its operations. However, this lower right hand box (figure 1), where international joint venture is seen as a new venture and as the focal actor, is the most unexplored corner.

The relationship-centred approach (Madhok 1995) has started the movement from the outcome oriented, relatively static ownership-centred approaches towards research that addresses the critical role of social phenomena and micro-level process-oriented mechanisms of control and coordination. Thus, the more recent research on international joint ventures has began to more and more address issues like trust, commitment and social exchange (e.g. Inkpen and Birkenshaw 1994; Kemp and Ghauri 1998; Cullen, Johnson and Sakano 2000). Trust is crucial for a cooperative venture (Zeira and Newbury 1999) and the creation of trust requires usually commitment and social exchange. However, also these studies tend to focus on the parent relationships leaving out of consideration the other relationships the joint venture inevitably needs to have in the markets to be able to operate. The studies on roles of joint venture general managers have somewhat changed the focus of research towards seeing joint ventures as independent ventures with own operations. Already Killing (1982) stressed the importance of balance between the parents and their fair treatment of which the general manager needs to take care of. Later, many researchers have pointed up the joint venture general manager's challenging task in managing a new company in multi-parent, typically uncertain settings where in addition to managing the joint venture itself they must also manage relationships to parents with divergent motivations and goals (e.g. Frayne and Geringer 1994).

Concluding remarks

There exists a rich body of research on entry or operation mode choice of firms, which well covers the characteristics of joint ventures as governance structures. As well, a lot of research has analysed the benefits and problems of international inter-firm cooperation in form of joint venturing. The problem is that this research tends to fragment the theory instead of leading to coherent

understanding (Parkhe 1993) of joint ventures. Although the more recent research on international joint ventures has brought up many important issues like the dynamism, development processes, trust and commitment it still fails in giving a holistic view of the development of the joint ventures and advising long-term management of them.

One important reason for this failure may be the heavy emphasis on the parent relationship whereas the establishment, development and characteristics of the joint venture itself, and its relationships are left out of study or only superficially analysed. The entry mode research includes empirical studies in different environments but only “faceless” environmental variables are used and the relationships are not covered. The same holds true with inter-firm cooperation studies, in which contextual factors are touched primarily in analyses of culture-based parental conflicts. The profit centre approaches do best in emphasising the dependence of the subsidiaries on their relationships to other actors although the relationships in the internal corporate network are mostly discussed. Also the research on individuals and their actions is very limited. Entry mode researchers analyse the factors influencing managerial decisions but do not cover the decision making process. In inter-firm cooperation research especially Ring and Van de Ven (1994) have emphasised the interpersonal level of analysis. Parkhe (1993) concludes the research to need to move to analysis of four “core concepts” of joint venture management: Trust, reciprocity, opportunism and forbearance that are all are based on capabilities, behaviour and actions of individuals. But further research is very limited. In profit centre research individual actions receive attention mainly in centres of excellence studies.

Still, many studies report the importance of local customer and supplier relationships and interactions with other actors that serve the joint venture and are managed from it. As well, the fact that all organizational actions are taken by individuals who perceive, trust, and commit is well known. For example, Hyder and Ghauri (2000) pointed up the need to analyse the network formation in the local market and saw the social network of the individuals as equally important to the developments than the industrial resource and activity network. In emphasising the need to get the viewpoints of the joint venture executives they also moved somewhat towards seeing the joint ventures as the focal actors.

NETWORK APPROACH IN INTERNATIONAL JOINT VENTURE RESEARCH

For studying international joint ventures network approach is seen especially relevant for several reasons. First of all, joint venture is already by definition a network as it is a sum of contributions of at least two separate firms forming a small network already in the initiation. If management is also seen as a process that includes management of both internal, external and strategic change forces (Melin 1989; Yan and Zeng 1999) we should look also at the other outward relationships than the relationships to the parents of the joint venture. describe the basic assumption of the network approach as “every working company exists within a complex network of interactions between companies as” The network approach emphasizes that every organization is dependent on and even its identity is created in interaction with other actors in the market (Johanson and Mattsson 1987). This is because the critical resources of a firm are linked to its exchange relationships with suppliers, customers and other counterparts with whom they exchange information, expertise, goods and services, payments and loans, etc. (Ford, Håkansson and Johanson 1986; Håkansson and Johanson 1993). This holds true also in case of joint ventures and other subsidiaries, which are as much dependent on these external counterparts than on the parent relationships (Andersson 1997; Johanson 1999). This is an issue, which the transaction cost, strategy-structure and organisational behaviour approach-dominated international joint venture research seems often to forget.

