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Research paper

## Productivity and participation values for cooperative goals to limit free riding and promote performance in international joint ventures<sup>☆</sup>

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## ABSTRACT

This study holds that the development of cooperative goals instead of competitive goals among joint venture partners helps to limit free riding and promote performance in IJVs. The results collected from 75 pairs of Chinese and foreign joint venture partners suggest that productivity and participation values strengthen the partners' beliefs that their goals are cooperatively related, which in turn, reduces free riding and promotes performance, whereas competitive goals promote free riding and obstruct joint performance. The paper also suggests how cooperation and competition research can complement established theoretical frameworks on the conditions and dynamics that result in IJV productivity.

## 1. Introduction

Joint ventures are developed in order to combine the resources and coordinate the work of partner firms (Geringer & Hebert, 1991). Partner firms expect their joint work to accomplish business objectives that neither firm can accomplish as effectively alone (Zhan & Chen, 2013). However, achieving successful joint venture performance is very challenging as the firms involved usually have partially overlapping, sometimes conflicting goals. It is even more difficult for international joint ventures (IJVs) to achieve success as the partners' collaboration is further complicated by different cultural backgrounds and institutional environments (Hitt, Ahlstrom, Dacin, Levitas, & Svobodina, 2004; Young, Ahlstrom, Bruton, & Rubanik, 2011). The question of how to best manage this cooperative form of governance and understand partner preferences has received considerable attention in international business and management research (Ahlstrom, Levitas, Hitt, Dacin, & Zhu, 2014; Beamish & Lupton, 2016).

Research has used different theories to understand how to manage the collaboration and performance of IJVs. Social exchange theory proposes that cooperation between IJV partners is based on the expectation that beneficial behavior will be reciprocated because of desire to maintain future social exchanges (Blau, 1964; Rubin & Brown, 1975). Transaction cost theorists have emphasized partners' propensities to pursue tasks that primarily help themselves and even frustrate the

partnership (Huang, Hsiung, & Lu, 2015; Williamson, 2008). In addition, the resource based view suggests that complementarity amongst resources for IJV partners is a significant driver of alliance performance (Ainuddin, Beamish, Hulland, & Rouse, 2007; Barney, 1991; Chand & Katou, 2012). Resource dependence theory (Pfeffer & Salancik, 1978) argues that to the extent that firms rely on financial resources for success, they conform to the desires of actors who can provide them. Although equity ownership is the major driver of control over an IJV, so too are the intangible resources that a firm contributes to its formation (Child & Yan, 1999).

Previous studies on IJVs have also focused on control, especially the relationship between control and performance (Geringer & Hebert, 1989; Mjoen & Tallman, 1997; Osland & Cavusgil, 1996; Yan & Gray, 1994). However, research into the relationship between control and performance has been criticized for lacking both theoretical and empirical rigor (Mjoen & Tallman, 1997), as its results have been inconsistent (Geringer & Hebert, 1989; Yan & Gray, 1994). This study aims to develop an effective approach to control the performance of IJVs.

Research on JVs has tended to emphasize the outcome of collaboration (e.g., survival, performance) but does not adequately recognize the inseparability of the outcome from the process (Hebert & Geringer, 1993). Parkhe (1993) argued that such an orientation ignores critical issues pertaining to the relationship process that may have a great impact on JV performance. However, there is a

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dearth of research on how relationships between JV partners can be developed and how these relationships help with the control and performance of the JV. This study uses the theory of cooperation and competition to examine the relationship process as an approach to control JV performance.

Cross-cultural research indicates that partners with diverse values find developing quality social exchanges and relationships very challenging, as they often have different opinions and mistrust each other (Fisher & Hutschings, 2013; Vaara, Sarala, Stahl, & Bjorkman, 2012; Vivek, Richey, & Dalela, 2009; Zhan & Chen, 2013). However, partners that have common values will be able to develop cooperative goals (Wong, Tjosvold & Yu, 2005). With cooperative goals, alliance partners come to trust each other and work for continuous improvement (Wong, Su, & Tjosvold, 2012). By providing the motive to cooperate and the mutual orientation that determines which action is in the best interest of the partners, a regime of trust induces reciprocity and coordinates action (Blau, 1964; Ouchi, 1980). Productivity-oriented partners may tend to coordinate their efforts efficiently to complete their assigned tasks. Partners with participative values would be encouraged to become involved in solving problems and becoming committed to decisions. The productivity and participative values of the partners motivate them to develop cooperative goals (Bhatnagar & Tjosvold, 2012).

This study focuses on developing a relationship approach to control opportunistic behaviors and ensure IJV performance (cf. Grant, 2013). It asks *when and how do values unite partners to develop productive IJVs* (Ahlstrom, 2010, 2015; Doh, McGuire, & Ozaki, 2015). More specifically, it asks under what conditions and dynamics do the values of productivity and participation impact IJV performance? This study responds to the call for developing an effective approach to manage the performance of IJVs (Ahlstrom et al., 2014; Beamish & Lupton, 2016). This study uses leadership and team research as well as research on cooperation and competition to propose that high commitments to productivity and a high commitment to participation can help develop relationships between partners, and unite IJVs (Deutsch, 1973; Johnson & Johnson, 2005; Tjosvold et al., 2012). That is, productivity and participation values can strengthen cooperative goals, which results in effective joint venture performance.

