

## **INTERNATIONAL JOINT VENTURE (IJV) DIRECTORS' CONTRIBUTION TO BOARD EFFECTIVENESS: LEARNING FROM THE LITERATURE**

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### ***Abstract***

*This paper provides a comprehensive review of the literature on the governance of international joint ventures (IJVs). Through focusing on IJV boards and top teams, examination of the current debate regarding the IJV director's contribution to board performance and effectiveness is undertaken and, in so doing, directions for future research are identified. The literature review reveals that little consideration has been paid by researchers to the work of the IJV board and the role and contribution of IJV board directors to board effectiveness. Further, it is concluded that current understanding of IJV board functioning and the ways in which directors of IJV boards contribute to board effectiveness remains incomplete. Apart from highlighting the need for further study into the role and contribution of IJV board directors to board effectiveness, the paper suggests ways in which IJV director contribution and performance could be explored further.*

***Article type:*** Literature review

***Key words:*** International joint venture (IJV), board director, role, contribution, board effectiveness

## INTRODUCTION

The nature of effective board functioning and the role of board directors have been considered as being among the most important areas of management research (Forbes and Milliken, 1999). Such concerns have been examined in the corporate governance literature highlighting the importance of board effectiveness in terms of the success of a company and the role that each board director plays in contributing to effective board and organisational performance (Renton, 1999). Developing a shared vision for the future of the company, enhancing quality relationships and establishing clear and open communication between board members are considered as particularly important indicators of a high performing board (Coulson-Thomas, 1991; Willcocks, 1994; Renton, 1999; Westphal, 1999; Carpenter and Westphal, 2001). Concern over board performance and effectiveness is reinforced in the context of international joint ventures (IJVs). IJVs are viewed as hybrid configurations and due to the particular challenges in managing such entities, it has been argued that board directors play a crucial role in IJV development (Child, 1998). IJV partners' representation on the joint venture entity board of directors is not only reflective of the equity ownership of the organisation (Killing, 1983; Schaan, 1988; Kumar and Seth, 1998; Sharma, 1998; Carver, 2000), but also acts as a mechanism for representing partners interests and ensuring positive relationships on the board (Satow and Wang, 1994; Doz and Hamel, 1998; Garrow *et al*, 2000), both viewed as preconditions for IJV success (Beamish and Banks, 1987; Inkpen, 1995; Antoniou and Whitman, 1998; Wang *et al.*, 1999).

Numerous studies emphasise the importance of board director contribution to the success of an IJV (Carver, 2000). However, it is viewed that insufficient attention in the IJV field has focused on IJV boards from the perspective of the role and contribution of individual directors. Thus, in considering IJV board dynamics and the ways in which directors of IJV boards contribute to board effectiveness, this paper provides a comprehensive review of the literature on IJV governance, with particular focus on IJV boards and top teams. Attention is given to studies that directly concentrate on an IJV director's role in order to reveal empirical evidence regarding the IJV board director's contribution to board and organisational performance. The paper concludes by identifying further avenues of research covering IJV board and director role and contribution and how such research can be pursued.

## **IJV BOARDS**

The focus of this review of the IJV literature concentrates on studies that highlight IJV board roles, composition and dynamics, the latter including IJV board decision-making issues, boardroom agendas, frequency of board meetings, as well as the impact of the national and organisational culture on IJV directors contribution to board performance. Two studies in particular (Bjorkman, 1995; Goodall and Warner, 2002) focus on IJV board relations (Table 1) from the perspective of corporate governance considerations in Sino-foreign IJVs. The research by Bjorkman (1995) takes an expatriate (Western partner's) perspective where board data is collected from senior managers who were affected by board decisions, rather than from board members. In contrast Goodall and Warner's (2002) research is one of the first to shed light on IJV board processes from the perspective of senior Chinese managers experience of IJV board interactions and decision outcomes.

Other studies, presented in Table 1, draw heavily on the literature concerning IJV control and inter-partner relationships. The former treaties mainly consider board/top team composition as a control mechanism, whereas the latter group study the IJV top team issues and dynamics from a variety of perspectives. However, none of these studies focus on IJV board behaviour and strategic decision processes but rather consider the structural dimensions of boards. Consequently, most empirical studies in the IJV literature provide scant information on IJV board roles, composition, characteristics and dynamics. Thus IJV board size, director tenure, as well as the frequency of IJV board meetings, IJV boardroom agendas and board decision-making issues remain virtually unexplored. Slightly greater attention is paid to IJV top management team (TMT) issues and processes, such as communication and decision-making processes that impact on the functioning of boards and TMTs in IJVs (Pearce, 1997; Li *et al*, 1999; Hambrick *et al*, 2001) and by implication shed light on appropriate IJV director behaviour (Li *et al*, 2002).

