ARTICLES (140)


**Keywords**: Joint venture; Resource attributes; Resource-based view of the firm; Performance; Emerging markets; Centre_EM.

**Abstract**: Using the resource-based view of the firm as a theoretical basis, we examine how four key resource attributes affect performance. The relationship between resource attributes and performance is studied in the context of international joint ventures (IJVs), using data from 96 IJVs in Malaysia. Executives were asked to assess the extent to which four resources (product reputation, technical expertise, local business network and marketing skills) exhibited the following attributes: (1) value; (2) rarity; (3) imperfect imitability; and (4) non-substitutability. For each resource, the relationships between these attribute ratings and IJV performance were analyzed. We found that each of the four attributes had an influence on IJV performance, but that this varies by the type of resource involved. Value, rarity, and non-substitutability were found to be significant drivers of performance for IJV assets. In contrast, value, rarity, and non-imitability were critical attributes for organizational capabilities.


**Keywords**: Emerging markets.

**Abstract**: India has become a more attractive place for business and investment since policy reforms were implemented in July 1991. In the 4 years following this liberalization, the economy has surged ahead with GDP increases averaging 4% to 5% per year. For the remainder of the 1990s, annual growth is forecasted at 6% to 8%. Foreign direct investment has both spurred and followed this growth. These investments reflect not only India's market potential but also the attractiveness of a technically-qualified and English-speaking labor pool. Canadian companies may miss out on some unique business opportunities if they put off investing in India.

Keywords: FDI; Market entry.

Abstract: We investigate the effect of firm-specific advantages being 'local' in scope, and the influence of subsequent location-specific disadvantages, on the choice of foreign entry mode and subsidiary performance. To look into this issue, we examine Japanese FDI data from the wholesale and retail industries - two sectors that have productive activity concentrated in downstream processes and location-bound resources. Our theoretical and empirical analyses demonstrate that, in situations where required capabilities must be developed through local experience and where location-specific resources were subject to market failure, acquisition and joint venture strategies were preferred. Greenfield entries were successful disadvantages for the entry mode literature and offer a perspective on the performance of the entry mode choice.


Keywords: Semiglobalization; Regional strategy; Multilevel analysis; Evaluation of current theories; Localization of foreign subsidiaries; Emerging markets.

Abstract: This paper examines the regional effect of MNEs’ foreign subsidiary localization. We hypothesize that the number of subsequent foreign subsidiaries in a country is in part determined by a firm’s prior foreign subsidiary activity at the regional level. We test our hypotheses using data on 1,076 Japanese MNEs that created 3,466 foreign subsidiaries (1,837 wholly owned FDIs and 1,629 joint ventures) over the period 1996-2001. We use a multi-level Negative Binomial approach with three levels of analysis: localization decisions in a country (49 countries), in a region (six regions), and at the headquarters level. In this way, we test the regional effects controlling for country and corporate dimensions. We also run separate models to differentiate wholly owned and joint venture localization decisions. Our results strongly support the semi-globalization perspective in that the regional level effects are significant and different from the country level effects for all foreign subsidiaries, for wholly owned subsidiaries and for JVs. Japanese MNEs adopt a regional perspective that complements their decisions at the country and firm levels. They seek regional agglomeration benefits and make arbitrage decisions between countries in the same region.


Keywords: FDI; Entry mode; Research methods; Joint venture; Wholly owned subsidiary.

Abstract: International strategy empirical research on the mode of entry has typically overlooked the multilevel nature of this question and relied on non-multilevel quantitative methods. This creates important conceptual and statistical limitations. We examine such drawbacks by explaining the multilevel nature of this research question and the necessity to use multilevel methods. -As an illustration, we develop a multilevel model and run a multilevel Bernoulli analysis to analyze the determinants of modes of entry, using a dataset on Japanese Foreign Direct Investment. Its results are compared to those of the dominant statistical method used in International Management for this topic: logistic regression.


Keywords: Joint ventures; Impact; Citation analysis; International.

Abstract: Existing and potential scholars often ask whether it is possible to predict which articles will ultimately have large impact. A series of hypotheses were considered based on a citation analysis of 65 articles published from 1980 to 2003 regarding international joint ventures. It was found that a paper will tend to receive more citations as its age and the number of performance
measures increases. Theory building papers tend to have more citations, followed by descriptive papers and finally hypothesis testing papers. Papers that appeared in tier 1 journals, and that considered theory in any way, explained a larger amount of the variance. Sample size was not an important predictor and explained little variance. Number of authors played no role. Collectively, the seven variables considered explained slightly less than two thirds of the total variance.


**Keywords**: Compensation; Motivation; Joint ventures; Organizational behavior; Emerging markets; Centre_EM.

**Abstract**: With more than 100,000 foreign-local joint ventures operating in China, many executives are trying to determine what makes them work and what they can do to improve performance. Some American joint ventures are failing in China because managers do not seem to understand compensation and motivation within the ventures. Two issues dominate: 1. fairness, more specifically expatriate versus local compensation packages, and 2. the use of North American reward management based models versus hybrids. The paper suggests (A) the value of aggressively localizing subsidiary management (B) when expatriates are sent to a joint venture in order to broaden their experience, charge the cost to the parent company, not JV (C) use overseas Chinese as a bridge between western and Chinese management practices, (D) consider establishing a bonus pool for a workgroup, not just for individuals.


**Keywords**: Centre_EM; Emerging markets; Planned economy; Market economies; LDCs; Joint ventures; Foreign partnerships; Comparative studies; Characteristics.

**Abstract**: The characteristics of international equity joint ventures in the People's Republic of China (PRC) are compared to joint ventures in developing country market economies. The characteristics of Sino-foreign joint ventures were derived from 12 studies published since 1986. Twelve joint venture characteristics are reviewed along dimensions of design, management, and performance. Joint ventures in the PRC are frequently used, created due to government pressure and with government partners, and often formed with partners from ethnically related countries. Further, many intended joint ventures are never implemented and those that are implemented have often been set up for a predetermined duration. The foreign partner most commonly has a minority equity position, and those who have used split control have seen stronger performance. Overall joint venture stability has been high, but is expected to decline, and foreign partner satisfaction with performance is low.


**Keywords**: Recreation; Market positioning; Joint ventures; Financial analysis; Entertainment industry; Case studies; Centre_EM.

**Abstract**: Guy Crevasse and Andrei Kakov, the 2 major partners in Russki Adventures, explored the possibility of starting a helicopter skiing operation in Russia. Their plan was to bring clients from Europe, North America, and Japan to the Caucasus Mountains to ski the vast areas of secluded mountain terrain made accessible by the use of helicopters and the business opportunities offered by glasnost. There were 3 options for proceeding being considered. The first was to proceed with the venture on their own in the Caucasus Mountains area, made available to them by a Soviet government agency. The second was to accept a partnership offer with Extreme Dreams, a French tour operator that had begun operations in the Caucasus region. The final option was to not proceed
with the venture. A study of the venture includes information on: 1. the company founders, 2. the helicopter skiing industry, 3. the Russian environment, 4. the proposed market positioning of the business, 5. the potential alliance partners, and 6. financial analysis forecasts under several scenarios.


Keywords: Studies, Pilot projects, Needs, Multinational corporations, LDCs, Joint ventures.

Abstract: The question of how the performance of joint business ventures in less developed countries (LDC) could be improved is addressed. Data for this study was collected in 3 phases - a pilot survey, a pre-test, and hypothesis testing, on a total of 66 joint ventures in LDCs. Data was collected via 46 interviews and 18 completed questionnaires. One of the patterns emergent from the research was that multinational enterprise (MNE) executives in high-performing ventures looked to their local partners for greater contributions than did MNE executives in low-performing ventures. Multinational executives in the high-performing ventures characteristically looked to local partners for contributions in general managers, functional managers, knowledge of current local business practices, and general knowledge of the economy. These contributions can be collapsed into 2 general groups: local management and local knowledge. By way of contrast, multinational executives in low-performing ventures characteristically looked to their partners for contributions in being able to satisfy existing/expected government requirements for local ownership or to avoid political intervention.


Keywords: Centre_EM; Emerging markets; Joint ventures; Performance; Stability; Developing countries; Ownership.

Abstract: By analyzing recent empirical evidence, this paper shows that certain characteristics of joint venture multinational enterprises differ between developed and developing countries (LDCs), and that joint ventures in LDCs are characterized by a higher instability rate and greater managerial dissatisfaction. The characteristics examined include reasons for creating the venture, autonomy, stability, performance, frequency of government partners and ownership.


Keywords: Internalization; Joint ventures; Performance; Developing countries; Foreign investment.

Abstract: This paper extends the internalization approach to the theory of the multinational enterprise (MNE) to include an expanded role for equity joint ventures. Using the transaction cost paradigm of Williamson, this paper explains why joint ventures may sometimes be preferred over wholly owned subsidiaries. Also presented is empirical work on joint-venture performance in developing countries which demonstrates that under certain conditions joint ventures can be the optimal mode of foreign direct investment.


Keywords: Centre_LC-E; OLKM; Joint ventures; Learning; International; Knowledge.

Abstract: International joint ventures (IJVs) have been suggested as a vehicle to provide opportunities for each partner to gain access to existing knowledge and develop new knowledge. This paper seeks
to determine whether in fact IJVs are motivated by a learning imperative. A typology of learning opportunities is measured, mapping out if any learning occurs within the IJV network, and if so where. The processes measured were transfer of existing knowledge to the IJV and between partners, transformation of knowledge through IJV activities to create new knowledge, and the harvesting of newly created knowledge from the IJV back to partner firms. Our data suggests that production-based IJVs are not typically motivated by learning outcomes. We find no conclusive evidence of a direct relationship between learning and performance. However, for a minority of firms, there are strong indirect learning outcomes, particularly regarding partnering and market knowledge.


Keywords : Joint ventures; Performance; Emerging markets.
Abstract : Many firms have a large network of alliances. Yet, there exists little empirical evidence on the benefits of alliance networks. Do alliance networks help or hurt? We found that the majority of firms that enter alliances do not fully benefit from them. Contrary to conventional wisdom, network diversity generally has a negative impact on firm performance and the relationship between diversity and performance is not linear. For the majority of firms the proper strategy is to adopt a focused or homogeneous network strategy, while only a minority of firms have the capabilities to benefit from a diverse network strategy. Firms should avoid being stuck in the middle of the homogeneous-diverse continuum. For details on the original empirical study, see Goerzen, A. & Beamish, P (2005), ‘The Effect of Alliance Network Diversity on Multinational Enterprise Performance’, Strategic Management Journal, 26, 333-354.


Keywords : Joint ventures; Stability; Knowledge access.
Abstract : If international joint ventures are inherently unstable organizational forms, as researchers and managers have suggested, why do some ventures survive and prosper for many years? This article argues that foreign partners’ knowledge of the local economic, political, and cultural environments is a critical factor in the stability of international joint ventures. When the foreign partner is no longer satisfied with access to local knowledge and seeks to acquire this knowledge, the probability of joint venture instability increases substantially. This article suggests that if managers are aware of the factors influencing joint venture stability, they may be able to prevent or control premature changes in partner relationships.


Keywords : Centre_EM; Emerging markets; FDI; China; Ownership; Subsidiaries; Japan.
Abstract : Using information from the Japanese database Toyo Keizai, this article studies the performance of 2,962 foreign subsidiaries across the period 1985–1999 to show a picture of declining profitability from foreign direct investment by MNE’s in China. Despite the influence of macro-level factors, such as the historically fluctuating performance of the Chinese economy, we observed that of the many factors that may affect profitability, subsidiary-specific factors had the greater influence. The findings suggest that there are significant benefits for early entrants into the market, but caution against the use of high majority ownership control. Other evidence showed that larger subsidiaries tended to perform better. Managerial implications for MNEs and the future prospects of foreign direct investment in China are discussed.

**Keywords**: IJV; Asymmetry; Performance; Survival.

**Abstract**: Researchers have argued that IJV performance and survival is affected significantly by its parent firms. In this regard, previous studies mostly focused on the relationship between an IJV and its individual parents, while leaving the relationship between parents firms unexplored. This study considered whether size asymmetry between IJV parents is an additional factor influencing IJV performance and survival. From the perspective of transaction cost economics and resource-based view, we proposed two opposing hypotheses. To test the hypotheses, we used 261 firm-year observations of 145 Japanese IJVs in 1996, 1998 and 2000, with generalized estimating equations (GEEs) and Chi-square tests. No significant relationship was found between size asymmetry between parents and IJV performance and survival.


**Keywords**: Joint ventures; Partner; International strategy; Resource-based theory; Transaction costs; Japan.

**Abstract**: Using the largest-ever sample of international equity JVs with three or more partners, this study examines the relationship between the number of partners in a JV and performance. Resource-based theory and the transaction cost perspective are used to explore whether the increases in transaction costs are balanced off by increased benefits as the number of partners grows. Four hypotheses are developed and tested on a sample of 1,335 Japanese JVs in 73 countries, not including Japan. No significant relationship was observed between number of partners in an international JV and JV performance, even when moderators like JV type were considered.


**Keywords**: Centre_EM; SMEs; Emerging markets; Ownership; Control; Performance; International strategy.

**Abstract**: Little has been reported on the characteristics and performance of affiliates of small and medium-sized multinational enterprises (MNEs) operating in emerging markets. The paper has two research objectives: to assess characteristics of Korean affiliates of small and medium-sized MNEs, and identify the determinants of performance. Seven hypotheses were formulated and tested on a sample of Korean subsidiaries of small and medium-sized MNEs by using a bootstrap method of regression analysis. We found that: affiliates of small and medium-sized MNEs in Korea favored joint ventures with local firms rather than wholly-owned subsidiaries; ownership rate was directly related to the degree of control from the parent firm; and performance was determined significantly by the degree of control exercised by parent firms and their exporting levels. Age, size, and R&D expenditures had no relationship with the performance of affiliates of small and medium-size MNEs in Korea.


**Keywords**: Performance; Alliances; International.

**Abstract**: Joint ventures aid firms in accessing new markets, knowledge, capabilities, and other resources. Yet they can be challenging to manage, largely because they are owned by two or more parent companies. These companies may have competing or incongruent goals, differences in
management style, and in the case of international business, additional complexities associated with differing government policies and business practices. We examine research on joint venture (JV) performance in order to identify prominent academic discussions established over the last two and half decades. From this research, we draw implications from past research and areas for future research on successfully managing JVs, taking into account the decisions JV partners must make throughout the partnering process: from initial motivations, through partner selection, negotiation of terms and finally implementation and ongoing management. Key implications include the necessity of honesty, trust and commitment for the success of the JV, settling disputes by focusing on what is best for the JV rather than individual partner objectives, and division of managerial responsibilities according to the functional expertise of each partner.


Keywords : Centre_EM; Emerging markets; Joint ventures; Foreign investment; China.