This work contributes to the collaboration and international joint ventures literatures by theorizing how organizational values and cooperation and competition research can be integrated to suggest methods to develop trust, quality relationships, and mutually beneficial interactions that are thought to be foundations for united, productive IJVs. This study also contributes empirically by suggesting that IJV partners strengthen their relationship by developing shared productivity and participation values and cooperative goals so as to solve the problem of controlling the survival and performance of IJV. The theory of cooperation and competition helps in the understanding of the dynamics of developing cooperative goals between partners that help partner relationships and improve IJV performance.

## 2. Theory of cooperation and competition

Researchers have found the concepts of cooperation and competition useful for understanding IJVs (Lui & Ngo, 2004; Luo & Park, 2004). Deutsch's (1973) theory of cooperation and competition provides focused definitions of these concepts that can be used to understand the dynamics and outcomes of the values of productivity and participation. Studies (Deutsch, Coleman, & Marcus, 2014) suggest that this theory might provide useful ways to understand unity and disunity in IJVs and, in particular, ways to facilitate trust, embedded relationships, and knowledge transfer, which, IJV researchers have theorized, strengthen IJV performance (Dhanaraj et al., 2004; Kwon, 2008). The results of meta-analyses indicate that the extent to which people believe their goals are cooperative and competitive very much affects their trust, knowledge-sharing, and quality relationships (Johnson & Johnson, 1989; Johnson et al., 2012; Johnson, Maruyama, Johnson,

Nelson, & Skon, 1981; Murayama & Elliot, 2012; Stanne, Johnson, & Johnson, 1999).

Deutsch (1949, 1973) further proposed that goal interdependence very much affects how individuals, groups, and organizations interact with each other and that these interaction patterns then affect the outcomes of their collaboration. Goals may be structured so that they promote or obstruct each other's goals. Deutsch identified these alternatives as cooperation and competition. In cooperation, people believe that their goals are compatible; as one moves toward goal attainment, others move toward their goals. They understand that others' goal attainment helps them and that they can be successful together. People with cooperative goals want each other to perform effectively, as such effectiveness helps themselves as well as others succeed. Thus, they are motivated to promote each other's goals together and resolve issues for mutual benefit (Tjosvold, Wong, & Chen, 2014a, 2014b). While in competition, people believe that their goals are incompatible, as one's successful goal attainment makes another's goal attainment less likely. They understand that they are more likely to succeed when others act ineffectively and fail to achieve their own goals.

They are tempted to pursue their interests at the expense of others. They want to "win" and have the others "lose."

Studies have lent support to the theory that cooperative goals and competitive goals induce very different interactions between people. People with cooperative goals use their abilities to support each other, as they realize that helping their partner achieve its goals helps them to achieve their own objectives while avoiding potential agency issues (Young, Peng, Ahlstrom, & Bruton, 2003). Their ongoing, mutual assistance also strengthens their collaborative identification and the conviction that they will continue to assist each other in the future (Deutsch, 1973, 1980; Johnson & Johnson, 2005; Lee, Farh, & Chen, 2011). Recognizing that they are more likely to succeed as they assist each other lays a strong foundation for trusting expectations (Deutsch, 1973; Hempel, Zhang, & Tjosvold, 2009). They develop trust that each side will exchange assistance and share knowledge to support each other (Lewicki, McAllister, & Bies, 1998).

In contrast, competitive goals induce the suspicion that people are apt to make barriers and in other ways frustrate each other, because one partner's failure to reach its goals helps the other partner achieve its goals. Partners in competition can reasonably expect that they are tempted to frustrate each other's goal attainment, as that makes their own goal attainment more likely. The next section develops the argument that cooperative goals between IJV partners reduce free riding and strengthen IJV performance.

### 2.1. Free riding

IJV researchers have proposed that partners are tempted to engage in opportunism, whereby they pursue their own advantage as they pretend to promote common interests (Abásolo & Tsuchiya, 2014; Fauchart & Cowan, 2014; Williamson, 1975; Wong et al., 2005). Social loafing occurs when people, expecting others to make up for their lack of effort, exert less effort working in a group than working alone (Karau & Williams, 1993; Latané, Williams, & Harkins, 1979), something that is also called the diffusion of responsibility (Kenrick, Neuberg, & Cialdini, 2014). For example, individuals were found to exert less effort when shouting and clapping in a group than when shouting or clapping alone (Latané et al., 1979). Researchers have found that collaborators have to be motivated and competent to share knowledge productively and to understand the importance of their role in the venture (Haas & Hansen, 2007; Reinhold, Pedersen, & Foss, 2011).

This implies that free riding is not inevitable, but that its occurrence depends upon the conditions under which it occurs. An important condition in studies documenting free riding is that the relationships among such teammates tend to be short-term (Karau & Williams, 1993; Latané et al., 1979). Individuals are placed in a group when they arrive at the laboratory and do not discuss the task, distribute work, monitor

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