Especially the studies on subsidiary roles and their connectedness to both internal MNC network and local networks have noticed the influences of the subsidiaries’ relationships on the development of the business units (Andersson 1997; Birkinshaw 1999). Andersson (1997) notes that embeddedness is especially an approach that avoids atomisation of actors. Embeddedness of actors in business relationships makes it possible to access other actor’s resources (Håkansson and Johanson 1992) and refers to company’s relations with and dependence on various networks (Halinen and Törnroos 1998). Therefore, it is useful concept for studying the context dependence of international joint ventures.

International joint ventures are said to be inherently unstable business units (e.g. Inkpen and Beamish 1997) because of the multi-parent situation and the intercultural interactions required in their operations to organize the activities of the joint venture. The network structures are expected to be stable but not static: they will constantly change in response to changes external and internal

to the network (Easton 1992). To stabilize the business unit and its operations it is relied on relationship development to other actors in the market. Simultaneously the interaction processes in relationships lead to incessant change in networks (Håkansson and Snehota 1995:10). Halinen and Törnroos (1998) developed the concept of embeddedness further and suggest that if the multi-dimensionality of a firm's embeddedness is acknowledged it can be used in describing and explaining network dynamics. Halinen, Salmi and Havila (1999) have also developed concepts for analysing network dynamics and differentiated between incremental and radical change. The former involves change in the nature and content of single relationships. Behind it are actually forces that maintain stability, manifested in inertia, i.e. the tendency to maintain the deep structure of the network. It includes, e.g. technical and resource interdependencies, risk-reducing strategies as well as various institutional rules for correct network behaviour. The radical change, in turn, is caused by critical incidents that create change leading to dissolving or building new relationships. The final definition of what is a critical event is dependent on the interpretations of the business actors. It may arise from a dyad including e.g. impact of personnel changes, shifts in organizational structure or changes in a company's strategies as well as acquisitions, bankruptcies or partner-switching. A critical event may also arise from the business environment and then includes e.g. changes in technology, industrial structure or economic recession.

In case of an equity joint venture, in which new business unit is established, the knowledge of its management is best reached by looking everything from the joint venture's viewpoint. Therefore, research on joint venture management should concern the "firm in a network" level (Möller and Halinen 1999) where the question is about managing focal nets (Salmi 1995). The focal net viewpoint to the relationship network gives the possibility to set any chosen organization in the centre of the network and look at the others from its viewpoint. A focal net consists of the relationships perceived as relevant by the persons representing the focal firm. Especially case studies with personal interviews highlight this focal actor's view (Halinen and Törnroos 1998). In this viewpoint emphasis is laid on personal dispositions and characteristics because individuals are the organizers and change agents of the network as well as parts of the network.

Spekman and his colleagues (1998) have seen the successful alliance managers to be the masters of the informal network. The social, interpersonal side of business relationships has in the

network approach achieved attention already in the early interaction model (Håkansson 1982). However, this part has been seen as the most unexplored area also in network research tradition (Araujo, Bowey and Easton 1998; Axelsson and Angdahl 2000). The interpersonal relationships brace the international alliances especially when the business is under stress, under-performing or when expectations are not being realized (Spekman et al. 1998:763). Network researchers have given the interpersonal relationships also other roles than this safety net function (see e.g. Turnbull 1986; Salmi and Bäckman 1999). In the interaction model interpersonal contacts are identified, for example, to perform vital roles in problem solving, in exchange of social values and information, and in demonstrating commitment and credibility. Personal contacts are also means of distance reduction. Thus, all networks have a social dimension characterised by patterns of social contacts consisting of a web of interactive relations between individuals in the organizations (Håkansson and Snehota 1989). The economic element of a relationship is the basis for the existence of industrial networks (Easton 1992). Yet, the non-economic exchange aspects of a relationship serve, e.g. to down play the contribution of price in determining the behaviour of the two parties (cf. Uzzi 1997). Indeed, the stronger the bond the less importance economic factors have been seen to have in the process of exchange. Thus, social exchange is a significant factor in the overall strength of inter-firm relationships.

