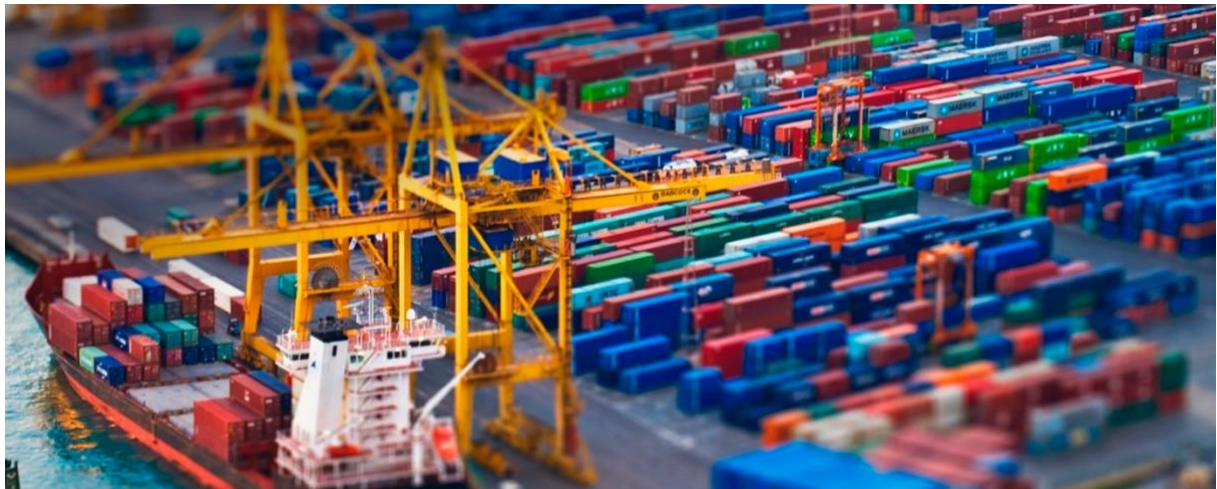


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## **Shedding light on international joint ventures – The influence of preparation on performance**



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## **ABSTRACT**

The joint venture is one of the most popular entry modes to enter foreign markets. However, the performance of joint ventures has often been reported as not satisfactory. This unsatisfactory performance has been reasoned by the pressure of companies to get the joint venture running quickly, omitting a thorough preparation. This research investigates if the preparation of the partner selection phase and the negotiations for a joint venture help to improve the performance. Therefore, the most important performance determinants from those phases have been identified (cultural fit, strategic fit, nature of a contract, commitment) and it has been checked how they can be prepared in a beneficial way for the joint venture. This process resulted in a list of critical success factors for the preparation of the partner selection and negotiation phase.

By means of an emailed survey, managers of European companies that have a joint venture with Asian companies were asked about their preparation practices. The questions for this survey were derived from the list of critical success factors from extant literature. The survey was mailed to 140 European parent companies of joint ventures with Asian partners. A comparison between the critical success factors on joint venture preparation from literature and current joint venture preparation practices signalized that not all of the critical success factors that were identified from literature play an important role in practice. Others such as internal support for the joint venture have proven to be important for the performance of joint ventures in practice.

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## MANAGEMENT SUMMARY

The objective of this research is to provide insight in the preparation of the partner selection phase and the negotiation phase of international joint ventures. With the help of these insights, this research aims at making recommendations for the preparation of the two mentioned phases. These recommendations are reached by researching the connection between several activities from the preparation of the two phases and the performance of joint ventures. It was decided to research the impact of preparing these two phases on the performance of joint ventures since on the one hand the performance of joint ventures has been reported to be poor. On the other hand, preparation is omitted by many companies. Furthermore, the partner selection phase and the negotiation phase can be seen as the important basis for the success of joint ventures (PwC, 2016; George & Farris, 1999). That's why this research spotlights those two phases. The focus hereby was on joint ventures between European and Asian companies. To achieve this objective the most important performance determinants from the partner selection phase namely cultural fit and strategic fit and from the negotiation phase namely nature of a contract and commitment were identified. A list of critical success factors that concern these performance determinants was created. This was done with the help of extant literature.

Afterwards, an empirical study was conducted. Therefore, a survey was e-mailed to the managers of European parent companies of the joint ventures (n=140) making it possible to compare preparation activities in practice with the list of critical success factors from literature. From the sample of 140 joint ventures, 34 responded which constitutes a response rate of 24%. The obtained data were analysed with ordinal logistic regression. It was investigated which of the critical success factors from literature had an impact on the particular performance determinants. Additionally, the impact of the performance determinants on the performance of the joint venture itself was analysed.

This research found statistical evidence that not all of the critical success factors that are mentioned in extant literature have an impact on the performance determinants and hence on the performance of the joint venture. On the one hand, the determination of possible resource contribution to the joint venture by parent companies is a critical success factor for the preparation of the partner selection and the negotiation phase. It has been conducted by all of the responding companies, but it has no impact on the performance determinants and the performance of joint ventures. On the other hand, for the preparation of the negotiation phase, it turned out to be important that the planned joint venture is internally supported. That means that the management and the majority of the employees are in favour of the joint venture. Besides the mentioned critical success factors, the analysis of risks that are inherent in the formation of a joint venture is important to influence the performance determinants positively. This analysis includes financial risks, risks of losing proprietary knowledge, risks of harming the reputation of the parent company with the joint venture and country-related risks.

The impact of the chosen performance determinants from the partner selection phase and negotiation phase did not show a significant impact on the performance of joint ventures, which is an unexpected result and might be caused by the set-up of the empirical study. Since every performance determinant was operationalized by only one question, this finding might be challenged. Extant literature has evidenced this relation extensively.

The main recommendation for the preparation of the partner selection and negotiation phase is that companies should devote more time to the preparation and not rush through it in order to get started as soon as possible. Setting up a joint venture in a country with another culture with

a partner from the foreign country requires thorough preparation. Especially cultural fit and commitment can be prepared by taking the identified critical success factors into account.

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## **1 INTRODUCTION**

In this chapter, the background of this research is outlined, starting with a broad description of entry modes before narrowing it down to joint ventures (section 1.1). The description of the research background leads to the underlying problem of this research, which is identified in section 1.2. Based on the problem statement the research objective is developed and followed by the research framework (sections 1.3 to 1.4). The research framework depicts the different phases of this research and shows which elements in particular constitute the phases. In section 1.5 the main research question and the sub research questions are developed. To enhance the comprehensibility of this research the most important concepts are introduced and defined in section 1.6. The chapter closes by outlining the structure of this research (section 1.7).

### **1.1 Research background**

In this section, the joint venture as an entry mode to foreign markets is introduced. The decision of companies to enter foreign markets is one of the most crucial and significant decisions in international business. Not only because it entails a variety of consequences such as the commitment of financial and human resources but also because companies can be spoiled for choices and have little chance to change decisions in short sight (Brouthers & Hennart, 2007). A variety of theories have been developed to explain the choice of entry modes. The most popular theories are resource-based view (RBV) and transaction cost economics theory (TCE) (Brouthers & Hennart, 2007). Both theories put the focal point on different barriers and drivers for the choice of an entry mode. While RBV deals with the endowment of a company with unique resources that help to gain competitive advantage, TCE focusses on the characteristics of a transaction. As already mentioned, the possible entry modes are manifold and can be distinguished regarding resource commitment, risk sharing and the level of control (Laufs & Schwens, 2014). Each entry mode such as exporting, licensing, non-equity strategic alliances, joint ventures and wholly owned subsidiaries entails different chances and pitfalls (Lu & Beamish, 2006).

An entry mode that involves shared ownership and hence shared risk, shared resource commitment, shared profits and shared control, is the joint venture (Brouthers & Hennart, 2007). Joint ventures received extensive attention from international business and management research in the past 40 years (Harrigan, 1988; Ren, Gray & Kim, 2009; Beamish & Lupton, 2016). Due to the liberalization of trade and business in countries whose markets were previously closed, foreign companies had to find a way to cope with their lack of knowledge about market conditions in these countries. This development made cooperative entry modes like joint ventures popular among expanding companies (Beamish & Lupton, 2016). Additionally, governmental interests (restriction on ownership for foreign companies) in countries like China led to a surge of joint ventures beginning in the 80s that continued to this day (Nippa, Beechler & Klossek, 2007). The joint venture helped companies to overcome the constraints of foreignness and legality with the help of a local partner. Some more recent developments have intensified the need for a cooperative mode of market entry. The increasing unsteadiness and volatility of the international economy, the growing importance of cost advantages and shorter product life cycles in combination with greater research and development costs are only some reasons (Glaister, 2004; Kirby & Kaiser, 2003).

## 1.2 Problem analysis

This section identifies and analyses the problem this research is dealing with and leads to the research objective. Regardless of the popularity of joint ventures as a vehicle for internationalization, their success rate was rather low in the past (Bamford, Ernst & Fubini, 2004; Schilke & Goerzen, 2010; PwC, 2016). An explanation for the rather low success rates of joint ventures can be found in the difficulty to manage them appropriately. The complexity of joint venture management can be based on several factors. For instance, the involvement of two or more diverse partners, with different objectives, strategies and cultures can be encountered as an obstacle on the way to a successful joint venture (Inkpen & Li, 1999). But also, the desire to start operations as soon as possible, pressured by the need to achieve satisfactory results as soon as possible can be obstructive (Kelly, Schaan & Joncas, 2002).

However, no consensus exists on the question why many joint ventures fail to meet the expectations and get terminated prematurely (Gomes, Barnes & Mahmood, 2013). In literature, this issue has been covered in different ways. One stream of scholars has presented the argument that a thorough analysis of available entry modes helps companies to choose the best one and hence reach satisfactory performances. Nevertheless, these studies acknowledge that this analysis has not solved the problem of lacking joint venture success yet (Glaister, 2004; Brouther & Hennart, 2007). Another stream of scholars has examined the performance of joint ventures and the importance of several performance determinants. These studies establish a connection between performance determinants and performance of joint ventures but fail to explain how companies can leverage these determinants (Beamish & Lupton, 2016; George & Farris, 1999; Gulati, Wohlgezogen & Zhelyazkov, 2012). Thus, there is a knowledge gap on how to influence these performance determinants positively and enhance the performance of joint ventures. The positive influence of performance determinants can be ensured by an individual preparation which reshapes the identity of an organisation (Ring & van de Ven, 1994).

A joint venture life cycle consists of four different phases. The first phase is the phase of assessing the strategic rationale and checking if the joint venture is the best option for internationalization. The second phase is the partner selection phase, the third phase is the negotiation phase and lastly the phase of implementation and management (Beamish & Lupton, 2009). Individual preparation takes place ahead of each of the four mentioned phases. Only few studies have considered individual preparation but neither linked it to the performance of joint ventures nor outlined what exactly constitutes individual preparation (Beamish & Lupton, 2009; Glaister & Buckley, 1999). Companies often create a joint venture with a partner they know from previous business relations and thus do not analyse if this partner is appropriate for a closer relation or directly engage in negotiations without preparing them. This leads to unsatisfactory results (Inkpen & Li, 1999). Too often companies are eager to get their joint venture started and neglect the preparation or engage in partner searching or negotiations without knowing what they want and need. An individual preparation can help to prevent joint ventures that are doomed to failure from the beginning on or prevent misunderstandings and conflicts between partners even before the joint venture starts operating (Inkpen & Li, 1999). It is assumed that an individual preparation of joint venture phases can impact the performance of joint ventures positively and help to increase the success rate.



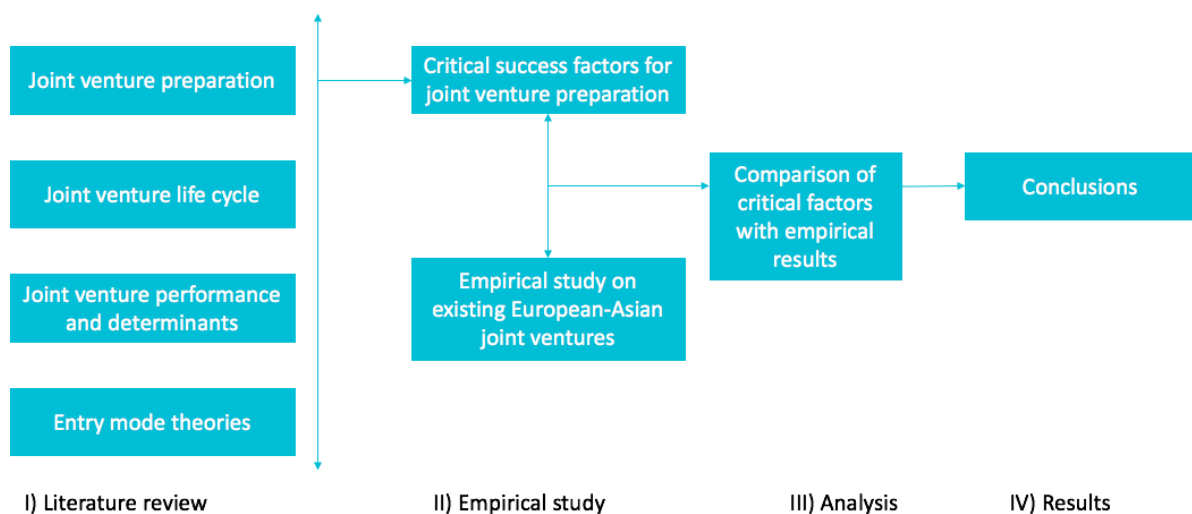
### 1.3 Research objective

In this section, the research objective is developed. Following the described problem, the aim of this research is to contribute to knowledge about successful joint venture preparation. To keep this research in a realistic scope for the given time and resources, it is limited to the preparation of the partner selection and negotiation phase. The objective of this research is to ascertain a connection between the preparation of those two phases and the performance of joint ventures:

*“To make recommendations for the preparation of the partner selection and negotiation phase in international joint ventures by conducting an empirical analysis of critical success factors in individual preparation that influence the performance of European-Asian joint ventures.”*

### 1.4 Research framework

This section introduces the research framework of this research. The research framework is a depiction of steps that need to be taken to achieve the stated research objective (see figure 1). It helps to structure the report and shows how the different steps towards reaching the objective are interconnected (Verschuren & Doorewaard, 2010).



**Figure 1:** Research framework

Source: Own depiction.

- I) Literature review: The first step towards reaching the research objective is a thorough literature review. It deals with the preparation of joint ventures and their life cycle in general. Furthermore, the performance of joint ventures and the determinants of performance are studied in the literature review. This is done to identify the most important determinants in the partner selection and negotiation phase that can be dealt with in an individual preparation. Furthermore, TCE and

RBV are studied since they relate to the partner selection and negotiation phase and bolster the choice of performance determinants that is made.

- II) Empirical study: The second step is an empirical study on preparation practices in existing European-Asian joint ventures. With the help of a survey, insights into current practices and the performance of existing joint ventures can be gathered. The list of critical success factors from the literature review is used to design the survey.
- III) Results: The critical success factors from literature are compared to the results from the empirical analysis.
- IV) Analysis: From the confrontation of literature insights with results from the empirical analysis in phase three conclusions for the preparation of the partner selection and negotiation phase can be drawn.

