

The control dimensions in international joint ventures: influencing factors

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ABSTRACT

The aim of this paper is to gain insight into the various control practices. This study investigated how partners exercise control over their international joint venture (IJV) relationships. This also provided a practical insight into how IJV partners can manage considerable tension and conflict yet still achieve their strategic objectives. In the first section, we outline some of the basic concepts of IJV control and give the rationale for its increasing relevance when facing cross-cultural joint ventures. We continue by addressing various aspects of IJV control, including a typology of control mechanisms. In the third and fourth sections, we discuss the methodology applied, and give an overview of the empirical fundamentals in terms of two cases, both IJV Australian/Indian dyads. In the fifth section, we discuss our three main findings. We have identified various sets of goal attainments in the dyads and two distinct types of IJVs, and found that control mechanisms are compounded, interrelated and dynamic. In the sixth section, we propose a conceptual model with a dual parent perspective of control and satisfaction in IJV's. The paper ends with conclusions, implications, limitations and our proposal for further research.

INTRODUCTION

Over the last decade there has been a significant increase in the amount of foreign direct investment (FDI) flowing into India following its economic liberalisation in 1991 (Bullis, 1997; Ramaswamy et al., 1998). In order to take advantage of India's rising consumer population and high economic growth rates, Australian firms have expanded their business operations into India (Vicziány & Chatterjee, 1997). As a result, Austrade (2001) has observed a twenty-seven per cent per annum growth in the number of Australian-Indian IJVs. Further, due to government restrictions on foreign investment and the necessity to have a local partner to effectively market to the Indian consumers, IJVs have become the preferred entry mode (Bullis, 1997).

However, many researchers have reported that up to sixty per cent of IJVs fail (Dereskey, 1997; Groot et al., 2000), suggesting the necessity of further research into what is required for the successful management of IJVs. In particular, international

marketers require continual generation and dissemination of information regarding the external and internal marketing environment in order to develop effective pricing, promotional and distribution strategies as well monitoring activities between the actors in the IJV to avoid or avert dissolution of the IJV. Many studies (Geringer & Herbert, 1989; Ramaswamy et al., 1998; Groot et al., 2000) have strongly suggested that these IJVs failed due to poor monitoring and control practices leading to tension, conflict and dissolution. Yet other IJVs achieve their strategic objectives without moving to a stage of IJV dissolution, but could still be described as operating at levels of high tension and conflict.

Further, many studies (Ramaswamy et al., 1998; Groot et al., 2000) have demonstrated the positive effect that control mechanisms have on the IJVs ability to achieve its strategic objectives, both corporate and marketing. In order to gain insight into these control practices, this study investigated *how* partners exercise control over their IJV relationships, and where there is the potential for tension and conflict within the relationship. Our study highlights that not all conflict leads to dissolution. Rather, we identify IJVs that may operate at levels that exhibit a high degree of tension and even conflict, but are still very workable and even perceived by both partners as long-term business relationships. The study demonstrated that JVs partner that had a clear understanding of the 'value' that they bring to the IJV and focused on 'growing' or sustaining that 'value' over time, were able to withstand considerable tension and conflict, yet maintain a workable business relationship.

Replicating Geringer and Herbert's (1989) conceptual model of IJV control dimensions, namely, *mechanisms*, *extent* and *focus*, this study examined the dynamic nature of IJV control in a new context. Previous research has focussed on IJV's between developed countries and/or developing countries, but has not addressed dynamic control in emerging nations (Killing, 1983, Beamish, 1885, Groot et al., 2000). To address this limitation, this study focussed on IJVs between an emerging and developed country. This was done in order to provide new knowledge on markets with distinctly different business and cultural environments.

In addition, researchers (Calantone & Zhao, 2001; Luo et al., 2001) have highlighted the lack of research illustrating both sides of the IJV dyadic relationship. In order to address this limitation, both actors in the IJV relationship participated in the study, allowing a

dual parent perspective to be obtained. This permitted the study to illustrate both sides of the dyadic relationship, and both actors' perceptions of both conflict events. Gaining both partners' perspectives allowed the simultaneous observation of *how* control operates within these partnerships and *how* culture and business interrelate. The advantage of this study is that it illustrates this relationship on a day-to-day level and highlights the *interaction* of local and foreign parent control and what control mechanisms are available to the partners to manage conflict that was perceived to be inevitable in certain types of IJVs.