**Table 1: Summary of Selected Literature on IJV Boards/Top Teams**

AUTHORS	FOCUS/AREAS REFERRED TO									NATURE OF THE STUDY	APPROACH
	IJV Board Roles	IJV Board Composition	IJV Board as a Control Mechanism	IJV Board Director's Tenure	IJV Board Size	Frequency of IJV Board Meetings	IJV Boardroom Agendas	IJV Board Decision-Making	IJV Top Team Processes and Issues		
As-Saber <i>et al</i> , 1998		x								Qualitative/quantitative	Case study of 9 Australian/Indian IJVs; interviews with senior managers
Bjorkman and Lu, 1999			x							Qualitative	Interviews with foreign and local managers (mainly GM or HR managers) of 65 Sino/Western IJVs
Bjorkman, 1995	x		x	x				x		Qualitative/quantitative	Interviews with senior managers (expatriates in China) in 33 Sino/Western IJVs
Chalos, 1998		x								Qualitative	Case study of 4 Sino/US IJVs; interviews with both US and Chinese managers plus archival data
Child and Yan, 1999		x	x							Qualitative/quantitative	67 Sino/foreign IJVs; interviews with GMs, Deputy GMs and heads of functions
Daniels and Magill, 1993	x		x			x				Qualitative	9 interviews with managers with direct responsibility for their companies; 11 US/Asia-pacific IJVs
Garrow <i>et al</i> , 2000		x						x	x	Qualitative	Case studies of 9 strategic alliances, including 4 IJVs; interviews with executive and middle managers and employees
Geringer and Frayne, 1990			x							Conceptual	Review, analysis and model building
Geringer and Hebert, 1989			x							Conceptual	Review, analysis and model building
Geringer and Hebert, 1991			x							Quantitative	Two related studies in the US and Canada, using questionnaires and semi-structured interviews with GMs and executives from 69 and 48 IJVs respectively
Geringer, 1993			x							Conceptual	Review, analysis and model building
Gill and Butler, 1996								x		Qualitative	Case study of 2 domestic (UK/UK) IJVs; interviews with senior managers plus archival data
Glaister, 1995								x		Quantitative	Mail questionnaire responses from senior managers of 65 equity and 29 non-equity IJVs Western Europe, US and Japan partners.
Goodall and Warner, 2002	x			x	x	x		x		Qualitative/quantitative	Semi-structured interviews with Chinese board members from 36 Sino/foreign IJVs

Groot and Merchant, 2000	x	x				x	x			Qualitative	Case study of 3 European (Dutch)/US/Japanese IJVs; interviews with IJVs' and partners' managers
Hambrick <i>et al.</i> , 2001	x							x	x	Conceptual	Review, analysis and model building
Hoon-Halbauer, 1999									x	Qualitative	A longitudinal case study of 2 Sino/Foreign IJVs; interviews and observations with Chinese and expatriate employees occupying junior and senior managerial positions in the IJVs
Kumar and Seth, 1998	x		x							Quantitative	Questionnaire/mail survey of 64 CEOs of US/US and US/Foreign IJVs
Li <i>et al.</i> , 1999									x	Qualitative	In-depth interviews with over 30 managers in a large number of IJVs in China
Li <i>et al.</i> , 2002									x	Conceptual	Based on preliminary field interviews
Luo <i>et al.</i> , 2001			x							Quantitative	Mail survey of CEOs of 295 IJVs in China
Pearce, 1997									x	Conceptual	Review, analysis and model building
Pearce, 2000									x	Quantitative	Mail survey/questionnaire of top executives at 75 domestic (US/US) JVs
Pearce, 2001									x	Quantitative	Mail survey/questionnaire of top executives at 75 domestic (US/US) JVs
Schaan, 1988			x			x				Qualitative	48 interviews with senior executives from 23 IJVs from North America, Mexico and Europe, and their parent companies
Shenkar and Zeira, 1987								x		Conceptual	Review, analysis and model building
Shenkar and Zeira, 1992	x								x	Quantitative	Mail questionnaire and interviews with CEOs of 44 IJVs between Israeli and European or American partners
Wang and Satow, 1994									x	Quantitative	151 questionnaires of interviews with top and middle managers from 72 Sino/Foreign companies, including 37 Sino/Foreign IJVs
Yan and Gray, 1994	x		x			x				Qualitative	A comparative case study of 4 US/Chinese IJVs; interviews with executives of both partners and IJV managers plus archival data
Yan and Gray, 2001			x							Quantitative	Questionnaire survey of top-level executives and senior managers from 90 US/China IJVs
Zeira and Shenkar, 1990		x								Qualitative	Interviews with the top managers (CEOs or senior vice presidents) in 120 IJVs world-wide

