

Dynamics between trust and control and performance in International Joint Venture Life Cycle

Abstract

In this paper we develop a model of international joint venture (IJV) control that allows the interaction between trust, control, and performance during IJV life cycle. Following Geringer and Hebert (1989); Buckley, Glaister, and Husan (2005), we conceptualized foreign parent control across three dimensions including mechanism, focus, and extent. IJV life cycle is divided into two stage formation stage and post formation stage. Our empirical evidence is based on the survey of Finnish firms that have established IJVs with local firms in the 1990s. The result shows that trust between partners play important role in joint venture when it comes to control of IJVs, resulting in IJV performance. In the formation stage of IJV life cycle, when trust between partners is low, formal, broad, and tight control exercised by foreign parent firms lead to better IJV performance. However, control of IJVs needs to be re-adjusted during IJV life accordance to level of trust between partners and performance of previous stage of IJV life-cycle. In the post formation stage of IJV life cycle, foreign parent firms who adopted control dynamic approach will have better IJV performance.

Keywords: international joint venture, trust, control,

INTRODUCTION

In the last decades, IJVs have become a major strategy for firms entering international markets (Dunning, 1995). However, researchers have pointed out that they eventually break between 30%

and 70% (Hennart, Kim, & Zeng, 1998; Yeheskel, Newburry & Zeira, 2004). Literature of international business shows that one of the most challenges parent firms have to face when entering IJVs is the control issue over the venture's activities (Anderson & Gatignon, 1986; Geringer & Hebert, 1991). Researchers suggested that in successful joint venturing relationship partners need to exercise proper control over their IJVs so that it can prevent partners from acting opportunistically on the one hand, and increase trust and cooperation on the other hand. Researchers increasingly recognize trust as an important factor for inter-organizational relations affecting partner's behavior and the performance of strategic alliance (Bromiley & Harris, 2007). The issue of trust in IJVs has received more and more attention in recent years (Mohr, 2004). However, researchers have mainly focused on analyzing either trust or control as a requisition for the success of IJVs (Mohr, 2003).

This paper is to established IJV control model that link control, trust, and performance.

The purpose of the present study is, therefore, addressed through the research question: **(1) How foreign parent firms should deploy their control over their international joint venture taking consideration trust between foreign firms and local firms during IJV life cycle in order to increase IJV performance?**

CONCEPTUALIZATION OF IJV CONTROL CONCEPTUALIZATION OF CONTROL IN IJVS

The international Joint Venture (IJV) is defined as a separate corporation established by two or more partners with an expected proportional share of dividend as compensation (Contractor & Lorange, 1988). Management control refers to the process by which an

organization influences its members and its units to work in ways that meet the organizational objectives (Glaister, 1995). In IJV, because there are two or more parties involved, the management control is complex (Geringer & Hebert, 1989). Furthermore, researchers have acknowledged that the control systems are multidimensional (Kumar & Seth, 1998; Lu & Hebert, 2005; Berrell, 2007). Unfortunately, the existing research tends to focus on only one or two dimensions. In order to be able to capture the complex nature of the IJV and conduct IJV control research thoroughly, this study adopts the multidimensional approach of control developed by Geringer and Hebert's (1989).

Control mechanisms

Control mechanisms are structural arrangements deployed to determine and influence what the members of the organization do (Geringer & Hebert, 1989; Fryxell, Dooley, & Vryza, 2002). Control mechanisms consist of a variety of instruments including formal and social controls that are available to firms for exercising effective control over their members (Friedman & Beguin, 1971). *Formal control* depends on hierarchies, standards, codified rules, procedures, goals, and regulations that specify desirable patterns of behavior (Das & Teng, 1998). These instruments of formal control are usually agreed upon and imposed by both foreign and local parent firms (Fryxell et al., 2002) such as board of directors, appointment of key personnel, planning and approval process for capital budgeting and resource allocation, and the lay down procedures and routines for IJV (Mjoen, 1993; Lu & Hebert, 2005). *Social control* is designed to promote expectations and mutual commitments through which IJV managers learn to share the common attitudes and knowledge of the organization (Nonaka & Takeuchi, 1995). Social control refers to various mechanisms such as informal communication, information exchange and training, mentoring, and personal relationships. Social control develops of a common

organizational culture that foster shared values and norms, without explicitly restricting the behavior of the targeted people through the means of those social controls (Schaan, 1983; Chalos & O'Connor, 1998, Fryxell et al., 2002).