To understand and advice IJV-management the IJV-research needs to develop towards new avenues. The parent-focus should give room to IJV-viewpoint and analysis of wider relationship networks. The analyses of the individual level managerial actions should balance the organizational emphasis. The basic assumptions and conceptual developments of network approach provide good basis for that. In network approach is emphasised the basic idea that every actor is embedded in a network of other actors and the identity of an actor is created in interaction with its various counterparts (Håkansson and Snehota 1989; Håkansson and Johanson 1992). All interactions in some dyad are influenced by various interdependencies in the network, which the firm aims at influencing through networking (Håkansson and Snehota 1995). Networking, in turn, can be seen as the basic cause of network dynamics. Networking is always a process of actions by the individuals but it is also a part of the firm's activity and structure (Dubini and Aldrich 1991; Håkansson and Snehota 1995). Thus, with respect to the interacting parties, characteristics of both the companies

and the individuals inside them are important. To analyse both the organizational interdependencies from the viewpoint of a certain actor and the perceptions and actions of individuals the focal net viewpoint is the most appropriate. Through the focal net viewpoint with individual level of analysis it can be studied how a single firm relates to its environment (Möller and Halinen 1999). This understanding is the basis for a firm's net management capability.

RESEARCH AND MANAGERIAL IMPLICATIONS

Yan and Zeng (1999) have seen as the real practical value of IJV-research to rest on providing managers with insights regarding how to manage the IJV's evolution. The IJV-research should be able to advice in issues like how to reconfigure the joint venture structures and take adaptive actions over time to strengthen performance and prevent premature death. This can be suggested to require setting the joint venture itself in the focus and analysing the joint venture longitudinally as context dependent, autonomous business venture whose managers aim at successful organizing of its activities through relationship development.

However, joint ventures are usually analysed from the viewpoint of one of the parents (Osland and Cavusgil 1998). The joint venture itself is often treated as a kind of skeleton organization (cf. Lorange and Roos 1992:80) without its own activities. Joint ventures do have their basis in the business relationships of the parents but they also differ from other kinds of business relationships as the focal relationship is explicitly and extensively concretised in the creation of a new venture. Like all new ventures the joint venture is also dependent on its ability to mobilize and utilize the other actors' resources, most of all the parents but also others in the market (cf. Johanson 1999: 228). Also the social embeddedness has often been given a secondary role in the joint venture research (Parkhe 1993; Ring and Van de Ven 1994). Still, for example, Spekman et al. (1998) claim that the strategies of successful managers rely on persuasion and influence, which are bound within the emergent social network of the alliance.

In the present paper the network approach has been suggested to provide useful concepts for capturing the viewpoint of the joint venture, context dependence of the joint venture, and actions of the individuals acting for the sake of its success. The idea of the embeddedness of business units in relationship networks, and the dynamics resulting from changes in the embeddedness, give basis for

profound analysis of context dependence of the joint ventures. The focal net approach makes it possible to set the joint venture in the centre of the network and see it as the focal actor whose managers' perceptions are the most important ones for understanding its management tasks. Finally the role of individuals and importance of social relationships has from the very beginning been acknowledged in the network approach. This gives an important conceptual basis for analysing individual level actions and roles of personal relationships in joint venture management, although these issues are not thoroughly covered by the current research.

To successfully manage the joint ventures the development of these business units should be looked holistically and network approach is holistic by nature (Salmi 1995). The research should take into account the life cycles of joint ventures, their relationships to other actors and environmental influences. Currently, there is a lack of understanding of how the external relationships can be utilized and what kind of actions are feasible to successfully manage an international joint venture and its business. This kind of understanding is suggested best reached by setting the joint venture in the focus and examining the organizing processes of the joint ventures at the level of individual actions in networks of relationships. Then can be found out about the net management capability of the firm (Möller and Halinen 1999). It refers to a firm's capability to mobilize and coordinate the scarce resources and activities of other actors in the network. In net management the most important is the capability to utilize the windows of opportunity that open in the network. It requires visioning, relevant relationships and flexible resources.

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