Abstract : Data on 840 joint ventures (JV) formed in the Peoples’ Republic of China between foreign and Chinese organizations are taken from the China Investment Guide (1985, 1986), entered into a computerized database, and statistically analyzed using a frequencies program. These data cover: 1. the region of investment in China, 2. the industry where the investment occurred, 3. the total investment in US dollars, 4. the foreign equity contribution in US dollars, and 5. the predetermined duration in years of the JVs formed. Foreign firms considering investing in China typically are pointed in the direction of the 4 Special Economic Zones, the Major Municipalities, or the 14 Coastal Cities. Up to 1984, more then 75% of the JVs in China were with partners from Hong Kong. Most of the JVs established have been in the manufacturing sector, with accommodation, particularly tourism, being the 2nd largest area. Foreign investors must remember that a long-term, flexible attitude is needed at all times.


Keywords :

Abstract : Knowledge management is the conscious and active management of creating, disseminating, evolving and applying knowledge to strategic ends. In this paper, we examine knowledge management in the context of international joint ventures (IJVs), activities that cut across organizational and national boundaries, to show how to manage the behavioral and contextual considerations to create value for the parent companies. A case-based methodology was used to conduct 20 in-depth interviews and collect archival data from eight IJVs within the NAFTA partnership of Canada, U.S.A. and Mexico. The findings, achieved with the aid of NUD.IST, a qualitative data analysis package, are summarized into six descriptors that differentiate successful and unsuccessful cases. These descriptors are: Mindset, Controls, Strategic Integration, Training & Development, Resource Contributions and Integration, and Relationship Development.


Keywords : Geographic distance; Travel time; Entry mode; Transaction costs; FDI; Japan; USA.

Abstract : Measures of geographic distance are often used to proxy the impact of spatial separation on firm decisions and performance. We develop a construct, dyad travel time, to measure the friction of interacting and costs of uncertainty from ex post behavioral monitoring across non-collocated sites. We measure the actual time required to travel between 1,171 parent-subsidiary dyads and show that
dyad travel time (but not geographic distance) has significant predictive power in firm governance and location decisions. While prior literature has independently modeled these, we specify a simultaneous model offering stronger support for the interrelation of these decisions.


**Keywords**: Licensing.

**Abstract**: International transfers of technology between firms have created much discussion as an issue of economic policy. Imperfections in the market for technology licenses are examined. Licensing agreements result from a basis on costs and uncertainties of contractual agreements between opportunistic parties. Surveys are conducted of licensors and licensees, concentrating on 2 classes of hypotheses about imperfections in the market: 1. Licensees take part in a market for specific advantage. 2. Each license agreement is viewed as a pareto-optimal deal. Analysis indicates that license agreements fail to capture the full rent for the licensor, enabling the licensee to emerge from the transaction in a stronger position. Technological licenses are becoming more important in international commerce. Generally, both the source and recipient countries lose if technology transfers are diverted toward agreements that otherwise would have occurred through joint ownership.


**Keywords**: Theory of international business; Transaction cost economics; Entry mode choice.

**Abstract**: In this study, I propose a general transaction-cost-economics (TCE) model of international business institutions, in which cross-border transactions can be conducted at multiple market levels (e.g., output, asset, and equity) and the buyer-seller relationship can go both ways (A sells to B vs. B sells to A). This general model bridges two major gaps in the literature. First, while market failure is the driving force behind the rise of multinational enterprises, most researchers focus on the failure of a single market without exploring the presence of substitute markets for conducting cross-border transactions. Second, previous studies often starts their analysis with a bilateral setup that consists of a multinational enterprise and an indigenous firm (e.g., licensing), but concludes with a unilateral decision made by the multinational enterprise to circumvent the indigenous firm (i.e., direct investment). By filling up the two literature gaps, this general TCE model integrates under a single umbrella all institutional modes available to firms for governing international business (e.g., licensing, outsourcing, acquisitions, joint ventures, et cetera). Built on a multi-market framework, the analysis indicates that the choice of the optimal international business institution is tantamount to the selection of the most efficient market to conduct cross-border transactions. Drawing on a bilateral setup, it also recognizes the power of reciprocity in solving the problem of market failure. This distinct approach has pointed out several directions for future researchers to advance international business studies, particularly after my transaction-level analysis has been expanded to consider institutional contexts and firm capabilities.


**Keywords**: Multinational enterprise; International; Acquisition; Joint venture; Investment; FDI.

**Abstract**: Multinationals can start up greenfield entities or acquire existing firms to enter foreign nations. Regardless of the choice of greenfield investments vs. acquisitions, they can control full equity (i.e., wholly owned subsidiaries) or share ownership with local partners (i.e., joint ventures).
Depending on the stake taken in the targets, therefore, international acquisitions can be classified into two major categories—full or partial—although this distinction is missing in most previous studies. In this paper, I propose that the motives for acquisitions (vs. greenfield investments) are specific to whether entries are made through full or partial ownership, in that full acquisitions are driven mostly by capability procurements, whereas partial acquisitions are motivated by other strategic considerations. By splitting a sample of Japanese investments in the US into two subregimes, the study has found that the decision of joint ventures vs. wholly owned subsidiaries dictates the determinants that shape the choice between greenfield and acquisitive entries. There is also evidence that Japanese investors self-select the decision of full or partial ownership to justify the strategy that they have chosen to enter the US. These findings offer new insights into the role of ownership structures in shaping the choice of entry strategies.


**Keywords**: International joint venture; Performance; Korea; Emerging market.

**Abstract**: The resource-based view of joint ventures (JVs) posits that JV performance is driven by JV partners’ ability to create synergy by joining complementary resources. We examine the synergy generated from resource complementarity in the context of JVs formed between developed market firms and local Korean firms. Besides the independent effects of both partners’ complementary resources on JV performance, we examined whether a joint effect on JV performance existed. We found that both technology-related resources and local knowledge-related resources affect JV performance independently and simultaneously. The impact of local knowledge-related resources on JV performance increased with the level of technology-related resources, and the impact of technology-related resources on JV performance increased with the level of local knowledge-related resources. Technology- and local knowledge-related resources are thus not simply additive; mutually enhancing synergies exist between the two resources. This finding further suggests that the synergistic effect of both partners’ complementary resources on JV performance can be substantive.


**Keywords**: Centre_EM; Emerging markets; Joint ventures; Control; International strategy; Resource-based theory; Korea.

**Abstract**: A framework is presented to characterize four different ways that management control is partitioned between MNE and local partners. The four ways are split control management, shared management, MNE partner-dominant management, and local partner-dominant management. The framework was then tested using a sample of international joint ventures in Korea. We found that joint ventures following split control management performed better than any other approach. However, no performance differences were found among the remaining three types of management control. This suggests that MNE and local partners should split control, i.e., choose the activities to control so that those chosen activities can be matched with their respective firm-specific advantages.


**Keywords**: Japanese foreign direct investment; Africa; Economic development.

**Abstract**: This article examines the characteristics and performance of Japanese foreign direct investment (JFDI) in Africa. For that purpose a large sample of 1062 Japanese subsidiaries doing business in Africa was selected from the Tokyo Keizai database and analyzed. Our findings reveal
several important observations as follow: 1) efficiency and market seeking was the common purposes for investment by Japanese firms in Africa; 2) furthermore strategic asset seeking was the common purpose for investment by Japanese firms in low income region and lower middle income regions while resource seeking was relatively the common purpose for investment in upper middle income region; 3) the main industry for investment by Japanese firms in the low income region was low technology manufacturing while the main industry for investment in the lower and upper income regions was high technology manufacturing; 4) the Japanese subsidiaries are young and small in lower middle income region, young and large in upper middle income region and old, small and large in low income region; their performance is good with a very high exit rate in low income region while the performance is high with high exit rate in low middle income region and moderate with a low exit rate in upper middle income region.


**Keywords**: International joint ventures; Multi-party complexity; Multiple structural changes; Performance; Survival.

**Abstract**: Research on multi-party IJVs has been limited to a static context. Little attention has been paid to analyzing dynamic post-formation change processes. This study investigates the evolving influences of multi-party IJV complexity on performance in a dynamic context where the multi-party IJV goes through multiple waves of structural change. Using a static context, some previous studies found support for a negative impact of multi-party complexity on performance, while others did not. Analyzing 2,652 multi-party IJVs over a period of 17 years, we attempt to reconcile previous work by investigating whether there is a threshold beyond which the negative impact of multi-party complexity on performance becomes salient.


**Keywords**: Change; Equity ownership structure; International joint venture; Performance; Survival.

**Abstract**: This article examines how multiple ownership changes unfold in international equity joint venture (IEJV) evolution and how such repeated changes impact short-term performance and long-term survival. By theorizing a new concept—the trap of continual change—in the IEJV context, we challenge the adaptive viewpoint assumed in alliance dynamics research. We propose that partners sometimes respond to an initial dissatisfaction with the venture result with a dysfunctional repetition of rearranging the ownership control structure. This continual change locks the organization into bad choices and sends it into a downward spiral. Acknowledging the mixed motive nature of inter-partner relationships, we incorporate cooperative versus competitive dynamics manifested in shared control arrangements. We propose that shared ownership control lends stability to the IEJV until the initial IEJV agreement is renegotiated; this stability is a result of the cooperative forces of mutual interdependence and mutual forbearance between the partners. However, when the power balance breaks down, the potential for inter-partner conflict increases. When the ownership control structure of the IEJV is restructured, especially multiple times, shared control arrangements become increasingly unstable as behavioral, cultural, and managerial differences are amplified.


**Keywords**: Centre_EM; Emerging markets; Investment mode strategy; Expatriate strategy; Multinational flexibility; Dynamic capability; Sunk cost; Real options; Economic crisis; Survival.

**Abstract**: This study examines the main and interaction effects of investment mode strategy and
expatriate strategy on subsidiary survival during times of economic crisis. We propose that the capitalization of multinational flexibility across multi-country networks enhances the survival of subsidiaries in an environment of economic crisis. Based on a longitudinal analysis that encompasses the characteristics and survival of Japanese subsidiaries in Asian countries, both before and after the 1997 Asian Economic Crisis, we find that greenfield wholly-owned subsidiaries are more likely to survive than greenfield joint ventures and acquired wholly-owned subsidiaries during times of economic crisis. The interaction effect between expatriate strategy and investment mode strategy however suggests that the further the subsidiaries have structurally been distant from the multinational networks, the more benefit they can extract from the greater number of expatriates. Consistently, we find that the greater number of expatriates is more likely to enhance the survival of greenfield joint ventures and acquired wholly-owned subsidiaries than greenfield wholly-owned subsidiaries. However, the positive interaction effect between investment mode strategy and expatriate strategy is not significant in an economically stable environment. The competing explanations of the dynamic capability logic of multinational flexibility and the real option logic of sunk costs are considered in this study.


**Keywords**: Real options; Risk diversification; Economic crisis; International diversification; Joint ventures; Subsidiary divestment; Japan.

**Abstract**: This study examines how MNE divestment decisions differ according to real options versus risk diversification perspectives. We develop competing hypotheses in relation to international diversification and joint ownership control. Empirical results give consistent support to the real options perspective. We find that large MNEs with greater international diversification are less likely to divest their subsidiaries during times of economic crisis. The negative effect of joint ownership control is however manifested in both crisis-stricken and non-crisis country subsidiaries as well as in their interaction effect.


**Keywords**: Government; Outsource; Information systems.

**Abstract**: There are many benefits to outsourcing information systems and also some challenges to be overcome. A necessary step in considering outsourcing is the determination of their relative importance to each organization. Benefits include: 1. freeing up management resources, 2. sharing costs, 3. getting rid of obsolete mainframes, 4. creating integrated networks, 5. building new organizational structures, 6. avoiding cost overruns, 7. accessing new value-added services, 8. training staff, 9. reducing costs, 10. spreading costs over many years, 11. continually innovating, 12. reducing staff levels, and 13. interfacing with other information systems. Challenges include: 1. maintaining confidentiality, 2. retaining control, 3. achieving goals other than efficiency, and 4. confronting transition problems. For every organization there will be a unique combination of relative weights for each factor. Of concern to most governments are general concepts such as: 1. freeing up management resources, 2. accessing new value-added services, 3. training staff, and 4. continually innovating.


**Keywords**: Emerging markets; Joint venture; FDI; Law; Centre_EM.
Abstract: Nearly all of the foreign direct investment in China has been through the joint venture organization form. The Chinese joint venture laws governing such investment are quite distinct from those in other countries. Managers – not solely lawyers – in Canadian firms contemplating an equity joint venture investment in China require familiarity with this legal system. This article presents a managerially oriented overview of recent developments in Chinese joint venture laws. Particular emphasis is placed on various dimensions of the Implementing Regulations: Establishment and Approval; Capital Contribution; Control and Management; Planning, Purchasing and Selling; Taxation; Financial Matters and Foreign Exchange; Duration, Dissolution and Liquidation; and Dispute Settlement and Arbitration.


Keywords: Strategic alliances allow firms to learn by accessing each partner's skill and knowledge; they leverage their strengths. By working closely with their alliance partners, firms may acquire new skills that can strengthen parent-company strategies. But before this can be accomplished successfully, firms must manage the learning process. Learning is a subtle art involving different levels (individual, group and organization) and different processes (interpreting, integrating and institutionalizing). If organizations are to maximize the potential for learning in joint ventures, they need to pay attention to the differences, not just the similarities, in how the partners do business.


Keywords: Centre_LC-E; OKLM; Japan; USA; Joint venture.

Abstract: Although organizations often talk in glowing terms about their alliances’ learning potential, our research suggests that learning is a difficult, frustrating, and often misunderstood process. In this commentary we will explore the notion of learning through alliances, with a particular focus on why many firms fail to learn. As support for our observations, we draw on an ongoing research project involving joint ventures between American and Japanese firms. In this study, we have observed firms with explicit learning objectives struggling to capitalize on their joint venture learning opportunities. In the spirit of a commentary, we have extended the insights gained from the study to some reflections on teaching and research in international business.


Keywords: Joint ventures; Trust; International.

Abstract: This paper examines issues of level as they relate to IJV trust. We explain how IJV trust can be conceptualized and measured at the person, group, and firm levels. To do this, we (1) provide a definition of IJV trust applicable to persons, groups, and firms, (2) promote alignment of levels of theory and measurement through the use of a 3×3 approach to guide researchers in identifying the level at which they are theorizing and the proper level of measurement, and (3) propose operational measures of IJV trust across levels and dimensions in order to lay a solid foundation for theory testing.


Keywords: Joint ventures; Survival; International strategy; Exit rates; Performance; Wholly-owned subsidiaries; Japan.
Abstract: Our evidence from the analysis of performance data on 27,974 foreign subsidiaries challenges conventional notions about joint venture survival rates and financial performance. This evidence suggests the need for future research to explore why joint ventures survive as well as they do, why wholly-owned subsidiaries have exit rates comparable to joint ventures, and why joint ventures had a level of financial performance at least equal to wholly-owned subsidiaries.


Keywords: Centre_EM; Emerging markets; Ownership; Japan; Joint ventures; Public policy; International.