Control focus

Control focus can be divided into broad control and narrow control (Geringer & Herbert, 1989). In control focus, the partners can choose to have a *broad control* focus and attempt to exercise control over the entire range of the IJV's activities, or they can have a *narrow control* focus and confine their control activities on the performance dimensions they consider to be critical (Geringer & Hebert, 1989; Groot & Merchant, 2000). Child et al. (2005) maintained that depending on several factors, such as the parent firm's competencies and the critical of such activities parent firms may focus their control over activities related to technology in one case but on market related activities in another case. There are also cases when the parent firms may focus their control on both technology and market related activities (Child et al., 2005). The areas of control focus consist of marketing, sales and distribution, procurement, general management and operation, finance and accounting, R & D and development, production and quality, and human resources.

Control extent

The control extent refers to the degree or tightness of control which is exercised on the venture (Geringer & Hebert, 1989). Control extent consists of tight control and loose control. In *loose control*, the parent firms tend to use only one or two control mechanisms and focus their control on only one or two control areas exercised over the IJVs. Furthermore, the parent firms are more flexible in their evaluation of employees' behavior and their performance. The

frequencies of reports that the IJV managers have to submit to the parent firms and the meetings between the parent firms and the IJV managers are very few. In contrast, the *tight control* tends to be strict with respect to the employee's dress code, punctuality, and cost-consciousness; detail oriented, precise in operation. Tight control can be effected through any mechanism that provides the partner with a high degree of certainty that the personnel in the IJV will act as the given partner wishes. Tight control is manifest also if the IJV staff is held strictly accountable for adhering to a complete set of described actions such as policies and procedure. Tight is as well related to highly frequent and precise reporting (Child et al., 2005).

In sum, IJV control consists of three dimensions mechanisms (formal: **F**; social: **S**), focus (Broad: **B**, Narrow: **N**), and extent (Tight: **T**, Loose: **L**). These three control dimensions produce 8 possible control structures such as Formal, Broad, Tight (FBT), Formal, Broad, Loose (FBL), Formal Narrow, Tight (FNT), Formal, Narrow, Loose (FNL), Social, Broad, Tight (SBT), Social, Narrow, Tight (SNT), Social Broad, Loose (SBL), Social, Narrow, Loose (SNL).

RELATIONAL DYNAMICS BETWEEN TRUST, CONTROL AND PERFORMANCE IN IJV'S LIFE CYCLE

Performance is important issue in strategic management (Venkatraman & Ramanujam, 1986). Nielsen (2007) suggests that discussion of performance is separated into different stages during the development of IJVs. Previous research has analyzed trust and control in isolation in their relation to performance. In addition, previous research on the relationship between control and performance, and trust and performance has been dominated by a static approach (Zhang & Li, 2001). However, in order to understand the complex nature the relationship, it is believed that the

dynamic perspective may help to investigate how the interaction between trust and control affect performance and performance, in turn, affects relations between trust and control. Besides, previous researchers proposed that “the control system at a relatively young IJV should be viewed as embryonic and should evolve over the life of the venture” (Chalos & O’Connor, 1998: 64). The chapter begins with analyzing how foreign parent control structure in IJVs established with influence of trust resulting in IJV performance in the IJV formation stage. Then, the paper studies how foreign parent control in IJVs change in the post formation stage.