## 1.5 Research questions

The research questions presented in this section help to obtain a better understanding of how the research objective is approached stepwise. Research questions should be efficient in reaching the stated objective and steering in showing the direction for following research activities (Verschuren & Doorewaard, 2010). Therefore, one main research question has been developed which is supplemented by three subquestions. The first subquestion is answered in chapter two (Theoretical Background: Literature insights). The second and third research question is answered in chapter four (Empirical findings). The main research question is also answered in chapter 5 and contributes to the achievement of the research objective (Conclusion and Discussion).

### Main research question:

How does the preparation of the partner selection, and negotiation phase influence the performance of international joint ventures?

### Subquestions:

1. What are, according to literature, critical success factors for the performance of joint ventures that have to be regarded in the preparation for the partner selection and negotiation phase?
2. What are current preparation practices for the partner selection and negotiation phase in existing European-Asian joint ventures with regard to the identified critical success factors?
3. What does a comparison between theory and practice signal, regarding the preparation of partner selection and negotiations for joint ventures?

## 1.6 Key concepts and definitions

In this section, the most important concepts of this research are defined. This helps to increase the comprehensibility of this research and make the reader acquainted with these concepts at an early stage of it. The selected concepts have been derived from the title of the research: “Shedding light on international joint ventures – The influence of preparation on performance.”

In this study, an **international joint venture** is an entity that is formed between two previously independent partners. Only equity joint ventures are subject to this research. To be regarded as an equity joint venture each of the partners has to hold a share in this new entity. The two partners that form the joint venture are often called parents or partners. An international joint venture is a special form, where one partner is headquartered outside the country of operation (Geringer, 1991).

In this study, **preparation** is defined as actions, planning and research that can be conducted individually before the partner selection and negotiation phase take place. These activities in an individual preparation do not include instructions to managers and other employees on how to manage a joint venture. It pertains activities that increase the awareness of company's identity and can be seen as critical success factors in preparation of partner selection and negotiations for joint ventures (Ring & van de Ven, 1994; Inkpen & Li, 1999).

## **1.7 Structure of the report**

This section outlines the structure of this research. This research examines - from the perspective of European companies - if a thoroughly and individually conducted preparation of the partner selection and negotiation phase influences the performance of European-Asian joint ventures. Furthermore, the research aims at identifying the critical success factors in preparation of the partner selection and negotiation phase of joint ventures. The results of this research will enhance the joint venture formation processes and are obtained by firstly reviewing existing literature and creating a list of critical success factors that are important for the preparation of the partner selection and negotiation phase in chapter two. This list is confronted with the results of an empirical analysis about preparation practices of existing European-Asian joint ventures. The results of the empirical analysis are outlined in chapter four and the methodology, that was used to obtain and analyse the data, as explained previously in chapter three. The conclusions of this research and recommendations for further research are presented in chapter five.

## 2 THEORETICAL BACKGROUND: LITERATURE INSIGHTS

This chapter starts by providing insights into the life cycle of a joint venture. Simultaneously the most important performance determinants in the partner selection and negotiation phase are identified from extant literature and briefly introduced. In section 2.2 RBV is introduced since it supports the choice of inter-partner fit as the most important performance determinant in the partner selection. In section 2.3 TCE is introduced since it supports the choice of nature of a contract and commitment as the most important performance determinant in the negotiation phase. Furthermore, it is outlined how the chosen performance determinants can be prepared and how they impact the performance of joint ventures. Eventually, performance as an important concept of this research is examined in section 2.4. This leads to a list of critical success factors with regard to the preparation of partner selection and negotiations in joint ventures. The chapter closes with the conceptual model for this research in section 2.5.

### 2.1 Joint venture life cycle

To understand this research the life cycle of a joint venture has to be appreciated. This section conveys insights about the phases of a joint venture and what they are dealing with. In this research, the joint venture life cycle consisting of four different phases is used: (1) Assessing strategic rationale, (2) partner selection, (3) negotiation, (4) implementation and ongoing management (Beamish & Lupton, 2009). Preparation takes place ahead of each of these four phases and is the central object of this research. It comprises an internal process of increasing the awareness of a company's identity (Ring & van de Ven, 1994). For this research, only the preparation of the partner selection and negotiation phase is considered. It has been mentioned in section 1.6 that preparation in this research is defined as a process of reshaping the identity of a company. This definition highlights the focus of this research on managerial joint venture preparation while neglecting financial or legal preparation.



**Figure 2:** Phases of the joint venture life cycle (\*IP=individual preparation)

Source: based on Beamish & Lupton, 2009.

The first phase in the joint venture life cycle is the phase of assessing the strategic rationale, where it is checked if the joint venture is the best option for internationalisation. It is coloured grey since it is not subject of this research and it is assumed that a company has based the decision to engage in a joint venture on a thorough analysis of all available entry modes.

The second and third phase deal with the selection of an appropriate partner and with negotiating the terms of the deal respectively. The investigation of the influence of preparing those two phases on the performance of joint ventures is the objective of this research. In the partner selection phase, the goal is to find a partner that leads to a good fit and helps to overcome

constraints that would be faced when doing business alone. To achieve satisfactory results with the joint venture, partners have to fit. This inter-partner fit has been identified as the most important performance determinant in the partner selection phase by extant literature (Geringer, 1991; Douma, Bilderbeek, Idenburg & Looise, 2000; Reus & Ritchie, 2004; Ren et al., 2009).

The negotiation phase deals with reaching agreement among partners on the details of the joint venture. The goal of this phase is to sign a contract that constitutes the framework for the joint venture. In this phase, the most important performance determinants are the nature of the contract and commitment of partners to the joint venture. The nature of a contract can be described by specificity and adaptability. It is reasonable to determine if the joint venture contract needs to be very specific to protect a company's interests or adaptable to contingencies before negotiations (Luo, 2002; Hoffmann & Schlosser, 2001). The commitment of partners to the joint venture has a significantly positive effect for its performance and is deemed a very important performance determinant that can be dealt with in the preparation for negotiations (Reus & Rottig, 2009; Christoffersen, 2013). In a study about the success factors of joint ventures for small and medium sized enterprises, it has been shown that most of the critical success factors for a joint venture can be allocated to the partner selection and negotiation phase. This supports the decision to focus this research on the individual preparation of the partner selection and negotiation phase (Hoffmann & Schlosser, 2001).

The fourth and last phase in the joint venture life cycle pertains to the implementation of the joint venture and its ongoing management (Beamish & Lupton, 2009). It is coloured grey because this phase is not subject of this research. It would exceed the scope of it and shift the attention from pre-launch phases to the post-launch phase of the joint venture (see figure 2). Eventually, after passing through all of the phases, the performance of the joint venture can be assessed. It has been postulated that preparation influences all of the other phases and only if a phase has been completed successfully, the process can proceed to the next phase (George & Farris, 1999). This means that preparation can be seen as the basis for successful completion of all other phases. All of these previously mentioned performance determinants can be prepared on individual basis by reshaping a company's identity. In sections 2.2 and 2.3 the performance determinants that have been identified from literature are bolstered by theories, explained and it is discussed how they can be prepared.

## **2.2 Influence of preparation on partner selection**

This section deals with the preparation of the partner selection phase. After a brief description of the aim of the partner selection phase, inter-partner fit is confirmed as the most important performance determinant from the partner selection phase (subsection 2.2.1). Afterwards, inter-partner fit is explained and the different dimensions of it are introduced (subsection 2.2.2). In subsection 2.2.3 the possibilities of preparing the two most important dimensions of inter-partner fit are presented.

For the partner selection phase companies have to create criteria that help to narrow down the number of possible partners. The partner selection determines the resource endowment of a joint venture and can make it less vulnerable to external influences. Especially in hostile environments, the right partner can help to improve the flexibility of the joint venture (Luo, 1997). The inter-partner fit has already been identified from literature as the most important performance determinant for the partner selection phase. The following subsection aims at providing further evidence for this choice with the help of RBV.

### 2.2.1 Selecting a performance determinant in partner selection phase

This subsection aims at explaining the choice of inter-partner fit as the most crucial performance determinant in the partner selection phase that can be dealt with in individual preparation. Therefore, RBV is used. According to RBV, a company is constituted by the resources it possesses. The term “resources” includes tangible resources such as assets and intangible resources such as knowledge or a certain culture (Barney, 1991). The importance of culture as a competitive resource has been highlighted by several scholars (Fiol, 1991; Park & Ungson, 1997). Since many of these resources are valuable, rare, inimitable, and durable, they can become a source of competitive advantage (Das & Teng, 2000). Companies often make use of joint ventures to access the resources of other companies if they need these resources and see the potential of value creation in pooling their resources with the resources of another company. But the needed resources can also be accessed through an acquisition or can be created internally. When the acquisition of resources through markets is possible efficiently or the internal creation is not too costly, it is likely that companies continue to operate alone. If the exchange of resources with the help of markets is possible in an efficient manner or the internal creation is possible depends on the nature of these resources. When resources are imperfectly mobile, imperfectly substitutable and imperfectly imitable, it is more difficult to create them internally or access them through markets (Das & Teng, 2000). From this description, three reasons can be derived that make joint ventures the favourable entry mode for companies:

- Internal development of resources is not possible due to a lack of time or money (Brouthers & Hennart, 2007).
- Simply acquiring the desired resource does not make it available, because it is deeply embedded in another organisation and cannot be transferred easily. The tacit nature of knowledge, for instance, can make it difficult to transfer it from one firm to another. An example of tacit knowledge is experience from previous international activities, which is considered to be an important intangible resource for successful operations in foreign countries (Brouthers & Hennart, 2007).
- Acquiring the company that possesses the required resource is not reasonable because separating the desired resource from unnecessary ones might be too expensive or diminish the value of the desired resource (Madhok & Tallman, 1998).

However, according to RBV, the performance of a joint venture is influenced by the resources partners contribute to the joint venture and how the resources are used in the joint venture (Das & Teng, 2000). A way to ensure that contributed resources and strategies to make use of them lead to a competitive advantage and satisfactory performance for a joint venture is by achieving inter-partner fit. The underlying idea behind inter-partner fit in RBV is that competitive advantage is dependent on the fit between one company’s resource needs and another company’s resource supply to achieve their objectives. Following this argumentation, the RBV gives evidence to the choice of inter-partner fit as the most important performance determinant in the partner selection phase. In the next section, inter-partner fit and the different dimensions of it will be outlined.

### 2.2.2 Inter-partner fit

This subsection provides information about inter-partner fit and the different dimensions of it, before delineating and discussing the two important dimensions of inter-partner fit for this research. In general, inter-partner fit has gained popularity as a consequence of the surge of strategic alliances, because only in alliances two independent companies have to work together that closely. Scholars have identified five dimensions of fit: operational fit, human fit, organizational fit, cultural fit and strategic fit (Douma et al., 2000). Discussing the preparation of all five dimensions of fit would exceed the scope of this research. That is why this research focusses on two dimensions: cultural fit and strategic fit (see figure 3). This can be reasoned by the focus of extant literature on those two dimensions, by their importance for the performance of joint ventures and by the definition of preparation in this research (Reus & Rottig, 2009; Park & Ungson, 1997; Scholz, 1987). Having defined preparation as reshaping the identity of a company it is highly reasonable to include those two dimensions since they are not tangible in concrete numbers and concern the whole company instead of only a few employees. Hence, they can be subject to individual preparation, aiming at reshaping the identity of a company with regard to their cultural identity and strategic identity (Ring & van de Ven, 1994).



**Figure 3:** Dimensions of inter-partner fit

Source: based on Douma et al., 2000.

**Cultural fit** is a dimension of inter-partner fit that has been devoted with great attention by scholars (Reus & Rottig, 2009; Christoffersen, 2013.). Culture determines desirable behaviours and demarcates groups from each other (Hofstede, 1984). It is manifest in the beliefs, values and behaviours of a nation or organization. Hence the term can either refer to national or organisational culture. Both levels are interweaved since it has been proved that organisations from different countries have fundamentally different beliefs and values. This difference is not as severe for organisations from the same country (Pothukuchi, Damanpour, Choi, Chen & Park, 2002). However, organisational culture has a greater impact on the performance of joint ventures than national culture (Christoffersen, 2013). That is why this research puts the focal point on the organisational culture and the fit of it between joint venture partners. The organisational culture concerns the values and beliefs that are anchored in the core of companies. An organisation's culture can be described as invisible, intrinsic, implicit and informal, what makes it difficult to capture. Cultural fit is important since it reduces conflicts among partners and ensures a trustworthy communication.

**Strategic fit** means that all elements of the partner's strategies must be in line with each other and the circumstances. A strategy is the expression of a company how it wants to reach its goals (Scholz, 1987). It is the definition of the long-term goals and objectives combined with the allocation of resources and action plans to reach the objectives and goals. A strategy can become

explicit in the mission or vision statement of a company (Angwin, Johnson, Whittington, Regner & Scholes, 2015). Strategic fit is an important determinant of performance since a shared understanding about the purpose and objectives of the joint venture between partners can help to solve issues later on more efficiently (Douma et al., 2000).

Since the effect of cultural and strategic fit has been described as conducive for joint venture performance the preparation of fit is very important (Bener & Glaister, 2010; Ren et al., 2009). Increased awareness about the cultural and strategic identity of a company has to be created in the preparation of the partner selection phase. The following subsection aims at explaining how cultural and strategic fit can be prepared by introducing two ways to achieve it.

### **2.2.3 Preparing inter-partner fit**

In this subsection, it is explained how inter-partner fit can be prepared. Therefore, it is necessary to understand the two ways to achieve it. Inter-partner fit can be achieved either through complementarity or similarity (Piasentin & Chapman, 2007). In order to know if a prospect has a complementary or similar cultural or strategic identity, companies need to be aware of their cultural and strategic identity. This is in line with the definition of preparation as reshaping the identity of a company. The aim of the partner selection phase is to find a proper partner, that contributes the resources that a company needs to achieve its objectives (RBV). Proper means complementary in most contexts, while similarity is not often regarded (Geringer, 1991; Brouthers, Brouthers & Wilkinson, 1995; Beamish & Lupton, 2016). Complementarity can be defined as the degree to which partners have dissimilar cultural and strategic identities that enhance the potential of one another. Similarity can be defined as the degree to which partners have comparable cultural and strategic identities (Das & Teng, 2000).

For strategic fit, complementarity is very important since one of the main drivers for strategic fit is mutual dependency on the partner's resource contribution to the joint venture. The term "resources" in this case excludes organizational culture, which is explained later on. Mutual dependency of partners in a joint venture can be ensured by the contribution of complementary resources. This means that, for instance, partner A is dependent on the contribution of resources from partner B in order to reach his objectives and vice versa. A joint venture where one partner is highly dependent on the other, while this relation does not exist vice versa is susceptible for opportunistic behaviour and prone to unsatisfactory performance (Gulati et al., 2012). Hence a company has to analyse its resource endowment and determine the possible resource contribution to the joint venture when preparing the partner selection phase. In this context, a company should also determine how dependent it wants to be on the resource contribution of its partner in order to reach its objectives.

