



The impact of structural and attitudinal antecedents on the instability of international joint ventures: The mediating role of asymmetrical changes in commitment



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ABSTRACT

Prior literature on international joint ventures (IJVs) has primarily focused on different stages of the IJV process such as the initiation or reconfiguration stage. However, extant research has largely neglected how changes from one stage to another impact on the stability of IJVs. To advance existing knowledge in the field, the present study links the IJV initiation stage (t_0) with the IJV reconfiguration stage (t_1) and examines how changes from earlier to later stages feed forward into IJV instability. To this end, we develop a model in which asymmetrical changes in structural antecedents (i.e., partners' interdependence and learning) and one attitudinal antecedent (i.e., trust) feed forward into IJV instability mediated by asymmetrical changes in the partners' commitment. The core underlying theoretical knowledge is that asymmetrical changes violate the norm of reciprocity enhancing the instability of IJVs. Testing our hypotheses on a dataset of 97 IJVs validates our mediation model concluding that asymmetrical shifts in partners' commitments over the course of collaboration are the central detrimental factor to IJV stability.

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1. Introduction

For more than 30 years, researchers have investigated the special characteristics of international joint ventures (IJVs) (for comprehensive overviews see e.g., Isidor, Steinmetz, Schwens, & Kabst, 2014; Reus & Ritchie, 2004). An IJV is a separate legal organizational entity representing the partial holdings of two or more parent firms, in which the headquarters of at least one of the parent firms must be located outside the joint venture's country of operation (Shenkar & Zeira, 1987). Firms develop IJVs for various reasons including new market entry, enhanced access to resources, risk sharing and the realization of economies of scale (Contractor & Lorange, 1988).

Despite the importance of IJVs for firms, IJVs are often regarded as an intrinsically instable organizational form due to their transitory nature and the plurality of the parent companies' goals (Buckley & Glaister, 2002). IJV instability refers to a modification or structural reconfiguration that was unintended and premature from one or both partners' perspectives (Inkpen & Beamish, 1997). IJV instability may be expressed in the form of dissolution, acquisition, termination, or changes in the equity, management structures, or supervisory committees of the IJV (Jiang, Li, & Gao, 2008) and is associated with unexpected adaptation costs for the parent firms. Extant research has shown that interfirm collaborations are difficult to manage, with reported instability rates of up to 69% (Kaufmann, O'Neill, & York, 2006). Especially IJVs are highly volatile as their complexity rests not only on its cross-organizational but also on its cross-cultural interactions (Yan & Zeng, 1999).

The current literature on IJV instability has focused primarily on either the initiation stage (in the tradition of modal choices) or termination stage of the venture, while changes occurring between these stages have been minimally studied (Chung & Beamish, 2010; Doz, 1996; Makino, Chen, Isobe, & Beamish, 2007; Yan & Zeng, 1999). However, organizations are not static but they

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continuously evolve (Poole & Van de Ven, 1989). While both, conceptual and empirical work focusing on IJV dynamics, has started to grow (e.g., Das & Teng, 2000; Doz, 1996; Jiang et al., 2008; Nakamura, 2005; Reuer, Zollo, & Singh, 2002), current research is limited in its ability to explain the high instability rates of IJVs. Specifically, without considering changes from one critical event (e.g., the initiation of an IJV) to another (e.g., the reconfiguration of an IJV), it is impossible to achieve a comprehensive understanding of IJV instability (Culpan, 2009; Yan & Zeng, 1999).

In light of the above literature, the aim of the present study is to link the IJV initiation stage (t_0) with the IJV reconfiguration stage (t_1) in order to examine how changes from the earlier to the later stage feed forward into IJV instability. More specific, we examine how asymmetric changes (from t_0 to t_1) in terms of the partners' interdependence, learning and trust impact IJV instability mediated by asymmetric changes in partners' commitment (from t_0 to t_1). Our core underlying argumentation draws on the concept of reciprocity (Göbel, Vogel, & Weber, 2013). Reciprocity is a social norm dictating that an action performed by one party requires a compensating movement by the other (Houston & Gassenheimer, 1987). As the partners are never certain about how much in debt they are to each other, the strong feelings of moral obligation to repay are continually being generated and reinforced (Muthusamy & White, 2005). If, however, one partner does not engage in compensating movements while the other does (i.e., an asymmetrical change), the norm of reciprocity is violated. We argue that asymmetrical changes in interdependence, learning, and trust violate the concept of reciprocity leading to asymmetric changes in (attitudinal and behavioral) commitments of the two partners feeding forward into IJV instability. To this end, we consider asymmetrical changes in commitment as the central mediating construct through which IJV instability evolves.