Relations between trust, control and performance in the formation stage of IJV life cycle

For IJVs to be formed there must be some initial trust between firms involved. In a early stage of IJV life cycle, the idea of trust seem akin to that of reliability (Arino et al, 1997).Especially, when firms are new for each others, there is always risk of partner’s acting opportunistically. Luo, Shenkar, and Nyaw (2001) found that broad control executed by a foreign parent is important to its satisfaction with IJV performance. In low level of trust between partners, Hoon-Halbauer (1994) maintained that the on-going management process of IJV works better when foreign staffs possess dominant management control and holding major decision making power. Brouthers and Bamossy (2006), studying post formation process of IJVs established by western and eastern European firms, find that high performance of IJVs is associated with broad control in early stage of IJV formation. Moreover, Child, Markoczy and Cheung (1994) found that IJVs in emerging markets like China, local managers are reluctant to make decisions and are afraid of getting personal responsibilities. It is, therefore, in joint venturing, local managers could need time to learn to take actions and accept responsible in managing the IJVs. *As a result, it can be expected that broad control by foreign parent firms leads to better IJV performance in the formation stage.*

Child et al. (2005) maintain that control is critical for the successful management and performance of strategic alliance. Mjoen (1993) found when partners are new for each others a tight level of control was associated with better performance. Studying of IJVs in China, Chen (2004) maintains that tight control by local parent firms over IJVs leads to negative impact on performance. This is because local parent firms usually do not advantageous expertise of management IJVs. In IJVs, local parent firms primarily contribute land, facilities, labor so they may not have capability to control technology and know-how contributed by foreign parent firms. Therefore, foreign parent firms should not let local firm tighten control of IJVs rather than itself (Chen, 2004). *As a result, tight control by foreign parent firms leads to better IJV performance in formation stage*

Furthermore, Fryxell, Dooley, and Vryza (2002) find that formal control and IJV performance were positively related in younger IJVs but this relation became negative in more mature IJVs. As a result, formal control mechanisms are aimed to monitoring behavior and performance of IJV, which is critical for stability and efficiency of IJVs in their early stage (Larson, 1992). When partners are new to each others or when there is low trust level between partners, control is required to ensure that no unintended use of the firms resources. *As a result, formal control by foreign parent firms leads to better IJV performance.* In sum, we propose that

Hypothesis 1 In the formation stage of IJV life cycle, because of the lower trust between partners, foreign partners who exercise formal, broad, tight control over their IJVs will have the better IJV performance.

IJV performance in the formation stage and the change in the relations between trust and control in post formation stage

Lorange (1997) maintained that because IJVs evolves over time, parent control should be shifted accordingly. In the same vein, Brouthers and Bamossy (2006) argued that changes in IJV structure and control relationships may result in lower transaction costs and improved IJV performance. In managing IJVs, Lee, Chen, and Kao (1998) suggested that foreign parent firms need to adopt a flexible mindset.

Groot and Merchant (2000) suggested that IJV performance is directly related to parents' attitudes toward control. Several studies have focused on how IJV performance affects IJV reconfiguration. Vaidya (2000) argued that control related failures are likely to occur if control practices are not re-evaluated and modified in response to changing circumstances. Simonin (1997) argued that parent firm's competence in successful design subsequent control structures is ultimately reflected in further IJV performance. Killing (1983) observed that partners might loose or strengthen control over the IJV as response to the IJV's on going performance. According to Brouthers and Bamossy (2006: 8), control changes may lead to improved cooperation and performance.

In post formation stage, when performance from formation stage is positive the use of formal control mechanisms to mitigate opportunism in the later stage may be short-lived (Fryxell et al., 2002). This is due to the fact that formal control mechanisms are based on formal contracts between parent firms, and therefore, valid in certain period of time (Dyer, 1997). When parent firm's needs and strategies for IJVs change, they often call for repeated contracts renegotiation, leading to very high transaction costs. Besides, in the post formation stage of IJVs, when relationship between foreign parent and local parent firms mature, formal control mechanisms cause the possible conflicts and promote distrust between parent firms (Ring & Van de Ven, 1994). Consequently, in the post formation stage of IJV life cycle, social control mechanisms (based on trust, commitment) are more economical once the initial cost of establishing social

controls average out to become less than the cost of periodic contracting (Fryxell et al. 2002). Furthermore, Fryxell et al. (2002) also found that social control and IJV performance were positively related only in the presence of affect-based trust between the parents, which is built during the development of IJVs. On the other hand, if parent firms rely totally on social control in early in IJV life cycle stage they may expose the potential for opportunism in the formation stage. Thus, trust often appears between parent firms in the post formation stage not in formation stage of IJV life cycle. In the post formation stage, there is a need to balance between control and maintaining harmony between foreign parent and local parent firms. Kauser (2007) suggested that where existing trust, control should be monitored by social mechanisms. In the same vein Chen, (2004) maintained that in the later stage social control helps to increase parent firm's confidence in IJVs. This confidence can lead to high expectations of mutual learning and high commitment of parent firms to IJV and thereby it promotes knowledge sharing and creates more competitive bundle of resources (Dyer & Nobeoka, 2000). In short, when IJV performance in formation stage of IJV life cycle is positive, foreign parent firms tend to exercise social control over their IJVs in the post formation stage.