IJV CONTROL- BASIC CONCEPTS

According to Ouchi (1977, p. 94), the term IJV control can be defined as: "*the process by which one entity influences, to varying degrees, the behaviour and output of another entity through the use of power, authority and a wide range of bureaucratic, cultural and informal mechanisms*". A similar definition was proposed by Schaan (1983) and Tannebaum (1968), suggesting that: *IJV control refers to the foreign partner's ability to influence the local partner to behave in accordance with the foreign partner's ultimate purposes*' (Tannebaum, 1968, p. 27).

Both definitions describe control as playing an important role in the capacity of a firm to achieve its objectives. Typically, as organisations expand in size, there are concurrent increases in the complexity and differentiation of their structures. In addition, risks of conflict and competing goals between units in the organisation, that is marketing, production and geographic issues (Geringer & Herbert, 1989), further these complexities. As a result, senior management is confronted by the increasingly crucial need to monitor, coordinate and integrate the activities of the organisation's business units, including IJVs (Ramaswamy et al., 1998). Control can enable the firm to reduce transaction costs that limit strategic benefits by providing clear business procedures, accountability and a management team that can respond quickly to changing circumstances (Geringer & Herbert, 1989).

The relevance of control

Many scholars (Deresky, 1997; Ramaswamy et al., 1998; Groot et al., 2000) have suggested that a 60 per cent IJV failure rate indicates that most IJVs partners do not consciously consider control and monitoring decisions and, as a result, many firms have

chosen to bypass the IJV control option or enter the IJV ill prepared (Lal & West, 1997; Young, 1994). Insufficient or ineffective control over an IJV can limit a parent company's ability to co-ordinate its activities, to efficiently utilise its resources and to effectively implement its strategy (Geringer & Herbert, 1989). This can result in high risk situations for IJVs and is a significant contributor to the subsequent failure (Parkhe, 1993).

Prior studies and the knowledge gap

The importance of the issue of control explains why, for many years, scholars have devoted attention to this concept's role in the management of organisations (Ouchi, 1977; Vancil, 1979; Ramaswamy et al., 1988). In particular, they have examined the different degrees (extent) of control that multi-nationals exercise over their subsidiaries (Cray, 1984), as well as mechanisms, systems and procedures used, and the variables influencing the recourse to them (Egelhoff, 1984). These mechanisms of control will be detailed in the next section.

By contrast, the issue of control of IJVs has received relatively less attention. The topic of IJV control was first raised by West (1959), who recognised the potential inter-partner conflicts that could result from this form of organisation. According to West, without effective control efforts, firms were likely to experience great difficulty in managing IJVs. Yet, despite this early observation, the issue of control has received only fragmented attention (Geringer & Herbert, 1989).

Groot et al., (2000) argued that little attention had been directed at answering the questions relating to what control options (i.e. mechanisms, extent & focus of control) are available for partners to employ, and how they should best be utilised in IJVs. Geringer and Herbert (1989, p.237) concur, stating that *“the issue of control has received only fragmented and unsystematic attention in the JV literature and managers have received minimal guidance about when and how to use [the various control options], as well as about the potential trade offs between alternative control options”*. Similarly, Groot et al., (2000, p. 603) states that: *“the study of control systems in IJVs is at an early stage of development”*.

Groot et al., (2000) emphasises the need for in-depth, theory building research that incorporates all three dimensions of IJV control. More than a decade passed between West's (1959) initial observations and the re-emergence of the issue of control within

the IJV literature. “*These subsequent research efforts have largely examined very different dimensions of IJV control, and no explicit attempts have been made to provide an integrative approach to the issue*” (Lecraw, 1984, p. 29).

Whilst control is only one of many important aspects of successful IJV management, it has been found to play a pivotal role that requires further understanding (Lecraw, 1984; Geringer & Herbert, 1989; Ramaswamy et al., 1998; & Groot et al., 2000). Practising managers and international marketers are calling for academics to: “*shed some light on the most effective way to control their IJVs, especially those in developing or emerging markets*” (Ramaswamy et al., 1998, p. 427). In order to explore these questions an understanding of the dimensions of control within the organisational literature is discussed below.

Various approaches have been employed in an effort to develop an understanding of IJV control and, in particular, its relationship with IJV performance. Geringer and Herbert (1989) made a significant contribution by analysing the approaches and identifying three dimensions of IJV control. They have characterised IJV control as a multidimensional construct comprising three aspects. Firstly, the *mechanisms* by which control may be exercised; secondly, the *extent* of control achieved by the partners (i.e. IJV owners); and thirdly, the *focus* of activities over which the parents exercise control.