For strategic fit, it is also important that partners define their goals upfront to find a partner with complementary or similar goals and determine if there are goals and requirements a prospect might have that cannot be supported, for instance, from an ethical perspective. The definition of goals and requirements a partner might have, which make collaboration impossible can help to eliminate inapt prospects and save time and money for unnecessary negotiations (Brouthers et al., 1995; Glaister, Husan & Buckley, 2003; Beamish & Lupton, 2009). Another driver for strategic fit is a shared strategic vision of partners for the future of the joint venture. If a prospect does not have a similar strategic vision for the intended joint venture, issues might evolve later on and jeopardize the success of the joint venture (Douma et al., 2000). That is why the preparation of a strategic vision is important for the performance of a joint venture. Partners should also have a similar understanding about the importance of the joint venture for their



company. If the joint venture is very important for one partner, but not too important for the other partner, this is likely end up in conflicts (Douma et al., 2000). Hence the importance of the joint venture for reaching its own goals has to be determined before searching for a partner.

Organizational culture is the only resource where similarity between partners in a joint venture is expected to lead to better results (Pothukuchi et al., 2002). To make organizational culture more tangible and ease the analysis of it, organizational culture can be divided into different dimensions. A popular approach to divide organisational culture into dimensions has been made by Hofstede, Neuijen, Ohayv & Sanders (1990). This approach used six dimensions to determine the culture of an organisation. It has been advanced by opposing the extremes of each dimension and deriving implications of differences among the six dimensions (Pothukuchi et al., 2002). The researcher of this study has now brought the dimensions and the implications of differences among partners for the joint venture together in table one.

**Table 1: Dimensions of organizational culture**

Dimension of organizational culture	Description of dimensional extremes	Implication for joint ventures if partners have differences
Process vs. result	Process: Focus on means of goal achievement Result: Focus on the goal itself	Partners differ in power structures and communication patterns
Employee vs. job	Employee: Concern for people Job: Concern for getting the job done	Communication between levels of hierarchy differs.
Parochial vs. professional	Parochial: Employee Identity conveyed by company Professional: Identity conveyed by one's job	Differences in job expectations, reward systems and coordination.
Open vs. closed	Open: Unconcealed communication Closed: Restrained communication	Conflicts arise due to unresolved issues.
Loose vs. tight control	Loose control: Individual autonomy Tight control: Organizational control	Formalized communication leading to misunderstandings
Normative vs. pragmatic	Normative: Rule oriented Pragmatic: Customer oriented	Differences influence all behaviours of partners.

Source: based on Hofstede et al., 1990 and Pothukuchi et al., 2002.

The dimensions describe believes and values, that constitute the cultural identity of a company. Joint venture partners that differ in some of those dimensions have to spend more effort on establishing a common ground and differences are assumed to lead to misunderstandings and conflicts (Pothukuchi et al., 2002; Reus & Rottig, 2009). This is why cultural fit is very important for the partner selection phase and companies need individual preparation to find their position along the six dimensions. When a company is not aware of its own cultural identity, it is impossible to determine if a prospect might have a similar culture. As mentioned above it is not too easy to identify the culture of a company because it is invisible and intrinsic. The culture can be inferred from artefacts that are visible, such as the mission statement. The problem is that these artefacts often only convey the desired culture and not the existing culture in a company. To unveil the existing culture, it is necessary to discover the basic assumptions that are prevalent in a company. This can be done by interviewing employees or observing their behaviour in interactions with each other and with their environment (Schein, 1984).

As a conclusion of section 2.2, it can be stated that inter-partner fit and cultural and strategic fit in particular are the most important performance determinants from the partner selection phase and that they can be subject to individual preparation. For cultural fit, a company has to be

aware of its cultural identity. After having reshaped its cultural identity, it can aim at searching for a partner with a similar culture. The same logic applies to the preparation of strategic fit. When the resource contribution, the preferred dependency on a partner, a strategic vision, goals for the joint venture and the importance of the joint venture for partners has been determined, companies can search for partners with complementary resources and similar strategic visions, goals and appreciation of the joint venture. The preparation of both dimensions of inter-partner fit can be conducted with a thorough analysis of a company's cultural and strategic identity. The effect of preparation on cultural and strategic fit is not clear from extant literature but there is a strongly positive effect of cultural and strategic fit on the performance of joint ventures, since a good cultural and strategic fit can lead to competitive advantage, reduce conflicts and increase trust between partners (Glaister & Buckley 1999; Ren et al., 2009).

## **2.3 Influence of preparation on negotiations**

This section starts with a general outline of the negotiation phase. Afterwards, the nature of a contract and commitment are identified as the most important performance determinants from the negotiation phase (subsection 2.3.1). This is followed by an explanation about the meaning of nature of a contract and commitment before explaining how these two performance determinants can be prepared (subsections 2.3.2 and 2.3.3).

In the negotiation phase, a binding contract for both partners has to be drafted and signed. A well-designed contract should be aligned to the rationale of the joint venture and each partner's interests (Reuer & Arino, 2007). The negotiations are believed to work well if a fit between the partner's goals and resources can be reached and each of the partners agrees on the commitment of required resources to reach the objectives (Beamish & Lupton, 2009). This is the case, if a proper partner has been selected, which has been mentioned in the section about the partner selection (2.2). If negotiations are based on mutual forbearance and both partners try to create value for the joint venture and not primarily for themselves, conflicts can be reduced (Luo, 2002). The negotiation phase often constitutes the basis for the further collaboration and spans a longer period of time. The stance companies take in negotiations is important because it can be the first step towards a positive atmosphere or a tough and difficult relationship. If the atmosphere is hostile and coined by combative behaviour, the joint venture is likely to be a disappointment for all parties involved (Kelly et al., 2002). Therefore, companies should prepare their negotiations, making it possible for both sites to benefit from the joint venture, even if it means to abstain from some goals.

A positive atmosphere in general, can have a positive impact on negotiations and the performance of a joint venture. However, it has already been mentioned in section 2.1 that the nature of a contract and commitment of parent companies to the joint venture are the most important performance determinants from the negotiation phase. In section 2.1 this has been derived from extant literature. In the following section, TCE is used to bolster this choice theoretically.

### **2.3.1 Selecting performance determinants in the negotiation phase**

This subsection aims at justifying the choice of nature of a contract and commitment as the most important performance determinants from the negotiation phase. For this purpose, TCE is

consulted since it provides reasons for the chosen performance determinants. Hence this section conveys insights about TCE and derives the choice of the mentioned performance determinants.

TCE is one of the most popular theories to explain the choice for a certain entry mode. According to TCE, a company opts for an entry mode (e.g. joint venture, export, acquisition, etc.) based on the combined minimum of transaction and production costs, while managers making the decisions act risk neutral (Williamson, 1979). Transaction costs in this context are the costs imposed by searching for an exchange partner, negotiating terms of a deal with that partner and controlling its compliance with the negotiated terms. Production costs are the costs that incur when a company decides to produce in-house and are composed of organising, managing and learning costs for the production activities (Kogut, 1988). Since entry modes that are based on internalisation of activities reduce transaction costs, they are preferred in situations where transaction costs would be high. In cases where production costs would be high, entry modes that rely on markets are preferred since they mitigate the costs of internalisation of activities (Glaister, 2004).

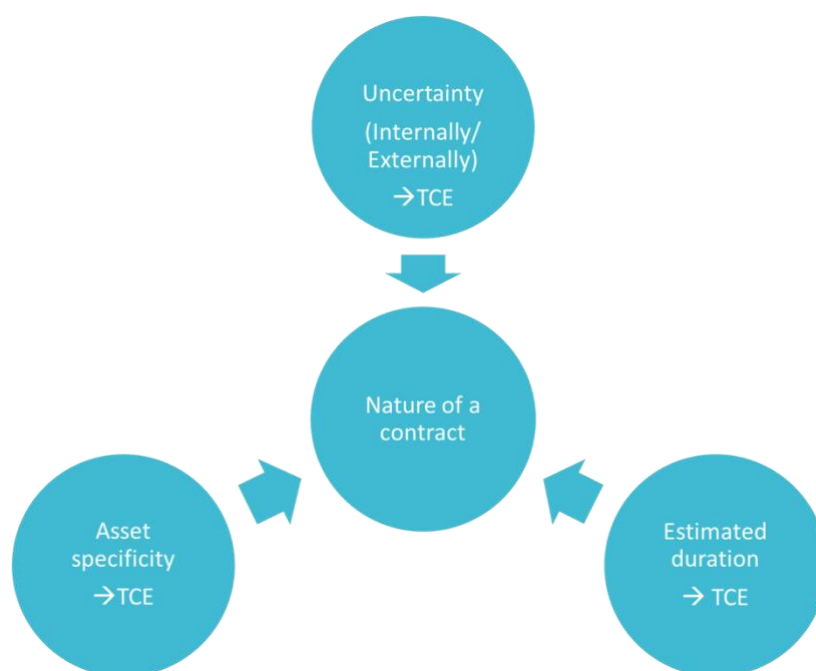
TCE argues that executives are constrained by bounded rationality (incapable of processing all available information) and possible partners might act opportunistically (self-interested behaviour of market partner) if they have the chance to do so. The consequences of these human related factors are not too severe if transactions are not too complex (Williamson, 1979). The factors that influence the complexity of transactions are asset specificity (assets that lose their value in other uses), uncertainty (external and internal) and frequency of transactions (Brouthers & Hennart, 2007). When transactions include the investment in highly specific assets, while they are frequently occurring and have unpredictable outcomes the transaction costs are too high and thus an internal solution is preferred (Glaister, 2004). Joint ventures can be seen as hybrid forms of organizations and contain internalization elements as well as characteristics of market solutions, which means they face moderate or intermediate degrees of production and transaction costs (Beamish & Lupton, 2016). Moderate means that transaction costs are too high for a market-based solution but not high enough to justify a complete internalization of activities (Brouthers & Hennart, 2007).

As stated by TCE the distinct advantage of a joint venture compared to internalization is that it allows both partners to make use of the knowledge that is created by internalizing a certain activity in the joint venture, without being exposed to high costs and risks of setting up operations alone. Similarly, market solutions do not offer the possibility to gain benefits from internalizing activities, while investments in specific assets would be exposed to fraud (Buckley & Casson, 1997). Joint ventures are the preferred entry mode in situations with relatively high uncertainty for indicating the desired transfer modalities and monitoring the desired performance in a market transaction combined with investments in highly specific assets (Kogut, 1988). The example of an aluminium refinery has been used in extant literature to make TCE more tangible. For setting up an aluminium refinery for one billion dollars, the operator requires quantity, quality and price securities for the necessary raw materials. A long-term contract over 20 years with the supplier of raw material would be a possible solution but can hardly take all future contingencies into account. A joint venture between supplier and refinery operator would solve this problem by aligning their inducements and safeguarding the investment in the refinery (Hennart, 1988). The mutual commitment to a specific asset like an aluminium refinery by partners and the fact that each partner has an equity share in the joint venture puts partners in a mutual hostage situation, which diminishes the threat of opportunistic behaviour. A well-designed contract between partners helps to reduce uncertainties further and safeguard investments (Gulati et al., 2012).

With the help of TCE, two performance determinants have been identified that relate to the negotiation phase of joint ventures. The minimization of opportunistic behaviour, obsolescence of specific assets and uncertainty is a prerequisite for satisfactory joint venture performance. Hence performance is dependent on mechanisms that aim at reducing those factors and thereby have a positive impact on performance. With a contract and commitment, two instruments that serve this purpose have been identified. In the following section, the purpose of negotiations is explained briefly. The possibility to prepare the nature of a contract and the commitment of partners to a joint venture is outlined in subsections 2.4.2 and 2.4.3.

### 2.3.2 Nature of a contract

In this subsection, the nature of a contract as a performance determinant from the negotiation phase is examined and it is outlined how it can be prepared. To understand how the nature of a contract can be prepared it is inevitable to know the two dimensions that describe the nature of a contract and the factor that have an impact on it. To derive factors that influence the nature of a contract TCE is consulted. The question about the nature of a contract is closely related to the TCE since it also deals with the organisation of a transaction. On the one hand, a contract should prevent opportunistic behaviour with specific terms and on the other hand it should support flexibility by being adaptable to future contingencies (Luo, 2002). Specificity refers to contractual safeguards that aim at protecting a company's resources by reducing uncertainties. Adaptability refers to measures that can be taken for all possible future contingencies. A complete contract would consider both dimensions by specifying all terms, while also offering mechanisms that allow for adaption to contingencies. However, developing such a contract comes at higher costs compared to a contract with lower levels of term specificity and adaptability. That is why it's not always the best solution to draw a contract with high levels on both dimensions (Luo, 2002). The nature of a contract is depended on factors that can be derived from TCE (see figure 4). These factors will be discussed below.



**Figure 4:** Factors influencing the nature contract for a joint venture.

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Source: Own depiction, based on literature review.

With insights from TCE, it can be said that companies need to determine to which extent they are willing to invest in specific assets for the joint venture. If they are willing to do so, companies have to determine how they want to protect their investments from obsolescence, while still being flexible enough to react to changes. This means they have to take the asset specificity into account when deciding about adaptability and specificity (Brouthers & Hennart, 2007). As explained above joint ventures are preferred when intermediate levels of asset specificity occur. Still, an investment might be exposed to the hazard of diminishing value if the joint venture does not meet the expectations and is terminated prematurely. For instance, the production facility of a joint venture between two auto manufacturers was built with two assembly lines with only a few shared processes in this plant. Since this is quite unusual, the expected value of this production facility will be lower when one partner decides to leave the joint venture. Hence companies have to ascertain if they are willing to bear this risk and prepare contractual solutions to safeguard specific assets (Inkpen & Li, 1999).

Another factor from TCE that influences the nature of a contract is the level of uncertainty a company faces when forming a joint venture, either internally or externally. Internal uncertainty refers to the difficulty to control the behaviour of a partner (Brouthers & Hennart, 2007). Hence internal uncertainty can be related to a partner's activities that might harm the joint venture or the other partner company. Internal uncertainty includes constructs such as financial risk as a consequence of a partner's activities, the risk of losing proprietary knowledge to a partner and the risk of compromising the image of the parent firm with the joint venture. These risks can be evaluated with the help of a risk map which depicts the probability of a certain event (e.g. losing proprietary knowledge) and combines it with the estimated amount of damage. In consequence, the risk map depicts which risks are worth of intervening and which not (Angwin et al., 2015). The evaluation of internal uncertainty in the preparation of negotiations can ease them since companies can determine how they want to have the joint venture contract designed to be protected against internal uncertainty and the constructs that constitute it. In general, it has been evidenced that higher internal uncertainty leads to higher levels of specificity (Brouthers & Hennart, 2007). An example of internal uncertainty is a global energy company that wanted to form a joint venture that would have competed with an already existing joint venture. The partner of the existing joint venture objected, and the energy company was fined only for the attempt to form another joint venture with another partner (Rinaudo & Roswig, 2016).

