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**THE PROCESS OF PARTNER SELECTION FOR INTERNATIONAL JOINT
VENTURES: A NEW APPROACH**

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Abstract

The importance of partner selection has been recognized in international joint venture (IJV) and alliance literature for several decades. A body of research on the topic has slowly grown ever since the early 70's, yet its focus has almost exclusively been on the selection criteria firms apply when selecting their partners. Meanwhile, the field is lacking studies that take a process-oriented approach in analyzing how firms select their IJV partners, instead focusing on a single mechanism of partner evaluation within the process entity. Following a critical examination of partner selection research in IJV literature, including suggestions for some pre-dispositions and implicit assumptions common to main stream partner selection studies, the paper argues that more holistic perspectives are also needed to answer the question of "how do firms select their IJV/alliance partners?" In addressing the question, this paper suggests an approach drawing on research done in another selection context, i.e. expert service provider selection. A number of propositions for empirical observation are offered.

Keywords: International joint venture, strategic alliance, partner selection

The process of partner selection for international joint ventures: A new approach

1. Introduction

Ever since early 70's, the choice of partner(s) has been considered a key decision in the literature on international joint ventures (IJVs) and international strategic alliances (ISAs). Partner selection is viewed as crucial for formation, operation and subsequent success or failure of the venture. However, although a number of IJV partner selection studies declare the importance of the partner selection process, research has strongly focused on the selection criteria and their relative importance. Lack of process-oriented studies on partner selection constitutes a clear gap in the IJV literature. It is not clear to what extent, and under which circumstances, the process of IJV partner selection can be considered a truly separable and distinct decision-making entity within the process of IJV formation.

It is argued here that, although selection criteria are important, more holistic perspectives are also needed; the question of "how do firms select their alliance/joint venture partners?" should be approached as a process rather than as a set of criteria. Since previous process-oriented studies on joint venture partner selection are lacking, this paper suggests an approach drawing on research done in another selection context, i.e. expert service provider selection. The aim of the paper is, first, to provide a lead-in to discussion on identification and distinction of different modes of IJV partner selection process. Second, the paper provides a preliminary evaluation of the applicability of previous research on the process of external expert service provider to IJV partner selection process. Third, the paper offers a set of suggestions for propositions concerning future empirical studies on the topic.

The paper outline is as follows: first, partner selection research in IJV literature is critically examined, suggesting some pre-dispositions and implicit assumptions common to main stream partner selection studies, leading to justification of an existing research gap.

After that, previous IJV studies incorporating a process perspective are discussed. This is followed by discussion on the applicability of a model from expert services provider selection studies and a proposed adaptation of the model into the field of JV partner selection. A number of propositions for empirical observation are offered. Last, the paper closes with summary and conclusions.

2. Partner selection research in IJV literature and its limitations

Wong & Ellis (2002) suggests that IJV research can be broadly categorized into three areas: antecedents (e.g. IJV formation motives and partner selection), outcomes (e.g. failure or performance) and specific management issues (e.g. control and conflict). The issue of partner selection is arguably pre-eminent in this list of topics, for the success and stability of the joint venture is widely held to be determined by the compatibility of the partners (Luo 1997, Saxton 1997, Child & Faulker 1998, Child et al. 2005). Accordingly, IJV and ISA literature often highlight the quest for a suitable partner as central to IJV/ISA formation (e.g. Blodgett 1991, Brown, Rugman & Verbeke 1989, Harrigan 1988, Parkhe 1993, Sorensen & Reve 1998).

Importance of partner selection in IJV formation has inspired a strong body of research specifically focusing on the partner selection criteria. Tomlinson's (1970) findings on selection criteria applied by firms selecting their IJV partners were the first of their kind, laying the groundwork for a new stream of IJV research. During the 70's and early-to-mid 80's, some studies (e.g. Daniels 1971, Renforth 1974, Adler & Hlavacek 1976, Lasserre 1984, Beamish 1987, Awadzi 1987) provided further insights on what firms look for in potential partners. However, the study by Geringer (1988, 1991) can be regarded as the groundbreaking work focusing on IJV partner selection. Geringer (1988) suggested that despite the almost unlimited range of alternative criteria that might exist, it is possible to

divide the selection criteria into task- and partner-related criteria. The task-related selection criteria concern the skills and resources a firm would look for in its prospective partner, in response to consideration of the nature of its own potential contributions along with what the new business would require to be successful. Partner-related selection criteria are those referring to the ability of the partner to work with the focal firm efficiently and effectively (e.g., compatibility of top management teams). In contrast to task-related criteria, which focus on relative partner contributions to making a business prosper, partner-related criteria are not contingent on the IJV context. Another important contribution by Geringer (1988) was the identification and estimation of the correlations of the key variables which affect the relative importance of some of the selection criteria (Glaister & Buckley 1997).