Purpose of control mechanisms

Many researchers have proposed mechanisms through which control can be exerted (Brandt, 1990; Blodgett, 1992; Ramaswamy et al., 1998; Wang et al., 1998). These include ownership, reporting requirements, managerial representation, technological dominance, the Board of Directors and informal mechanisms. How each of these control mechanisms exercise control over the IJVs activities is described below.

Schaan’s (1983) study of IJV control mechanisms of Mexican IJVs found control could be either promotive or preventative of certain IJV behaviours. Schaan (1983) distinguished between *Positive Control Mechanisms*, which parent firms employ in order to promote certain behaviours, and *Negative Control Mechanisms*, which were used by a parent to stop or prevent the IJV from implementing certain activities. A summary of his finding’s can be seen in Table 1.

Table 1: Positive and negative control mechanisms.

Positive and promotive control mechanism	<ul style="list-style-type: none">• Informal meetings, relations• Staffing & Training• Reporting Relationship• Ability to Design Planning Process
Negative and preventative control mechanism	<ul style="list-style-type: none">• Formal Agreement• Approvals Required• Ownership• Board of Directors• IJV General management

(Adapted From Schaan, 1983)

Positive control was most often exercised through informal mechanisms, staffing, participation in planning and reporting relationships. By contrast, negative control relied principally on formal agreements, approval by parents and the use of the IJV's Board of Directors (Schaan, 1983).

Orientation of the control mechanisms

In attempting to broaden the range of control mechanisms that may be used by managers and marketers, Geringer and Herbert (1989) suggest that it may be valuable to acknowledge the differences in the *orientation* of control mechanisms. According to Geringer and Herbert (1989), control mechanisms may be *context-oriented* - encompassing a wide variety of informal and cultural-based mechanisms. These control mechanisms have the purpose of establishing an organisational context appropriate for the achievement of IJV strategic objectives (Geringer & Herbert, 1989). Such a culture may represent a very effective substitute for more formal or *content-oriented mechanisms*. These are more direct interventions, either by top managers or by the IJV's board of directors (Geringer & Herbert, 1989). These mechanisms are usually bureaucratic in nature, or in Schaan's (1983) terms '*negative*' control mechanisms. They include specification in the IJV agreement of veto rights, or the assignment of selected responsibilities to each parent. The final dimension was termed *process-oriented mechanisms* by Geringer and Herbert (1989). These control mechanisms exercise control through reporting relationships, or influence IJV planning and decision-making processes.

METHODOLOGY

This study utilised the interpretative case study research approach in order to delve deeply into the research context, in order to gain understanding of the phenomena. Hambrick (1990) and Parkhe (1993) highlighted the limitations of previous IJV research. Both argue that the field of IJV management and conflict and dissolution processes is in its nascent, pre-paradigmatic stage of development and that IJV control lacks a strong theoretical core. Parkhe (1993) contends that current norms of employing statistical packages to exploratory theories are inappropriate and will not yield the necessary advances in theory. Further, Macaulay (1963) argued that quantitative research methodologies do not capture the soft-core concepts found in international relations. This study addressed these issues by firstly, applying a cross-case study methodology that iteratively linked data to theory in an inductive process moving towards the generation of an empirically valid theory that can be subjected to testing and refinement through replication logic. Secondly, applying a case study methodology that allowed the research to observe the 'soft' aspects of international relationships first hand.

The empirical bases

A brief discussion of the background of each case study is given below as well as a description of the particular control mechanisms identified in each of the two case studies. The findings from each case study are discussed in the next section.

Azzi-case: The Azzi India IJV is comprised of two partners, Azzi Australia and Sundergy, India with a 76/24 ownership differential favouring the Indian partner firm, Sundergy. Azzi India operates in the hi-tech lighting and power industry, producing electronic ballasts. The main informed respondents in the case study were the General Manager Azzi Australia, Quality Technology Manager Azzi Australia and the Indian Partner CEO (Sundergy) and IJV General Manager (IJVGM). Multiple control mechanisms were operating within the Phandi IJV. These included – Equity; Technology; Board of Directors; IJV Agreement and Training and the findings are discussed in the next section.

Phandi-case: The Phandi IJV is comprised of two partners, Hountta Australia and Phandi India. The ownership is equally divided between the two partners. The Phandi India IJV, which is located in India, produces automotive electronics and accessories.