Abstract: The countries in Asia accounted for more than half of all Japanese foreign subsidiaries operating in 1999. Notable among these subsidiaries was the frequent use of joint ventures compared to entries made elsewhere in the world, and a relatively high level of equity ownership by local firms within those joint ventures. As a means to explain the high use of joint ventures, and as a way to better understand the formulation of ownership strategies, we introduce, discuss, and provide examples of three ownership strategy influences, which we term transactional, experience, and institutional influence. We contend that these influences affected the ownership strategies of Japanese firms when forming foreign subsidiaries in Asia and elsewhere in the world. Based on this description and analysis of ownership strategies, we advance several implications for public policy makers and managers in multinational firms.


Keywords: Centre_EM; Emerging markets; Studies; Ownership; Foreign investment; Hypotheses; Many countries; Models; Statistical analysis; Japan.

Abstract: The effects of transactional, institutional, and experience influences on the ownership strategies of Japanese investors are compared. The theoretical development suggests that the equity position of a foreign investor should increase as the specificity of the assets transferred to the foreign affiliate increases, but a lower equity position should be assumed when the foreign investor requires complementary assets to establish a foreign entry. International experience and a strong institutional environment also should lead to increases in the equity position of the foreign investor. These relationships were tested with data on more than 1000 Japanese investments in 9 countries of East and South-East Asia. The results demonstrate that experience and institutional factors were the most important influences on the ownership position taken in the foreign investment, while transactional factors had a much less important and a more ambiguous role.


Keywords: Internationalization; Manufacturing; Distribution; Political Hazards

Abstract: We extend the stages model of internationalization to incorporate a sophisticated consideration of temporal and cross-national variation in the uncertainty of the policy environment. Using a sample of 6465 international expansions of 665 Japanese manufacturing firms in 49 countries, we develop arguments from internationalization and bargaining power perspectives to show how Japanese firms manage policy uncertainty in host country environments through the within-country sequencing of investments. Although a distribution to manufacturing entry sequence tends to prevail in countries with low levels of policy uncertainty, as uncertainty in the policy environment increases, initial entry by distribution is increasingly likely to be eschewed in favor of an initial entry by a joint venture manufacturing plant. We suggest that this change in investment
sequence occurs as firms shift from an emphasis on developing knowledge about local markets and consumers in low-hazards markets to an international expansion strategy in uncertain policy environments that places knowledge development of the policy environment at the forefront of a firm's strategy.


**Keywords**: Escalation theory; Case study; Alliance.

**Abstract**: Casual observation provides numerous examples of alliances that continue for years despite failing to accomplish partner objectives. In this study we examine the question of why firms often persist with alliance investments despite a steady stream of evidence that the alliance is producing little or no benefit. We investigate the factors that contribute to a firm's persistence with failing alliances, using an escalation framework for strategic alliances. We describe a case study of an unsuccessful strategic alliance. With an emphasis on alliance and partner specific, as opposed to interfirm, variables, we use a case study to demonstrate how escalation theory can enhance alliance understanding. Three key escalation factors emerge from the alliance case study. We then provide an exploratory quantitative analysis of escalation. The analysis is based on the three factors that emerged from the case study plus three additional factors derived from escalation theory. Finally, we examine the implications for escalation theory and theories of alliance management and performance.


**Keywords**: Institutional environment; Political openness; Social openness; International joint venture; subsidiary survival; Mortality risk.

**Abstract**: We examine the effect of the institutional environment (IE) on the mortality of overseas subsidiaries. We develop hypotheses to study the impact of political openness and social openness, two dimensions of the institutional environment and how joint venture status moderates these relationships. We tested our hypotheses using a sample of 12,000+ Japanese overseas investments from 1986-1997 in 25 countries, using Cox hazard models. Our results suggest that the sociopolitical context has a strong influence on the mortality of overseas subsidiaries. We theorized and found a negative main effect for political and social openness and positive interaction effects with openness when the FDI is through a JV. However, political and social openness show significantly different influences on subsidiary mortality.


**Keywords**: International joint ventures; Equity ownership; Mortality; Survival; Stability; Transaction cost; Japan.

**Abstract**: This note extends transaction cost analysis of International Joint Ventures (IJVs) to include explicitly the effect of equity. It challenges the common practice of treating all foreign investments with between 5 and 95% equity as IJVs. A fine-grained analysis of the role of foreign equity ownership on the survival of 12,984 overseas subsidiaries confirms a declining, non-linear and asymmetrical relationship between equity and mortality in overseas subsidiaries. While investments involving small ownership levels (<20%) have a very high mortality rates, those with high ownership levels (>80%) have mortality rates comparable to that of wholly owned subsidiaries. Implications for research, practice and policy are discussed.


**Keywords**: Managerial resources; Expatriates; Japanese international joint ventures.

**Abstract**: Drawing from the resource and knowledge-based perspectives, we examine the role expatriates play as a critical managerial resource within the multinational's international joint-venture (IJV). Using a large sample (3772 IJV annual performance years) of Japanese IJVs in the USA from 1991-2001, we find that expatriate deployment shows a curvilinear (inverted-U) relationship with IJV performance. Further, this relationship is positively moderated by product relatedness between the parent and the IJV.


**Keywords**: Environmental determinants of managerial discretion; Entry mode choice; Host country experience; Process view of internationalisation.

**Abstract**: We examine the impact of the environmental determinants of managerial discretion on the internationalisation of Multinational Enterprises (MNEs) reflected in its choice of mode of entry. Using insights from the behavioural theory of the firm and the process view of internationalisation, we show that a composite measure of the environmental determinants of managerial discretion affects the MNE’s choice of entry mode, with comparatively higher levels of environmental influence leading managers to choose the IJV (over WOS). At the same time, this relationship between the environmental determinants of managerial discretion and entry mode choice is intensified when the MNE has had prior host country experience.


**Keywords**: International.

**Abstract**: The Canadian manufacturing sector is not competitive internationally. Two strategies for making it competitive are: 1. international trading companies (ITC), and 2. world product mandating (WPM). A WPM is an arrangement by which technology is transferred and developed and linkage to international markets is made. A WPM has a number of advantages, such as: 1. providing immediate access to international markets, 2. decreasing market uncertainty, 3. having lower resource needs, 4. providing significant returns, 5. benefiting from economies of scales, and 6. lending itself to internal control and smooth transition between product generations. An ITC provides information, access to international markets, and expertise. It requires an active market presence, information network, financial structure, and logistic framework. Factors in developing a WPM and in transferring technology through a WPM are detailed, and implications of WPMs and ITCs for Canada are discussed.


**Keywords**: Resource-based View, Knowledge Transfer, International Diversification, Subsidiary Performance, Japanese Foreign Direct Investment, Intangible Assets.

**Abstract**: We examine the link between international diversification, organizational knowledge, resources and subsidiary performance. The success of international corporate diversification depends on a firm’s capability to transfer knowledge to its subsidiaries, and how its local subsidiaries
effectively utilize that knowledge. As knowledge resources are likely to be imperfectly mobile, a firm may find it difficult to transfer knowledge to its subsidiaries. In our analysis of 4,964 Japanese subsidiaries over a fourteen year period, we find that knowledge that is valuable, but not rare, positively affects subsidiary performance in the short-term, but not the long-term. In contrast, knowledge that is valuable and rare affects subsidiary performance in the long-term, but not the short-term. Other knowledge capabilities can positively affect subsidiary performance in both the short- and long-terms.


**Keywords**: International; Joint ventures; Emerging markets.

**Abstract**: This article identifies key success factors (KSFs) for Russian-foreign joint ventures. Based on case studies of two successful and two unsuccessful Russian-foreign joint ventures, four KSFs are identified. They are: (1) ensure that trust exists between the JV and its parent; (2) attain a common understanding of each parent’s contribution to the JV agreement; (3) persuade workers that they are empowered; (4) ensure that both parents are involved in the JV for the long term. The presence of the four KSFs is then assessed in a sample of 30 Russian-foreign joint ventures. To assess the generalizability of the KSFs, discriminant analysis is then applied to the 30 joint ventures to differentiate between successful and unsuccessful joint ventures. The results show that the KSFs can explain 83.3 percent of the variance in the performance of joint ventures in the sample.


**Keywords**: International; Joint venture; Emerging markets.

**Abstract**: An investigation is presented of design characteristics that are important to the success of Russian-foreign joint ventures (R-FJV). The major reasons 20 R-FJV general managers gave for being dissatisfied with their parent firms and for the performance of their international joint ventures (IJV) are presented. The information can help managers of firms interested in starting JVs to avoid some of the problems previously encountered. Among the suggestions made for JV success are: 1. Produce quality goods. 2. Spend adequate effort on planning. 3. Explain to all employees the goals of the JV. 4. Spend adequate time selecting the correct partner. 5. Invest adequate capital in the JV.


**Keywords**: Emerging markets; Joint venture.

**Abstract**: International joint ventures in Russia must deal with a weak infrastructure, an unstable environment, constantly changing legislation, corruption, and bureaucracy. However, with more than 148 million people, a well-educated labor supply, and excellent natural resources, Russia presents great opportunities for skillfully designed joint ventures. Eleven success strategies are presented for Russian-foreign international joint ventures to heed if they are to have a greater chance for success.


**Keywords**: Control; Joint ventures.

**Abstract**: This paper uses agency theory, transaction cost theory, resource-based theory, and social exchange theory to provide complementary insight as to the conditions under which loose control in joint ventures (JVs) is optimal and the theoretical explanations for effectiveness of loose control in JVs.

**Abstract** : Multinational enterprises are faced with many different options for conducting business in a foreign country. These include license/franchise, indirect export, direct export, sales subsidiary, wholly-owned production subsidiary, and international joint venture (IJV). Of all of the different cooperative strategies, international joint ventures are quickly becoming the most widely used. This paper provides a synthesis of the international joint venture literature. This is done by dividing the IJV literature into the following categories: reasons for starting an IJV, selecting a partner for an IJV, negotiating an IJV, managing an IJV, evaluating IJV performance. Areas where there are gaps in the literature are identified as topics for further study.


**Abstract** : This study examines how organizational climate dissimilarity between parent firms and the joint venture (JVI) affects joint venture performance. Data are obtained from interviews with the general manager of 40 IJVs and questionnaires completed by top-level managers from both parents and the JVO (6 people /IJV). Results indicate that to have the best chance at success, it is important for a firm starting a joint venture to select a partner with an organizational climate similar to its own. Results also indicate that it is important to create an organizational climate at the JVO that is similar to the foreign parent's organizational climate.


**Abstract** : Based on an analysis of the experiences of 40 Russian IJVs, this study presents nine strategies for managing intra-IJV conflict such that it will have a minimal negative impact on IJV performance. Following the strategies suggested in this paper presents an opportunity for other Russian IJVs to learn from the experience of the IJVs in this study and thus avoid some of the problems that conflict can produce.

Keywords: Subsidiary performance; Regulative distance; Normative distance; Equity ownership; Wholly owned subsidiaries; Joint ventures

Abstract: This article integrates institutional theory and organizational learning perspective and proposes a contingency framework on the relationship between ownership strategies and subsidiary performance. Using a sample of Japanese subsidiaries worldwide, the article finds important main effects of ownership, institutional distance, and host country experience on subsidiary survival. Furthermore, the effect of ownership is contingent on institutional distance and host country experience. In institutionally distant countries, subsidiaries have better survival chances if foreign parents have more ownership. Host country experience has a negative impact on subsidiary survival, but the effect is weaker if foreign parents have larger ownership positions in the subsidiaries.


Keywords : Joint venture; Performance.

Abstract : International joint ventures (IJVs) are increasing in frequency and strategic importance. However, efforts to identify variables associated with IJV performance have been constrained by disagreements regarding the comparability and reliability of alternative performance measures and methods. This study tests several hypotheses regarding the reliability and comparability of a range of objective and subjective measures of IJV performance, as well as evaluating the relative utility of different data collection approaches.


Keywords : Joint venture; Control.

Abstract : Control is a critical concept for successful management and performance of international joint ventures (IJVs). This paper reviews and synthesizes prior studies addressing the conceptualization and operationalization of control within IJVs, as well as the IJV control-performance relationship. The paper also presents a new conceptualization of IJV control, as well as a conceptual framework for studying control of IJVs.


Keywords : Joint venture; Ownership; Control.

Abstract : At the end of 1988, more than 3,700 joint ventures existed in Canada, and Canadian companies were involved in nearly as many additional joint ventures in other countries. The trend toward forming joint ventures is critical because of the performance problems involved. In addition to consuming large amounts of management time, money, and other scarce resources, a joint venture may expose critical aspects of a firm's strategy, technology, or other knowledge. A critical issue involves how joint ventures should be managed to promote successful performance and how strategic objectives can be attained. The dimensions of effective joint venture control are: 1. focus of control efforts, 2. extent of control efforts, and 3. mechanisms of control. The parent firm must exercise control over a joint venture in a way that allows it to implement its strategy without incurring administrative or organizational inefficiencies.

**Keywords**: Networks; Interorganizational alliances; Technological uncertainty; Multinational corporation.

**Abstract**: A phenomenon that has become the focus of recent research on interorganizational alliance network growth is that firms often enter into repeated relationships with prior partners. The implications of this tendency on corporate performance, however, are not well understood. From transaction cost and network perspectives, I test competing hypotheses on a large sample of multinational corporations. My results indicate clearly that firms not only often do enter into repeated equity-based partnerships but also that those with a greater propensity to do so experience inferior economic performance. Further, statistical tests indicate that the negative effect of repeated partnerships on performance is particularly strong in environments of greater technological uncertainty.


**Keywords**: Network; Multinational corporation; Japan.

**Abstract**: Most firms are becoming increasingly embedded within alliance networks. Despite this growing trend, the ways and means by which these alliance networks are managed are not clear. Yet, it is important for managers to understand the processes and practices through which firms can respond to both the promise and challenge of managing alliance networks. To shed new light on this important topic, I interviewed a series of senior multinational corporation executives who stated clearly that alliance network management is a very important task that goes beyond optimizing individual alliance performance. These managers indicated that they have begun to establish a variety of structures and practices at multiple levels within their firms to improve their abilities to derive additional value from their networks of alliances. Based on these interviews, I present a framework for the management of alliance networks intended to inform managers of emerging practices in this increasingly important aspect of strategic management.


**Keywords**: Multinational enterprise; Network; Alliance; Joint venture; Diversification.

**Abstract**: This paper examines the impact of alliance network diversity on multinational enterprise (MNE) economic performance. We consider competing hypotheses derived, alternatively, from transaction cost theory and network theory. Using a latent variable structural equation modeling approach on a sample of 580 large MNEs, we find that MNEs with more diverse alliance networks experience lower economic performance on average with those than less diverse alliance networks.


**Keywords**: Multinational corporation; Foreign direct investment; Location; Country risk; Firm experience; Joint ventures.