External uncertainty makes it hard to specify all environmental contingencies upfront (Brouthers & Hennart, 2007). It has been shown that in general, joint ventures are chosen in situations where external uncertainty is present. In a highly uncertain environment adaptability is considered to be more important in order to react to unforeseen changes (Reuer & Arino, 2007). To determine the needed specificity and adaptability in a contract, it is a prerequisite to analyse the environmental uncertainty a joint venture might face. The two most common constructs for external uncertainty are country risk and industrial risk. Country risk can be assessed by using the PESTEL framework, which summarizes the effect of six environmental factors (political, economic, social, technological, ecological and legal) (Angwin et al., 2015). The industrial risk can be assessed, for instance, with Porter's five forces framework, which examines the competition in a certain industry, the threat of substitutes and new competitors to an incumbent, as well as the power of buyers and suppliers in a certain industry (Porter, 2008). The analysis of external uncertainties helps to determine if specificity or adaptability has a higher priority. The joint venture between Intel and a Chinese computer company can serve as

a piece of evidence for the mentioned relations. The contract for their joint venture showed high degrees of specificity and adaptability because the transaction involved the development of complex technologies, which required highly specific assets and the industry faced extreme uncertain at that time (Luo, 2002).

The last factor from TCE with an impact on the nature of a contract is the duration of the joint venture. The duration of the joint venture proved to be significantly related to specificity and adaptability of a contract. That is to say when a partner anticipates a longer duration of the joint venture, the contract is likely to promote adaptability and neglect specificity (Luo, 2002). Adaptability measures in a contract should not be understood as a preparation for failure, but it can be wise to prepare action plans that can be used in case the strategies of partners change, the objectives have been reached or the partnership does not comply with expectations. Companies can, for instance, spin off joint ventures or acquire the partners share to make it a wholly owned subsidiary (Glaister et al., 2003). Duration as an influencing factor can be compared to frequency in TCE since it also determines the length of interaction. Following this argumentation, the duration of the joint venture has to be roughly estimated, to determine the specificity and adaptability of a contract. It is impossible to determine an exact number of years but in general, the individual preparation of negotiations can deal with questions regarding a long-term or short-term orientation of joint ventures (Beamish & Lupton, 2009). In this context possible exit scenarios should also be prepared, that can instantly be used if circumstances require it.

It can be stated that a well-designed contract, according to TCE can help to avoid many conflicts and misunderstandings in a joint venture. The positive effect can be increased by mutual commitment of partners to the joint venture which is outlined in the next subsection. By examining the specificity of assets needed for the joint venture, the internal and external uncertainties inherent in forming a joint venture and estimating the duration of the joint venture the specificity or adaptability of a contract can be determined. A well-designed contract has a significantly positive impact on the performance of a joint venture (Luo, 2002; Inkpen & Li, 1999). The preparation of a joint venture contract is assumed to help companies determining if they prefer adaptability that helps to react to unforeseen changes or specificity that helps to safeguard assets. Hence the preparation of the nature of a contract is assumed to have a positive influence on the negotiation phase.

### **2.3.3 Commitment**

This subsection deals with commitment as a performance determinant from the negotiation phase of joint ventures. It conveys information about the different dimensions of commitment and the possibilities to prepare commitment for the negotiation phase. In general, commitment is understood as a partner's devotion to the joint venture (Christoffersen, 2013). It is assigned to the negotiation phase because partners have to determine what and how they can contribute to the joint venture. This will be settled in the contract and the partner can attune to this. With regard to TCE mutual commitment can help to mitigate opportunistic behaviour of partners. It can lead to cooperative behaviour and create a feeling of togetherness while increasing the level of trust (Beamish & Lupton, 2009). Commitment is constituted by several dimensions such as internal or external commitment. Internal commitment refers to the support of the joint venture inside the company. A successful joint venture requires the full support of top managers and employees of the parent company. The support from the employees is especially important since joint venture managers have stated that it can be more reasonable not to create a joint venture than to do it without being supported by the majority of employees (Glaister et al.,

2003). Hence, managers intending to form a joint venture have to make sure that employees back this idea. This can be done, for instance, by including the work council, as it happened for the pending joint venture between ThyssenKrupp and Tata Steel (Reuters, 2017).

Another dimension is external commitment. It can be further split up into two subdimensions, one behavioural and one psychological subdimension. The behavioural subdimension concerns the contribution of resources. The psychological subdimension pertains to the mental devotion to a long-term partnership, which has been found to be positively related to joint venture performance. Psychological commitment stems from affection towards a partner and exceeds mere economic considerations. It can be described as the willingness of partners to put extra effort into the joint venture to reach satisfactory results (Mowday, Steers & Porter, 1979; Christoffersen, 2013). Both subdimensions are interconnected since a higher resource commitment will eventually lead to more psychological commitment and vice versa (Ren et al., 2009). Behavioural commitment can be prepared by determining the possible resource contribution, which has already been mentioned for the preparation of strategic fit. Psychological commitment can be prepared by estimating the duration of the joint venture and thereby indicating if the joint venture has a long- or short-term orientation. It is likely to prevent disappointment and frustration if partners think about their short-term and long-term commitment to the joint venture and have it prepared for the negotiations. If one partner considers the joint venture as a short-term activity, the other partner can react to that. The impact of preparing commitment on the negotiation phase is assumed to be positive. However, this assumption cannot be supported by extant literature whereas the effect of commitment of partners to the joint venture on a joint venture's performance is positive (Reus & Rottig, 2009; Christoffersen, 2013). Nevertheless, it is assumed to be critical for the success of joint ventures that partners prepare their commitment in a way that they have an idea about internal support, possible resource contributions and the intended duration they want to stay in the joint venture.

The following points in table two have been identified in sections 2.2 and 2.3 and serve as a summary of these sections. The critical success factors for the preparation of the partner selection phase have been identified in subsection 2.2.3 and the critical success factors for the preparation of the negotiation phase have been identified in subsections 2.2.2 and 2.2.3. The determination of resource contribution is important for the preparation of both phases but is listed only in the left column for convenience reasons:

**Table 2:** Critical success factors for preparation of partner selection and negotiations

Preparation for partner selection phase	Preparation for negotiation phase
<ul style="list-style-type: none"> <li>• Reshape own cultural identity by analysing it</li> <li>• Reshape own strategic identity by analysing strategic goals</li> <li>• For strategic fit, develop a strategic vision for the joint venture</li> <li>• Determine how dependent you want to be on your partner in reaching your objectives</li> <li>• Analyse own resource endowment</li> <li>• Determine possible resource contribution</li> </ul>	<ul style="list-style-type: none"> <li>• Determine if you want to invest in specific assets for the joint venture (TCE)</li> <li>• Analyse internal uncertainty the company needs to consider when creating the joint venture (TCE)</li> <li>• Analyse external uncertainty the company needs to consider when creating the joint venture (TCE)</li> <li>• Determine if you engage in the joint venture for a long or short period of time (TCE)</li> </ul>

<ul style="list-style-type: none"> <li>• Determine importance of joint venture for parent company</li> <li>• Determine a partner's goals and requirements that would make collaboration impossible</li> </ul>	<ul style="list-style-type: none"> <li>• Create exit scenarios for the joint venture</li> <li>• Make sure that joint venture is supported internally</li> </ul>
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Source: Own depiction, based on literature study.

## 2.4 Performance

This section deals with the performance of joint ventures and the possibilities to measure it. Therefore, the different dimensions of performance are introduced and discussed. Although performance of joint ventures has been devoted with remarkable attention by scholars in past decades, there is still no agreement on appropriate performance measures (Ren et al., 2009). This lack of agreement is due to multiple dimensions of performance: level of analysis, domain of analysis and mode of assessment. The evaluation of a joint venture's performance itself is highly dependent on the measure that is applied. An inappropriate measure can lead to a joint venture being labelled as a failure, while both partners are satisfied with the performance (Glaister & Buckley, 1999).

The first-dimension deals with the level of performance of analysis (which performance is measured?): the performance of the joint venture or the contribution of it to the performance of the parent company (Christoffersen, Plenborg & Robson, 2014).

The second dimension of performance deals with the domain of analysis which is closely related to the level of analysis. The term "domain" in this context can refer to operational, financial and overall performance (Christoffersen et al., 2014; Arino, 2003). Operational performance concerns internal activities such as marketing or production. The financial domain deals with the financial results of the operational activities. Overall performance deals with the general performance of a joint venture and can be seen as a summary of the performance of the other domains.

The third dimension of performance assessment is the mode of it (how is performance is assessed?). The mode of performance assessment can be divided into two categories, namely objective and subjective measures (Geringer & Herbert, 1989). The use of objective measures isn't too common due to several reasons. Firstly, they might be difficult to access through public databases and firms might be reluctant to share them. The fact that most joint ventures are not stock listed makes it even more difficult to access objective measures (Geringer & Herbert, 1989). Secondly, research has stated that objective measures are not useful, given the genuine nature of objectives for a joint venture, which often exceeds financial objectives (Beamish & Lupton, 2009; Mohr, 2006). Objective measures can hardly capture the fulfilment of these non-financial objectives. Stability measures, such as the longevity of a joint venture, are deemed to lack connection to the performance of joint ventures. It can be problematic to deduce satisfactory performance from the mere existence of a joint venture or failure from the dissolution of it. In order to make use of stability measures it is necessary to take background information into account (Mohr, 2006). Objective measures also face the constraint of not being able to distinguish excellent from average joint ventures, because they only capture one aspect of performance. To obtain a more comprehensive but less focused view the second category has to be used (Geringer & Herbert, 1989).



The second category of assessment modes is represented by subjective measures. Subjective measures are obtained by using managerial surveys, which ask managers for their satisfaction with or personal assessment of the joint venture (Beamish & Lupton, 2009). An advantage of subjective measures that has been identified by extant literature is their ability to display all objectives companies try to achieve by partnering (Christoffersen, 2013). The disadvantage of subjective measures is their bias (Geringer & Herbert, 1989). The assessment of joint venture performance might vary depending on the person that assess it. This might have an impact on the reliability of this research which is discussed in section 3.4.

The objective of this research is to find a link between individual joint venture preparation and the performance of joint ventures. Hence performance is analysed on joint venture level. The term performance is kept deliberately broad in this research since it should not refer to any specific domain but should relate to the overall performance of the joint ventures. Subjective measures have been reported to be related to performance on joint venture level (Christoffersen et al., 2014). Hence, in this research performance is defined as the overall performance on joint venture level measured with subjective measures. The operationalisation of performance for the survey is outlined in subsection 3.2.1.

**Table 3:** *Dimensions of joint venture performance*

	Level of analysis	Domain of analysis	Type of measure
Dimension of joint venture performance	Partner level	Operational	Objective
	<b>Joint venture level</b>	Financial	<b>Subjective</b>
		<b>Overall</b>	

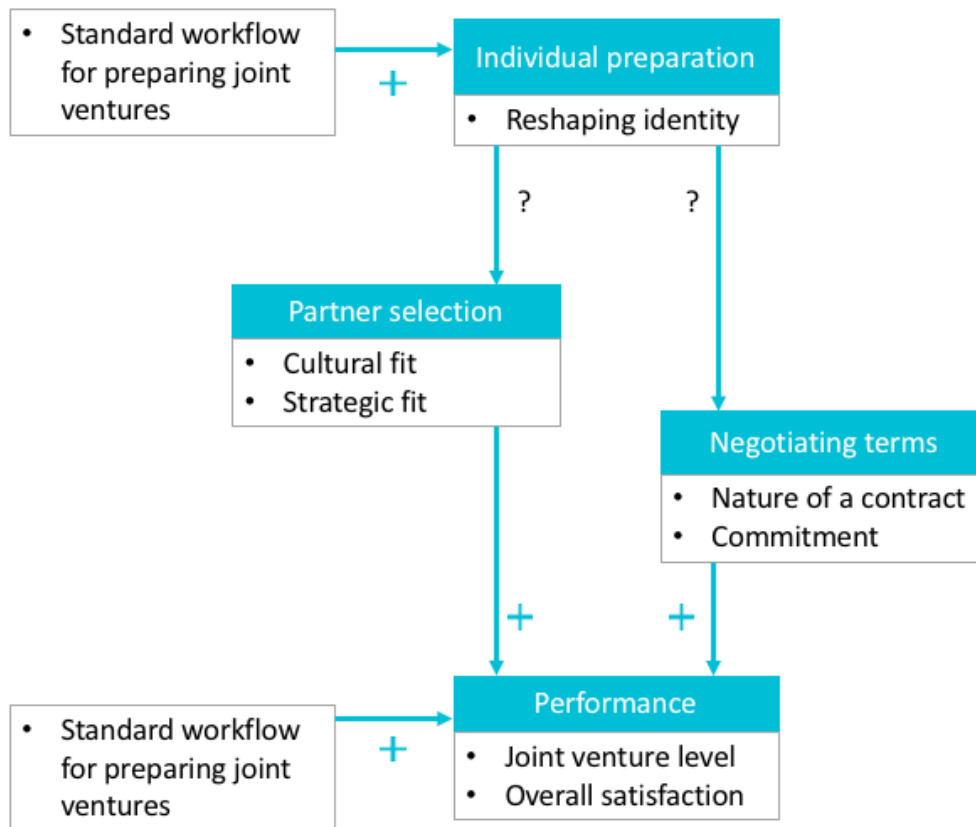
Source: based on Christoffersen et al., 2014.

## 2.5 Conceptual model

In this section, the conceptual model for this research is explained and depicted. The conceptual model visualises the causal relations between the main concepts in this research (Verschuren & Doorewaard, 2010). Figure five shows the identified relations between individual preparation and performance and serves as the conceptual model for this research project.

Preparation itself deals with reshaping the identity of a company. This definition follows the one that has been stated in the introduction (see section 1.6). It is assumed that companies with previous joint venture experience are more proficient in preparing and managing them. They might even have developed a standard workflow for the preparation of joint ventures, which eases the partner selection, negotiation phase and management phase. Thus, the development of a standard workflow for preparing joint ventures based on previous experiences is included as a control variable with an impact on the preparation and the performance of joint ventures. The main objective of this research is to investigate if preparing the partner selection and negotiation phase of a joint venture has an impact on their performance (see section 1.3). The different distances of partner selection and negotiation to individual preparation visualize that firstly the partner selection phase is prepared and secondly the negotiation phase is prepared. To investigate the impact of preparing the partner selection and negotiation phase, the most

important performance determinants from the partner selection and negotiation phase have been identified as cultural fit, strategic fit, nature of a contract and commitment. To understand inter-partner fit and why it has been chosen, RBV and extant literature has been consulted (see section 2.2). In the negotiation phase the most important performance determinants that have been identified are nature of a contract and commitment (see section 2.3). The performance of joint ventures in this research is measured by subjective overall performance measures. The data is obtained from executives of European joint venture parent companies (see section 2.4).



**Figure 5:** *Conceptual model.*

Source: Own depiction.

Chapter two serves as the theoretical basis for this research and provides a list of critical success factors for the preparation of the partner selection and negotiation phase of joint ventures. This list is necessary to answer the research question and develop the instruments for the data collection for this research. The methods of this research and the development of this instrument will be described in chapter three.

