

CONTROL, COLLABORATION, AND PRODUCTIVITY IN INTERNATIONAL JOINT VENTURES: THEORY AND EVIDENCE

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This study analyzes the following unresolved questions: In international joint ventures (IJVs) in a developing country, how could different IJV structures address control and collaboration considerations, and what is the likely effect of such different structures on IJV productivity? Theoretically, we suggest that the ambiguity surrounding these questions reflects the tendency of researchers to view control and collaboration as opposing objectives, studying one or the other; in contrast, we provide a more integrative perspective that blends the two objectives, focusing on common underlying issues relating to enhancing partner commitment, ensuring partner knowledge contributions, and reducing partner risks. We address the most salient design consideration for IJV partners, that is, IJV ownership structure, to posit that joint consideration of the control benefit of a higher foreign ownership level in IJVs and the collaboration benefit of a more balanced IJV ownership structure results in an expected inverted U-curve relationship between foreign ownership and IJV productivity. Additionally, we posit and test how three environmental contingencies, by affecting the need for control and collaboration in IJVs, would further influence the specific shape of the inverted U-curve relationship. We find strong support for our theory using an extensive longitudinal dataset of over 5,000 IJVs in China from 1999–2003. We discuss the value of our approach and findings both for researchers and for IJV partners seeking the dual benefits of control and collaboration. Copyright © 2009 John Wiley & Sons, Ltd.

INTRODUCTION

There is little dispute that the globalization of business over the last several decades has had as one of its consequences the proliferation of international joint ventures (IJVs) between foreign multinational enterprises (MNEs) and local companies in developing nations (Lane, Salk, and Lyles, 2001; Luo, 2007a). There is less agreement, however, regarding the factors that are likely to ensure the success

of such IJVs. Some have suggested that IJV productivity¹ derives from the MNEs' contribution of valuable firm-specific advantages to the local IJVs, such as sophisticated technology, manufacturing skills, and managerial expertise (Luo, 2002; Yan and Gray, 1994), but concerns are raised about the potential loss of transferred knowledge from MNEs to local partners (Luo, 2005, 2007a; Mjoen and Tallman, 1997). Others have instead suggested that the most significant issue in IJV success is the ability of MNEs and their local partners to ensure the two-sided partner commitment needed for the

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¹ Productivity is typically expressed as the relationship between IJV output and IJV resource usage.