**Abstract**: The theory of internalization suggests that proprietary assets—usually in the form of advertising and/or marketing capabilities—are the key to understanding a firm’s ability to create value in foreign markets. We show that the capacity of a multinational corporation (MNC) to create value in a foreign direct investment (FDI) can also result from the use of an alternative proprietary asset; that is, the skills and management expertise that are acquired through the accumulation of various forms of foreign experience. The value creation comes from the extension of an MNC’s
experience-based capabilities to the host country to mitigate country-level risks. This experience can moderate the negative influence of environmental risk to create value for a firm and its investors. In our sample of 305 FDIs, we find that Japanese MNCs that had direct or indirect experience in a host country showed greater abnormal returns in a FDI, particularly where environmental risk was high.


**Keywords**: Network; Multinational corporation; China.

**Abstract**: In the past three decades, thanks to economic reform and an open-door policy, China has succeeded in attracting a large volume of foreign direct investment inflows and Chinese companies have benefited substantially from their partnerships with foreign multinationals operating in the country. More recently, a growing number of Chinese companies such as TCL and Lenovo have become even more aggressive in pushing their learning frontiers—i.e., they are moving across borders, seeking to form networks of strategic alliances on a global basis. Yet, our research suggests that there is great challenge facing these companies leading to a need to activate their alliance networks. We suggest that Chinese companies can learn from the experience of Japanese companies. We report findings of our recent research on eight large Japanese companies and provide a summary best practices adopted by these multinational firms in organizing and managing their strategic alliance networks. We discuss the policy implications of these practices for Chinese companies.


**Keywords**: Joint venture; Control.

**Abstract**: This paper investigates the relationship linking the division of control and the performance of international joint ventures (IJVs). In addition to comparing shared- and dominant-control IJVs, it presents and tests a path model studying the impact of the division of control between parent firms on the performance of IJVs and parent firm's satisfaction. This model borrows elements from transaction-costs analysis and social-exchange theory. It takes into account the impact of control sharing in trust and conflict and the impact of these constructs on IJV performance and parent firms' satisfaction.


**Keywords**: Alliance; Joint venture; Knowledge transfer; Learning.

**Abstract**: Using a case study of NUMMI, a joint venture between General Motors (GM) and Toyota, this research note examines alliances and knowledge transfer with a focus on the organizational processes used to transfer knowledge. The results suggest two possible explanations for the knowledge transfer outcome. The primary explanation is that the systematic implementation of knowledge transfer mechanisms can overcome the stickiness and causal ambiguity of new knowledge. A second explanation is that creating successful knowledge transfer should be viewed from a change management perspective in which trial and error learning experiences and experimentation support the transfer outcome.

**Keywords**: Learning; NUMMI; General Motors; Toyota; Alliance.

**Abstract**: Although many firms enter alliances with learning objectives, significant learning through alliances often is not optimized. Although alliances often create valuable learning opportunities, the exploitation of the opportunities is a difficult, frustrating, and often misunderstood process. More often than not, firms learn little from their alliance partners. This article examines General Motors (GM) and its exploitation of the learning opportunity created by NUMMI, its California-based alliance with Toyota. Over the past few decade, GM has steadily and significantly improved its quality and productivity relative to its main rivals. A key factor in this improvement has been knowledge transferred from Toyota to NUMMI and NUMMI to GM. In this article I describe how GM transferred the "sticky" knowledge of NUMMI to the initially skeptical GM manufacturing community. The knowledge from NUMMI slowly spiraled its way through the GM organization and supported development of world class manufacturing facilities in various locations, including Eisenach, Germany; Rosario, Argentina; and Lansing, Michigan. Over time, GM put a variety of learning mechanisms in place and a systematic approach to alliance learning and knowledge transfer emerged. These mechanisms include managerial assignments to NUMMI, visits and tours to NUMMI, a technical liaison office for managing learning activities, leadership commitment and involvement in the learning process, and a learning network to articulate and spread the knowledge.


**Keywords**: Joint ventures; Learning.

**Abstract**: Joint ventures (JVs) are becoming an increasingly important organizational form in international business. When JVs are formed, valuable learning opportunities may be created for the venture partners. The primary objective in this paper is to explore the conditions under which firms exploit JV learning opportunities through the acquisition of knowledge. A framework of knowledge acquisition by JV partner firms is proposed. Using JV partner organizations as the primary level of analysis, the paper identifies various factors that influence the acquisition of learning, its value to the learning organization, and the migration of knowledge from the JV to the parent. Two firm specific learning-based concepts are developed: alliance knowledge accessibility and knowledge acquisition effectiveness.


**Keywords**: Alliances.

**Abstract**: Khanna, Bulati, and Nohria (1998) examine the dynamics of alliance learning and develop a conceptual framework designed to capture the tension between cooperation and competition. Based on the concepts of private and common benefits and relative scope, the firms' learning behavior patterns are explored. This note comments on the framework and suggests that although the framework introduces some interesting concepts, the reliance on simple models from economic theory leaves the framework somewhat disconnected from the process of alliance management.


**Keywords**: Alliances; Learning.

**Abstract**: The creation of new knowledge is a major challenge for all organizations. Knowledge provides the capacity for organizational action and new knowledge provides the capacity for
organizational renewal. An article examines learning and knowledge acquisition in the strategic alliance context. Alliances provide firms with a unique opportunity to leverage their strengths with the help of partners. In bringing together firms with different skills and knowledge bases, alliances create unique learning opportunities for the partner firms. The article first examines different knowledge conditions that influence the accessibility of alliance knowledge. Knowledge connections that facilitate the alliance learning are then discussed. Finally, the article considers the question of why some firms are more effective than others at leveraging and exploiting alliance knowledge.


**Keywords**: Alliances; Learning.

**Abstract**: Global competition is forcing firms to rethink the question of how new organizational knowledge is acquired. New knowledge provides the foundation for new skills, which in turn can lead to competitive success. However, few firms systematically manage the process of knowledge acquisition. International strategic alliances and their potential for learning and knowledge acquisition is explored. In bringing together firms with different skills, knowledge bases, and organizational cultures, alliances create unique learning opportunities for the partner firms. Based on the assumption that organizational learning is both a function of access to new knowledge and the capabilities for using and building on such knowledge, alliance knowledge accessibility and firm learning effectiveness is focused on.


**Keywords**: Joint venture; Learning.

**Abstract**: This paper explores organizational learning in the context of international JVs. Using a sample of Japanese-North American JVs in the automotive sector, the study concentrates on the North American parent firms and their recognition and exploitation of JV learning opportunities. The study found that a parent firm's capacity to learn and the nature of partner interactions helped shape the learning experience. The study also found that while many firms had explicit learning objectives, the strategic benefits of the learning opportunities often were underutilized because of misconceptions about partner skills and the ease of knowledge transfer.


**Keywords**: Joint venture.

**Abstract**: Over the past few years there has been a wave of automotive related North American-Japanese joint ventures formed in North America. The majority of the joint ventures were formed to supply the Japanese automotive transplants. To gain an understanding of how these joint ventures were managed and how they were performing, managers involved with 40 North American-Japanese joint ventures in the automotive supplier sector were interviewed. The focus of the study is on North American partners and their participation in joint ventures with Japanese firms.


**Keywords**: Network.

**Abstract**: A significant difference between Japanese and American corporate environments is the existence of extensive networks of intercorporate agreements among firms in Japan. Networks in Japan are the dominant factor in determining how firms transact with other organizations. Given that
Japanese networks are taking root in the American business environment, what does this mean for American firms competing and cooperating with Japanese firms? Drawing on a recent study of North American-Japanese joint ventures, this article examines the Japanese network and considers the implications for outsider firms gaining temporary, and perhaps even permanent access to the network through the formation of alliances and joint ventures with Japanese firms.


**Keywords**: Joint ventures; Stability; Bargaining power; Knowledge acquisition.

**Abstract**: Although the high rate of instability of international joint ventures (IJVs) has been well documented, the underlying reasons for the instability need clarification. In this article, we develop a theoretical framework for instability of IJVs grounded in a bargaining power and dependence perspective. Instability is defined as a major change in partner relationship status that is unplanned and premature from one or both partners’ perspectives. The core argument is that the instability of IJVs is associated with shifts in partner bargaining power. Shifts in the balance of bargaining power occur when partners of an IJV acquire sufficient knowledge and skills to eliminate a partner dependency and make the IJV bargain obsolete. Our primary focus is on the acquisition of local knowledge by the foreign partner and the impact that this acquisition of knowledge has on the stability of the IJV.


**Keywords**: Joint venture.

**Abstract**: Using data collected from a sample of North American-Japanese joint ventures (JVs), this paper reports an investigation of JV performance within an interorganizational framework. A structural equation modeling approach was used in conjunction with multiple methods of construct measurement. The findings support the view that the type and nature of interfirm interactions influence the parents’ assessment of JV performance. The study found that the quality of the exchange relationship was an important factor, supporting the argument that compatibility between the partners is a crucial factor in determining the partners’ relative bargaining power and operating relationship norms.


**Keywords**: Joint venture; Learning.

**Abstract**: A conceptual framework for the study of organization learning is developed and applied to learning in joint ventures (JV). The framework presents a multilevel view of the phenomenon, suggesting that learning in organizations occurs at the individual, group and organization levels. Four key elements of organization learning are addressed: 1. the nature of managerial learning experiences, 2. the sharing and integration of managerial learning within an organization, 3. the institutionalization of learning, and 4. the relationship between organization learning and performance. The study focused on American JV parents and their ability to exploit JV learning opportunities with their Japanese partners. Firms with explicit learning objectives were observed to be unable to put into place the appropriate mechanisms and systems to transfer knowledge from the JV to the parent. While individual managers in the JVs were often enthusiastic about their learning experiences, integration of the learning experience at the parent firm level was problematic, limiting the institutionalized learning. A rigid set of managerial beliefs associated with an unwillingness to cast off or unlearn past practices can severely limit the effectiveness of organization learning.

**Keywords:** Joint venture; Trust; Control; Learning.

**Abstract:** This article examines the evolution of trust, control and learning in a joint venture (JV) relationship. Using a coevolutionary approach, we develop a framework that shows how initial JV conditions give way to evolved conditions as JV partners develop an understanding of each other and adjust the collaborative process. We explore the relationship between trust and control in JVs and identify how these two critical concepts impact JV processes. We argue that trust, along with partner collaborative objectives, creates the initial climate that shapes partner interactions. In turn, these interactions lead to subsequent decisions about the nature of controls. We then examine linkages between alliance learning and the trust and control concepts, and argue that learning processes are central to evolving JV dynamics. Once the JV is formed, and if the initial conditions support continued collaboration, then learning processes will be central to evolving alliance dynamics. As initial conditions give way to evolved conditions, learning and trust will coevolve and impact decisions about control. Propositions linking the concepts are provided as guides for future empirical research.


**Keywords:**

**Abstract:** Although trust has been identified as a critical factor in alliance management, rigorous conceptual and empirical developments of alliance trust have remained elusive. This paper develops a conceptual understanding of joint venture (JV) trust. First, we define JV trust as reliance on another JV party (i.e., person, group, or firm) under a condition of risk. Reliance is volitional action by one party that allows that party's fate to be determined by the other party. Risk means that a party would experience potentially negative outcomes from the untrustworthiness of the other party. Thus, under a condition of risk, a JV partner's trust is signified by action that puts its fate in the hand of the other partner. Second, we review previous literature on trust and JVs and show that trust has been viewed from three different perspectives: structural, social, and psychological. Third, we develop a framework of the antecedents and consequences of JV trust. The factors considered as antecedents are: prior cooperative relationships, habitualization, individual attachment, organizational fit, and assessment of partner competence. Proposed consequences or outcomes of JV trust include forbearance, governance structures, relationship investments, increases in JV scope, and JV performance. From this framework, we identify various theoretical and methodological implications, and propose a research agenda.


**Keywords:**

**Abstract:** The management and processing of organizational knowledge are increasingly being viewed as critical to organizational success. By exploring how firms access and exploit alliance-based knowledge, the authors provide evidence to support the argument that the firm is a dynamic system of processes involving different types of knowledge. Using data from a longitudinal study of North American-based joint ventures (JVs) between North American and Japanese firms, they address three related research questions: (1) what processes do JV partners use to gain access to alliance knowledge; (2) what types of knowledge are associated with the different processes and how should that knowledge be classified; and (3) what is the relationship between organizational levels, knowledge types, and the transfer of knowledge? The authors examine the processes used by alliance
partners to transfer knowledge from an alliance context to a partner context. They identify four key processes—technology sharing, alliance-parent interaction, personnel transfers, and strategic integration—that share a conceptual underpinning and represent a knowledge connection between parent and alliance. Although all of the knowledge management processes are potentially effective, the different processes involve different types of knowledge and different organizational levels. The primary types of knowledge associated with each process are identified and then linked with the organizational level affected by the transfer process. From those linkages, several propositions about organizational knowledge transfer and management are developed. The results suggest that although a variety of knowledge management strategies can be viable, some strategies lead to more effective knowledge transfer than others.


**Keywords:**

**Abstract:** Many joint ventures fail to achieve their potential, and joint venture failure rates remain high, frustrating the efforts of many firms to capitalize on alliance strategies. A key problem may be in recognition that a joint venture is the first step in a multiple-step relationship. How a firm benefits from a joint venture is highly dependent on what each partner is committed to do and actually does over an extended period of time. While not all contingencies can be identified during the formation process, adequate early planning can eliminate many of the problems that plague joint ventures. A series of planning issues is identified which should be addressed when collaboration is under consideration, including value creation, strengths and weaknesses of each partner, perspective toward risk, governance and trust, flexibility, and review time. It is pointed out that joint venture negotiations must walk a fine line between strong negotiating tactics and the realization that the party across the table will become a partner if negotiation is very successful.


**Keywords:**

**Abstract:** In this paper, we examine four case studies of poorly performing international alliances in relation to existing escalation theory. In doing so, we find support for the validity of the escalation framework in relation to strategic alliances, as well as propose how existing escalation theory might be modified and extended to better account for escalation in strategic alliances. Several new propositions are introduced to help advance understanding of the escalation phenomenon.


**Keywords:** Knowledge transfer; Learning; Strategic alliances

**Abstract:** This paper examines theoretical and empirical research in the alliance learning area. There are two central objectives. The first objective is to integrate a large body of research by examining the key research questions addressed. Our second objective is to critically examine the existing research as the basis for establishing a research agenda. Although the alliance learning area has generated a substantial amount of research interest and spawned wide-ranging types of inquiry, many important and substantive managerial issues remain under-explored.

Keywords:
Abstract: This paper examines how social capital dimensions of networks affect the transfer of knowledge among network members. We distinguish between three common network types: intracorporate networks, strategic alliances, and industrial districts. Using a social capital framework derived from Nahapiet and Ghoshal (1998), we identify structural, cognitive, and relational dimensions for the three network types. We then link these social capital dimensions to the conditions that facilitate knowledge transfer. In doing so, we propose a set of conditions that promote knowledge transfer for the different network types.