Source: Compiled by the Authors

## **IJV Board Roles**

In their study of corporate governance in Sino-foreign IJVs, Goodall and Warner (2002) indicate that board functions within Sino-foreign IJVs are influenced by a variety of demographic factors, such as, the age of the IJV; financial performance; number of Chinese and foreign partners; nationality of the foreign partner and the geographic location of the IJV. Similar to Bjorkman's (1995) study of boards of directors in 33 Sino-Western IJVs, Goodall and Warner's (2002) findings show that IJV board directors roles include dealing with new investment decisions, dividend distribution, approval of budgets, drawing up the IJV's strategic plan, monitoring operating performance and pursuing appropriate corrective measures, maintaining/improving the relationship between the IJV partners, acting as facilitators over conflicts between the IJV partners and in making key staff appointments, such as general managers (GMs) and deputy GMs.

Apart from Bjorkman's (1995) and Goodall and Warner's (2002) research, those few studies that focus on ownership and the control structure of IJVs only "partly" explore the IJV board's role. One in particular is that of Yan and Gray's (1994) study of bargaining power, management control and performance of the US-Chinese IJVs, where some attention is given to the importance of the role played by boards of directors in making strategic decisions on behalf of the IJV and solving critical problems regarding the partnership. They find that in most circumstances, boards of directors are empowered to discuss and take action on all fundamental issues concerning the joint venture. These include expansion projects, production and business programmes, the budget, distribution of profits, plans concerning manpower and pay scales, the termination of business, the appointment of the president, the vice-president(s), the chief engineer, the treasurer and the auditors, as well as board functions and powers and director remuneration (Yan and Gray, 1994:1493).

Additionally, Groot and Merchant (2000) examine the control practices employed by the partners of IJVs and find that, in terms of IJV contracts, the board plays a significant action- and results-control role. Their action-control role involves either making or approving all major financing, investment and personnel decisions, whereas the results-control role involves monitoring their IJV's performance on a regular basis and accordingly initiating change (Groot and Merchant, 2000). In one of the IJVs under their consideration, the primary function of the

board is to review and approve the strategic plan and annual budget, to approve all appointments of personnel to management positions, as well as all investment proposals. In another, in the IJV agreement, certain strategic decisions required unanimous IJV board agreement.

In addition to approving the IJV's business plan, profit distribution, major investments and other important financial decisions, the IJV board has been found to be a "major forum" for conflict resolution, decision-making, co-ordination of activities and strategic debate (Goodall and Warner, 2002). Accordingly, Hambrick *et al* (2001) maintain that IJV boards are a major conduit for relationship development and enhancement between the IJV, the TMT and their parent organisations. In Daniels and Magill's (1993) study, IJV TMT members refer to the board of directors for policy and other key decisions, and are appraised by the IJV board members. The authors (Daniels and Magill, 1993; Kumar and Seth, 1998) also recognise that a critical aspect of the role and contribution of the IJV board is to act as a communication and information-processing channel between the parents and the IJV or, as Shenkar and Zeira (1992:71) refer to the IJV boards central "buffering function".

### **IJV Board Composition**

Studies concerning IJV board composition broadly conclude that the percentage of equity ownership of the partners of the IJV is reflected in the appointment of directors (Chalos, 1998). In effect, a parent's equity share directly affects representation on the IJV board in terms of the number of IJV directors the parent company is entitled to appoint relative to the total size of the board (Child and Yan, 1999). The contractual agreement specifies the IJV board's structure particularly in terms of equity partner representation on the IJV board of directors (Zeira and Shenkar, 1990; Garrow *et al*, 2000). An exception is the board in one of the IJVs examined by Groot and Merchant (2000), where all but one member of the board were local IJV employees who did not represent either of the two parents.