### 3 RESEARCH METHODS AND SAMPLE

In this chapter, the methods to reach the research objective are presented. The research objective is: *“To make recommendations for the preparation of the partner selection and negotiations in international joint ventures by conducting an empirical analysis of critical success factors in individual preparation that influence the performance of European-Asian joint ventures.”*

The chapter starts with operationalizing the items from the conceptual model in order to derive questions that can be used for a survey (section 3.1). The chapter provides information on the sample that was used to obtain the needed data and the criteria that had to be fulfilled to be included in the sample. The research design is described and the procedures that were followed for designing the survey are described (section 3.2). Furthermore, the methods to analyse the obtained data are discussed (section 3.3).

#### 3.1 Operationalization

In the following subsections the different items from the conceptual model are operationalized (3.1.1 to 3.1.5). Thereby Table 2 and subquestion two are considered. Subquestion two:

*What are current preparation practices for partner selection and negotiations in existing European-Asian joint ventures with regard to the identified critical success factors?*

These critical success factors are presented in table 2 and are used to derive questions for the survey. The derived questions are presented in table 3, which serves as the operationalisation table for this research. It presents the variables, the items, the derived questions for the survey and the scale that is used to record the answers to the questions. Since this research is about the preparation of joint ventures, the majority of questions in the survey dealt with the critical success factors for the preparation of joint ventures. The questions about the critical success factors in the individual preparation were answered on dichotomous scales since it was essential to know if companies regarded them in the preparation of the partner selection and negotiations or not. The questions that were answered on a Likert scale used the five-point Likert scale. It has been decided to use an uneven number of options on the Likert scale since it gives respondents the possibility to indicate an average performance without being forced to assess the performance of the joint venture as unsatisfactory or satisfactory as it would be the case with an even number of options. The number of five has been identified as a reasonable amount of options since it provides enough choices and reduces the statistical noise that would result from too many options (Kumar, 2015). The available options were placed equidistant on the survey to visualize that the difference between option one and two is the same the difference as between option four and five.

##### 3.1.1 Individual preparation

Individual preparation is defined as the process of reshaping a company's identity for the partner selection and negotiation phase of a joint venture (see section 1.6). Hence reshaping identity had to be operationalized for this study. The questions for the operationalisation of reshaping the identity were derived from table two and are not based on existing questions from literature. Each of the 14 critical success factors for the preparation of the partner selection and negotiation phase has been translated into a question. One open question complemented the 14

closed questions. The open questions in section 3.1 were also developed by the researcher and not derived from extant literature. All of the questions refer to the time after a company has established the desire to form a joint venture to reach certain goals but before it engaged in partner selection and negotiations.

**Reshaping identity** was on the one hand operationalized as the analysis of strategic identity and cultural identity of the company. The analysis of strategic identity was operationalised by using several questions because the strategic identity of a company is difficult to capture. Firstly, respondents had to indicate if their company defined their strategic goals for the joint venture and if they created a strategic vision for it. Furthermore, they were asked if they determined the acceptable dependency on a partner for reaching their goals and the importance of the joint venture for reaching the goals of their company. This was followed by a question asking if the respondent's company analysed its resource endowment and the possible contribution of resources to the joint venture before selecting a partner (1 = yes and 0 = no). The analysis of cultural identity was not limited to a certain method of analysis. Hence, respondents were asked if the corporate culture of their company was analysed previous to partner selection. A dichotomous variable was therefore used (1 = yes and 0 = no). Eventually, respondents were asked if they determined goals and requirements a partner might have, which would make collaboration impossible (1 = yes and 0 = no).

On the other hand, reshaping identity was operationalised by asking respondents if their company identified the level of acceptable internal and external uncertainties that were linked to creating the joint venture before entering the negotiations. This was done on a dichotomous scale (1 = yes and 0 = no). Internal uncertainties were defined as financial risks, risk of losing proprietary knowledge and risk of harming the reputation of the parent company with the joint venture. External uncertainties were defined as country level risks and industrial level risks (see subsection 2.3.2). The next question to operationalize reshaping identity asked for the willingness of the respondent's company to invest in specific resources for the joint venture (1 = yes and 0 = no). For the estimated duration, respondents were asked if their company determined the duration they want to stay in the joint venture and if they prepared possible exit scenarios (1 = yes and 0 = no). The last closed question asked if the respondent's company has conducted a process to ensure the internal (employee) commitment to the joint venture (1 = yes and 0 = no) (Inkpen & Li, 1999). At the end of the section, respondents were asked if the Asian country as a host country for the joint venture imposed any specific challenge on the preparation of the partner selection and negotiation phase.

### 3.1.2 Partner selection

Partner selection is one of the phases in the life cycle of a joint venture. It has been decided to pay special attention to the cultural and strategic fit between partners. Cultural and strategic fit is determined by the partner that is selected in this phase (see section 2.2). Hence cultural fit and strategic fit are the items that have to be operationalized for this study. Four questions are used therefore. The number of three closed questions and one open question is reasonable since every item is covered and the survey is still feasible.

It has been decided to begin the block of questions about the partner selection phase with an open question asking for the respondent's opinion about the most important factor for a good partner selection for joint ventures. Afterwards, a question about the perceived duration of the partner selection phase was asked. The duration of the partner selection phase can serve as a proxy for the convenience of this phase since it is assumed that the preparation of cultural and

strategic fit leads to a decreased duration (Luo, 1997). This was done with the help of a five-point Likert scale (1 = extraordinary short to 5 = extraordinary long).

**Strategic fit** was operationalized by asking respondents to what extent they agree with the following statement: The combination of our strategic identity with the strategic identity of our partner is conducive to the joint venture. This was done with the help of a five-point Likert scale (1 = very good fit to 5 = very poor fit) (Bauer & Matzler, 2013). The drivers of strategic fit that were introduced in section 2.2.3 were not used to operationalise strategic fit to increase the feasibility of the survey and not shift the attention too much away from the success factors of the individual preparation.

**Cultural fit** was operationalized by asking respondents to what extent they agree with the following statement: The combination of our corporate culture with the corporate culture of our partner is conducive to the joint venture. This was done with the help of a five-point Likert scale (1 = strongly agree to 5 = strongly disagree) (Bauer & Matzler, 2013). The different cultural dimensions that were introduced in section 2.2.3 were not used since otherwise the survey would have become infeasible and the concept of cultural fit disproportional important.

### 3.1.3 Negotiation

The negotiation phase is another phase in the life cycle of a joint venture. It has been decided to pay special attention to the nature of a contract and commitment of partners to the joint venture since the goal of this phase is to sign a joint venture contract and commitment of partners to the joint venture has been identified as an important performance determinant (see section 2.3). Hence nature of a contract and commitment have to be operationalized for this study. Four questions are used for the operationalisation. As already mentioned in subsection 3.1.2 the number of three closed and one open question questions is reasonable to achieve a compromise between information content and feasibility.

The block of questions about the negotiation phase began with an open question asking for the respondent's opinion about the most important factor for successful joint venture negotiations. It has also been decided to include a measure of the duration of negotiations as a proxy for the convenience of this phase. It is assumed that the preparation of the nature of a contract and commitment leads to a decreased duration of the negotiation phase (Rinaudo & Roswig, 2016). This was done with the help of a five-point Likert scale (1 = extraordinary short to 5 = extraordinary long).

**Nature of a contract** was operationalized by asking respondents to what extent the initial contract had to be renegotiated until now (1 = not at all to 5 = to a great extent) (Arino, 2003).

**Commitment** was operationalized by asking respondents if they think their company meets all obligations their joint venture partner expected from them (1 = exceeded obligations to 5 = did not meet obligations at all) (Mowday et al., 1979).

### 3.1.4 Performance

As already mentioned in section 2.4 the performance of joint ventures can be measured in various ways. The measure that is chosen has to relate to the objectives of a joint venture. That is why this study relies on overall performance perceptions of respondents (managers of the

European parent companies). Respondents were asked for their satisfaction with the overall performance of the joint venture and had to assess it on a five-point Likert scale (1 = very satisfied to 5 = very unsatisfied). This is a common question to obtain information about the performance of a joint venture (Arino, 2003). Using only one question for the operationalisation of performance is reasonable since it further funnels down the number of questions from 15 (critical success factors for preparation) to eight (partner selection and negotiation phase) to one (performance). This follows the recommendation of Worthington and Whittaker (2006) to develop surveys that take between 15 and 30 minutes to answer.

### 3.1.5 Control variables

It has been decided to include the development of a standard workflow based on previous joint venture experience as a control variable in this study. Since there are no standardized questions for joint venture preparation, the questions for the control variables are also developed by the researcher and not derived from extant literature. Previous joint venture experience was assessed by asking for the company's previous joint venture experience (1 = yes, positive experience; 2 = yes, negative experience; 3 = yes, mixed experience; and 0 = no experience). If the answer to this question was "yes,...", respondents were asked if the company has developed a standard workflow for the preparation of the partner selection phase and the negotiation phase of joint ventures based on their previous joint venture experiences.

**Table 4:** Operationalization table

Concept	Items	Survey questions	Scale
Individual preparation	Reshaping identity	<ol style="list-style-type: none"> <li>1. Did your company define its strategic goals?</li> <li>2. Did your company create a strategic vision for the joint venture?</li> <li>3. Did your company analyse its corporate culture?</li> <li>4. Did your company analyse its resource endowment?</li> <li>5. Did your company determine the possible resource contribution to the joint venture?</li> <li>6. Did your company determine the level of acceptable dependency on the partner in reaching your goals?</li> <li>7. Did your company determine the importance of the joint venture for reaching its own goals?</li> <li>8. Did your company determine goals and requirements a partner might have that cannot be supported and would make a joint venture impossible?</li> <li>9. Did your company identify the level of acceptable internal uncertainties linked to creating the joint venture?</li> <li>10. Did your company identify the level of acceptable external uncertainties linked to creating the joint venture?</li> <li>11. Did your company determine if it's willing to invest in specific resources for the joint venture with the selected partner?</li> <li>12. Did your company determine a duration for the joint venture with the selected partner?</li> </ol>	Dichotomous scale

		13. Did your company create exit scenarios for the joint venture? 14. Did your company ensure that a joint venture with the selected partner is internally supported (i.e. by employees)? 15. Did the Asian country as a host nation for the joint venture impose any specific challenges on the preparation of the partner selection and negotiations?	Open question
Partner selection	Cultural fit	16. What do you think is the most important factor for a good partner selection and why? 17. How long did you search for a partner before prioritizing this partner? 18. The combination of our strategic identity with the strategic identity of our partner is conducive to the joint venture.	Five-point Likert scale
	Strategic fit	19. The combination of our corporate culture with the corporate culture of our partner is conducive to the joint venture.	Open question
Negotiating terms	Nature of a contract Commitment	20. What do you think is the most important factor for successful joint venture negotiations? 21. How long did you negotiate with your partner before signing the contract? 22. Did you have to renegotiate the contract until now? 23. To what extent did your company meet the obligations your joint venture partner expected?	Five-point Likert scale
			Open question
Performance	Joint venture level overall performance	24. How satisfied is your company (i.e. executive board) with the overall performance of the joint venture?	Five-point Likert scale
Control variables	Previous joint venture experience	25. Does your company have previous joint venture experience?	Dichotomous scale
		26. Does your company have a standard workflow for the preparation of joint ventures?	

Source: Own depiction

### 3.2 Data collection method

This section deals with the methods that were used to obtain the data that was needed to reach the research objective and answer the main research question. The sampling methods are explained and the composition of the survey for this research is outlined. The information and data that was needed for this study was not instantly accessible and could not be gathered with the help of secondary sources. Thus, primary sources had to be used. The mailed survey technique was therefore chosen. The sample was drawn from existing European-Asian joint ventures, with their headquarters in the Asian country. The term “Asian” is used to embrace the region of the Association of South East Asian Nations (ASEAN) and China. The term “European” is used to refer to German-speaking countries (Germany, Austria, Switzerland). This is done for convenience reasons. The ASEAN is an inter-governmental federation, aiming at facilitating trade activities and currently consisting of ten member-states (Thailand, Malaysia, Indonesia, Vietnam, Brunei, Cambodia, Singapore, Myanmar, Philippines and Laos). The

population sums up to more than 630 million people and the gross domestic product (GDP) in 2016 was approximately 2,500 billion (GTAI, 2016). Foreign direct investments inflows from members of the European Union (EU) into the ASEAN region summed up to approximately 30 US\$ billion in 2016 (ASEAN Statistics, 2017). China is a host nation for many joint ventures, also due to the reason that in some industries foreign companies are forced by the government to cooperate with local companies. China and European countries have cultivated an intense economic relationship. The stock of foreign direct investments of the EU in China is estimated to be 168 US\$ billion (Eurostat, 2016). With a population of more than 1.3 billion people, China represents a market with great possibilities for European companies (GTAI, 2016).

The starting point for obtaining the sample was the LexisNexis database complemented by information from the German chambers of commerce in some of the Asian countries. LexisNexis is a database of press releases, company releases and legal documents. It covers press releases from 195 countries beginning in 1980. It allows searching for documents from different sources, such as industry-specific magazines, trade magazines and releases from federal bulletins. Additionally, the German chambers of commerce in China, Thailand and Singapore were contacted and information about existing joint ventures in the respective country was requested. Since the list of members was not available for Singapore and Thailand without high expenditures, only information from the German-Chinese chamber of commerce could be obtained. The German-Chinese chamber of commerce provided a list of their members. This list did not explicitly indicate which company is having a joint venture with a Chinese partner. Thus, each company's website from the list was checked if a joint venture exists. This process was not very effective and resulted only in four additional joint venture. Thus, the majority of the sample was obtained from LexisNexis.

The sample units had to fulfil some requirements regarding their age and the number of partners. To be included in the sample the joint venture had to be formed between 2010 and 2017. Since the survey dealt with preparation of joint ventures only relatively new joint ventures were considered to avoid recall biases of respondents. Only joint ventures with two partners were selected, to avoid performance differences due to the number of partners involved (Beamish & Kachra, 2004). The industry of the joint ventures was not further specified to obtain a comprehensive view and not limit the sample size further. The sampling method can be described as convenience sampling since no costs were accrued and the duration to identify the joint ventures was kept low. Eventually, this process resulted in a list of 140 joint ventures.

It was decided to make use of a mailed survey to obtain quantitative data. The advantage of a mailed survey can be found in low costs for distributing it and the possibility of respondents to preserve their anonymity. Nevertheless, the disadvantage of mailed surveys is the low response rate. To counter the hazard of a low response rate and due to the specific knowledge, that was required for answering the survey, the respondents had to be identified before sending it. Since this research aims at contributing to knowledge about the preparation of European companies for their joint venture with Asian partners, the survey was only sent to the European parent company of the joint venture. Therefore, the European parent companies were contacted by telephone to identify appropriate persons to send the survey to. If the company had more than one joint venture with an Asian partner, the respondents were asked to answer the survey for the joint venture that was indicated at the top of the survey.