Keywords: Knowledge transfer; Alliances; Learning; Suzhou
Abstract: This paper examines alliance knowledge transfer using a case study of the China-Singapore Suzhou Industrial Park (SIP), an alliance involving the Chinese and Singaporean governments, their agencies, and various private sector organizations. The objective is to extend existing knowledge in the alliance learning area and provide deeper understanding of some process-oriented aspects of alliance learning performance. We found that tacit knowledge was particularly difficult to transfer and that issues involving collaborative interactions between the partners both facilitated and impeded knowledge transfer. We also found that competitive learning occurred, which impacted the partner relationship and knowledge transfer.


Keywords: Studies; Risk management; Rates of return; Impact analysis; Profitability; Financial performance; Memberships.
Abstract: Our study investigates the effect of Japanese horizontal keiretsu group membership on firm risk and return. Like prior studies, our results show that horizontal keiretsu membership has a negative effect on firm profitability. However, we find that horizontal keiretsu networks are likely to increase the gap between targeted and realized returns, which we call the outcome-aspiration gap. Moreover, in contrast to prior studies, our results indicate that keiretsu membership does not enable member firms to reduce risks by smoothing profitability. Instead, our findings provide evidence that is counter to the conventional notion that Japanese horizontal keiretsu allows their member firms to trade off profits for reduced risk.


Keywords: Alliance portfolio diversity; Partner diversity; Functional diversity; Governance diversity; Diversity and performance; Auto industry
Abstract: In this paper, we offer a comprehensive alliance portfolio diversity construct that includes partner, functional, and governance diversity. Grounding our work primarily with the resource- and dynamic capabilities-based views, we argue that increased diversity in partners' industry, organizational, and national background will incur added complexity and coordination costs but will provide broadened resource and learning benefits. Increased functional diversity results in a more balanced portfolio of exploration and exploitation activities that expands the firm's knowledge base while increased governance diversity inhibits learning and routine building. Hypotheses were tested with alliance portfolio and performance data for 138 multinational firms in the global automobile industry during the twenty-year period from 1985 to 2005. We found alliance portfolios with greater organizational and functional diversity and lower governance diversity were related to higher firm performance while industry diversity had a U-shaped relationship with firm performance. We suggest
firms manage their alliances with a portfolio perspective, seeking to maximize resource and learning benefits by collaborating with a variety of organizations in various value chain activities while minimizing managerial costs through a focused set of governance structures.


**Keywords:**

Abstract: Global strategic alliances (GSA) - interfirm arrangements spanning industries and countries - are superseding traditional multinational corporations, a consequence of increasingly advanced technology and complex markets and the need for greater flexibility and constant innovation. GSAs often join together traditional competitors that share strategic objectives, which provides an opportunity to gain access to another firm's knowledge. On the other hand, this also can involve transferring a firm's proprietary expertise and market access to competitive advantages in pursuing global goals. A framework for selecting alliance strategies includes evaluating whether the GSA would help exploit national differences, scale economies, and scope economies.


**Keywords:** Multinational enterprises (MNE); Ownership strategy; Change; Resource-based view (RBV); Transaction cost economics (TCE); Foreign direct investment (FDI).

Abstract: This study investigates the conditions under which environmental and firm-level factors affect MNE ownership strategy. We theorize that these effects are related to changes over time, which we subdivide into the aspects of absolute and relative magnitude. We develop and test four hypotheses using longitudinal data on Japanese foreign direct investment (FDI).


**Keywords:** Foreign direct investment; Multinational enterprise; Ownership strategy; Joint venture; Wholly-owned subsidiary; Performance; Japan; US.

Abstract: Much of the extant literature characterizes international joint venture (IJV) as a less stable and less successful form of organization. In this view, the IJV is considered a suboptimal ownership strategy, one where the firm lacks control over its operations, compared to wholly-owned subsidiary (WOS). We tested this widespread view on IJV and WOS by analyzing a large, longitudinal sample of Japanese MNEs, comparing our results to those from US MNEs reported in Desai et al. (2004) and Gomes-Casseres/Jenkins (2003). Japanese MNEs showed a stronger preference for IJVs over the last two decades as compared to US MNEs. IJV performance exceeded WOS among Japanese firms in most sample years, while WOSs outperformed IJVs among US subsidiaries in all sample years. Clear boundaries exist along the line of country-of-origin, with respect to the generalizability of the extant view toward IJVs.


**Keywords:**

Abstract: The 1990’s witnessed an explosive growth in strategic alliance activity. Today, strategic alliances are a central element in the growth strategies of technology entrepreneurs and emerging technology companies. In many instances, these alliances involve a large corporate partner. This phenomenon has been accelerated by the explosion in corporate venturing activity in recent years. On a conceptual level, alliances between small entrepreneurial firms and large corporations can provide
significant benefits to both parties. A small technology company can leverage the research, manufacturing, marketing and financial resources of the large partner while the latter can tap into the innovative capacity of the smaller partner. On a practical level, however, these alliances pose some significant design and management challenges. This article examines these challenges and outlines actions that the technology entrepreneur can take to respond to them.


Keywords:
Abstract: Recent surveys indicate that executives of technology companies consider strategic alliances to be central to their competitive strategies. Yet the barriers to successful alliances are formidable. In many instances, these barriers develop in the early stages of an alliance. This study identifies and analyzes the types of challenges that companies face in the start-up phase of their alliances. It is based on a survey and interviews with executives in the Canadian high technology industry. The study finds that the principal challenges in the first year of an alliance relate to relationship issues between the partners. It suggests stronger attention to these issues in the design and implementation of an alliance. The paper concludes with guidelines to build and sustain effective working relationships between partners.


Keywords:
Abstract: The problems in managing joint ventures arise from one major cause—there is more than one parent. With the increasing use of joint ventures, business leaders should think about the more effective ways of managing—shared management or dominant parent. Thirty-seven North American and Western European joint ventures were studied to examine the different ways executives tailor their management approach to the specific needs of the company. In dominant parent enterprises, the joint venture is managed by one parent, like a wholly owned subsidiary. Dominant parent ventures are more likely to be successful than shared management ones. In shared management ventures, both parents manage the enterprise. Staffing a joint venture can also be a problem, especially if functional managers are drawn from both parents. Guidelines for joint venture success include: 1. If one parent's skills are not necessary to the success of the joint venture, the other parent should oversee the venture. 2. If both parent's skills are necessary, but those of one parent can be easily transferred, the other parent should dominate the venture. 3. If the skills of both parents are crucial to the joint venture's success, a shared management joint venture is best.


Keywords:
Abstract: This paper addresses the subjects of licensing and the formation of joint ventures from the point of view of the technologically dependent firm. Much more common are studies of the options open to firms which have technology, such as exporting, foreign direct investment, joint venture, and license agreement. This paper considers the conditions under which a firm without technology should try to acquire it, via each of two types of license agreement and two types of joint venture. Examination of data on 74 license agreements and 28 joint ventures lead to the observation that the market for technology is fragmented and inconsistent, and the implications of this fact for technology-hungry firms are discussed.

**Keywords**: Cross-border R&D alliances, Absorptive capacity; Technology Learning.

**Abstract**: Drawing from research on alliance learning, we develop a model of technology learning by integrating technological capabilities and alliance knowledge in a framework of absorptive capacity. We also differentiate between absolute and relative components of absorptive capacity. Our study of the chemical-pharmaceutical industry found that technology learning was higher when firms were quick to adopt new technologies and when they have accumulated experience via alliances. Among alliances, cross-border R&D alliances have the strongest effect on technology learning. Overall, the findings show the pronounced effect of absolute absorptive capacity on technology learning.


**Keywords**: Centre_EM; Emerging markets; Studies; Problems; Organizational behavior; LDCs; Joint ventures; International; Decision making; Cross cultural.

**Abstract**: North American behavioral patterns and cultural influences that may be barriers to increased global effectiveness are discussed. These influences on the process of establishing and managing joint ventures in less developed countries (LDC) are examined, namely, in Latin America, Africa, Southeast Asia, and the Caribbean region. Developing a business in the Third World is a long-term investment. An unwillingness to spend the requisite amount of time in a country may be indicative of an unrealistic superiority complex. Identifying and selecting a partner is perhaps the most important consideration in establishing a cooperative venture. Good local partners are more apt to have access to competent local managers than are foreign firms. The use of many local managers is recommended to ensure that the foreign parent acquires the necessary knowledge of the local economy, culture, and politics. In the joint ventures investigated, a turnaround of poor performers involved a rethinking of attitudes by the foreign parent toward the value of the local partners.


**Keywords**: Abstract: One of the most important decisions faced by multinational enterprises (MNEs) is the determination of which mode of operation – exports, wholly-owned subsidiary, joint venture, or licensing – should be used to service a host country market. This paper studies the effects of different market servicing modes on prices of 321 products sold in the Philippines.


**Keywords**: Centre_EM; Joint ventures; International; Emerging markets; Korea; Stability; Ownership; Control; Performance.

**Abstract**: This paper examines twelve characteristics of a sample of Korean joint ventures with partners in developing countries (LDCs) and contrasts them with existing research where (a) developed country firms have linked with firms in other developed countries, and (b) developed country firms have linked with local firms in developing countries. Ten hypotheses were formulated and tested. Relative to previous findings on joint ventures from developed countries in LDCs, differences were found in terms of stability, venture creation rationale, satisfaction level with performance, and the relationship between control and performance and between ownership and control.

**Keywords**:

**Abstract**: Forming international joint ventures (IJVs) with multinational corporations (MNCs) from advanced economies has been widely adopted by firms in emerging economies as an organizational approach to building up their innovative capabilities. In this paper, we emphasize that such an approach has both advantages (knowledge transfer from MNCs) and disadvantages (overdependence upon MNCs and reduction of innovation incentives) in the capability building of indigenous firms. Utilizing a longitudinal dataset consisting of 474 industries in China during 1998–2002, we find supporting evidence for the co-existence of the positive and negative impacts of IJVs. Specifically, we find that IJV presence has an inverted U-shape impact on innovative capabilities of indigenous firms; such an impact is stronger in industries with low (versus high) technology gap. We discuss the implications of our findings for research, managerial practice, and government policy.


**Keywords**:

**Abstract**: This study analyzes the following unresolved questions: In international joint ventures (IJVs) in a developing country, how could different IJV structures address control and collaboration considerations, and what is the likely effect of such different structures on IJV productivity? Theoretically, we suggest that the ambiguity surrounding these questions reflects the tendency of researchers to view control and collaboration as opposing objectives, studying one or the other; in contrast, we provide a more integrative perspective that blends the two objectives, focusing on common underlying issues relating to enhancing partner commitment, ensuring partner knowledge contributions, and reducing partner risks. We address the most salient design consideration for IJV partners, that is, IJV ownership structure, to posit that joint consideration of the control benefit of a higher foreign ownership level in IJVs and the collaboration benefit of a more balanced IJV ownership structure results in an expected inverted U-curve relationship between foreign ownership and IJV productivity. Additionally, we posit and test how three environmental contingencies, by affecting the need for control and collaboration in IJVs, would further influence the specific shape of the inverted U-curve relationship. We find strong support for our theory using an extensive longitudinal dataset of over 5,000 IJVs in China from 1999–2003. We discuss the value of our approach and findings both for researchers and for IJV partners seeking the dual benefits of control and collaboration.


**Keywords**:

**Abstract**: This paper compares the predictions of transaction cost and institutional theories in an empirical study of the entry mode choice for 1,194 Japanese foreign subsidiaries. The findings indicate the institutional model adds significant explanatory power over and above the predictions of the transaction cost model. Using the concepts of frequency-based, trait-based and outcome-based imitation, support was found for institutional isomorphism, as later entrants tended to follow the entry mode patterns established by earlier entrants. Isomorphic behavior was also present within a firm, as firms exhibited consistency in entry mode choices across time. Further, a firm's investment experience moderated institutional influences on entry mode choice.

Keywords: Entrepreneurship; Internationalization; Alliances; Performance; Small and medium-sized enterprises; International joint ventures.

Abstract: The international joint venture (IJV) is an important mode in the internationalization of small and medium-sized enterprises (SMEs). Internationalization in turn is an entrepreneurial behavior in the pursuit of growth. Partnering strategies in the formation of IJVs can have significant effects on the outcome of SMEs’ international expansion. In this study, we examine the performance implications of two types of resources contributed by SMEs’ IJV partners, host country knowledge and size-based resources. We develop and test three sets of hypotheses about the longevity and financial performance of a sample of 1,117 international joint ventures established in 43 countries by 614 Japanese SMEs that have fewer than 500 employees. Our findings indicate that SMEs’ IJVs with local partner(s) may be associated with decreases in longevity, especially when SMEs acquire host country knowledge. The host country experience of Japanese partner(s) does not have any direct effects on IJV profitability but reduces the longevity of IJVs. Finally, the size of Japanese partner(s) increases the longevity of IJVs but may have negative effects on IJV profitability when large Japanese partners have low equity ownership in IJVs. Our findings highlight the differential effects that IJV partners’ experience-based and size-based resources have on IJV performance. Our findings also demonstrate that the same strategy could have different effects on different dimensions of performance.


Keywords: Centre_EM; Emerging markets; Internationalization; Networks, FDI; Alliances; Performance.

Abstract: This paper explores the potential competitive advantages from the development of an internal network of subsidiaries and external network of alliances. Given the broad scope and lack of systematic investigation in prior research, clinical field research was conducted in eleven Japanese subsidiaries in China. Our in-depth interviews revealed that there are benefits and costs associated with the development of both subsidiary networks and alliance networks. While there are exploitation and exploration benefits from subsidiary network development, internationalizing firms (especially smaller firms) are subject to the liability of foreignness. Alliance network development is an effective way to mitigate this liability if internationalizing firms choose the right alliance strategy.


Keywords: SMEs; Internationalization; Entrepreneurship; FDI; Exporting; Japan.

Abstract: We discuss and explore the effects of internationalization, an entrepreneurial strategy employed by small and medium-sized enterprises (SMEs), on firm performance. Using concepts derived from the international business and entrepreneurship literatures, we develop four hypotheses that relate the extent of foreign direct investment (FDI) and exporting activity, and the relative use of alliances, to the corporate performance of internationalizing SMEs. Using a sample of 164 Japanese SMEs to test these hypotheses, we find that the positive impact of internationalization on performance extends primarily from the extent of a firmness' FDI activity. We also find evidence constant with the perspective that firms face a liability of foreignness. When firms first benefit FDI activity, profitability declines, but greater levels of FDI are associated with higher performance. Exporting moderates the relationship FDI has with performance, as pursuing a strategy of high exporting concurrent with high FDI is less profitable than one that involves lower levels of exports when FDI levels are high. Finally, we find that alliances with partners with local knowledge can be an effective strategy to overcome the deficiencies SMEs face in resources and capabilities, when they expand into international markets.