In their study of Australian-Indian IJVs, As-Saber *et al* (1998) highlight that in almost all the IJVs studied the CEOs were not members of the board of directors. The reason for this is the lack of incentive for CEOs to serve as board members due to Indian law regulations not permitting a full-time board member to hold a full-time management position in the company and to receive simultaneous compensation for both positions (As-Saber *et al*, 1998). What is

not clear, not only in As-Saber *et al's* (1998) study but also in a number of other studies in the field, is whether the IJV board studied was a single or a two-tier board<sup>1</sup>. Regarding board size, Goodall and Warner's (2002) study shows that the number of IJV board members varies considerably - the smallest board having four members and the largest having eleven.

### **IJV Board Dynamics**

A number of factors influencing IJV board dynamics are considered, including decision making on the board particularly related to multiple task environments and decision making power, as well as factors important for board effectiveness – namely, openness of communication, quality of relationships, trust, shared vision and the effect of directors' tenure on board and individual director performance. Frequency of meetings, board agendas and the impact of the national and organisational culture have also been scrutinised.

### ***Decision Making***

Decision-making on the board is identified as a complicated issue because of the conflicting expectations of at least three different task environments, the two partners and their IJV, which require synchronisation of different objectives, beliefs and attitudes towards the decision process (Shenkar and Zeira, 1987). Decision processes and director interventions can become dysfunctional if the IJV goals stated in the documents of incorporation are viewed as ambiguous (Shenkar and Zeira, 1987). Therefore, in examining decision making on IJV boards, multiple viewpoints need to be considered when formulating business policies and making strategic decisions. The reason is that IJVs are influenced by the policies, value systems and managerial practices of their parent companies and problems may arise as a result of conflicting partner values regarding IJV goals and strategy. Factors that intensify the tensions inhibiting collaboration between IJV board members themselves and the IJV board and its parents are differences of working styles, values, attitudes and beliefs, which originate from the national and corporate cultures of the parent companies involved (Hoon-Halbauer, 1999). Consequently, at IJV board level, differences in priorities and values emerge resulting in confusion, frustration and slowness of decision making (Glaister, 1995:79).

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<sup>1</sup> For a detailed discussion on various corporate governance models, see Kakabadse and Kakabadse (2001).

Such tensions are exacerbated by the fact that the composition of the IJV board of directors has been utilised as one effective way of controlling the risks associated with opportunistic partner behaviour in the IJV and ensuring that all partner's interests are being protected (Yan & Gray, 1994; Luo *et al.*, 2001). One approach to risk reduction lies in the power of IJV boards of directors to select the senior managers of the enterprise (Bjorkman, 1995; Wang *et al.*, 1999; Bjorkman and Lu, 1999), an important consideration in terms of ensuring strategic control (Child and Yan, 1999). Equally, a number of authors concur that influencing the staffing of an IJV's top management represents a crucial strategic control mechanism for an IJV parent, particularly in terms of staffing the IJV's TMT by managers from the parent company (Schaan, 1988; Geringer and Hebert, 1989; Geringer and Frayne, 1990; Kumar and Seth, 1998). However, on the positive side, directors and senior managers of the IJV are likely to be relatively well positioned to generate essential resources if they have prior experience and are networked into the parent company (Kumar and Seth, 1998:581).

Other studies (Geringer, 1993; Goodall and Warner, 2002) emerge with contrasting conclusions especially over degrees of strategic influence and decision power and the fact that they are not simply a function of equity share. In a study of ownership and control in East-West IJVs, Geringer (1993) found that having a majority on the board can be relatively unimportant, as in many instances major decisions of the IJV board tend to be reached through consensus. If a parent attempts to force its will upon its partners merely based on relative ownership, then the IJV's prospects for long-term survival diminish (Geringer, 1993:209). Although the exercise of asymmetric power can enhance the more powerful parent's IJV goal attainment, the less powerful parent can resent such unwelcome influence (Yan and Gray, 1994; Li *et al.*, 2002). As Yan and Gray (2001:409) state: "If decisions are made by the board of directors by simple majority rule, then inter-partner competitive motives will likely drive decisions that mirror the pattern of power distribution between the partners." Further, control at board level is not simply a matter of votes but the ability to influence other board members on important issues (Schaan, 1988). As a result, studies have shown that minority partners have an opportunity to influence the management of the IJV if they are careful to appoint, as their board representatives, people with a strong grasp of the IJV's strategic circumstances and who also have sound bargaining skills and empathy for the partner's culture (Schaan, 1988).