The composition of the survey was developed on the assumption that respondents only answer it if it is instantly understandable and not too time-consuming. Hence the survey was developed in German and in accordance with the guidelines established by extant literature (Oppenheim, 1992; Worthington & Whittaker, 2006; Krosnick & Presser, 2010; Kumar, 2015). Additionally,



surveys of previously conducted studies that dealt with comparable issues were examined (Arino, 2003; Bener & Glaister, 2010). This helped to obtain an idea about the type of questions that could be asked. Given the time constraints of executives, who had to fill out the survey, the questions had to be instantly understandable but still make it possible to convey valuable insights. Thus, the final survey incorporated three types of questions:

- 1) Likert-scale questions asking for the perception of respondents
- 2) Categorical (Yes/No) questions asking for the critical success factors in individual preparation of the partner selection and negotiation phase
- 3) Open questions to get more profound insights

The sequence of the questions in the survey followed the criteria developed by extant literature (Krosnick & Presser, 2010):

- Early questions should be easy to answer.
- Early questions should address the topic of the survey, as it was described in the cover letter.
- Questions on the same topic should be placed together.

The questions about the preparation of the partner selection and negotiation phase were placed at the beginning of the survey followed by questions on the partner selection and negotiation phase. The question about the performance of the joint venture was placed at the end of the survey followed by the questions about prior joint venture experiences.

To identify issues in the survey before sending it to respondents, the survey and the cover letter had to be pre-tested. It was pre-tested by two German managers, who are working for multinational companies with joint ventures in North America. This helped to identify inappropriate questions and lack of clarity. It resulted in changes of questions and formulations in the cover letter. The main takeaway point from these pre-tests was that the time period the questions about the preparation refer to had to be clarified. Hence it was precisely stated in the survey if the questions refer to the time before the partner selection or to the time before the negotiations. Some questions were reformulated after the pre-tests. For instance, question number 6 was changed from “Did your company determine the preferred dependency on a partner?” to “Did your company determine the level of acceptable dependency on the partner in reaching your goals?”. Furthermore, both managers highlighted the importance of a convenient method to answer the questions. Both favoured an attached interactive pdf to answer the survey and refused an online solution (e.g. SurveyMonkey) via a link in the email. In June 2018 the survey was sent to the sample units via email as an attachment accompanied by a cover letter stating the purpose and importance of this research and assuring participants of anonymity. Furthermore, the cover letter gave contact details of the researcher to provide participants with the possibility to get answers to questions or make remarks. It was also offered to share the results of the study if the respondents expressed their desire to get them. The survey can be found in the appendix.

### **3.3 Statistical analysis**

This section conveys details about the methods that were used to analyse the obtained data. The obtained data was analysed with the help of SPSS. The objective of this analysis was to investigate if there is a relation between the preparation of the partner selection and negotiation

phase and the performance of international joint ventures. Therefore, questions about the preparation, the partner selection phase, the negotiation phase and performance were included in the survey. At first, it had to be checked if the individual preparation had an impact on the selected performance determinants from the partner selection and negotiation phase. After that, it could be investigated if the level of strategic fit, cultural fit, the nature of a contract and commitment has an impact on the performance of joint ventures. The impact of the performance determinants on performance has been proved to be positive in several existing studies (Ren et al., 2009; Christoffersen, 2013). Nevertheless, this relation is also checked with an ordered logistic regression analysis in SPSS. All closed questions about the individual preparation were answered on a dichotomous scale and the closed questions concerning the performance determinants from the partner selection and negotiation phase were based on a five-point Likert scale. Hence the appropriate data analysis method to prove a connection between those variables was the ordered logistic regression.

The ordered logistic regression predicts the value of dependent variables, which are measured on an ordinal scale, based on a combination of independent variables. The dependent variable does not have to be recorded on just two level as it would be the case for binary logistic regression but can also be recorded using more than two levels that have an inherent order. For the ordered logistic regression analysis, four assumptions have to be met (Norusis, 2008):

1. The dependent variable must be measured on an ordinal scale. This can be, for instance, a Likert scale.
2. The independent variable must be continuous, ordinal or categorical, whereas ordinal variables must be treated as either continuous or categorical.
3. The independent variables have to be checked for multicollinearity. This means that two or more independent variables should not be correlated with each other. In the case of high multicollinearity, it is difficult to examine which of the correlated variables is responsible for the change in the dependent variable.
4. Proportional odds are required. That means that each independent variable has an equal effect at each split or category of the ordinal dependent variable. Hence, the relationship between the lowest and the second lowest performance score is the same as for the highest and the second highest, for instance.

Assumptions one and two are met with the design of the survey and assumptions three and four are checked after the data collection. Multicollinearity is checked with the help of the variance inflation factor (VIF) which has to be in a range between one and five to signalize no multicollinearity. The proportional odds assumption is checked by the test of parallel lines in SPSS. Furthermore, the model fit will be analysed. The model fit reports if the model improves the ability to predict the outcome of the dependent variable compared to a model without any independent variables. It will also be analysed how much of the dependent variable's variability is explained by the independent variables. The measure that is used to explain the impact of the independent variable on the variability of the dependent variable is Nagelkerke's  $R^2$  (Chen & John, 2004; Norusis, 2008). The results of these tests are displayed in chapter 4.

The answers to the open questions from the survey are used to obtain more profound insights into preparation activities. The answers are checked for emerging themes (O'Cathain & Thomas, 2004).

## 4 EMPIRICAL FINDINGS

In this chapter, the empirical findings of this research are presented. Section 4.1 describes the sample. Section 4.2 provides the results of the statistical analysis of the closed questions and section 4.3 regards respondent's answers to the open questions are presented systematically. In the course of this chapter sub research question two and three are answered:

**SRQ 2:** What are current preparation practices for the partner selection and negotiation phase in existing European-Asian joint ventures with regard to the identified critical success factors?

**SRQ 3:** What does a comparison between theory and practice signal, regarding the preparation of partner selection and negotiations for joint ventures?

Sub research question two is answered in section 4.2 by outlining the critical success factors that have been regarded by European parent companies in the preparation of the partner selection and negotiation phase of joint ventures. Sub research question three is answered in subsection 4.2.1 by comparing the list of critical success factors (see table 2) that has been developed from extant literature, with the results of the statistical analysis. In section 4.3 the quantitative results to these research questions are complemented by insights from the open questions. All tests for significance relate to two-tailed tests.

### 4.1 Sample characteristics

This section first presents the characteristics of the sample for this research in terms of partner's country of origin and size of European parent company. Next, the characteristics of the responding sample units are described and complemented by information about the European partner's previous joint venture experience.

The 140 joint ventures from the sample were mainly formed between German and Chinese companies. On the European side, the sample contains 116 joint ventures with partners from Germany (83%), 19 with partners from Switzerland (13%) and 5 with partners from Austria (4%). On the Asian side, the sample contains 112 joint ventures with partners from China (80%) and 28 with partners from the ASEAN countries (20%). The size of the European parent companies regarding their number of employees ranged from 50 to 400.000. Even if the size was not included as a control variable in this research, it helps to see the diversity of the sample. The industries the European companies are operating in can be described as follows: Industrial sector (56%), service sector (38%) and research (6%). This represents the traditional structure of the German economy, being focussed on production of hardware (automobile and automotive, steel etc.).

**Table 5:** Sample and response characteristics

Sample	Response
Germany (83%)	Germany (91%)
Switzerland (13%)	Switzerland (3%)
Austria (4%)	Austria (6%)
China (80%)	China (88%)
ASEAN (20%)	ASEAN (12%)
Total: 140	Total: 34

Out of the sample of 140 joint ventures, 35 responded to the survey. This equates to a response rate of 25%. One of the responses was incomplete. Since none of the questions about performance determinants and performance was answered, it was decided to truncate this response. Hence only 34 responses are analysed. On the European side, the majority of responses was obtained for joint ventures with German companies (91%), followed by joint ventures with Austrian companies (6%) and joint ventures with Swiss companies (3%). On the Asian side, joint ventures with Chinese companies accounted for the majority (88%) and joint ventures with companies from ASEAN nations for 12%. This response details show that joint ventures with German or Chinese companies are overrepresented in comparison with the sample. All of the joint ventures from responding companies are still operating. The smallest company that responded had 150 employees and the largest had 12.500 employees. All companies with more than 15.00 employees denied participation, referring to their lack of capacity to participate in surveys. This means that the average size of the responding companies is lower than of the sample. Hence the results of this study might be more applicable to small and medium sized companies. The positions of respondents varied from M&A Manager to CEO and Head of communication.

## 4.2 Quantitative empirical findings

This section provides the results from the statistical analysis of the survey data, starting with insights about the critical success factors for preparation (4.2). In subsection 4.2.1 the impact of preparation on the performance determinants of the partner selection phase (cultural fit and strategic fit) and negotiation phase (nature of a contract and commitment) is examined. In subsection 4.2.2 the impact of the performance determinants from partner selection phase and negotiation phase on the performance of joint ventures is analysed. Even If the impact of those performance determinants on joint venture performance has been proven extensively by extant literature, it is repeated for this research to check if the performance determinants have the same impact in the chosen setting. This division is in line with the conceptual model which has been presented in section 2.5.

To answer sub research question two, the frequency of “yes” answers to the questions about the critical success factors have to be analysed (see table 6). From the analysis of the responses to the critical success factors in preparation it can be stated that companies focus their preparation of the partner selection and negotiation phase on the following critical success factors: determination of resource contribution (100% of responding companies said they conducted this activity in the preparation), analysis of resource endowment. The critical success factors that were the least conducted by respondents are: estimation of duration for the joint venture (18%), preparation of exit strategies (35%) and determination of readiness to invest in specific resources for the joint venture (44%). Since the determination of resource contribution and the analysis of resource endowment had the same results and measure almost the same construct, it was decided to only include determination of resource contribution into the statistical analysis to avoid problems with multicollinearity. Hence question number 4 (resource endowment) was not further regarded in the analysis.

**Table 6:** Critical success factors for preparation of partner selection and negotiations with the percentage of respondents who conducted them in their preparation.

Preparation for partner selection phase	Preparation for negotiation phase
<ul style="list-style-type: none"> <li>Analyse own resource endowment (100%)</li> <li>Determine possible resource contribution (100%)</li> <li>Reshape own cultural identity by analysing it (59%)</li> <li>Reshape own strategic identity by analysing strategic goals (94%)</li> <li>For strategic fit, develop a strategic vision for the joint venture (56%)</li> <li>Determine how dependent you want to be on your partner in reaching your objectives (47%)</li> <li>Determine importance of joint venture for parent company (94%)</li> <li>Determine a partner's goals and requirements that would make collaboration impossible (62%)</li> </ul>	<ul style="list-style-type: none"> <li>Determine if you want to invest in specific assets for the joint venture (TCE) (44%)</li> <li>Analyse internal uncertainty the company needs to consider when creating the joint venture (91%, 74%, 53%) *</li> <li>Analyse external uncertainty the company needs to consider when creating the joint venture (82%, 71%) **</li> <li>Determine if you engage in the joint venture for a long or short period of time (18%)</li> <li>Create exit scenarios for the joint venture (35%)</li> <li>Make sure that joint venture is supported internally (68%)</li> </ul>

\*financial risk, risk of losing proprietary knowledge, risk of harming own reputation with JV

\*\* country-related risk, industry related risk

The answers of respondents to questions about the performance determinants and the duration of the partner selection and negotiation phase led to the following results: The duration of the partner selection phase and the negotiation phase was reported to be normal with 66% (partner selection phase) and 74% (negotiation phase) of responding companies. The question if the surveyed partner thinks that the combination of partner's cultures is beneficial to the joint venture led to mixed results. 15% strongly agreed with the statement that the combination of cultures is beneficial to the joint venture, 35% agreed, 27% disagreed and 24% were neutral (see table 7). The benefits from the combination of strategies were evident for respondents. Only 6% disagreed with the statement that the combination of partner's strategies is beneficial to the joint venture, 18% agreed strongly, 41% agreed and 32% were neutral (see table 7). The majority of companies did not have to renegotiate their initially negotiated contract (68%) whereas 29% of companies had to renegotiate it moderately (see table 9). The question if companies think they met their obligations for the joint venture answered 50% with "met obligations", 27% with "met and did more" and 3% with "exceeded" (see table 10). This might be due to socially wishful answering of this question. It is also noteworthy that none of the responding companies had developed a standard workflow for preparing joint ventures even if they had positive experiences with previous joint ventures. Hence the control variable could not be used in the data analysis.

*Table 7: Is the combination of partner's corporate cultures beneficial for the joint venture?*

	Frequency	Percent	Cumulative Percent
Valid Strongly agree	5	14,7	14,7
Agree	12	35,3	50,0
Neutral	8	23,5	73,5
Disagree	9	26,5	100,0
Total	34	100,0	

*Table 8: Is the combination of partner's strategies beneficial for the joint venture?*

		Frequency	Percent	Cumulative Percent
Valid	Strongly agree	6	17,6	17,6
	Agree	14	41,2	58,8
	Neutral	11	32,4	91,2
	Disagree	2	5,9	97,1
	Strongly disagree	1	2,9	100,0
	Total	34	100,0	

*Table 9: To which degree did you have to renegotiate the joint venture contract until now?*

		Frequency	Percent	Cumulative Percent
Valid	Not at all	23	67,6	67,6
	Almost not	1	2,9	70,6
	Moderately	10	29,4	100,0
	Total	34	100,0	

*Table 10: Did your company meet its obligations for the joint venture?*

		Frequency	Percent	Cumulative Percent
Valid	Exceeded	1	2,9	2,9
	Met and did more	16	47,1	50,0
	Met	17	50,0	100,0
	Total	34	100,0	

#### 4.2.1 Performance determinants from partner selection and negotiation phase as dependent variables

In this subsection, the statistical results from the ordinal regression analysis with the performance determinants of the partner selection and negotiation phase as the dependent variables are presented. This means that the impact of the critical success factors from preparation are the independent variables and it is investigated if they influence cultural fit, strategic fit, nature of a contract and commitment. Furthermore, it was checked if those critical success factors have an impact on the duration of the partner selection and negotiation phase. Ordinal regression was used, after being tested for validity on four assumptions as mentioned in section 3.3. Assumptions one and two have been met with the study design namely that the dependent variable must be measured on an ordinal scale and the independent variable on a continuous, ordinal or categorical scale. Assumption three (multicollinearity) was checked with testing the VIF of the independent variables in SPSS. All independent variables were checked for multicollinearity. The tests for multicollinearity showed a VIF below 5 for all independent variables, which means that no multicollinearity was found. Furthermore, the assumption of proportional odds was checked with the test of parallel lines. The p-value for this test should be above 0,05. The results of this test showed that the models with the duration of the partner selection phase, strategic fit and the nature of a contract as the dependent variable violated the proportional odds assumption. This means that the results of these tests have to be used with

caution (Chen & John, 2004). In the following passages, the results of the ordinal regression analysis are presented. A summary of these results is presented in table 11.

The first thing that was analysed was the impact of the combination of all the critical success factors on the duration of the partner selection and negotiation phase. The duration was included as an indicator for the convenience of the partner selection and negotiation phase. The model with the duration of the partner selection as the dependent variable has no significant model fit on a 0,05 level ( $p = 0,13$ ) and the only critical success factor that has a significantly positive impact on the duration of the partner selection phase is the development of a strategic vision for the joint venture ( $p = 0,03$ ). The model with the duration of the negotiation phase has a good fit ( $p = 0,01$ ) but no factor has a significant impact on the duration. This can be reasoned by the low number of responses combined with the high number of independent variables.