**Keywords:**

**Abstract:** This study attends to equivocal results regarding the relationship between equity control and IJV performance by proposing a transaction cost-based contingency framework. We examined the moderating effects of asset specificity and uncertainty on the relationship between foreign parent equity control and IJV survival in an empirical setting of Japanese IJVs in 12 Asian countries in the 1985-1996 period. Our findings suggest that in the presence of high asset specificity, high levels of foreign equity control can lead to higher IJV survival rates. Further, we find that social knowledge can serve as a substitute for equity control in IJVs and contribute to higher IJV survival rates.


**Keywords:** Strategic alliances; Business development; Alliances; International business enterprises; Joint ventures

**Abstract:** We investigated the value of local partners' business group affiliations in international joint ventures (IJVs) by integrating economic and political perspectives on business groups with insights from the IJV literature. In 563 Sino-Japanese IJVs in China, we found that a local partner's affiliation to a regional business group enhances the performance of an IJV when its location restricts foreign direct investment (FDI). Meanwhile, a local partner's affiliation to a national business group enhances the performance of an IJV when it operates in an FDI-restricted industry. Our findings point to the contingent value of business group affiliation in emerging economies.


**Keywords:** Legitimacy; Growth; Survival; International joint ventures

**Abstract:** The authors examine the growth and survival of international joint ventures (IJVs) from a legitimacy perspective. In a sample of 291 Sino-Japanese joint ventures in China, they found that Chinese parent age, Chinese parent size, and IJV industry relatedness to either parent had a positive effect on IJV growth and/or survival. However, IJV industry relatedness to both parents led to lower rates of IJV growth and survival. The findings highlight the importance for IJVs to obtain both external and internal legitimacy, as well as the difficulties IJVs face in acquiring internal legitimacy from both parents simultaneously.


**Keywords:** FDI location choice; Foreign subsidiary survival; Institutions; Transitional economy; China

**Abstract:** Transitional economies can be characterized by considerable sub-national variation in economic and political characteristics. We investigate how this variance influences the timing of entry, entry mode, industrial traits, and survival rates for Japanese foreign direct investments (FDIs) made in China's two major metropolises—Shanghai, the economic center, and Beijing, the political capital. Using a sample of 1610 subsidiaries of Japanese firms established during the 1979–2003 period, our empirical results show that Japanese multinational enterprises (MNEs) tended to choose an economic-oriented rather than a political-oriented city as their investment location, with the consequence being higher survival likelihoods in Shanghai than in Beijing. This location choice helped Japanese firms avoid policy uncertainty and political hazards in China's transition economy. Our findings highlight the point that fundamental features of institutional environments at sub-
national levels should be analyzed when looking at investment strategy and performance in transitional economies.


**Keywords**: Centre_EM; Emerging markets; Joint ventures; International; Ownership; Selection; Strategic planning; Japan.

**Abstract**: Although many international joint ventures (JV) are formed in the traditional way between foreign and local firms, nontraditional forms are increasingly being utilized. Four distinct types of JV ownership structure are identified, based on partner nationality and affiliation. Senior executives of 2 large Japanese firms with joint ventures in Asia suggested 3 distinct strategies corresponding to the choice of JV ownership structure. These involve exploiting the competitive advantage specific to a parent firm, or to a pre-existing relationship, and complementing local partners’ competitive advantage. Several key issues regarding JV partner selection and the development of a sustainable relationship between JV partners that are relevant to American executives and those from other countries are considered.


**Keywords**: Centre_EM; Emerging markets; Government; Entry mode; Joint ventures; Ownership; Japan.

**Abstract**: This study examines the moderating effects of a host government's local ownership restrictions on the linkage between the choice of foreign entry mode and its performance, using a sample of 917 Japanese foreign subsidiaries in Asia. The study focuses on two foreign entry modes, joint ventures (JVs) and wholly-owned subsidiaries (WOS), and two performance measures, financial performance and termination rate. The results suggest that the extent of local ownership restrictions is negatively and significantly associated with the financial performance of WOS, whereas it does not directly influence that of JVs. There is no clear association between the extent of local ownership restrictions and the termination rate for the JV and WOS samples.


**Keywords**: Centre_EM; Emerging markets; Joint ventures; Ownership; Survival; Japan.

**Abstract**: The international joint venture (JV) literature has focused on two parent JVs formed between one foreign and one local firm. Yet, other types of JVs exist. This paper identifies four distinct forms of JVs based on the JV partners' nationality and equity affiliation. These are: (i) JVs that are formed between affiliated home-country based firms; (ii) JVs that are formed between unaffiliated home-country based firms; (iii) JVs that are formed between home-country based and local firms; and (iv) JVs that are formed between home-country and third-country based firms. Our analysis of 737 Japanese JVs in Asia demonstrates that the conventionally assumed form of JV represented only 30 percent of the total. Further, each of the four JV forms significantly differed in terms of incidence, performance, and survival likelihood.


**Keywords**: Centre_EM; Emerging markets; Foreign investment; Performance; Developing countries; Diversification; Japan.
Abstract: Data on 26,857 Japanese foreign investments in 150 countries and regions over the 1991-1999 period reveal that there are stark differences in the characteristics and performance of Japanese FDI (JFDI) between less developed countries (LDCs) and developed countries (DCs). JFDI in LDCs has been growing more rapidly over the period, and it is concentrated in the Secondary industrial sector, with a lower level of control within a subsidiary, and has been initiated by parent firms with market-seeking and labor-seeking purposes and with relatively weak ownership advantages. In contrast, JFDI in DCs has maintained relatively stable growth over the period, is concentrated in the Tertiary industrial sector, with a higher level of control within a subsidiary, and has been initiated by parent firms with market-seeking and strategic-seeking purposes and with relatively strong ownership advantages. JFDI in LDCs tended to attain a higher financial performance and a lower exit rate, yet with a greater variance, than those in DCs.


Keywords: Intended and unintended termination; International joint ventures; Longevity.

Abstract: This study proposes that international joint ventures (IJVs) are terminated either when the initial purposes of the formation of the IJV are achieved (intended termination), or when unanticipated contingencies that emerge in the external, internal, or inter-partner conditions after the establishment of the IJV impede the continuation of its operation (unintended termination). Our study examines the factors that affect intended and unintended termination and the longevity of IJVs. The findings show that approximately 90 percent of all IJV terminations are unintended and 10 percent are intended, and that the frequency of intended termination and unintended termination varies noticeably depending on the initial purposes of the formation of the IJV. This suggests that the termination of IJVs is significantly conditioned by their formation. The findings also show that the longevity of IJVs varies according to the initial purposes of formation, the initial conditions under which IJVs are formed, and the types of unanticipated contingencies that are encountered. This study discusses the key theoretical issues and practical implications of the distinction between the intended and unintended termination of IJVs.


Keywords:

Abstract: Foreign firms in host country environments frequently face location-based disadvantages. This study proposes three means (channels) of overcoming local knowledge disadvantages. Based on a sample of 558 Japanese joint ventures (JVs) located in Southeast and East Asia, we find that partnering with local firms (the first channel) can be a primary strategy for accessing local knowledge and improving JV performance. JV experience in the host country (the second channel) also mitigates local knowledge disadvantages and leads to increased JV performance. The third channel, the foreign parent's host country experience, leads to increased performance in the absence of a local partner. However, when a JV is formed with a local partner, increased parent experience in the host country leads to decreased performance suggesting that the need for a local partner declines as parent experience in a host country increases.


Keywords:
Abstract : Transaction cost theory posits that culture plays a limited role in the choice between JV and WOS. In contrast, research suggests that firms' preferred level of ownership in their foreign subsidiaries is influenced primarily by cultural traits. This study provides additional evidence in this ongoing debate by replicating Hennart’s transaction cost model of entry mode choice in two different national contexts: Japanese firms investing in the U.S. and the U.S. firms investing in Japan. The results suggest that the transaction cost explanation for the ownership choice holds in both national contexts. Yet, the propensity to choose JV or WOS significantly varied between Japanese and the U.S. firms.


Keywords : IS Sourcing; Governance; Partnership; Equifinality; Framework.

Abstract : Growth in IS outsourcing spurred research in the area that spans many perspectives but contains contradictory findings. Inconsistent findings raise confusion and doubt, leaving managers uncertain about IS sourcing directions and researchers unclear about theoretical perspectives relevant to IS sourcing. We argue that the concept of equifinality accounts for much of this confusion. Equifinality suggests that, in the struggle to match conflicting functional demands with structural options, many equally viable alternatives may exist. For IS sourcing, this means that different sourcing choices can be leveraged producing similar IS capabilities. Thus, embracing equifinality requires that we understand more fully the complexities in the IS function and in the range of sourcing options available. We argue, as well, that the existence of multiple paths raises the importance of implementation and execution issues.

Illustrating the complexities of the IS function, we outline several IS function elements, including IT resources, IS activities and IS strategy. An IS-Business Partnering framework is then presented demonstrating the multiplicity of partnering options, situating sourcing as one aspect. We conclude with several company illustrations showing these multiplicities for successful company outcomes. For IS sourcing researchers, equifinality holds important implications. No longer can we afford to view the IS function as a homogeneous entity nor can we limit our scope to a narrow range of sourcing and partnering options. More than one path exists to achieve a particular outcome. Hence, the pursuit in IS sourcing research can no longer be for one good answer but for a few good answers.


Keywords : Trends; Outsourcing; International banking; Information technology.

Abstract : Two international banking challenges will provide the future growth and rationale for information technology (IT) outsourcing in the financial sector. The first challenge is the multi-faceted risk associated with cross-border financial flows. Institutions are attempting to manage long-term risk through the use of financial derivative products. However, most short-term risk relates to structural or settlement system shortcomings, and individual institutions have few risk management tools. The 2nd challenge involves the difficulty of developing truly global full-service financial firms. National regulations remain the major obstacle to foreign direct investment. Yet de-regulation, particularly within Europe and North America, has highlighted the difficulty of developing critical mass within fragmented national financial sectors. IT outsourcing could be a powerful tool in addressing these challenges.

Keywords: IS Outsourcing, Partnering, Relationship management

Abstract: A study of information technology (IT) outsourcing in 9 US and European financial organizations was conducted. Outsourcing makes it easier to restructure an organization in several ways, including: 1. Outsourcing makes it easier to achieve growth through mergers and acquisitions. 2. It can make it easier to downsize. 3. It improves the prospect of selling a business unit. 4. It leads to tighter linking of strategy and information technology. Outsourcing is not a solution to poor management and is fraught with risk. Some risks include: 1. technology skill stripping, 2. loss of strategic control, 3. risk of technological obsolescence, and 4. limiting of long-term flexibility. Suggestions on how to reduce the risks include: 1. Set objectives. 2. Manage the change process. 3. Learn before committing. 4. Use a reputable vendor. 6. Assess risks.


Keywords: High-velocity environments, Information technology, Networks.

Abstract: Information Systems (IS) functions and whole IS departments are being outsourced in industries where the IS functions have been considered 'core' to the success of that business. Why and how senior management came to make these decisions is the focus of this article. It explains the motivations behind Information Technology (IT) outsourcing when alliance theories suggest firms would not outsource an entity if core competency would be lost. Seven case studies were used to investigate the IT outsourcing phenomenon in the observed 'alliance-like' relationships emerging in the banking industry in the early 1990s. Inductive theory generating research was undertaken. Before the case studies were conducted, 40 preliminary interviews were undertaken with managers of companies that were and were not involved in IT outsourcing contracts. The results suggest that financial motivations underlie many IT outsourcing decisions, and unresponsive IS departments are accelerating the pace of the outsourcing process. IT outsourcing was found to have profound effects on the expenses for the banks. However, contrary to conventional wisdom, IT outsourcing is taking place within firms and industries which utilize IS activities that are considered core competencies. Several strategic motivations were presented that may explain this management decision. Firms were undertaking IT outsourcing to change the organizational boundaries, to restructure, to mitigate technological risk and uncertainty, to access emerging technology, to manage the IS department better, and to link business and IT strategy.


Keywords: Product development; Alliances; Telecommunications; Implementation; Performance.

Abstract: This study examines the implementation of product development alliances in the North American telecommunications equipment industry. The purpose of the paper is to: (1) develop a model of alliance implementation, (2) empirically test the model, (3) identify determinants of alliance implementation. The model is tested on two dimensions: (1) using performance evaluation criteria (expected results) and (2) using perceptions of actual performance (actual results). Performance evaluation criteria explains a much larger amount of variation in alliance performance than does perceptions of actual performance suggesting that while managers are able to identify what is important to implementing strategic alliances, they have difficulty actually achieving optimum performance.


Keywords:
Abstract: This paper describes the characteristics of Japanese foreign investment in Latin America. In examining FDI patterns, countries and industries most attractive to Japanese multinational corporations, the preferred modes of entry, and the post-entry performance of these subsidiaries are identified. It is found that most Japanese FDI has occurred in Brazil and Mexico, that joint ventures are the most common mode of entry, and that performance varies by country and mode. The observations have implications for 3 groups of executives: managers of non-Latin American firms, managers of Latin American firms, and public policy makers.


Keywords: Success; Subsidiaries; Studies; Market entry; Joint ventures; Foreign investment; Business ownership; Acquisitions & mergers.

Abstract: The performance of Japanese subsidiaries located in Europe is compared on the basis of the ownership-based entry modes of 173 subsidiaries in 1994. Theory predicts that greenfield, wholly-owned subsidiaries will perform best, followed by joint ventures and acquisitions. Performance data at the subsidiary level provide strong evidence of poorer performance by acquisitions versus the other 2 modes. The transaction cost approach is adopted in analyzing the relative performance of ownership-based foreign entry modes.


Keywords: Subsidiary; Performance; International; FDI; Entry mode; Joint ventures; Greenfield; Europe; Japan.

Abstract: This article provides an illuminating presentation of the characteristics and performance of 118 Japanese subsidiaries in Europe. Performance of the subsidiary is considered in relation to the initial mode of entry, industry and country of entry, subsidiary size, and reasons for entering. Japanese investment in Europe grew significantly in the late 1980s, but was heavily concentrated in a few industries. Entry mode preferences have also shifted, away from greenfield start-ups to more use of joint ventures. Conclusions are of interest to European and non-European corporate managers, and public policy-makers.


Keywords: Foreign investment strategy; Emerging markets; Entry mode; Entry timing; Subsidiary survival.

Abstract: The present study examines the question of whether joint ventures or wholly owned subsidiaries are more likely to survive in the context of Japanese subsidiaries in China. I suggest that the answer to this question depends on the time when the subsidiary was established. Specifically, I argue that joint ventures founded at the early stage of institutional reforms will be more likely to survive than wholly owned subsidiaries set up at that time, and the reversed pattern is expected for subsidiaries established in the late phase of institutional reforms. The rationale for these propositions is that at the beginning of market-oriented reforms contributions provided by local partners make shared ownership an optimal entry mode strategy, whereas relatively stable regulatory framework at the late stage of institutional reforms allows to realize benefits associated with sole ownership more efficiently. Empirical evidence supported both propositions.