### ***Board Effectiveness and Director Tenure***

Viewed from a more “positive” perspective, it has been argued that inter-partner trust in the IJV will affect the quality of relationships between the partners and the perceived importance of the formal governance (control) structure (Yan and Luo, 2001). Gill and Butler (1996) argue that directors need to have attained personal trust between each other, as relying on “procedural” trust, based on the terms of the IJV contract, is not sufficient for enhancing successful inter-partner relations. Such a conclusion is particularly pertinent as studies emphasise that high levels of trust between the board of directors and the IJV CEO, accompanied by a sharing of values and vision for the future, are necessary prerequisites for the IJV to be effective (Garrow *et al*, 2000). Thus, positive inter-partner and continuity of board membership is found to be important in maintaining relationships and developing a shared vision between IJV board directors (Bjorkman, 1995; Goodall and Warner, 2002). In terms of continuity, board tenure encouraging of team cohesion is identified as varying between two and five years (Pearce, 2000; Goodall and Warner, 2002).

### ***Frequency and Content of Board Meetings***

The frequency of board meetings and what could be viewed as a minimal required agenda is often not agreed upon by the partners in the first instance (Schaan, 1988). Research highlights “a tendency to overlook this most important opportunity to keep significant matters under appropriate review” (Schaan, 1988:7). Moreover, it has been found (Shenkar and Zeira, 1987) that parent companies tend to disagree not only on the desired extent of autonomy sought by IJVs but also on the frequency of participation of the foreign parents’ representatives on IJV board meetings. The majority of IJVs reported in Goodall and Warner’s (2002) study of corporate governance in Sino-foreign IJVs, were holding two board meetings per year. Other authors (Daniels and Magill, 1993; Yan and Gray, 1994; Groot and Merchant, 2000) also found that the frequency of IJV board meetings varies between two and four times per year. For example, the board of directors of the four IJVs Yan and Gray (1994) studied met at least twice a year to set annual goals, review performance and approve operational plans for the venture. In two of the three IJVs studied by Groot and Merchant (2000), the IJV board met four times per year, and in the third, twice per year. These findings indicate a less than average frequency for full board meetings amongst Anglo American enterprises which occur, on average, seven

times a year (Monks and Minnow, 1995). Nevertheless, the interface between management in the partners' headquarters and the IJV management, through the IJV board of directors, is reported by the parties concerned as being of crucial importance (Daniels and Magill, 1993).

Yet such views have to be challenged, for as noted in the corporate governance literature, board members trust of each other's expertise and judgement is critical and such trust is difficult to sustain on boards with low levels of interpersonal interaction (Forbes and Milliken, 1999). This point is particularly clearly made in Rogers and Molnar's (1976) study who cite that greater interaction amongst board director colleagues reduces perceptions of role ambiguity, an important consideration where the IJV board fulfils a crucial buffering function between parents and enterprise (Shenkar and Zeira, 1992:71).

In terms of content, Groot and Merchant (2000:597) provide a description of a typical four-hour board meeting, in one of the IJVs they studied, highlighting the following items; a one-hour update on financial results, a short update on capital programmes; half-hour discussion on ongoing and proposed programmes regarding the distribution of IJV products through partner's channels; short discussion on exchange rates and hedging plans, with the rest of the meeting on other strategic issues considered topical. Often studies conclude that comparable agenda items attract the attention of IJV board members, with the time allocated to such items varying according to contextual demands (Yan and Gray, 1994; Goodall and Warner, 2002).

### ***Impact of Culture***

The impact of national and organisational culture and the significance of the context in which the board is working are identified as important factors determining board effectiveness (Goodall and Warner, 2002). Bjorkman's (1995) findings demonstrate one aspect of culture, namely, the importance of resolving contentious issues before Sino-foreign IJV board meetings. Nearly half the respondents in Goodall and Warner's (2002) study noted that the partners would try to reach agreement on critical issues before board meetings. Any remaining contentious issues would be avoided during the meeting itself but then "picked up" later in informal discussions. Amongst certain national cultures, such as that of the Chinese, the importance of informal communication aimed at conflict avoidance at board meetings is a crucial consideration, thus allowing board meetings to formalise agreements already reached (Goodall and Warner, 2002). Accordingly, Goodall and Warner (2002) conclude that

membership of an IJV board in China is not simply a question of selection according to existing business skills but also taking account of cultural concerns in the selection and preparation of potential board members. In particular, cross-cultural training is identified as useful, as well as the selection of people with personalities “which will flourish in a relationship-based business environment” (Goodall and Warner, 2002:89). They suggest that IJV board members need to come to terms with radically different approaches to analysis and as such, need to learn to listen to each other in order to be aware of contrasting rationales on the board.