The first performance determinant of joint venture performance that was analysed is cultural fit (model fit:  $p = 0,00$ ). The critical success factors that have a significant positive influence on the cultural fit is the analysis of the own corporate culture ( $p = 0,01$ ), the analysis of the risk of losing proprietary knowledge ( $p = 0,03$ ), the analysis of risk for the reputation of the parent company ( $p = 0,02$ ), and the analysis if the joint venture is internally supported ( $p = 0,01$ ). The critical success factors explain 86% of the variance of the dependent variable (see table 11).

The model with strategic fit as the dependent variable (model fit:  $p = 0,00$ ) showed significance for the following critical success factors: determination of a strategic vision for the joint venture ( $p = 0,03$ ), defining a partner's goals or requirements that would make a joint venture impossible ( $p = 0,00$ ) and determining if the joint venture is internally supported ( $p = 0,01$ ). All of the critical success factors have a positive influence on the strategic fit except for the determination of goals and requirements a partner might have that would make a joint venture impossible. This critical success factor has a significantly negative impact on strategic fit. The critical success factors explain 78% of the variance of the dependent variable. However, the test of parallel lines showed that the proportional odds assumption was violated, implicating that results have to be used with caution (see table 11).

The model with the nature of a contract as the dependent variable led to a fit ( $p = 0,01$ ) but none of the critical success factors had a significant impact. Furthermore, the proportional odds assumption was violated by this model. The critical success factors explain 77% of the variance of the dependent variable (see table 10). The existing model fit, and the level of variance explained by the independent variables can be reasoned by the high number of independent variables that were used in this study. If the number of independent variables increases the model fit gets more and more significant and the  $R^2$  increases as well.

The last model that included the critical success factors had commitment as the dependent variable (model fit:  $p = 0,00$ ). The critical success factors with a significant positive impact on the commitment of partners is the determination of the acceptable level of dependency on a partner for reaching the own goals ( $p = 0,00$ ), defining a partner's goals or requirements that would make a joint venture impossible ( $p = 0,00$ ), the analysis of financial risks ( $p = 0,00$ ) and the analysis of country-related risks ( $p = 0,00$ ). A significant negative impact on the commitment of companies was recorded for the definition of strategic goals for the joint venture. The critical success factors explain 82% of the variance of the dependent variable (see table 11).

*Table 11: Summary of ordinal regression results*



Dependent variable	Independent variable with significant impact	Model fit	R <sup>2</sup>	Proportional odds assumption
Duration of partner selection phase	<ul style="list-style-type: none"> <li>+ Development of strategic vision (p=0,03)</li> </ul>	p=0,13	0,521	Met
Cultural fit	<ul style="list-style-type: none"> <li>+ Analysis of own corporate culture (p=0,01)</li> <li>+ Analysis of risk of losing proprietary knowledge (p=0,03)</li> <li>+ Analysis of risk for reputation of parent company (p=0,02)</li> <li>+ Determination of internal support for joint venture (p=0,01)</li> </ul>	p=0,00	0,859	Met
Strategic fit	<ul style="list-style-type: none"> <li>+ Create a strategic vision for the joint venture (p=0,03)</li> <li>- Definition of goals or requirements a partner might have that would make a JV impossible (p=0,00)</li> <li>+ Analysis of risk for reputation of parent company (p=0,05)</li> <li>+ Determination of internal support for joint venture (p=0,01)</li> </ul>	p=0,00	0,781	Violated
Duration of negotiation phase	/	p=0,01	0,737	Met
Nature of a contract	/	p=0,01	0,767	Violated
Commitment	<ul style="list-style-type: none"> <li>- Determine strategic goals for the joint venture (p=0,00)</li> <li>+ Determine the acceptable level of dependency on a partner for reaching own goals (p=0,00)</li> <li>+ Definition of goals or requirements a partner might have that would make a JV impossible (p=0,00)</li> <li>+ Analysis of financial risks (p=0,00)</li> <li>+ Analysis of country-related risks (p=0,00)</li> </ul>	p=0,00	0,815	Met

**SRQ 3:** What does a comparison between theory and practice signal, regarding the preparation of partner selection and negotiations for joint ventures?

On the one hand it can be said that most of the preparation practices have a significant influence on at least one of the joint venture performance determinants. On the other hand, the determination of resource contribution, the determination of readiness to invest in specific assets for the joint venture, the estimation of a duration and the preparation of exit strategies are activities that have no significant impact on the chosen performance determinants. For none



of the performance determinants, a significant impact of these critical success factors was recorded. This stands in contrast to the theoretical findings from chapter 2 but is supported by the empirical insights from this subsection that these critical success factors are the least often conducted ones. The list of critical success factors for the preparation of the partner selection phase and negotiation phase in chapter two has shown that from extant literature these activities can be seen as critical success factors for the preparation.

#### 4.2.2 Performance as the dependent variable

This subsection provides the statistical results from the analysis with performance as the dependent variables and the performance determinants from partner selection and negotiation phase as the independent variables. The duration of the partner selection and negotiation phase was not included in this analysis since the duration has not been reported to have an impact on the performance of joint venture in literature. All in all, 59% of responding companies reported that they are satisfied, 23% were neither satisfied nor unsatisfied and 18% were unsatisfied. None of the responding companies were very satisfied or very unsatisfied (see table 12).

*Table 12: How satisfied is the company with the overall performance of the joint venture?*

		Frequency	Percent	Cumulative Percent
Valid	Satisfied	20	58,8	58,8
	Neutral	8	23,5	82,4
	Unsatisfied	6	17,6	100,0
	Total	34	100,0	

The results from the statistical analysis in SPSS do not support the assumptions that the performance determinants have a positive impact on the performance of joint ventures. None of the performance determinants had a significant impact on the performance of joint ventures. Even if the model fitting was significant on a 0,05 level ( $p=0,00$ ) and the independent variables explained 95% of the performance variability, the performance determinants had no significant impact on the performance of joint ventures. The reason therefore can be found in the operationalisation of performance with only one question and respondents bias to evaluate the performance of their joint venture more positive. If the question about performance would have been operationalized with several question, not directly relatable to the performance of the joint venture the results could have been more meaningful. But due to the high number of questions about the preparation activities, the questions about the performance had to be truncated.

#### 4.3 Open question findings

In this section, the answers of respondents to the open questions in the survey are regarded. This is done by checking the answers of respondents for similarities and patterns. If all respondents give a similar answer to an open question, this indicates that the answer is important (O'Cathain & Thomas, 2004). Since not all responding companies answered the open questions, it was difficult to obtain reliable results from those questions. Below the open questions are listed:

Q15: Did the Asian country as a host nation for the joint venture impose any specific challenges on the preparation of the partner selection and negotiations?

Q16: What do you think is the most important factor for a good partner selection and why?

Q20: What do you think is the most important factor for successful joint venture negotiations?

The answers to Q15 dealt with the lack of experience companies have in Asian countries. One of the respondents mentioned: “We didn’t have any experience in Asia but had to do everything with learning by doing.” Even if this respondent’s company had no experience with Asian partners before he reported that the combination of the cultures and strategies was very beneficial for the joint venture. This can be explained with a lucky strike of selecting the perfect partner or the thorough preparation of the partner selection phase. The comments of another company went into the same direction, mentioning the foreign culture and the approach to offer cultural seminars to senior employees in order to enhance the intercultural relations.

The answers to Q16 brought up many different aspects. One of the respondents underlined the importance of searching for a partner with previous joint venture experience: “The partner company should have previous joint venture experience, or at least employees that had worked on the formation of joint ventures in the past.” Other respondents focussed on other characteristics of the partner companies. These characteristics included a partner’s corporate ethics, the approach towards product quality and their willingness to cooperate. These answers dealt with attributes of the partner. Other answers put the focal point on commonalities they have to be achieved in order to create a successful joint venture. In contrast to the previously mentioned answers, these answers brought up topics like a common understanding about the future of the industry and comparable interests. One respondent answered: “Same interests, a common industrial understanding and a trustworthy relationship are most important for the partner selection.”

Q20 shed light on two main points for the preparation phase. The first main point dealt with the attitude of companies in the negotiations and the second main point with the outcome of the negotiations – the contract. The attitude that respondents identified as beneficial to joint venture negotiations is a give and take attitude that accepts cultural differences in negotiations: “Both companies have to make compromises and not focus exclusively on their own interests.” The culture was also mentioned as important to bear in mind before negotiations. One respondent stated that accepting different, culture founded, approaches in negotiations is a key success factor for the negotiations. The second main point mentioned above dealt with a rigid division of responsibilities and duties, arranged in the joint venture contract: “Detailed definition and coordination of objectives is important for the negotiation phase.” The respondent of this answer also didn’t have to renegotiate the contract and reported that he was satisfied with the joint venture so far, meaning that this focal point in negotiations leads to good results.

## 5 CONCLUSION AND DISCUSSION

This chapter provides the conclusion on the sub research questions (section 5.1) and the main research question in sections 5.2. To guarantee a well-arranged structure this section is split up in subsection. Each subsection (5.2.1-5.2.4) presents the conclusions on the relation between the critical success factors from preparation and the performance determinants for joint ventures. Therefore, the results from the statistical analysis from chapter 4 are used and conclusions are drawn. This is followed by a discussion about the reliability and validity of this research (section 5.3). Afterwards, the limitations of this research are discussed and the possibilities for future research are outlined (section 5.4).

### 5.1 Conclusion sub research-question

In this subsection the conclusions for sub research question two and three are presented.

**SRQ 2:** What are current preparation practices for the partner selection and negotiation phase in existing European-Asian joint ventures with regard to the identified critical success factors?

**SRQ 3:** What does a comparison between theory and practice signal, regarding the preparation of partner selection and negotiations for joint ventures?

The main conclusion for the second research question is that all companies determine the possible resource contribution to the joint venture in the preparation of the partner selection phase. Furthermore, most companies determine strategic goals for the joint venture and the importance of it for the parent company. Furthermore, it can be concluded that the critical success factors for the preparation of the partner selection phase are more regarded than those of the negotiation phase. Except for the risk analysis (external and internal risks) and the analysis of internal support for the joint venture all critical success factors from the preparation of the negotiation phase are conducted by less than 50% of the companies. For the critical success factors of the preparation of the partner selection phase none of the activities is conducted by less than 50% of the companies.

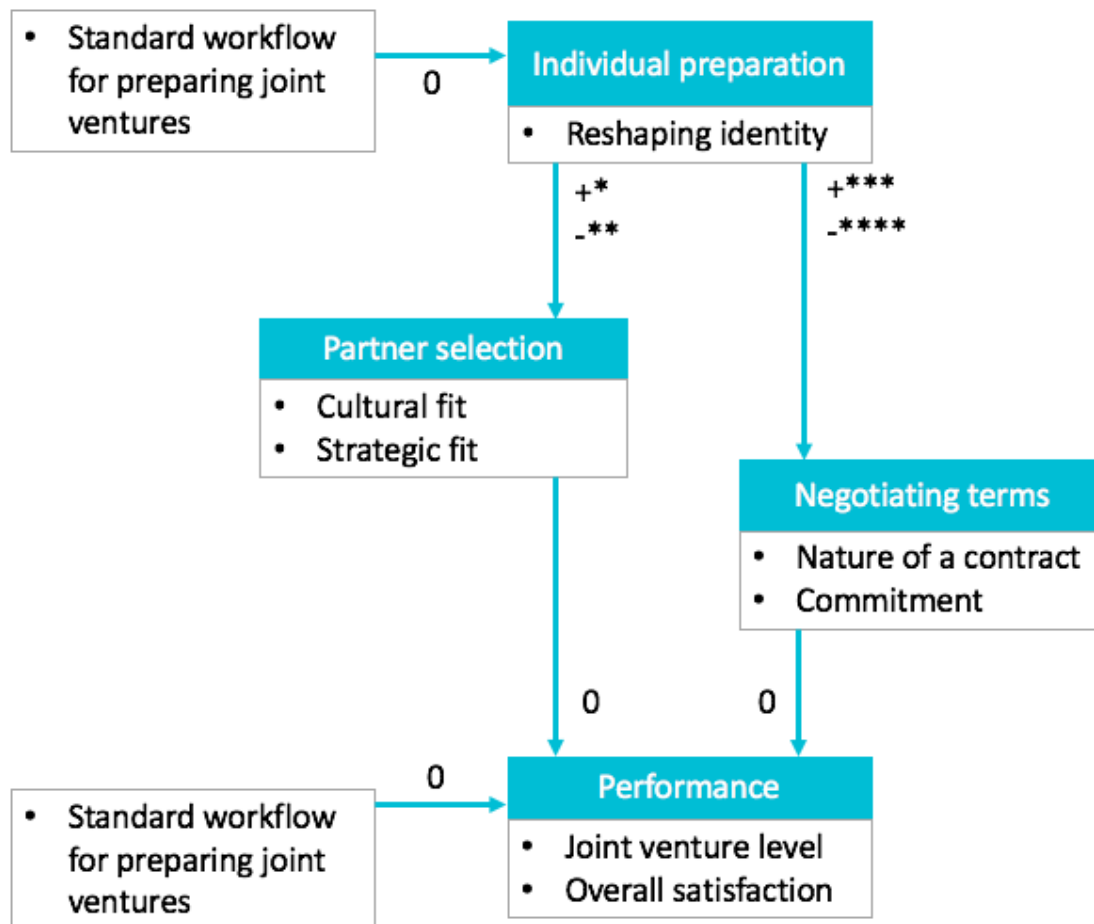
The main conclusion for the third research question is that dealing with the end of the joint venture and determining a duration or creating exit scenarios is not a common practice in companies when they prepare the joint venture. The determination of a fixed duration seems to be incompatible with more than ever fast changing environmental challenges and consumer requirements. A more flexible approach seems to be preferable. The preparation of exit strategies might not be a common practice since dealing with the end of something at the beginning of it might be displeasing activity and hence not very popular. All in all, the comparison between literature insights and statistical results show that there are some differences. But nevertheless, all activities from literature have been conducted by some forms. This shows that the literature insights already served as some kind of guideline for the preparation of joint venture even if not all activities have proved to be impactful for the performance of the joint ventures. The conclusion for this relation is provided in the next section.

### 5.2 Conclusions main research question

In this section, the conclusions of the main research question are presented.

**RQ:** How does the preparation of the partner selection, and negotiation phase influence the performance of international joint ventures?

Figure six repeats the research framework and depicts the relations that were found in this research. The number of asterisks behind the plus and the minus sign leads to the explanation below the figure. The critical success factors from the preparation of the partner selection and negotiation phase are assigned to the signs with regard to the results from the analysis in chapter four. The zeros in the figure represent the fact that no significant relation between these concepts was found in this research.