The main informed respondents in the case study were the Chief Executive Officer (CEO) of Hountta Australia and the Chairman of the IJV's (Phandi) Board of Directors and the CEO of Phandi India and IJV General Manager (IJVGM). Multiple control mechanisms were identified in the Phandi case study analysis as being highly utilised by the IJV partners. These included - Reporting processes; Board of Directors; IJV Agreement; Training and Informal mechanisms and the findings are also discussed in the next section.

RESULTS

First finding: various sets of goal attainments

In both IJVs, all four partners indicated that the IJVs had been extremely successful in achieving strategic objectives. Using Koza and Lewin's (2000) instrument for assessing the extent to which the IJV has achieved its managerial and marketing objectives, both partners indicated a high level of satisfaction with the IJV.

The *Phandi*-case: According to both partners, the Phandi IJV was characterised as being highly successful. Hountta Australia and Phandi Indian indicated that the IJV had achieved its marketing and managerial objectives and that sales had tripled within the first three years of operations. The case study results infer that there was a high level of complementarity between the satisfaction levels of the two partners. Table 2 (below) indicated an exact match between partners in their levels of satisfaction with the IJV in key areas of the IJV operations. This inferred an empathetic relationship between the partners that was much less fraught with tensions than was identified in the case study interviews with the *Azzi* Indian IJV. It also demonstrated an understanding between the two partners that reflected their open and trusting relationship.

Both partners appeared to be on the same level in terms of expectations, resources provided by each partner, and the limitations placed on each partner. Both partners indicated their satisfaction with the IJV's achievement of its strategic objectives. Dr Uhlli describes the Phandi IJV as being profitable within the first year of its operations and indicated that sales had tripled within the first three years. Both partners agreed on all 15 areas of the IJVs' operation. One inference is that this indicates a level of comfort and stability between the two partners. It can be inferred that this mutual satisfaction in

the achievement of the IJV's strategic objectives may represent a relationship that is matched in terms of motivation for the formation and continuation of the IJV.

Table 2: Extent to which Phandi-case has achieved its strategic objectives.

MEASURE	PHANDI INDIA	HOUNTTA AUSTRALIA
<i>Sales level</i>	Mostly satisfied	Mostly satisfied
<i>Market Share</i>	Mostly satisfied	Mostly satisfied
<i>Profitability</i>	Completely satisfied	Completely satisfied
<i>Cost Leadership</i>	Mostly satisfied	Mostly satisfied
<i>IJV Management</i>	Mostly satisfied	Mostly satisfied
<i>Technological Development</i>	Completely satisfied	Completely satisfied
<i>Product Design</i>	Completely satisfied	Completely satisfied
<i>Quality Management</i>	Mostly satisfied	Mostly satisfied
<i>Labour productivity</i>	Mostly satisfied	Mostly satisfied
<i>Marketing</i>	Somewhat satisfied	Somewhat satisfied
<i>Distribution</i>	Mostly satisfied	Mostly satisfied
<i>Customer Service</i>	Mostly satisfied	Mostly satisfied
<i>Reputation</i>	Completely satisfied	Completely satisfied
<i>Parent Involvement</i>	Completely satisfied	Completely satisfied
<i>Overall Performance</i>	Mostly satisfied	Mostly satisfied

(Adapted from Annual Performance Review, June 2001)

The Azzi-case: On the other hand, in the Azzi India IJV, it was impossible to determine the degree of complementarity in satisfaction levels due to the Indian partner's (Mr Brehhan) refusal to answer. However, his later indication suggested some tensions within the partnership: "*The IJV is very successful; it's just this technology thing I hate*". This inferred that whilst the IJV was achieving its marketing objectives, there was a mismatch in satisfaction levels between the two partners. The dependency situation created by the importance of the technical input of the Australian partner firm was responsible for this situation. It can be inferred from the cross case results that whilst the IJV is achieving its marketing objectives, tensions exist between the two partners that could cause the IJV to be at risk of potential conflict. However, due to the success of the Azzi India partnership, it can also be inferred that for an IJV to be

successful in terms of the achievement of its strategic objectives, it does not have to be associated with the easy and open-style relationship that was evident within the Phandi IJV.

The results of the Azzi India case study indicate that IJV relationships can be successful despite the existence of considerable tensions and conflicts. The case study with Azzi allows the inference that a range of control mechanisms can be used by firms to maintain control over strategically important issues, despite a high level of tension. However, it can also be inferred that in IJVs where the relationship is open, trusting and communicative, the operation of the IJV will be less problematic.