In the later studies the task- and partner-related selection criteria categorization has been applied with minor modifications by e.g. Glaister (1996), Glaister and Buckley (1997), Tatoglu and Glaister (2000), Nielsen (2003), Larimo & Rumpunen (2006), and Luo (1998), who extended Geringer's (1988) typology by adding a third category of criteria measuring the financial fit of the IJV partners. Other contributions building on Geringer's (1988) work include Arino, Abramov, Skorobogatykh, Rykounina and Vila (1997), Al-Khalifa and Peterson (1999), Hitt, Dacin, Levitas, Edhec and Borza (2000), Robson (2002), and Tatoglu and Glaister (2000).

All in all, although several authors make a point that research on IJV/ISA partner selection is underdeveloped (e.g. Roy 2006, Glaister & Buckley 1997, Nielsen 2003), there seems to be a respectable amount of studies focusing on which criteria firms apply when selecting IJV/ISA partners and the contextual factors effecting said criteria and their order of priority. However, the afore-mentioned selection criteria research has done little to forward our grasp of IJV/ISA partner selection as a process. Studies following the steps of Geringer (1988) have focused only on the evaluation of prospective IJV partners – one single

mechanism of the selection process – and hence do not portray the whole complexity of selection. Furthermore, it is argued here that the mainstream of IJV/ISA partner selection research relies on a number of implicit assumptions, and this reliance forms a limitation for the research.

One limitation of IJV/ISA partner selection studies is that the vast majority of them, with few exceptions (e.g. Tatoglu 2000), focus on the point of view of either the foreign partner or the local partner. Consequently, a common implicit pre-disposition in these studies is that the firms focused upon, whether foreign or local partners, are proactive in their partner search. Further, it is assumed that active partner search occurs as a result of a preceding decision to set up a venture in a chosen target country, and recognition of a need to be addressed by partner selection.

The literature often also explicitly acknowledges the process of partner selection as a distinct decision making entity within the whole process of IJV formation (e.g. Tomlinson 1970, see also Al-Khalifa & Peterson (1999)). It can be argued, however, that the process of partner selection is not a universally independent decision making process, as generally suggested in the Geringer-led stream of research (see Glaister & Buckley 1997). Looking at the distinction between partner identification and partner evaluation (Williams & Lilley 1993, Wong & Ellis 2002), there's a clear connection between the two. If partner identification is conducted in an ad hoc and unsystematic fashion, there is little justification for a comprehensive screening (see Wong & Ellis 2002). Also, if the potential partner identified is familiar to the evaluating firm, there is less need for a thorough evaluation; in either case, the performance of the eventual JV may be influenced more by the identification process than the evaluation process (*ibid.*).

Also, the traditional IJV partner selection literature seldom considers the fact that firms may not be able to enter an IJV agreement with any of its top partner choices. For example

Geringer (1988) accounted several instances where organizations reported an inability to conclude a JV agreement with their top two or three partner choices. Thus the selection criteria originally developed by a firm may be quite different from those that are applied in the end, if suitable partners are unavailable or unwilling to participate in the proposed JV. This suggests that partner selection may be a recursive process involving modification of criteria and further information searches.

Finally, the default position implicit in the IJV literature is that partner selection is made on the basis of objective information gathered systematically via market research (Wong & Ellis 2002). In other words, once the decision to cooperate has been made, the identification of potential partners follows a linear process whereby a large number of candidates are systematically screened according to the predetermined criteria identified by Geringer (1988) and others (e.g. Tsang 1995). Yet e.g. the strategic context of the firm is a potential influence on the selection process in terms of the length and intensity of the process. For example, a firm looking for a fast entry into the target market might select the first identified strategically adequate partner rather than invest time and resources on a comprehensive process of identification and evaluation of all potential partner candidates. The traditional assumption in IJV research is that investors choose partners that fulfill the maximum number of desired criteria, but an alternative view can be suggested: that under the constraints of bounded rationality, investors may simply settle for a candidate that satisfies some key criterion (Cyert & March 1992, March 1994). In search contexts characterized by high uncertainty and risk, optimal exchange partners cannot be easily identified. Hence, investors will not try to identify the ideal partner, but will instead limit their search to the potential partners they have most knowledge of, and then select the best choice from among this restricted set (Podolny 1994).