**Figure 6:** Research framework and conclusions

\* a) Analysis of own corporate culture, b) Analysis of risk of losing proprietary knowledge, c) Analysis of risk for reputation of parent company, d) Determination of internal support for joint venture, e) Create a strategic vision for the joint venture, f) Analysis of risk for reputation of parent company, g) Determination of internal support for joint venture

\*\* a) a) Definition of goals or requirements a partner might have that would make a JV impossible

\*\*\* a) Determine the acceptable level of dependency on a partner for reaching own goals, b) Definition of goals or requirements a partner might have that would make a JV impossible, c) Analysis of financial risks, d) Analysis of country-related risks

\*\*\*\* a) Determine strategic goals for the joint venture

### **5.2.1 Cultural fit conclusions**

The first conclusion can be made regarding cultural fit. In order to achieve a good cultural fit, it is important to analyse the own corporate culture before searching for a partner. For the preparation of negotiations, it is advisable to analyse the risk of losing proprietary knowledge to the partner and the risk of harming the parent company's reputation with the joint venture. Furthermore, the internal support has to be ensured ahead of negotiations. The analysis of the own corporate culture helps to increase the awareness of a company's identity and helps to eliminate prospects with inapt corporate culture. This supports the theoretical findings that cultural fit can only be achieved if a company is aware of its own corporate culture. The analysis of the risk of losing proprietary knowledge to a partner and the risk of harming the parent company's reputation with the joint venture might also contribute a better understanding of one's readiness to assume risk. The attitude of a company towards risk can be an integral part of its culture and different approaches towards risks can lead to a lack of cultural fit. Making sure that the joint venture is internally supported also helps to increase the cultural fit between partners. Since the employees of a company are responsible for putting the corporate culture in practice, they know best if a partner might fit their corporate culture. If employees do not support the plan of forming a joint venture with a certain partner, this joint venture is likely to be a failure.

### **5.2.2 Strategic fit conclusions**

As a second conclusion can be made regarding strategic fit. It can be stated that companies should create a strategic vision in the preparation of the partner selection phase to create strategic fit. This vision helps to find a partner that has the same idea for the future activities and orientation of the joint venture. This is also supported by the answers to the open questions, which mostly picked a common understanding and idea for the future of the joint venture as the central theme. Furthermore, the internal support should be ensured and risks for harming the reputation of the parent company should be analysed in the preparation of the negotiation phase. The relation between internal support and cultural fit or strategic fit shows that it is important for joint ventures to have employees that are in favour of the joint venture. This validates the phrase that it is better not to form a joint venture than to form it without internal support (Glaister et al., 2003). A critical success factor with negative impact on strategic fit is the determination of goals and requirements a partner might have that cannot be supported. This finding is somewhat surprising because it was assumed that this critical success factor helps to eliminate prospects with an idea that does not comply to a company's idea about business practices and the future of the joint venture. However, the reason for this negative influence might be found in the higher distrust between partner if those goals and requirements have been defined before.

### **5.2.3 Commitment conclusions**

The third conclusion on the main research question deals with the commitment of partners to the joint venture. The critical success factors that influence the commitment of a company to the joint venture positively are the determination of the acceptable dependency on a partner for reaching own goals, the definition of goals or requirements a partner might have that cannot be supported, the analysis of financial risk related to forming the joint venture and the analysis of risks related to the host country of the joint venture. If a company has determined the level of acceptable dependency on a partner for reaching own goals in the preparation of the partner

selection phase, it helps to cross out prospects where this level would be exceeded. Consequently, companies can be sure that they achieve their preferred level of dependency and commit themselves more to the joint venture. This can, for instance, be the case for joint ventures between very small and large partners. Companies also commit themselves more to a joint venture if they analysed financial and country level risks in the preparation of the negotiation phase. If this analysis leads to the result that the joint venture is exposed to high financial risks and uncertainty in the host country the commitment is likely to be lower. Furthermore, the commitment of a company to a joint venture is higher if it can be sure that the partner does not have goals or requirements that cannot be supported. This shows that companies are cautious with their commitment to joint ventures if they are not sure what their partners want. This can also be related to the particular setting of this research. Asian joint venture partners might have a different approach towards labour conditions than the European parent companies of a joint venture. This applies especially to the industrial sector and factories, where labour conditions in Asian countries are subject to criticism (Reuters, 2018). A critical success factor with a negative influence on the commitment of partners to the joint venture is the definition of strategic goals. This negative influence is also surprising since it was assumed that the definition of strategic goals helps to find a partner with similar goals, leading to more commitment. The negative influence can be explained by the focus of companies on these predefined goals, leading to a less pronounced give and take attitude.

#### **5.2.4 Conclusion summary**

If the relation between the performance determinants from partner selection and negotiation phase and performance of joint ventures is still assumed to be positive, regardless of the contradicting results in this study, it can be stated that some of the critical success factors are more important for the performance of joint ventures than others. The finding that no company developed a standard workflow for preparing the partner selection and negotiation phase for joint ventures even if they had positive experiences with previous joint ventures reveals the potential to standardize this process. A best practice approach, making use of a company's experiences could help to increase the performance of joint ventures. Especially for companies forming their first joint venture it could be a valuable support to have a standard workflow for preparing the partner selection and negotiation phase. This standard workflow for the preparation of the partner selection phase should consist of the analysis of the own corporate culture, the determination of internal support and the analysis of internal risks. For the preparation of the negotiation phase, the standard workflow should contain the determination of the acceptable level of dependency on the partner for reaching own goals, the definition of goals and requirements a partner might have that cannot be supported and the analysis of internal risks and and external risks. On the other hand, preparing exit strategies and estimating the duration of the joint ventures are not important for the performance of joint ventures. This shows that dealing with the end of the joint venture before it has even started is not the best strategy to enhance a joint venture's performance.

Overall, especially cultural fit and commitment of partners to the joint venture as performance determinants from the partner selection and negotiation phase can be prepared. Both models have a good fit, meet the proportional odds assumption and have some critical success factors with a significant impact on them. The models with strategic fit and nature of a contract as the dependent variable suffer from some constraints, such as the violation of the proportional odds assumption and no significant relation between independent and dependent variables.

### 5.3 Reliability and validity

This section provides information about the reliability and validity of this research. This research is based on an empirical study, which aims at establishing a connection between the performance of joint ventures and the preparation of the partner selection and negotiation phase. On the one hand, the performance of joint ventures is a mature field of study since it has been regarded with much scholarly attention. On the other hand, preparation of joint ventures is a field of study which is not examined well. For this kind of connection, it has been proposed by existing literature to make use of quantitative data to test the assumed relationships. However, it has also been proposed to supplement the quantitative data from the survey with qualitative data. Due to time limitations, this was not possible for this research resulting in lower reliability and validity for this research (Edmondson & McManus, 2007).

Reliability refers to the extent to which the results of a study are replicable, stable and consistent (Ratray & Jones, 2007). This means that the research should obtain the same results if it would be conducted at another time. Therefore, the methodology of this research is stated explicitly in the sections 3.1 to 3.3. However, it cannot be ensured that the results would be the same at another time since it might be the case that respondents leave the company and others would have to answer the survey. Furthermore, it has already been mentioned that using subjective performance measures entails the difficulty of being biased. However, this risk is accepted since the advantages of subjective measures outweigh this disadvantage. The advantage of subjective measures in this research is their availability since objective measures for cultural and strategic fit, for instance, are difficult to create and would exceed the scope of this research.

Validity can be divided into internal and external validity (Ratray & Jones, 2007). Internal validity refers to the causal relationship between the dependent and independent variables. Internal validity was tried to be ensured by using performance measures and performance determinants from extant literature (Ren et al., 2009; Reus & Ritchie, 2004; Bauer & Matzler, 2013; Arino, 2003). However, the questions to capture the critical success factors in individual preparation have not been used by extant literature but were developed by the researcher. Thus, they have not been tested before. The pre-test with two managers from German companies was conducted to increase the validity of those questions. The questions to capture the level of the performance determinants were derived from extant literature. However, to keep the survey in a manageable scope, only one question was used to capture the performance determinants. This results in a low validity. Another issue for the validity of the results is that the proportional odds assumption has been violated for three of the ordinal regression models. Especially the violation of this assumption for the model with strategic fit as the dependent variable is a problem for the results of this research. However, in a paper about ordinal regression, it is stated that the violation of the proportional odds assumption is not unusual. The reasons therefore can be found in the large number of independent variables (Brant, 1990).

External validity refers to the possibility to generalize the results to other settings. Since the sample of this research was not selected randomly, it was kept broad deliberately in terms of company size and industry of joint venture partners. It is assumed that the results can be generalized to joint ventures between Western-European and Asian companies since the prevalent business practices do not vary greatly between Western-European companies. The generalizability to joint ventures between partners from other countries cannot be granted since business practices and culture might deviate too much from the setting chosen for this research.

## **5.4 Limitations and future research**

This section describes the limitations of this research and outlines future possibilities to contribute to knowledge about the preparation of joint ventures. The limitations are rooted in the limited resources that were available for this research. The most notable limitations are the limited sample size and the exclusively quantitative approach. However, the limitations of this research make way for future research to elucidate the field of joint venture preparation further.

To counter the problem of the sample size, other databases could be used. The access to highly specific joint venture databases could have increased the sample size but was not possible, due to the lack of access rights. To increase the validity of the results, it is proposed to research the preparation of joint ventures with a larger sample, without changing the criteria for being included in the sample. Furthermore, the quantitative approach in this research could have been complemented by some qualitative elements to gain more profound insights into preparation practices of companies. For future research qualitative interviews with managers of companies with a joint venture could help to understand their point of view and understand their motives to prepare the joint ventures in a certain way. It could be a reasonable approach to conduct interviews and base the quantitative study on insights from those interviews.

Another issue that was encountered was the development of instruments for the survey. Since the preparation of joint ventures is a field of study which is not well explored, there are no standard instruments to capture the critical success factors from preparing the partner selection phase and negotiation phase. Additionally, more questions to measure the level of the performance determinants should be used, since the results from this study contradict the results of other studies. The positive influence of cultural fit has been proved by a high number of papers but cannot be supported by this study.

The results of this study regarding the performance of joint ventures also lead to the question if joint ventures still have a performance problem. 59% of responding companies stated that they are satisfied with their joint venture. Future research should elucidate the performance aspect of joint ventures and answer the question if the lack of performance is still an issue for joint ventures. These studies should make use of a more comprehensive performance approach. Due to the focus on preparation activities in this research, performance was operationalized only with one question.



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## APPENDIX

### Appendix A: Cover letter and survey for data collection

Dear participant,

My name is Stefan Leuchten and I am a Master student in Management at Wageningen University. For my final research project, I am investigating the impact of an individual preparation of companies for the partner selection and the negotiations in European-Asian joint ventures. The central question is if (re-)shaping the identity of a company prior to the formation of a joint venture helps to achieve better results. Since you are working for a European company that has set up a joint venture with a partner from Asia in the last ten years, I am inviting you to participate in this research by completing the attached survey.

The following survey will require only approximately 15 minutes to complete. In order to ensure that all information will remain confidential, please do not include your name. Copies of the report will be provided only to my University supervisors and to the chair group of the University. If you choose to participate in this project, please answer all questions as honestly as possible and return the completed questionnaires at your earliest convenience. Participation is voluntary, and you may refuse to participate at any time.

If you decide to participate, I would like to thank you in advance for taking the time to assist me in my educational endeavours. The collected data will provide useful information regarding the preparation of joint ventures. If you would like to get a summary of this study, please let me know.

When you need additional information or have questions or remarks, please do not hesitate to mail me at [stefan.leuchten@wur.nl](mailto:stefan.leuchten@wur.nl) or call +4915208943814.

Sincerely,

Stefan Leuchten

Survey for the joint venture with \_\_\_\_\_ in \_\_\_\_\_

Name of your company		
Name of the joint venture		
Your position in the company		
Is the joint venture still running?	Yes	No, discontinued in:
Do you want to get a summary of the results of this study	Yes	No

Please check the boxes to answer the following questions (only one answer per question). Please use the provided space to textually answer questions 15, 16 and 20.

### **Preparation of joint venture**

The following questions aim at finding insights about the preparation of your joint venture. This means the questions refer to the time before your company engaged in partner selection (Questions 1-8) and negotiations (Questions 9-14).

#### **Before selecting the partner:**

- 1. Did your company define its strategic goals for the joint venture?**  
Yes  
No
  
- 2. Did your company create a strategic vision for the joint venture?**  
Yes  
No
  
- 3. Did your company analyse its corporate culture?**  
Yes  
No
  
- 4. Did your company analyse its resource endowment (tangible & intangible)?**  
Yes  
No
  
- 5. Did your company determine the possible resource contribution to the joint venture?**  
Yes  
No
  
- 6. Did your company determine the acceptable dependency on an Asian partner for reaching its goals with the joint venture?**  
Yes  
No

- 7. Did your company determine the importance of the joint venture for reaching its own goals?**

Yes

No

- 8. Did your company define goals or requirements an Asian partner might bring in that cannot be supported and would make the joint venture impossible (e.g. from an ethical perspective)?**

Yes

No

**Before entering negotiations, after a partner has been selected:**

- 9. Did your company identify the acceptable level of internal uncertainty that is linked to creating the joint venture with the selected partner with regard to...? (Internal uncertainty refers to harmful activities by a partner)**

- 9a) financial risks?**

Yes

No

- 9b) ...risk of losing proprietary knowledge?**

Yes

No

- 9c) ...reputation risk to your company due to the joint venture?**

Yes

No

- 10. Did your company identify the acceptable level of external uncertainty that is linked to creating a joint venture with regard to...?**

- 10a) ...country-related risks (e.g. legal risks in the Asian host country)?**

Yes

No

- 10b) ...industry related risks (e.g. risk of new competitor in the joint venture's industry)?**

Yes

No

**11. Did your company determine the readiness to invest in specific resources for a joint venture with the selected partner (specific resources = dedicated resources that would lose their value in other uses)?**

Yes

No

**12. Did your company determine an estimated duration for the joint venture with the selected partner?**

Yes

No

**13. Did your company create exit strategies for the joint venture?**

Yes

No

**14. Did your company ensure that a joint venture with the selected partner is internally supported (i.e. by employees)?**

Yes

No

**15. Did the Asian country as a host nation for a joint venture impose any specific challenges on the preparation of the partner selection and negotiations?**

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### **Partner selection phase**

**16. What do you think is the most important factor for a good partner selection for joint ventures and why?**

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Extraordinary short		Normal		Extraordinary long
1	2	3	4	5

Strongly agree                      Neutral                      Strongly disagree

1                      2                      3                      4                      5

1
2
3
4
5

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Extraordinary short                      Normal                      Extraordinary long

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1	2	3	4	5
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**22. To which degree did you have to renegotiate the contract until now?**

Not at all		Moderately		To a great extent
1	2	3	4	5

**23. To what extent did your company meet its obligations for the joint venture?**

Exceeded obligations		Met obligations		Didn't meet obligations
1	2	3	4	5

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**Performance of the joint venture**

**24. How satisfied is your company (i.e. executive board) at present with the overall performance of the joint venture?**

Very satisfied		Neutral		Very unsatisfied
1	2	3	4	5

**25. Did your company have previous joint venture experience before entering the joint venture under investigation?**

Yes, positive experience(s)	Yes, mixed experience(s)
Yes, negative experience(s)	No experience(s)

**26. If your answer to the previous question was "Yes" does your company now have a standard workflow for the preparation of joint ventures based on previous experiences?**

Yes  
No

Thank you very much for your valuable input. It is highly appreciated.