Further, inference from the cross-case analysis suggests that managers and marketers will benefit from knowing the satisfaction levels of both IJV partners in key marketing areas. It will assist in forecasting potential conflicts, and hence allow a more proactive rather than reactive approach to addressing these tensions before they become critical. Further, the results indicate the benefits associated with having complementarity between IJV partners. By developing an open and trusting relationship between the two partners, an empathetic understating is developed that prevents tensions arising and leads to an organisational context that promotes a more creative and dynamic organisational environment.

Second finding: control is compounded, interrelated and dynamic

The findings of each of our two case studies provided details of the existence and employment of multiple control *mechanisms* within the IJVs. The data also provided detail on the differing degrees (*extent*) of control being exercised by both partners in the dyadic relationship. In addition, both the control *mechanisms* and the *extent* of control exercised were influenced by the *focus* of the IJVs. Over time, the *focus* of the IJV changed and the IJV partners adjusted their control dimensions accordingly. This highlighted the earlier, present and potential areas of tension and possible conflict that faced the IJVs and the *range* of control mechanisms that can be utilised by different types of IJVs to continue to achieve their strategic objectives.

This continuous flow of control dimension was proposed as result of an extensive and comprehensive review of the literature (Geringer & Herbert, 1989; Ramaswamy et al., 1998; Groot et al., 2000) and is illustrated in Figure 2.

Figure 2: Continuous Flows of Dimensions of IJV Relationships.

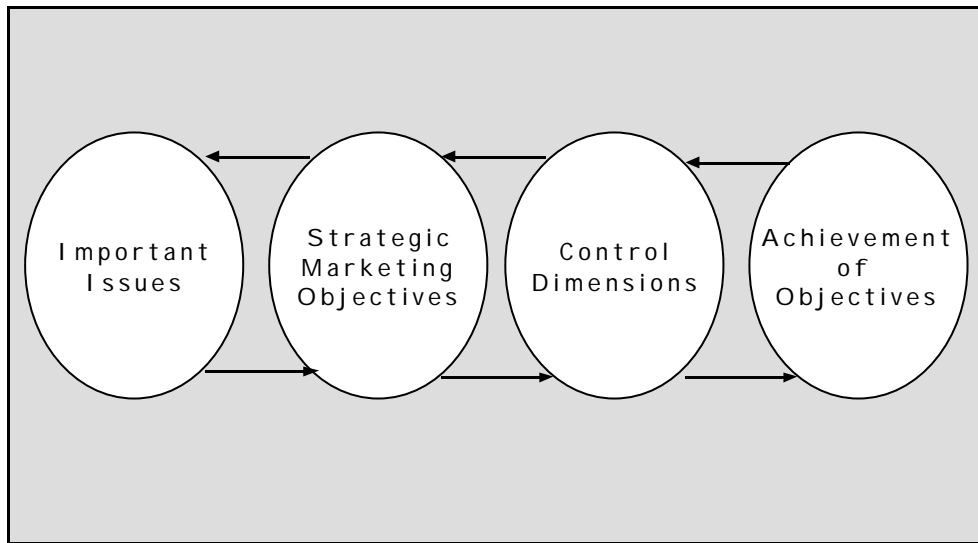


Figure 2 was supported in the case study findings. Initially, strategically important issues facing the IJV were identified. These strategically important issues were a prime determinant in the establishment of strategic objectives for the IJV. Once the strategic objectives had been formed, the exercise of control adapted and changed accordingly to maximise the likelihood of achieving these strategic objectives and for highlighting not only where conflict and tension existed but also what type of control mechanisms could be employed to manage the IJV relationship.

This cycle was reversed as the important issues and the regulatory environment changed. Sometimes these *changes* or events were perceived by one or both partners as sources of tension and potential conflict. The achievement of the strategic objectives over time changes the need and effectiveness of the control mechanisms. This was evidenced in both IJVs studied, as their foci changed from initial foreign market entry and access to the Indian market to the launch of new products and customer base expansions.

Third finding: two distinct types of IJVs

Based on the case study results it was possible to identify two distinct types of IJVs.