## **IJV TOP TEAMS**

Given the importance of IJV TMT processes in determining the success of the IJV, it is striking that only a small number of studies concentrate on IJV TMTs, and their interrelationships (Hambrick *et al*, 2001). Yet, the studies reviewed examining IJV TMT processes (e.g., Pearce, 1997; 2000; 2001; Hambrick *et al*, 2001) shed some light on the IJV directors’ role and contribution by highlighting the “special property of IJV TMTs that render the literature on TMTs and small groups incomplete” (Hambrick *et al*, 2001:1035). Namely, as members of an IJV, TMT members serve as representatives of their respective parent company, each of whom may have conflicting agendas. IJV TMT’s are expected to protect their own parent’s interests and, at the same time, focus on the IJV’s challenges, needs and pursuit of success (Pearce, 2001).

Overall, the literature on IJV boards and top teams shows that, despite the volume of research on IJVs and the evident importance of understanding board directors’ behaviour in IJVs, scant attention has been paid by researchers to IJV board functioning in terms of each individual board directors’ contribution to board effectiveness. Although the literature on IJV TMTs provides certain insight into the possible intensity and quality of directors’ interactions, almost no information has been provided on the flow of information between directors, levels of director consensus, processes of board evaluation and comprehensiveness and explicitness of board proceedings and action. It is for this reason that the next section examines the studies that directly focus on the IJV board director’s role in order to unearth empirical evidence that sheds light on IJV TMT processes and interactions.

### ***IJV Board Director***

Garrow *et al*, (2000) have examined how people work effectively within alliances and IJVs, including the skills and behaviour necessary for effective contribution. Their report, based on a number of case studies conducted in IJVs and other alliances, highlights the nature and importance of the role that top executives play in an IJV form of organisation. Although they do not explicitly state which group of people they are referring to in using the term “alliance manager”, from their report it becomes clear that they refer to Chairman, CEO and other IJV board members/top executives. They found that, despite the fact that IJVs need clear goals and decision-making processes, there is a danger of “stifling the spirit” of an IJV with too much formalisation of processes and specifying of roles (Garrow *et al*, 2000:73). Garrow *et al* (2000) further identify that certain IJV board directors role model appropriate behaviour and skills in order to minimise political behaviour and promote sharing of information and ideas, thus encouraging a constant reevaluation of strategic objectives. “Although the alliance manager may have been chosen from one of the parent companies, it is essential that he/she represents both parties impartially. This is a key part of building trust and forming the basis for the degree of integration necessary” (Garrow *et al*, 2000:35). Garrow *et al* (2000) also suggest that influencing, negotiating and persuading without exercising undue control is an essential requirement for an alliance manager, coupled with excellence in business acumen and strong interpersonal skills. Additional to identifying IJV directors’ skills, authors in the HRM field on IJVs (Schuler and Van Sluijs, 1992; Schuler, 2001) have also focused on the criteria for selection and appointment to IJV board/TMT positions. Even so, the majority of studies on senior roles in IJVs concentrate on examining the role of the person in charge of an IJV, namely, the CEO or IJV general manager (GM). Although the term “GM” is, in the majority of cases, used with reference to the person in charge of an IJV (the CEO), the terms “CEO” and “GM” have been adopted by different authors (e.g., Geringer and Frayne, 1990) to identify roles of similar or different managerial levels (Table 2).

**Table 2: Select Literature on an IJV Board Director's Role**

AUTHORS	FOCUS/ AREAS			NATURE OF THE STUDY	APPROACH
	The Nature of the IJV Board Director's Role	The IJV Board Director's Activities and Qualities	Role of the IJV CEO/GM		
Frayne and Geringer, 1993			x	Qualitative/ Quantitative	Based on the results of the pilot study which included a questionnaire and interviews with 101 managers involved with 42 Canadian based JVs
Garrow <i>et al.</i> , 2000	x	x		Qualitative	Case studies of 9 strategic alliances, including 4 IJVs; interviews with executive and middle managers and employees
Geringer and Frayne, 1990			x	Conceptual	Review, analysis and model building
Geringer and Hebert, 1989			x	Conceptual	Review, analysis and model building
Geringer and Hebert, 1991			x	Quantitative	Two related studies in the US and Canada, using questionnaires and semi-structured interviews with GMs and executives from 69 and 48 IJVs respectively
Geringer, 1993			x	Conceptual	Review, analysis and model building
Gong <i>et al.</i> , 2001			x	Quantitative	Survey of 265 CEOs in Sino/foreign IJVs
Hoon-Halbauer, 1999			x	Qualitative	A longitudinal case study of 2 Sino/Foreign IJVs; a number of interviews and observations with Chinese and expatriate employees occupying junior and senior managerial positions in the IJVs
Kumar and Seth, 1998		x		Quantitative	Questionnaire/mail survey of 64 CEOs of US/US and US/Foreign IJVs
Li <i>et al.</i> , 1999			x	Qualitative	In-depth interviews with over 30 managers in a large number of IJVs in China
Schaan, 1988			x	Qualitative	48 interviews with senior executives from 23 IJVs from North America, Mexico and Europe, as well as from their parent companies
Schuler, 2001	x	x		Conceptual	Review, analysis and model building
Shenkar and Zeira, 1992	x	x	x	Quantitative	Mail questionnaire and interviews with CEOs of 44 IJVs between Israeli and European or American partners