To summarize, three potentially problematic assumptions are generally implicit in the literature on partner selection. First, it is assumed that partner selection is a distinct decision-making entity, occurring after the selector has a) decided that an IJV/ISA is desirable and b) identified a number of potential partners. There are, however, indications in the literature that partner selection is strongly influenced by the process of partner identification, and firms' investment in identification varies (Wong & Ellis 2002, Geringer 1988, Tomlinson 1970). Second, in research focused on selection criteria it is frequently implicitly assumed that partner selection involves systematic and relatively extensive search for information about potential partners. This assumption is inherent in proposing that the selector has sufficient information for a ranking of potential partners according to a number of prioritized criteria (e.g. Wong & Ellis 2002), unless if an existing relationship with the potential partner is assumed. At the same time, some results suggest that partner selection may not be an independent decision-entity occurring at a specific point in the IJV formation, and that partner selection does not necessarily involve extensive, systematic information search (Geringer 1988, Maurer 1996). Hence, it is argued here that more process-oriented research on partner selection is needed. In the following, we examine existing studies incorporating a process perspective.

3. Current state of knowledge on IJV partner selection as a process

According to Tallman & Phene (2006) the process of structuring alliances involves initiation, operation, and restructuring or termination. The initiation of alliances falls into three stages: The first stage involves a choice regarding the organizational form, at which point cooperation through alliance is selected. The second stage represents the partner search and selection process, while the last stage comprises negotiations with the selected partner to create a framework that establishes complementarities and fosters the development of

synergies. In this paper we limit the process analysis to exclude the choice of the operation mode. Also, due to the relatively rich literature on IJV/ISA partner evaluation (i.e. the selection criteria), the paper does not place a detailed focus on how partners are evaluated.

The comparative lack of process-oriented studies on IJV or ISA partner selection is surprising given that the selection process, deemed to be fundamental in the pursuit of high performing ventures, can be disassembled into at least two stages; initial identification and subsequent evaluation of potential candidates (Williams & Lilley 1993, Wong & Ellis 2002). There are some rather rough process descriptions on how IJV or alliance partners are selected, yet there is a significant need for a more concise effort to capture the phenomenon and especially empirical examination on the partner selection process. The partner selection process has been presented as consisting of four phases (Young et al. 1989) or five phases (Ellram 1991) (Figure 1). Both models assume a prior decision on IJV, and a progression from determining criteria to information search to selection. Neither model explicitly requires a comparison between potential partners, but it seems implied.

----- *FIGURE 1 INSERTED HERE* -----

Essentially, very little attention has been previously paid for the fact that the firm might not have been aware of its best available options, i.e. a firm may not invest seriously or at all in the identification and initial screening of potential partner candidates. After all, it is obvious that whatever criteria are being applied in the selection of the partner, their utility depends on the thoroughness of the search for potential partners and information about them. A firm can not rely on making the optimal selection of partner without being aware of what exactly it would be available to select from. Killing (in a foreword to Geringer 1988) states that one of the first questions to be addressed in IJV partner selection is whether or not firms that spend more time and effort in the search process do in fact end up with more “suitable” partners according to Geringer’s criteria.

In fact, in Tomlinson's study (1970) the partner selection process was conducted far from thoroughly in most studied IJVs. According to his results, potential candidates were evaluated only superficially or not at all. Tomlinson's (1970) finding was that alliance partners often have an association or connection that predates the venture formation. No comprehensive evaluation of the prospective partners' motives or skills/resources was undertaken. Geringer's (1988) findings partially support this. He found considerable variation between reviewed IJVs in the intensity of the selection process, albeit a clear majority of the firms identified candidates who fulfilled their minimal requirements. Despite these notions from the late 80's, the IJV/ISA partner selection research since then has almost completely leaned on the selection criteria and their relative importance.

Addressing this particular gap in the IJV partner selection literature, the study by Wong & Ellis (2002) concerning partner identification process of 18 Sino-Hong Kong IJVs attempts to answer the pivotal question that has received scant attention in the literature, namely, *how do investors come to identify potential alliance partners?* By applying a network perspective and observing partner selection under the constraints of bounded rationality, Wong & Ellis (2002) found that partner identification was primarily conducted, across firm types and industries, by heavily leaning on existing social networks which were defined in terms of business, familial and friendship ties. In the initial search and identification process, weak ties between actors were most valuable in terms of generating the largest number of leads. However, strong ties, where they existed, expedited the search process and provided a more robust basis for final selection and subsequently inter-partner cooperation. Also Gulati (1995) suggests that the network of prior alliances often serves as an information guide in the choice of potential partners. Furthermore, Wong & Ellis (2002), based on their findings and a comparison to others, suggests that a correlation exists between the value of social ties and the uncertainty

of exchange. This further suggests that social ties will be least valuable between IJV partners from countries with similar levels of economic development.