1. *Type 1 - Technology based IJVs, and,*
2. *Type 2 - Distribution and market knowledge based IJVs*

Whilst it would be expected that the IJV with the most conflict and tension, Type 1, (Azzi India) would be at a greater risk of dissolution, the in-depth discussions held with

both partners of the Azzi India IJV allowed the view to be formed that they perceived the relationship as long lasting. While they were concerned with the tensions and conflict, their main strategic objectives were being met. Moreover, not only were present objectives being met, but because of the nature of the IJV, which focused on technology and new product development, it seems that despite the Type 1 (technology based) IJV being tense and potentially volatile as a business relationship, there was enough pressure being exerted by the actors in the IJV to remain committed to the long term survival of the IJV. This is due to the developing nature of the technological focus of the relationship. The reason for this is not that the relationship is based on loyalty. Rather, the commitment focused on the mutual achievement of the IJVs strategic objectives.

However in the Type 2 IJV (i.e. Phandi), this situation is different. The basis and nature that drives this particular IJV is distribution and market knowledge. The Type 2 IJV was (distribution and market knowledge-based) shown to possess a greater desire to be more accommodating than in the Type 1 IJV. The Type 2 IJV was able to possess an ease and transparency of dissemination of information. However, our inference based on the interview transcripts was this does not necessarily ensure the survival of the relationship. These two types of IJVs have been categorised based on their descriptors as seen in Table 3 below.

Table 3: Table of Descriptors for Type 1 and Type 2 IJVs.

IJV TYPE 1	IJV TYPE 2
<ul style="list-style-type: none"> • 'IJV nature' – Technology based 	<ul style="list-style-type: none"> • 'IJV nature' – Market Knowledge and Distribution based
<ul style="list-style-type: none"> • Lifecycle is less at risk if technology continues to develop (New Product Development) 	<ul style="list-style-type: none"> • Life cycle at more risk if value cannot be continually added
<ul style="list-style-type: none"> • Able to withstand more tension and conflict 	<ul style="list-style-type: none"> • Strong desire to be accommodating of each other
<ul style="list-style-type: none"> • Negative content-oriented control mechanism employed 	<ul style="list-style-type: none"> • Based on informal, relational control mechanism. Both Positive context-oriented and Positive process oriented mechanism employed

Ironically, the IJV with less tension (Type 2) can be seen as more at risk than the Azzi IJV (Type 1) in not sustaining the venture relationship long term. The explanation for

this goes back to the very essence of why companies form IJV relationships. As was described earlier, IJVs serve multiple purposes (Koza & Lewin, 2000).

However, in order for IJVs to operate long term, the very nature of the IJV must continue to grow. For Azzi, this is in terms of the technology, and the technology continues to move ahead at a pace that allows both partners to feel that new knowledge is driving the venture presently and for the foreseeable future. Evidence for this is seen in their continual focus on research and development and both partners' indication of their commitment to a long-term relationship. Based on the results of the cross-case analysis, it can be inferred that IJVs based on technology (Type 1) as opposed to distribution and market knowledge (Type 2) are able to withstand greater levels of tension and potential conflict. This is so long as constant 'value' is being added to the IJV by the innovative nature of the IJV.

However, in the Phandi IJV, market knowledge and distribution are the main driving forces behind the IJV's lifecycle. This had been demonstrated in the literature to have a finite lifespan (Kogut, 1988). The literature (Kogut, 1988; Ramaswamy et al., 1998) suggests that unless value can be continually added in Type 2 IJVs, the purpose of the IJVs may be undermined. Thus, despite type two IJV's apparent ease of operation, closeness, transparency and loyalty, the nature of the relationship allows the inference that it is at more risk of sustaining long term survival.

Thus, two inferences can be drawn from this case analysis. Firstly, IJVs based on technology (Type 1) appear to be associated with less risk of not achieving their strategic objectives, so long as they focus on research and development and new product development. Further, Type 1 IJV relationships seem to be able to tolerate more tension and conflict due to the high levels of mutual achievement of both partners in the dyadic relationship. Second, whilst IJVs based on market knowledge and distribution appear happy and remain committed, it can be inferred that despite the ease of the relationship, it can not be seen as a 'less at risk' relationship than Type 1. This is because the nature of the relationship places its very purpose at risk. It can be inferred that there is more risk associated with the long-term survival of the Type 2 IJV, despite its apparent ease, closeness, transparency and loyalty.