Source: Compiled by the Authors

Kumar and Seth (1998) provide empirical evidence regarding the activities that IJV board members perform as a part of their role in the control and co-ordination of IJVs. They distinguish between the internal and external roles of board members. The internal role corresponds to participation by IJV board members in strategic planning and performance monitoring processes, particularly in the following four areas: (1) participation in drawing up strategic plans; (2) approval of budgets and short-term plans; (3) monitoring operating performance; and (4) co-ordinating the IJV with the parents (Kumar and Seth, 1998:597). The external role of the IJV board members concerns involvement in facilitating legal and public/government relations on behalf of the IJV. Kumar and Seth (1998) conclude that with greater strategic interdependence between the IJV and its parents, both the internal and external role of the board members intensify. They also establish that, with increased environmental uncertainty, IJV board members pay greater attention to their external role and therefore have to reconcile the conflicting demands of their two sets of roles (Kumar and Seth, 1998).

In his comprehensive review of the literature related to HR issues and activities in IJVs, Schuler (2001) provides a description of the role of the HR director on the IJV board. According to Schuler (2001), the HR director plays the dual role of attending to the needs and challenges facing the IJV whilst simultaneously being responsive to the objectives of both partners. To bridge such dualities, displaying capability in negotiation, communications and tolerance is essential. Extrapolating his findings to the role of IJV director, Schuler concludes that displaying concern for multiple sets of stakeholders, knowing how to work with partners to create a win-win situation and seeing the wisdom of mutual sharing over competing between the partners, are important capabilities (Schuler, 2001:44). Schuler (2001:29) summarises the critical selection criteria for IJV directors, which include: knowledge of the IJV business, parents' strategy, structure and values; knowledge of the local culture, politics, laws, competitors; ability and willingness to learn and encourage transfer of learning; ability to negotiate; understanding of cultural differences; tolerance for conflict and ambiguity. Although this description provides insight concerning the performance expectation of an IJV board member, particularly that of the HR director, Schuler's (2001) contribution is still conceptual and has yet to be tested empirically. Nevertheless, both Schuler's (2001) and Kumar and Seth's (1998) conclusions are useful in gaining an insight into the nature of an IJV board director's role, the qualities IJV board members should bring to the boardroom and the activities they perform.

### ***Role of an IJV CEO/GM***

It has been long recognised that the position of the IJV CEO/GM is critical for the effective management of the IJV, as this is the focal point for the maintenance of relationships with each of the parents, as well as the running of the IJV (Geringer, 1993; Frayne and Geringer, 1993). Particularly pertinent is the bridging function of attempting to reconcile differences between the parent companies, by gaining consensus about the IJV vision and presenting that vision to the board of each parent (Garrow *et al*, 2000). The influence and formal power of the IJV CEO/GM's position is influenced by the governance (control) structure established by the parents (Geringer and Hebert, 1989:242). However, although the ability to appoint the IJV CEO/GM increases the chances that the parent's interests will be observed, it is no guarantee that the CEO/GM will always accommodate that parent's preferences (Schaan, 1988:14). The IJV CEO/GM is identified as being in the position of needing to accommodate the interests of all parents, each with different expectations, whilst finding a balance between the parents' priorities and a compromise between their different sets of objectives (Hoon-Halbauer, 1999). Clearly, the IJV CEO/GM typically requires more extensive contact with each parent enterprise as well as a more explicit and detailed understanding and appreciation of each parent's expectations, than might be the case for the executives of each of the parent companies (Geringer and Hebert, 1991:261). Accordingly, Li *et al* (1999) contend that the most important requirements for the IJV CEO/GM are his/her ability to express the vision, values and expectations of the IJV and to have diplomatic competence and skills in cross-cultural understanding and communication.