Furthermore, in post-formation stage, local managers also learn how to manage and run IJVs towards targeted goals. Robins et al. (2002) suggest that "mature" ventures often use local personnel supplied by local partners at many levels, thus giving local parent firms broader control over IJVs. Besides, previous research has suggested that IJVs require more autonomy so that they can adapt to the social, political, financial, legal and cultural expectations of IJV host environment (Yeheskel, Newburry, Zeira, 2004). Moreover, Yeheskel et al. (2004) proposed that foreign parent firms that allow IJV managers to formulate and implement policies in functional areas that are sensitive to the host country would lead to better IJV performance. Superior performance of IJV in post formation stage is also achieved if foreign firms focus their control on

their resource contribution not on whole range of IJV activities (Yan & Child, 2004). Moreover, in the post formation stage of IJV as the level of trust increase between foreign and local firms, the need to control diminishes (Nielsen, 2007). Therefore, parent firms seek to focus their control over particular activities, rather than control all activities (Kauser, 2007). Besides, Merchant and Groot (2000) suggested that when recent IJV performance is relatively high, parents will use more loose control over the IJV and narrower control foci. As a result, when IJV performance in formation stage of IJV life cycle is positive, foreign parent firms tend to exercise narrow control over their IJVs in post-formation stage.

In addition, when an IJV has superior performance, the partners tend to loose control since the IJV's management team has proven its expertise and to maintain harmonious and increase trust relations with local parents (Child et al. 2005). Similarly, Chen (2004) proposed that over time, tight control activities exercised by foreign parent firms might decrease due to the influence of IJV management getting stronger at the post formation stage than it was in the formation stage. In addition, Nielsen (2007) argues that the venture mature over time and partners are more familiar with each other idiosyncratic, thus uncertainty in transaction reduces. Consequently, intensive control is not necessary. In addition, Dianne (1997) suggested that as IJV going well, foreign parents should have clarified criteria and time frames for gradual transfer of control and power to locals. As a result, when IJV performance in formation stage of IJV life cycle is positive, foreign parent firms tend to increase trust relations with local firms by exercising loose control over their IJVs in post-formation stage.

On the other hand, undesirable IJV performance prompts control structural instability (Yan, 1999). Poor IJV performance often is caused by at least one of partner firms failed to achieve its objectives, thus creating stimuli for changing the ineffective existing control system. Yan and

Gray (2001b) suggested that factor that could produce change in an IJV is a shift in IJV performance. When investigating evolution of IJVs, Child (2002) concluded that over time, foreign parent firms are likely to increase their equity share for following reasons: a) need to buy out unreliable partners; b) the unwillingness or inability of local partners to finance IJV expansion. In their study, Brouthers and Bamossy (2006) also found that tighter controls were instituted normally after poor results and/or other misdeeds. As a result, when IJV performance in formation stage of IJV life cycle is negative, foreign parent tend to exercise more control by exercising broad, formal, and tight control over their IJVs in post formation stage. In sum, we propose that:

Hypothesis 2a: When IJV performance was negative in the formation stage, foreign parent firms tend to exercise formal, broad, and tight control over their IJVs in the post formation stage of IJV life cycle regardless the level of trust . In contrast,

Hypothesis 2b: When IJV performance was positive in the formation stage, foreign parent firms tend to exercise social, narrow, and loose control over their IJVs in the post formation stage of IJV life cycle to increase level of trust between partners.