Keywords: Density dependence theory; Entry mode; Expatriate staffing; FDI legitimacy; Institutional theory; Strategic choice; International; Emerging markets.

Abstract: We examine how evolving FDI legitimacy in China influences two strategic choices (entry mode and expatriate staffing) of Japanese subsidiaries there over the period 1993-2000, based on data aggregated from Toyo Keizai and the National Bureau of Statistics of China. As FDI legitimacy improves over time, we find that smaller subsidiaries tend to choose the wholly-owned subsidiary mode and deploy a higher percentage of expatriates, whereas larger subsidiaries tend to choose the joint venture mode and use a lower percentage of expatriates; and that Japanese subsidiaries are more likely to have a local manager, and this tendency may be stronger for larger subsidiaries. The theoretical and practical implications of these findings are discussed from a density dependence theory perspective.


Keywords: Abstract: The paper is based on a comparative analysis of successful and unsuccessful joint ventures. It identifies factors that differentiate between success and failure and provides guidelines for managers. Areas covered include joint venture planning and design, partner selection, joint venture management and relationships between partners and partners and the JV.


Keywords: Abstract: Based on the experience of 23 joint ventures operating mainly in North America, Mexico, and Europe, successful and less successful joint ventures are compared. To ensure joint-venture success, managers seek to maintain a subtle balance between the desire and need to control the venture and the need to have harmonious relations with the partners. A number of mechanisms can be employed to enable all interested parties to monitor developments and shape decisions that affect the joint venture: 1. board meetings, 2. provision of parent company services, 3. key personnel appointments, 4. organizational and structural context, 5. informal mechanisms, and 6. integrating the parent organizations. Even in a minority situation, a series of measures are recommended to enhance the likelihood of successful control. They include: 1. policies governing parental intervention, 2. diplomacy, 3. governance of the manager, 4. formal assessments, and 5. arrangements for resolving disagreements.


Keywords: Strategic alliances; Interorganizational networks; Experience; Dynamic capabilities; Structural equation models

Abstract: This research conceptualizes and operationalizes alliance management capability. The authors develop alliance management capability as a second-order construct to capture the degree to which organizations possess relevant management routines that enable them to effectively manage their portfolio of strategic alliances. In addition to identifying and measuring specific organizational routines as critical dimensions of alliance management capability, the authors advance knowledge on the performance effects of dedicated alliance structures and alliance experience based on survey data from 204 firms. Their primary contribution is a theoretically sound alliance management capability measure that is reflected by five underlying routines: interorganizational coordination, alliance portfolio coordination, interorganizational learning, alliance proactiveness, and alliance transformation. One of the key findings is that alliance management capability has a positive impact
on alliance portfolio performance and mediates the performance effects of dedicated alliance structures and alliance experience.


**Keywords**: Transition economies; Multinational corporation; Foreignness and emerging markets; Cross-cultural issues in HRM; Role of formal and informal networks; FDI legitimacy; China.

**Abstract**: Drawing from institutional theory, we address the issue of local versus expatriate subsidiary CEO staffing decisions of multinational corporations (MNCs) at the sub-national level. Our analysis of 2315 MNC subsidiaries in China shows that foreign direct investment (FDI) legitimacy is a reliable measure of institutional environment differences at the sub-national level and that the commonly used country level measures including institutional distance and cultural distance mask pertinent within-country differences. MNCs that invest in Chinese provinces with lower FDI legitimacy use more local nationals as subsidiary CEOs compared to provinces with higher FDI legitimacy. In provinces with low FDI legitimacy, subsidiaries with local CEOs perform relatively better than subsidiaries with expatriate CEOs. This effect is particularly strong for wholly foreign owned subsidiaries and applies to all provinces except the most developed coastal regions. In provinces with higher levels of FDI legitimacy these effects are reversed.


**Keywords**: Cultural intelligence; Offshoring; Outsourcing.

**Abstract**: This paper discusses the importance of firm-level cultural intelligence in the context of international business ventures such as offshoring. We identify the recent movement towards global delivery models in offshoring ventures as the strategic imperative for offshoring partners to acquire and develop firm-level cultural intelligence. Drawing on Earley & Ang's (2003) conceptualization of cultural intelligence and the resource based view of the firm, we develop a conceptual framework of firm-level cultural intelligence. The framework comprises three dimensions of intercultural capabilities of the firm: managerial, competitive, and structural. We propose items to measure these three dimensions and discuss theoretical and managerial implications.


**Keywords**: Joint ventures; Partner selection; Trust; Emerging markets; Alliances.

**Abstract**: According to interviews and a survey of Canadian companies doing business in Mexico, whatever form a Canadian company's entry into the market took, it was in almost all cases undertaken with a Mexican partner or contact. Most respondents indicated that, not only do Mexicans make a habit of mixing business with pleasure, they depend on it. Canadian companies currently in Mexico concur and overwhelmingly view establishing trust as very important to doing business with Mexicans. Canadian companies have an advantage over their US counterparts. In many interviews, Mexicans expressed a preference to doing business with Canadians because the two tend to be more compatible with each other - a view reflected by both Canadian and Mexican executives. The survey indicated that establishing the initial contact to find proper representation in Mexico was not very difficult. The time and cost to develop the business in Mexico was quite varied. A local partner should complement a company's capabilities, providing the expertise, insights and contacts that can propel the two to further heights.

**Keywords**: International joint ventures; SME; Ownership control; European Union.

**Abstract**: The internationalization of small and medium-sized enterprises (SMEs) through international joint ventures (IJVs) has received limited attention in the international business literature. This study analyzes factors that lead an SME to gain a dominant equity share in an IJV. Three hypotheses are tested using bargaining-power, resource-dependency and transaction cost theories. Analyzing 55 IJVs among 110 European SMEs, we found that a partner’s dominant participation in the IJV ownership is positively related to its investment’s relative importance and the number of its employees. No relation was observed with knowledge transfer, IJV complexity and cultural distance in this ownership decision.


**Keywords**: Cultural distance; Entry mode; Performance; Multinationals; National cultural distance paradox; Logistic regression; Emerging markets.

**Abstract**: This study revisits the “national cultural distance paradox” based on a sample of Japanese foreign direct investment (FDI) in 53 countries and regions over 30 years. Earlier studies on cultural distance assumed linear relationships and showed mixed results. Results suggest that there is a nonlinear (inverted U-shape) relationship between CD and the choice of a joint venture as the preferred market entry mode, and between CD and performance. We also found that the relationship between CD and performance is moderated by entry mode choice: the nonlinear relationship between CD and performance is stronger for joint ventures than for wholly owned subsidiaries.


**Keywords**: Joint ventures; Ownership; Entry mode; Acquisitions; Japan.

**Abstract**: This study examines the relationship between ownership entry modes and performance. The ownership entry modes examined are the wholly owned modes of acquisition and new venture entry, and the non-wholly owned mode of joint venture entry. A theoretical relationship is developed for international entry modes that is based on the contingency characteristics of resource requirements and organizational control factors. This model suggests that different entry modes have different performance outcomes based upon their resource and organizational control demands. The theoretical model, although developed using the eclectic theoretical approach, is based largely on concepts and relationships previously delineated in contingency theory. Our hypotheses suggest that new ventures should outperform joint ventures, and joint ventures should outperform acquisitions. An empirical test using a sample of 321 Japanese firms entering the North American market provides supporting evidence.


**Keywords**: IJV survival; Technological knowledge; Product relatedness; Equity control; Managerial control; China; Japan; Cox regression

**Abstract**: This article examines the relationships among parent firm technological knowledge, parent–IJV product relatedness, parent control over the IJV, and IJV survival. Combining the knowledge-based perspective and institutional theory, we argue that parent control itself does not necessarily lead to higher IJV survival; it contributes to IJV survival when the parent firm has a high level of technological knowledge, and when the IJV is product-related to this parent. Results obtained from
1038 Japanese IJVs based in China indicate that both equity control and managerial control of a Japanese parent had a positive interaction effect, with the parent's technological knowledge, on IJV survival. Equity control also exhibited a positive interaction effect with product relatedness. In a sub-sample of 354 Sino–Japanese IJVs containing local parent information, managerial control by the Chinese parent was found to have a positive interaction effect, with Chinese parent–IJV product relatedness, on IJV survival.


**Keywords**: Institutional perspective; Ownership; Expatriates; Japan; International.

**Abstract**: Researchers have used cultural distance to explain strategic and operational control mechanisms of the multinational enterprise, yet the construct has failed to yield consistent results. This study proposed two new measures of country differences, regulative and normative distances, from an institutional perspective, and examined their effect on MNE ownership and expatriate strategies.


**Keywords**: Institutional theory; Subsidiary ownership; International entry mode; Multinational enterprise

**Abstract**: The study of foreign entry-mode choice has been based almost exclusively on transaction-cost theory. This theory focuses mainly on the impacts of firm- and industry-specific factors on the choice of entry mode, taking the effects of country-specific contextual factors as constant or less important. In contrast, the institutional perspective emphasizes the importance of the influence of both institutional forces embedded in national environments and decision makers’ cognitive constraints on the founding conditions of new ventures. Still, this theoretical perspective has yet to provide insights into how institutional factors influence the choice of foreign entry mode. The primary goal of the present study is to provide a unifying theoretical framework to examine this relationship. We synthesize transaction-cost and institutional perspectives to analyze a sample of 364 Japanese overseas subsidiaries. Our results support the notion that institutional theory provides incremental explanatory power of foreign entry-mode choice in addition to transaction-cost theory. In particular, we found that multinational enterprises tend to conform to the regulative settings of the host-country environment, the normative pressures imposed by the local people, and the cognitive mindsets as bounded by counterparts’ and multinational enterprises' own entry patterns when making foreign entry-mode choices.


**Keywords**: Product innovation; International joint ventures; Emerging market; Organizational ecology.

**Abstract**: This study investigates product innovation in market-seeking international joint ventures (IJVs) in a large emerging market, and tests two sets of hypotheses: organizational orientation and environmental adaptation. Drawing on organizational ecology theory, we suggest that IJVs’ product innovation can be understood as a consequence of organizational orientation defined by IJV contract specifications and as a subsequent response to major contingencies of the local environment. Empirically, we analyzed a longitudinal dataset consisting of 355 IJVs in China from 1999 to 2003, and found strong support for both sets of hypotheses. Product innovation in IJVs is positively
associated with initial conditions such as balanced ownership structure, state partnership, and project size; IJVs are more innovative when they operate in an industry with a faster pace of innovation or a higher level of foreign direct investment legitimization, and where they are located in a region with greater agglomerated innovative activities.

BOOK CHAPTERS (39)


Keywords:
Abstract: We investigate the differences between the characteristics of Japanese joint ventures based on multidomestic and global strategies. The empirical results, based on more than 2,000 international joint ventures operating in 51 countries, indicate that Japanese subsidiaries formed to pursue global strategies tend to be less capital-intensive, but to hold a larger equity share of the foreign parent, and to have a higher proportion of parent-company employees. Global subsidiaries also tend to be more frequently attracted to a host site by the availability of labor and investment incentives.


Keywords: International; Joint venture; Alliance.
Abstract: This chapter provides an overview of how to design and manage international joint ventures. Among the issues discussed are: why companies create international joint ventures; requirements for international JV success; a review of the differences in characteristics of JVs in developed countries, market economy developing countries, and planned economy developing countries. A list of supplementary readings is provided.


Keywords: Alliances; Joint ventures; International.
Abstract: This chapter provides an overview of global strategic alliances. It considers the following themes:
• Why companies create global strategic alliances.
• Strengthening the existing business.
• Acquiring technology in the core business.
• Reducing financial risk.
• Taking products to foreign markets.
• Bringing foreign products to local markets.
• Using joint ventures for diversification.
• Requirements for international joint venture success.


Keywords: Joint venture; Performance; Case study.
Abstract: This chapter examines the successful operation of a major joint venture over a 30-year period in Japan. The Canadian parent, Moore Corporation, is one of the world’s largest manufacturers of business forms. While both Moore and the Japanese parent (Toppan Printing) contributed to the success of the joint venture, it also took on a life of its own and contributed to the parents’ development. The chapter argues that earlier views in the joint venture literature on the instability of joint ventures need to be reconsidered. The chapter notes both the reasons for the particular success of this joint venture and also what needs to be considered in general in designing and managing international joint ventures if they are to succeed.


Keywords: Alliances; SMEs; Entrepreneur; Liability of relational orientation; Performance.

Abstract: The chapter considers “the things entrepreneurs have to get right in their international alliances if they are to prosper”. Four major liabilities are discussed which the international entrepreneur must overcome when contemplating an alliance. The first three of these are well established: liability of newness, liability of size and liability of foreignness. A fourth liability, that of relational orientation, is introduced. The underlying logic here starts with the premise that many entrepreneurs achieved initial success because of their single-minded pursuit of objectives. These entrepreneurs – with their do-it-themselves (wholly owned) rather than relational (cooperative) orientation – may have difficulty making alliances work. The balance of the paper discusses one of the single most important issues for the international entrepreneur contemplating an alliance: the need for partner congruence in the measures of performance.


Keywords: Emerging markets; Japan; FDI; Subsidiaries.

Abstract: This paper presents and analyzes comparative data on 2,343 foreign-owned organizations operating in the transitional economies of China, Viet Nam and the countries of Central and Eastern Europe (CEE). It compares the extent, sectoral distribution, characteristics and performance of Japanese subsidiaries established in these three regions. Among the three, most Japanese investment has flowed to China where subsidiary performance was highest and where subsidiaries were concentrated in the manufacturing sector. Further, the employment levels of expatriate managers, and the propensity to engage in joint ventures, were higher in China and Viet Nam. The tighter linkages between domestic and foreign organizations, and the greater incidence of investment, provided more significant opportunities and scope for the transfer of organizational practices, and change, in domestic incumbents in China and Viet Nam than in the CEE.


Keywords: Joint venture; Performance; Case study.

Abstract: International joint venture (JV) performance has been measured many ways. Whatever the measure employed, we observe continued dissatisfaction with the actual performance of this mode. We advance the proposition that performance dissatisfaction is rooted in a lack of congruity in performance objectives at the time at which the JV was formed. This proposition is grounded in
empirical and conceptual work in the strategy field and its main tenets are explained through three case examples.


Keywords: Joint ventures; Alliances; International; Entry mode.
Abstract: This study analyzes trends in the incidence (the number) and propensity (the rate) of equity and non-equity based international alliance formation. Across the triad, the incidence of alliances has been steadily increasing; however, the propensity to conclude alliances has been declining since 1986. EC, US and Japanese MNEs exhibit differing patterns of alliance use.

When the sample is defined by 5,843 equity joint ventures (JVs) of Japanese MNEs and 11,000 of US MNEs, Japanese MNEs are found to have a greater propensity to form JVs. The industry and the world region in which the investment was made had a strong impact on the selection of the JV mode of entry by Japanese MNEs.