A NEW CONCEPTUAL MODEL

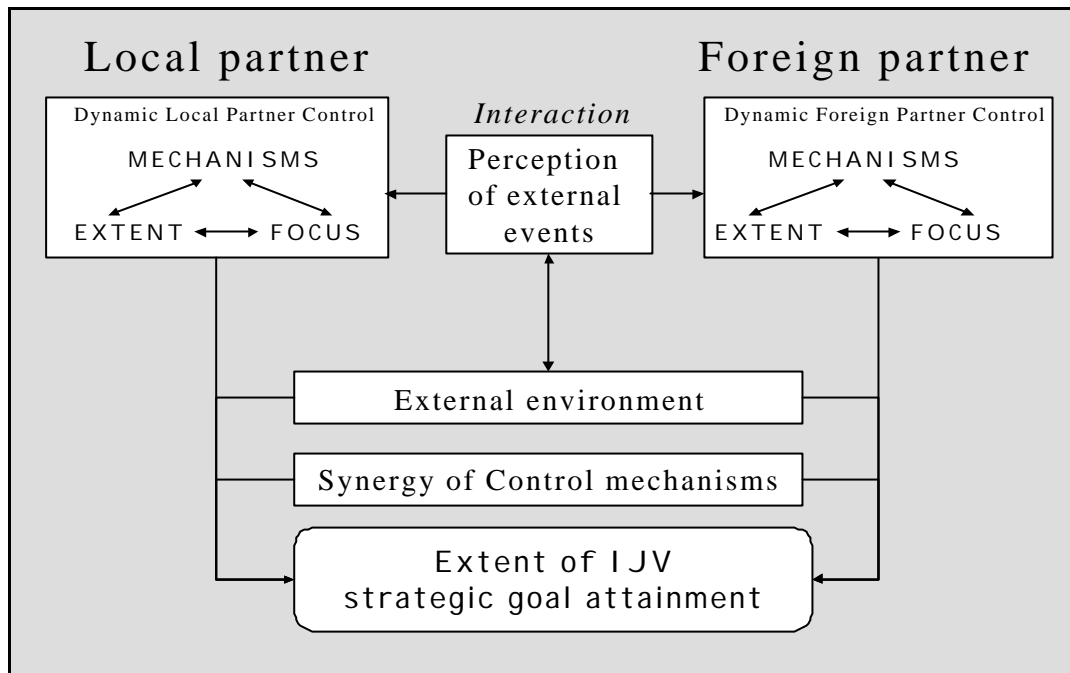
The details of the findings allow the researchers to infer that the conceptual model presented in Figure 3 (below) is representative of what is actually occurring in the Australian-Indian IJVs studied. Figure 3 indicates how the interaction of all three dimensions of IJV control (mechanism, extent and focus) impacts on the extent to which the IJV can achieve its strategic objectives. This is moderated by the external environment (cultural, regulatory, political and economic conditions). The model also allows the firm to identify what dimensions are or may provide sources of tension and conflict that may be averted with the use of appropriate or alternate control mechanisms.

Earlier studies (Geringer & Herbert, 1989; Ramaswamy et al., 1998; Groot et al., 2000) and our case study results demonstrated the impact of external variables on the IJV's ability to achieve its strategic objectives and to manage the conflict process. The external environment influenced the control dimension employed by both IJV partners (i.e. the Indian regulatory environment prevents Australian companies having majority equity control). Thus, the inclusion of the external environment in the conceptual model presented in Figure 3 (below) is supported.

External influences included restrictions on the amount of foreign equity (regulatory environment), the growing purchasing power of Indian consumers (economic conditions), the cultural differences in terms of business practices (i.e. religion, caste systems, holidays, remuneration), and the political tensions with bordering countries (i.e. Pakistan and the current war within close geographic proximity of India).

Perception of events identifies how the JV partners may perceive activities and behaviour of their respective JV partner. The events may be perceived as negative or positive. In addition, while one JV actor may perceive the particular activities of the other actor as negative or harmful, the other partner may perceive their own behaviour as neutral or even positive. The awareness of how JV partners may perceive events gives rise as to why the use of alternative and additional control mechanisms to manage conflict or avert dissolution of the IJV relationship may be necessary. This implies that the control mechanisms that are being selected and used by each 'individual' partner may be perceived in either a negative or positive manner that may even be at odds with their original intention.

Figure 3: A Model of Dual Parent Perspective of Control and Satisfaction in IJVs.



This implies that each JV partner needs to be more conscious of the control mechanisms that they are using and the likely impact that they may have for the other partner. This implies that a ‘synergy’ of control mechanisms operates around the IJV. This implies that each ‘individual’ partner needs to be consciously aware of intended and actual impact of the individual control mechanisms that they are using to obtain their individual and joint strategic objectives. Once the ‘individual’ control mechanism is selected and enacted, there is a perception and an ‘interaction’ between the two JV partners. This implies that the control mechanisms at the ‘combined’ IJV level act a ‘synergy’.