METHODOLOGY AND RESULTS

This study adopted a survey research design to fit with the exploratory nature of the research. In the survey, the questions about joint venture control and performance were collected directly from those involved in IJV operations. Furthermore, to be able to generalize conclusions about the joint venture control, a large number of IJVs is needed to be examined. This made direct interviews very costly in terms of time and money and impractical so that to achieve the desired sample size. The measure of variables is based on a 5 point-scale. Concerning control

measurement, a list of different control mechanisms, focused on areas of IJV activities were provided, the respondents were asked to evaluate their control with 1= always used to 5= never used. IJV performance was measured by parent firm's satisfaction of IJV operation with 1= very unsatisfied to 5= very satisfied. The methods used in this study to analyze the data are description statistics and the Chi-square test. The purpose of the methods is to determine how well an observed set of data fits an expected set of hypotheses. The method is particularly useful to find out whether an IJV control structure which is made by different elements of IJV control dimensions (formal, social, broad, narrow, tight, and loose) has a normal distribution or the structure has formed under the influence of trust and performance factors.

Sample description

The target firms and investments were identified as follows 1) the FDI data base collected by the project leader starting from late 1980s based on press releases regarding IJVs published on business magazines and newspapers and 2) annual reports and websites of the 250 largest Finnish firms; 3) based on the earlier surveys focusing on IJVs conducted by project leader. From the resources, we identified 340 IJVs qualifying IJVs formed by Finnish firms since 1988 and in operations at least until 2002. The qualifying 340 IJVs involved 200 Finnish parent firms. Among these 200 firms, several firms were very difficult to contact either because they had been restructured or gone out of business. The firms were contacted to find out the right informants. In some firms there was no longer anyone with sufficient knowledge required for the study. This left a total of 161 Finnish parent firms. Given time and cost constraints a postal questionnaire and online web survey were used to gather the data. The participants were those managers who directly involved in IJVs establishment and operations.

To enhance the quality of the data, the respondents were contacted by phone in December 2006 to explain the key points of the study and the questionnaires. In exchange for their participation in the study and to provide motivation and accurate responses, the respondents were assured of anonymity and were promised a summary report of the findings and participated in a draw for three gifts. After one reminder at the end of the January 2007, at the end of February, 54 questionnaires were returned from which 5 questionnaires were not usable. Thus, the final sample was 49 IJVs including 40 Finnish parent firms. The response rate was 24.84%, which is relatively similar to that of earlier respective studies in Finland (see Larimo & Rumpunen, 2006). The sample was carefully examined any systematic response bias using T-tests. Respondents and non respondents were compared across their age, size, international experience, and IJV experience. No statistical significant different was found. Thus, there was not response bias to be found in the final sample.

Among the 49 IJVs, 45% were established in 1988-1995, 55% in 1996-2006; 53 % through partial acquisitions, 47% through greenfields, 76 % were with 2 partners and 24 % with 3 partners; 61% with indefinite duration, 22% with less than 5 years, 17 % more than 5 years; 41 % of 10%-49% Finnish ownership, 10% of equal ownership, 49 % of Finnish major ownership at establishment; 71% located in emerging economies, and 29% in developed economies; 63% with industrial products, 27 % with consumer products, 18 % with both consumer and industrial products.

Results

Relations between trust, control and performance in the formation stage of IJV life cycle

The performance was measured using seven different subjective measures. Respondents were asked on a 5 point Likert scale, first the weight given and secondly their degree of satisfaction to all seven measures. The two most important measures of performance were total performance and financial performance. Among 49 respondents, 32 Finnish parent firms (65%) exercised formal, broad, and tight control over their IJVs in the formation stage. The respective mean of IJVs total performance was 4.6 (with 1= very unsatisfied to 5= very satisfied) and financial performance was 4.3. This group has mean of level of trust between partners 1,9 (1= completely distrust local partners, to 5= completely trust local partners). The rest 17 Finnish parent firms (35%) exercised other control structure such as social, narrow, and loose control. These parent firms have the respective of IJV total performance mean was 2.5, and financial performance was 2.4. This group has the level of trust on local partners was 2.1. Therefore, formal, broad, and tight control exercised by foreign parent firms in the formation stage of IJV life cycle lead to better IJV performance. Besides, based on the chi-square test, $\chi^2= 17.4$ the result was significant at $P<0.005$ (df=5) (see table 1). Thus, the results supported hypothesis 1 by both description statistic and chi-square test.