Keywords: Alliances; Joint ventures; International; Emerging markets; Centre_EM
Abstract: This chapter considers why companies create global strategic alliances (strengthening the existing business; acquiring technology in the core business; reducing financial risk; taking products to foreign markets; bringing foreign products to local markets; using joint ventures for diversification) and the requirements for international joint venture success. It includes a typology of international industrial alliance modes, a summary of differences of joint venture characteristics, and several joint venture checklists.


Keywords: FDI; Joint venture; Acquisition; Subsidiary.
Abstract: An analysis of 244 Japanese-owned manufacturing subsidiaries in Europe reveals no statistically significant differences in performance between wholly-owned greenfield, joint venture, and acquisition entry modes. This is an unexpected result since previous research, including a paper we published which used two earlier (1992 and 1994) data compilations from the same source, demonstrated that entry mode has an influence on performance. Rather than reject the transactions-cost reasoning on which the hypotheses are based, possible explanations are put forward for the failure to find a significant effect. These are: 1) limitations of the ordinal-scaled performance measure; 2) other effects on performance, most notably changing economic conditions; and 3) a survival effect manifested principally in the acquisition mode.


Keywords: Emerging markets.
Abstract: This chapter examines the evolution of foreign direct investment (FDI) in the People’s Republic of China between 1979 and mid-1990 through consideration of the major alternatives: equity joint ventures, contractual (cooperative) ventures, and wholly foreign-owned enterprises. As
part of this review, data is presented relating to 840 equity ventures, the most oft-used form of FDI. Data is provided on the region of investment in China, source of investment, industry in which the investment occurred, total investment, foreign partner equity contribution, foreign equity percentage (by range, in absolute terms, and by country), and the predetermined duration of the joint ventures formed.


**Keywords**: Emerging markets.

**Abstract**: The global business environment has been shaped by four broad trends: the formation of global trading blocks, the formation of strategic alliances, the emergence of global organizations, and the growing realization that global competitive advantage is based on creating value through knowledge resources rather than physical and natural resources. The creation and leverage of knowledge within and across organizational and national boundaries has become of great interest to academicians, consultants and practitioners. This paper focuses on the myriad strategic and behavioral considerations involved in managing knowledge resources, calling for knowledge connections within international collaborations that maximize positive outcomes while minimizing the negative effects of environmental and relational complications.


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**Keywords**: Joint venture; Control; Social exchange theory; Transaction cost.

**Abstract**: This chapter examines the relationship linking the control structures used in joint ventures (JVs) to the performance of the organizations involved. Using elements of social exchange theory (SET) and transaction cost analysis (TCA), it compares the direction and strength of this relationship in international and domestic JVs, and thereby examines the moderating effect of the international nature of JVs. Using a sample of Canadian-based JVs, hypotheses are discussed and tested. Results suggest the impact of control structures on JV performance is contingent on the dimensions of control and autonomy, and on the international versus domestic nature of JVs.


**Keywords**: Control; Joint ventures; International business

**Abstract**: Plusieurs chercheurs ont suggéré que la structure de division du contrôle des co-entreprises (ou “joint ventures”) était un facteur important de la performance de ces organisations (Killing, 1982; Schaan, 1983; Beamish, 1984). En effet, la division du contrôle entre entreprises partenaires a maintes fois été pointée comme l'un des outils permettant de gérer la complexité inhérente de ces organisations à propriété partagée. Toutefois, avec l'accumulation de résultats limités et contradictoires, la recherche sur le sujet ne nous permet pas encore de comprendre comment et dans quelle mesure la division du contrôle influence la performance des co-entreprises (CEs).

Cet article porte sur la relation entre la division du contrôle et la performance des CES de pays développés. Il vise notamment à étudier la direction et l'importance de cette relation. La division du contrôle dans une CE est définie comme le profil de la division des responsabilités managériales entre les entreprises partenaires (les parents). Par ailleurs, une CE est une organisation où la propriété et la gestion sont partagées entre deux entreprises ou plus (les parents). Une CE est internationale (CEI) lorsque l'un des parents a son siège social dans un pays autre que celui de la CE. Une CE est locale (CEL) lorsque les parents et la CE ont leur siège social dans le même pays.


**Keywords**: Joint venture; FDI; Canada; Ownership.

**Abstract**: This paper investigates foreign investment in Canada using joint ventures. It reviews selected characteristics of these international joint ventures (IJVs), with the objective to provide insights on the relationships linking the strategic motivations, structure and performance of these organizations. Among others, this paper shows that IJVs are formed to speed up market entry, involve generally 50/50 equity split and exhibit relatively high performance rates. Furthermore, several differences were noticed in the IJV strategy of European firms compared to American ones.

Keywords : Alliance knowledge; Learning; NUMMI
Abstract : The objective in this chapter is to examine the factors associated with successful acquisition of alliance knowledge by an alliance partner. I will begin by reviewing the relevant theoretical background relating to knowledge acquisition through alliances. Building on this background, a framework of alliance learning is developed with an emphasis on key knowledge acquisition variables. I will then illustrate the framework using a case study of the NUMMI joint venture between General Motors and Toyota.


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Abstract : Over the past two decades there has been a substantial increase in the formation of international strategic alliances. As an explanatory factor for the increasing number of international alliances, it has been argued that alliances provide a platform for organizational learning. This chapter addresses the process of learning through international alliances. The underlying premise is that alliances can provide firms with access to the embedded knowledge of other organizations. Two primary questions are posed: (1) What is the process used by alliance partners to transfer knowledge from an alliance context to a partner context? and (2) Why are some firms more effective at using alliances to create organizational knowledge than others? The data collected from a longitudinal study of North American-based joint ventures between North American and Japanese firms, identified several organizational processes used by firms to access and exploit alliance knowledge. Factors that promote a favorable climate for effective knowledge creation are discussed and a set of propositions on the relationships between these factors and knowledge creation are developed.


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Although trust has become a central concept in the international joint venture (IJV) literature, little empirical research has been conducted on trust’s contribution to the workings of IJV relationships and its impact on IJV performance. In this chapter we examine trust and its role in the process of IJV management. We focus on IJV manager trust, which was operationalized in two ways: trust in a counterpart IJV manager and trust in the IJV partner firm as a whole. The antecedents of IJV manager trust (length of the prior joint venture relationship, joint venture risk, forbearance, and joint venture partner control), as well as the impact of trust on JV performance, were analysed using a sample of managers from North American-Japanese JVs.


**Keywords:**

**Abstract:**


**Keywords:** International business; Joint ventures; Emerging markets; Centre_EM

**Abstract:** The anticipated benefits may never be achieved. Our basic observation is that the problems of joint ventures are related not so much to strategy formulation, but primarily to poor implementation, and to lack of management attention after the venture has started operating. The potential benefits of joint ventures are real, but not guaranteed.

There is no simple formula for achieving success with joint ventures in LDCs. But, there are a series of conditions and processes which we believe improve a firm’s prospect for success. This chapter will address the reasons why multinationals experience joint venture performance problems and will provide some guidelines for managers assessing joint ventures in the majority of developing countries — those with market, or mixed, economies.


**Keywords:**

**Abstract:** The trade liberalization, deregulation and privatization that have taken place as part of globalization have created new market opportunities. Many companies have responded to the new opportunities by entering into more international joint ventures (IJVs) and engaged in more cross border mergers and acquisitions (M&As). From the late 1980's through the 1990's there was a dramatic increase in the number of strategic alliances and mergers and acquisitions. As strategically
justified as a joint venture, merger or acquisition may be, however, companies are painfully learning these activities are not easy to implement and that success is not guaranteed. We suggest that the lack of learning and the two-way transfer of knowledge may be a key factor contributing to the under-performance of global alliances. We briefly look at the boundaries that knowledge must cross in global union particularly in cross-border IJVs and M&As. We argue that by identifying the barriers and bonds that can affect learning, and managing them so that two barriers or two bonds do not exist together, firms stand a better chance of avoiding the chasms across which information cannot flow and building the synapses required to permit learning and knowledge transfer.


Keywords:
Abstract: Foreign firms in host-country environments frequently face location-based disadvantages. This study proposes three means (channels) of overcoming local knowledge disadvantages. Based on a sample of 558 Japanese joint ventures (JVs) located in Southeast and East Asia, we find that partnering with local firms (the first channel) can be a primary strategy for accessing local knowledge and improving JV performance. JV experience in the host country (the second channel) also mitigates local knowledge disadvantages and leads to increased JV performance. The third channel, the foreign parent’s host-country experience, leads to increased performance in the absence of a local partner. However, when a JV is formed with a local partner, increased parent experience in the host country leads to decreased performance, suggesting that the need for a local partner declines as parent experience in a host country increases.


Keywords: IS Outsourcing, Partnering, Relationship Management, Alliance Structuring, Contracts
Abstract: Information Systems (IS) outsourcing is the contracting out of technology services to a third party but involves much more than the contractual definition of that arrangement. Structuring the alliance, managing the relationship and planning for the business must complement the contractual arrangements. Although spiraling effects from the interaction of these elements can propel the relationship quickly along a chosen path, it is not until all of these elements are aligned that IS outsourcing is likely to succeed (McFarlan & Nolan 1995; Fitzgerald & Willcocks 1994. As will be seen through the tale of two IS contracts, many different combinations can be successful. The tale of two IS outsourcing contracts sets the stage and illustrates these different behaviors and the different business objectives. Four additional cases are used to extend the findings. At one extreme, the transaction-oriented buyer/seller extreme, the emphasis is put on the contract and on achieving more narrowly focussed business goal. While at the other extreme, the relationship-oriented strategic partnership extreme, the emphasis is on achieving broad company-wide business goals and on developing a partnership with exhibited behaviors of reciprocity, forbearance and opportunism avoidance, which are all meant to build trust. Spiraling influence of these interactions are shown to build quickly. A company considering IS outsourcing must decide which arrangement is suitable for its purposes and must build behaviours to mitigate business and technical uncertainty and reinforce the contractual definition and the interpretive flexibility pursued within the chosen arrangement. In a presentation of these possible scenarios, relationship management is shown to benefit all and gains control of the spiraling effects.

**Keywords**: IS Outsourcing, Management Information Systems, Strategic Change

**Abstract**: Information Systems (IS) functions and whole IS departments are being outsourced in industries where the IS functions have been considered "core" to the success of that business. Why and how senior management came to make these decisions is the focus of this article. It explains the motivations behind Information Technology (IT) outsourcing when popular alliance theories, such as transaction cost theories, game theory and joint-venture alliance theory suggested firms would not outsource an entity if core competency would be lost. Seven case studies were used to investigate the IT outsourcing phenomenon in the observed "alliance-like" relationships emerging in the banking industry in the early 1990s. Inductive theory generating research was undertaken in this work following Yin's (1984, 1989) guidelines of multiple case replications to ensure rigorous and systematic data collection procedures. Before the case studies were conducted, forty preliminary interviews were undertaken with managers of companies that were and were not involved in IT outsourcing contracts to explore the theorized factors of interest drawn from the literature, to develop the propositions, and to refine a structured interview guide. These preparatory steps led into the initial case study, and the literal replications of the proposed factors to confirm the patterns found. A theoretical replication based on conflict resolution was then undertaken to expose greater variation in conflict within the outsourcing relationships to contrast the initial patterns found. The results suggest that financial motivations underlie many IT outsourcing decisions, and unresponsive IS departments are accelerating the pace of the outsourcing process. Within this research, IT outsourcing was found to have profound effects on the expenses for the banks. However, contrary to conventional wisdom, IT outsourcing is taking place within firms and industries which utilize IS activities that are considered core competencies. Several strategic motivations were presented that may explain this management decision. Firms were undertaking IT outsourcing to change the organizational boundaries, to restructure, to mitigate technological risk and uncertainty, to access emerging technology, to manage the IS department better, and to link business and IT strategy.


**Keywords**: Inter-organizational cooperation; Alliances; International

**Abstract**: This chapter presents an overarching view of the literature on inter-organizational cooperation, which we define as any agreement between two (or more) organizations to jointly carry out a task involving more interactions than a one-time arm's-length contract. We use the terms 'inter-organizational cooperation' and 'alliances' interchangeably. We will restrict our use of the term 'joint venture' to describe an alliance involving the creation of a jointly owned separate entity by the partners. Our focus is international cooperation embedded within the broader literature on inter-organizational cooperation. Although international alliances have specific features such as amplified cultural differences between partners and multiple institutional environments (Aguilera 2007), the managerial issues found in international cooperation are essentially the same as those found in domestic cooperation. Similarly, our disciplinary focus is marketing, but the cross-disciplinary nature of research on interorganizational collaboration (i.e., authors grounded in marketing also publish in strategy and international business journals) leads us to refer to advances made in a variety of disciplines, including international business, strategic management, and economics.

Keywords:
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Keywords: Emerging markets; Joint venture; General manager; International.
Abstract: This chapter analyzes the unique features of joint venture general management in less developed countries LDCs. It begins with the identification and discussion of the major pressures that determine the JVGM’s strategic and operating context. It then examines how JVGMs respond to those pressures. The chapter concludes with a discussion of the implications of the study’s findings for JVGMs, managers in parent organizations, and researchers.

This research is derived from two larger studies conducted by the authors (Schaan 1983; Beamish 1984) which involved in total nearly 75 joint ventures in LDCs. Schaan conducted 39 personal interviews in 4 countries – Canada, Mexico, the United States, and France. Beamish conducted 46 interviews in Canada, the United States, Great Britain, and two Caribbean nations. Questionnaires were used in some instances to supplement the interview observations.


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Abstract: Existing research on international joint ventures (IJVs) provides an understanding of joint venture (JV) structures, the resources flowing through them, and the conditions affecting their success. However, even though the acquisition of new knowledge and skills is cited as an important reason for the formation of JVs, the literature does not provide insight into the processes by which these learning opportunities are seized and institutionalized into organizational competencies. This chapter integrates research on IJVs with the literature on organizational learning (OL) to provide an understanding of the complexities of the process and a framework to guide future research. The conceptual framework describes the multilevel interactive processes through which organizations learn and create knowledge. The knowledge management framework maps the transfer of knowledge in alliances, the transformation or creation of new knowledge in the venture, and the harvesting or active and conscious integration of knowledge into parent company routines.

Keywords: FDI; Joint venture; Entry mode; Acquisition; Eclectic Theory.

Abstract: This chapter reviews previous theoretical and empirical literature that relates entry mode performance to different ownership-based entry modes: acquisition, internal development, and joint venture. It then develops a contingency-based eclectic model that assimilates the various theories. The contingency model is based on the characteristics of resource requirements and organizational control factors inherent in the selected entry modes. This model suggests that different entry modes have different performance outcomes based upon their resource and organizational control demands. The model, although developed using eclectic theory, is based largely on concepts and relationships previously delineated and tested in prior entry mode studies. These include the 1994 article in Journal of International Business Studies by Woodcock, Beamish and Makino. The relationships in the model are tested by comparing the predicted performance of the entry modes using two data sets. The results provide some support for the notion that internal developments outperform joint ventures, and joint ventures outperform acquisitions.
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