By fulfilling our above mentioned overall research aim, the present paper seeks to offer the following core contributions to extant research: First, we contribute to the literature by forging a link between the initiation stage of an IJV and a later stage in which a modification or structural reconfiguration occurs. To this end, we advance existing knowledge on the nature of IJVs by considering the dynamics of IJV stability moving away from a static and outcome-orientated approach whose focus is on the final fates of an IJV (Jiang et al., 2008). By theoretically establishing and empirically testing how changes of initial cooperative agreements feed forward into future IJV instability, our paper enhances existing knowledge regarding how IJV development progresses. Such knowledge is imperative in order to offer new and insightful implications on how to initiate and manage organizational changes on an ongoing basis.

Second, we contribute to the literature by emphasizing the central role of commitment and asymmetrical changes in commitment respectively to determine IJV instability. We theoretically establish and empirically validate that asymmetrical changes in structural (i.e., interdependence and trust) and attitudinal (i.e., trust) antecedents affect IJV instability mediated through asymmetrical changes in commitment. In this regard, our research is consistent with a timely and ongoing discussion emphasizing the central role of commitment in IJVs (e.g., Isidor et al., 2014). Theoretically, we expand this research by developing detailed rationale how and why the extent to which (attitudinal and behavioral) commitment between partners converges or diverges from one data point to another is a determining factor for the instability of an IJV. Beyond the IJV literature, we envisage the theoretical contributions of our work to be valid and informative for related fields focusing on various other forms of cooperative relationships such as B2B cooperations (e.g., Gounaris, 2005), or

marketing (e.g., Geyskens, Steenkamp, Scheer, & Kumar, 1996) and distribution channels (e.g., Rodríguez & Wilson, 2002).

The remainder of the article is structured as follows: the next section provides the relevant background literature and develops the paper's underlying research model. We then derive our hypotheses, which are tested on a dataset of 97 IJVs. We finally present our results, discuss the findings in light of prior literature and address some limitations and implications.

2. Background literature and development of the research model

2.1. IJV instability

Over time, an IJV unfolds along different stages including the initiation, the mid-life of IJVs and finally the ultimate termination of the venture. A significant body of literature has focused on exploring the phenomenon of IJV instability (for a review, see Yan & Zeng, 1999). To this end, extant empirical studies have either examined the effects of initial IJV conditions or focused on factors at later stages.

When focusing on the initial conditions, researchers examined the equity structure of partners (Dhanaraj & Beamish, 2004; Hennart & Zeng, 2005) and the bargaining power (Nakamura, 2005). For example, Dhanaraj and Beamish (2004) found that investments involving small ownership levels (<20%) have very high instability rates and those with high ownership levels (>80%) have instability rates comparable to that of wholly owned subsidiaries. Other researchers investigate initial conditions by looking at partner characteristics such as rivalry (Park & Russo, 1996), organizational complementarity (Park & Ungson, 1997), and cultural differences (Hennart & Zeng, 2002; Meschi & Riccio, 2008). These studies found that IJVs between competitors and culturally distant partners are more unstable. Researchers that focused on external environmental factors (e.g., industry structures) in the initiation phase found that IJV instability is more likely to occur in relatively open economies than in countries that impose restrictions on direct investments (Blodgett, 1992; Yan & Gray, 1994).

When focusing on factors at later stages (e.g., the termination of the IJV), researchers investigated the antecedent role of inter-partner conflict (Gill & Butler, 2003; Steensma, Barden, Dhanaraj, Lyles, & Tihanyi, 2008), cooperation (Sim & Ali, 2000), learning (Yan, 1998), trust (Gill & Butler, 2003) and opportunism (Luo, 2007). These studies found that high inter-partner conflict, competitive learning, and opportunism have a significant impact on IJV instability. In contrast, cooperation and trust were found to enhance IJV stability.

While existing studies significantly contributed to our understanding of IJV instability, focusing on only the opening or the closing of IJVs, extant research has taken a rather static view of instability (Yan, 1998). To move the literature forward, the field requires "a shift from a static, ultimate outcome oriented approach to a dynamic, process oriented approach" (Yan & Zeng, 1999, p. 406) by linking different stages of the IJV process. To this end, as a first step towards a more dynamic perspective it is advisable to link the literature focusing on the initiation of the IJV with the literature focusing on later stages of the IJV (i.e., reconfiguration stage). Such a perspective contributes to an inter-linkage of different phases of the IJV process and enhances the existing knowledge how initial IJV partnership agreements develop over time and feed forward into future decisions such as the termination of the IJV.

2.2. The central role of commitment

The concept of commitment takes center stage in our research explaining interrelationships between different stages leading up

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