IJV performance in the formation stage and the change in the relations between trust and control in post formation stage

According to the respondents, 75% of foreign parent firms (37 firms) were satisfied with IJV total performance (mean 4.3) and financial performance (4.1) resulted from IJV operations in the *formation stage* of IJV life cycle. Among this 37 foreign parent firms, 95 % foreign parent firms exercised social, narrow, and loose control over their IJVs in the *post formation stage* of IJV life cycle. On the other hand, 25% of foreign parent firms (12 firms), who were not satisfied with

their IJV performance in the *formation stage* of IJV life cycle, all exercised formal, broad, and tight control over their IJVs in the *post formation stage* of IJV life cycle although the level of trust between foreign firms and local firms was quite high 3.1. In addition, according to chi-square test $\chi^2 = 14.93$ the result was significant at $P < 0.01$ ($df=5$) (see table 2.). The result also revealed that when performance from formation stage is negative, in the post formation stage, there is no significant relationship between trust and control. Thus, the results supported hypothesis 2 by both description statistic and chi-square test that if IJV performance in the formation stage of IJV life cycle is positive, foreign parent firms tend to exercise social, narrow, and loose control over their IJVs in the post formation stage of IJV life cycle. In contrast, if IJV performance was negative in the formation stage of IJV life cycle, foreign parent firms tend to exercise formal, broad, tight control over their IJVs in the post formation stage of IJV life cycle.

Table 1. The results of the study based on chi-square test

Hypotheses	χ^2	DF	Decisions
Formation stage of IJV life cycle (H1)			
Trust, control choice and result in IJV performance	H1: 17.4	5	significant at 0.005
Low trust: Formal, broad, tight control \longrightarrow (+) performance			
Post formation stage of IJV life cycle (H2)			
IJV performance and change of trust-control relations	H2: 14.93	5	significant at 0.01
(+) performance \longrightarrow	Social, narrow, loose control		
(-) performance \longrightarrow	Formal, broad, tight control		

All in all, the relationship between trust, control design and performance is not just one way direction but rather reciprocal and dynamic. In the formation stage of IJV life cycle, where the level of trust between foreign and local firms is low, formal, broad, and tight control exercised by foreign parent firms lead to better IJV performance. In the post formation stage, there will be two

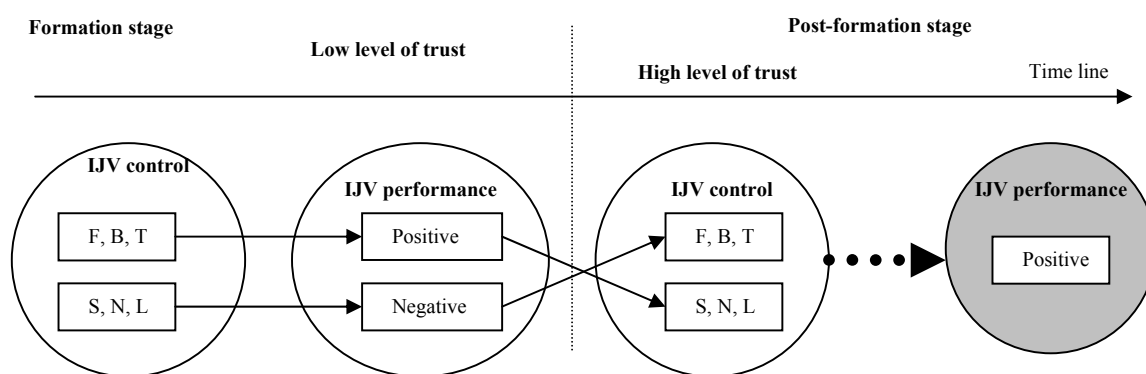
situations. In the first case, when the performance in the formation stage is negative, foreign parent firms will respond to this situation by exercising more control over IJVs in the post formation stage to restore order and make sure that the IJVs achieve planned target regardless level of trust between partner firms. However, control also carries costs, especially with broad control and tight control. In addition, foreign parent firms may also give signal of distrust local parent firms with a lot of procedures and paperwork from formal control and tight control. Therefore, when IJV performance is positive in the formation stage, foreign parent firms prefer to exercise less control over IJVs in the post formation stage to create trust and commitment with local parent firms and also to reduce costs associated with it (see Figure 1.).