For both partners to be able to continue to achieve strategic objectives and that consequently do not threaten the long-term viability of the IJV, more effort should be made to create awareness at the ‘individual local JV’ level of the likely impact of each selected control mechanism at the ‘individual foreign partner’ level. This will assist with the selection of appropriate control mechanisms to facilitate a way through potential tension and conflict that may surround and subsequently threaten the long-term viability of the IJV.

CONCLUSIONS AND IMPLICATIONS

This study has attempted to make a contribution to both theory and practice of dynamic IJV control practices in five ways.

First finding: various sets of goal attainments

By exposing the process of IJV control between two vastly different markets, this study has brought new knowledge to the dynamics of IJV relationships within psychically distant business environments.

Second finding: control is compounded, interrelated and dynamic

- It has provided a deeper understanding of IJV control by incorporating all the core concepts of IJV control and their dynamic nature. This provides an overarching conceptual framework for *how* IJVs are controlled, advancing previous studies, which investigated only singular dimensions of IJV control.
- This study has revealed the interactive and dynamic nature of control dimensions through the dual perspective obtained and the emerging market research setting. This study has refined Geringer and Herbert's (1989) conceptual model of IJV control by illustrating the interaction of control between local and foreign IJV partners.
- The controls identified in this study will provide information to marketers which they can transform into knowledge regarding customers, competitors and external and internal operations. By having controls in place that provide current and accurate information, marketers will be provided with the essential foundations required to develop marketing plans with efficiency and effectiveness.
- This study has identified and illustrated the existence of multiple formal and informal mechanisms of control. This infers that firms have a choice of control mechanisms and are using multiple mechanisms in an environment where some mechanisms are limited

Third finding: two distinct types of IJV's

- By providing detailed descriptors on the *nature* and *types* of IJVs, this study has assisted in developing the exploratory phase of IJV research. The study was able to identify two types of IJVs; technology based (type one) and market knowledge/distribution based (type two) IJVs. The results of the cross-case analysis inferred that in both types of IJVs, 'value' needs to be continually added to ensure

the achievement of the IJV's strategic objectives. Marketers will need to ensure that control dimensions employed have a *future-orientation* in order to enhance mutual benefits. By identifying the type of IJV in which marketers are involved and then reviewing the control process employed by past IJVs, marketers can draw lessons from the experiences of past IJVs that have been able to achieve their main strategic objectives.

LIMITATIONS AND FURTHER RESEARCH

Four limitations are identified as particularly relevant. Firstly, the conceptual model presented was not tested in a quantitative sense, either in terms of construct validity or in terms of generalisations concerning its level of accuracy. A second limitation is associated with the *homogeneity* of the firms studied. The scope of the research was limited to large Australian firms with IJVs in India and contrasted only two industries. Whilst the industries were specifically selected due to their high growth rates, the researchers suggest that declining and stagnating industry IJVs may provide different findings. Also, small or medium-size partner firms may have dissimilar findings to those of this study. Further, successful IJVs were investigated as opposed to unsuccessful ones. Thirdly, the analysis were partially based on *retrospective* data, which may have introduced an additional sources of bias as a result of faulty memory or retrospective sense-making on the part of the informants. A final limitation may be related to *sampling*. The study was limited in scope to the exploratory stage, and the researchers would have liked to increase the number of cases in order to provide a wider-based cross-case analysis. In addition, the case study interviews were limited to the CEO's of each partner firm.

Whilst this study provided some insight as to how the focus of IJV control can change over time, a more accurate, dynamic methodology involving time series analysis would greatly benefit the IJV control and lifecycle research. In addition, future research needs to utilise the full benefits of cross-fertilisation with theoretical developments within other disciplines. Further, this study found the existence of multiple informal mechanisms of control that promoted an organisation context sympathetic to achieving the IJV's strategic objectives. These informal mechanisms will benefit from further research into the advantages stemming from their employment in IJVs, and the role they play in minimising tension and conflict. Whilst it was beyond the scope of this study to

investigate this area in-depth, future researchers may wish to examine the relationship between the employment of control mechanism and the tension and conflict associated i.e. the technological dependence in the Azzi India IJV that overshadowed alternative control mechanisms such as majority ownership, board of directors and so on.

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