In their discussion of the role of HR strategies as control mechanisms in IJVs, Geringer and Frayne (1990) identify the skills necessary for the IJV CEO/GM which are to inspire confidence, to motivate staff drawn from different business cultures and to satisfy the often-divergent interests of the parents. Their study identifies that the main requirements for the IJV CEO/GM include having the personality, vision, leadership and networking skills to win the trust of critical stakeholders. Moreover, as is the case with a number of other authors that focused on the IJV CEO/GM role (Li *et al*, 1999), the tendency has been to focus on the more tangible outcomes of the role, at the expense of the actual processes (dynamic nature) entailed in fulfilling the role.

Shenkar and Zeira (1992) examine the organisational (the number of parent firms, ownership, parents' dominance and objectives, cultural distance) and personal (length of service, education, autonomy) correlates of role conflict and role ambiguity that face IJV CEOs/GMs. They establish that an IJV CEO/GM is challenged by the simultaneous demands of the different policy makers in each parent company and of the various employee groups in the IJV, as well as the internal and external stakeholders in the host country and other countries in which the IJV conducts business, and is required to translate these different, ambiguous and conflicting expectations into workable strategies. In support, Garrow *et al* (2000) find that the IJV CEO/GM devotes considerable time reconciling parental differences, as well as taking care of alliance business. Gong *et al* (2001) also studied the role conflict and ambiguity of CEOs in Chinese-based IJVs and conclude that role conflict and ambiguity diminish when the contract between the parents is agreed and clear to all parties concerned. Whatever perspective is taken, all of these studies (Shenkar and Zeira, 1992; Garrow *et al*, 2000; Gong *et al*, 2001) emphasise the unique and dynamic role processes occurring within IJVs, due to the multiplicity of demands of substantial equity-sharing stakeholders operating within multiple environments.

## CONCLUSION

The selected literature indicates that, despite an impressive array of research on different aspects of IJV operations, insufficient attention has been given to examining IJV board functioning and the roles played by board directors of IJVs. Apart from certain insights concerning what IJV directors do, what qualities they should display and the issues they are likely to encounter, little is known about the nature of their behaviour and contribution to IJV board effectiveness. Consequently, no precise, testable propositions can be developed without further exploration of the issues raised in this paper. This review of the literature has revealed four major areas that would particularly benefit from future research, namely, an examination of,

- the functioning of IJV boards;
- IJV board dynamics and its impact on board effectiveness;
- the role and contribution of individual directors on IJV boards; and
- processes that effect, and are affected by, the IJV board director's contribution to board effectiveness.

Of particular interest should be attention to issues such as, IJV directors understanding of IJV governance and different partners' agendas, the implicit purpose of the IJV, as well as factors that influence director's perceptions of their role and contribution, loyalty and their belief in the future of the IJV. Further research is needed in the areas of IJV board director's responsibilities and how these impact on directors' contribution to IJV board performance; how effective are the interpersonal relations between IJV board directors; IJV director's personal links and sources of information which promote particular agenda/interests, "room for manoeuvre", sensitivity to others and personal style; and director's role pressures and ambiguities. Particularly as their study has been confined to the CEOs of IJVs, Shenkar and Zeira (1992) suggest that future research should examine role conflict and ambiguity from the perspective of the various actors in the system, including all members of the IJV board of directors.

In response to the limitations of previous empirical research in IJVs (Parkhe, 1993), it is further held that there is a need for studies to focus on theory building rather than theory testing. Qualitative case studies are particularly well suited to new research areas, or research areas for which existing theory seems inadequate (Eisenhardt, 1989; Ghauri *et al*, 1995). Additionally, qualitative approaches to IJV research allow for the development of new concepts by gaining deeper understanding of the phenomenon through becoming immersed in the context of IJVs. Finally, Goodall and Warner (2002) recommend that future research should attempt to gain access to IJV's partners' local and foreign board members in order to gain further insights concerning the challenges and ambiguities faced by IJV board members.

In addition, the paper suggests the following implications for practitioners:

- IJV board directors need to have clearer roles in order to reduce prospects of experiencing role conflict and/or role ambiguity;
- A better understanding of numerous issues pertinent to decision making on IJV boards is vitally important to an IJV board director;
- This understanding, coupled with developing and using particular personal qualities, should help individuals holding an IJV board director's role contribute to a shared vision for the future of the IJV, encourage and promote clear and open communication in the boardroom, and enhance quality of relationships on the IJV board.

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