CONTRIBUTION AND CONCLUSIONS

Regarding control in IJVs, previous research traditionally has been modeled by relative degree of ownership only (Mjoen & Tallman, 1997). However, ownership may not be the optimal means of control in every situation and may be the minor issue in governance. Guide (2001) stated that a firm does not need majority equity ownership to exercise managerial control. Sohn (1994: 299) pointed out that social knowledge may help MNCs reduce dependency on ownership as means of control over their subsidiaries. In addition, if control of IJVs was discussed besides the ownership structure, most previous research has focused on only one dimension of control, mostly control mechanisms (e.g. Mjoen, 1993; Vryza 1997; Xiansheng, 1998; Yan & Gray 2001a). However, to be able to realize control issues of IJV thoroughly, Geringer and Hebert (1989) and Lu and Hebert (2005) and Raswamy, Gomes, and Veliyath (1998) proposed that future research should examine multi-dimensions of IJV control including control focus, control mechanisms, and control extent and their relationship to IJV performance.

The first contribution of the present study to IJV theory is to fill this gap by provide better understanding of multi-dimensions of parent control and their influence on IJV performance. In addition, the present study is the first to examine *the change of IJV control* during IJV life cycle since “how control design of IJVs evolves over time remains unclear” (Zhang & Li, 2001: 342). This is important because it examines organizational process. The research of process makes an important contribution because it explains how managers can influence firm performance through organizational control (Chakravarthy & Doz, 1992). In *the relationship between partner’s trust, IJV control and performance* the present study points out that the conflicting results from previous studies are, perhaps, because they have assumed a monotonic relationship between control and performance (Fryxell, Dooley, & Vryza, 2002). As one step further from this approach, the present study proposes that relationship between IJV control and performance depending on both which stage IJVs are in their life cycle, and the results of IJV performance from previous stage. In particular, the present study proposes that when foreign parent firms choose to exercise broad, formal, and tight control at formation stage of IJV life cycle, IJV performance is likely to be positive.

Figure 1. IJV Control Model



In contrast, if foreign parent firms choose to exercise narrow, social, and loose control over IJVs at the formation stage, IJV performance is likely to be negative. In addition, although firms showed that trust is important in joint venturing, foreign parent firms will redesign their control exercised over IJVs over time accordance to IJV performance. In post-formation stage, when IJV performance is negative, foreign parent firms need to exercise more control over IJVs in attempt to improve performance regardless level of trust with their local partners. When IJV performance is positive foreign parent firms may reduce their control over IJVs in order to reduce costs associated with control and to promote more trust which already observed during the initial stage through good performance. This finding is consistent with Zhang and Li's (2001) in which they found that during IJV development process, IJV performance becomes a motivating force to stimulate the evolution of IJV control design. The present study extends this by specifying what particular control structure needed in such changes.

In sum, although IJV control has been frequently addressed in the IJV literature, the inquiry into how to manage the IJVs during IJV life cycle remains limited. The study presents one effort to build a more comprehensive IJV theory by providing an IJV control model (Figure 1.). In addition, we conclude that there is no optimal choice of IJV controls that is stable over time. Control of IJVs needs to be re-adjusted over time accordance to IJV performance. As a result, this study may help to explain previous conflicted results why in some cases dominant control yield better performance and in others do not but minor control or share control. This finding contradicts with Glaister and Buckley's (1998) in which they maintain that nature of management control does not vary with the development of IJVs.

We also acknowledge several limitations to our study. First, the sample size of the study is rather small and only from Finnish IJVs. In addition, in the analysis of IJV control, we focused only on two main IJV control structures including 1) formal, broad, and tight control and 2)

social, narrow and loose control. However there are possible of other combinations of IJV control structure which include three dimensions of control. For further studies, researchers could use the framework of the present work with a bigger sample size and foreign parent firms from several countries. Besides, in the study we excluded some factors which may influence parent control and IJV performance e.g. partner's commitment and host country's uncertainty. For future study, researchers can investigate the influence of some particular factor on IJV control and performance during IJV life cycle.

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