In line with Wong & Ellis (2002), Maurer (1996) found in his study of US-Sino IJVs located in China, that the majority of JV partners were identified on the basis of a prior association (customers, suppliers, even former JV partners). Moreover, the manner in which potential alliance partners were identified had an unequivocal effect on the subsequent evaluation process. Specifically, the US managers in the study screened an average of 3-4 partners unless there was a prior association, in which case only one potential partner was considered. This supports the previously untested idea that partner identification is distinct from partner evaluation. From this it can be assumed that the efficacy of the evaluation process is contingent upon the prior identification process.

4. A new approach to the process of IJV partner selection

As established in previous chapter, the research findings of a process-based approach on IJV/ISA partner selection are narrow and mostly exploratory, and certainly lacking a concise empirical evaluation and validation. Because of the shortage of literature on the field, we propose an approach inspired by Viljamaa's (2007a) empirical analysis of small Finnish manufacturing firms' provider selection in context of external expert services. In the following, the four modes of provider selection identified by Viljamaa (2007a) are described, and their applicability in an IJV/ISA Context – arguably different from Viljamaa's research setting – is discussed. Four modes of partner selection in IJVs are then proposed, and some preliminary propositions suggested for empirical studies.

Whereas process-oriented approach constitutes an obvious research gap within IJV/ISA partner selection, it is also rare in studies on professional services purchasing (Day & Barksdale 1994). Research has used decision-making process stages as leverage for learning

about e.g. influences on decision-making, but, as in IJV studies, there has been relatively little empirical effort to determine whether the stages themselves correspond to activities in firms (cf. McQuiston 1989). Some sources suggest that the stages in expert services purchasing are often in fact not followed (e.g. Stock & Zinszer 1987, Gallouj 1997), and that only one potential provider may be considered (e.g. O'Farrell & Moffat 1991).

There are some fairly obvious differences when comparing a selection of an external expert service provider and a selection of an IJV partner that should be clearly expressed when examining the possibility of adapting findings from one of these fields to another. Firstly, in partner selection process within IJV operations, there is *a strong dyadic dimension*, referring to a two-way selection process, i.e. the selection process is conducted by each of the partners. Although the same can be stated concerning selection of expert service providers (e.g. Martin, Horne & Chan 2001), since the service provider naturally has the option of choosing its clients, the expert service provider selection can be more easily viewed as a purchasing processes. In comparison, as described by Kanter (1994), the partner selection process for IJVs can be likened to the courtship ritual of personal relationships, driven by both emotional attachment and cold-blooded analysis. It seems also logical to assume that firms choosing IJV or alliance partners are far more likely to be rejected by their preferred partner candidates.

Secondly, the *strategic importance* of the IJV partner selection decision is generally significantly higher in light of resource demands when compared to selection of expert service providers. Therefore firms can be expected to commit their resources for the selection process more extensively in the IJV partner selection context. Thirdly, the selection processes examined by Viljamaa (2007a) did not involve *an international aspect* which has a major influence on IJV partner selection, especially when forming an IJV, for example, to a physically, culturally or economically distant country (e.g. Larimo & Rumpunen 2006).

Additionally, Viljamaa's (2007a) study focused on SMEs, which must be accounted for, as firm size is arguably a factor on IJV partner selection.

However, there are also a number of similarities in expert service provider selection and IJV partner selection. In both situations the selector is faced with uncertainty concerning the future outputs of the selectee. In one case the uncertainty stems from working within an international context and in the other from dealing with knowledge asymmetry inherent to expert services (Viljamaa 2007a). In both cases, the selector must essentially make a judgment on whether the resources of the selectee are complementary and sufficient (cf. Geringer's (1988) task-related criteria) and whether the selector and selectee are compatible (cf. Geringer's (1988) partner-related criteria, Kanter's (1994) chemistry). In both cases, the selector must accept a risk in making the choice (e.g. Laroche, Bergeron & Goutaland 2003).

The word "selection" is often used in the literature to denote the final decision on which partner or provider is chosen (e.g. Young et al. 1989). The practice is potentially problematic because it confuses the notions of comparison and decision: selection implies both. Selection can also justifiably encompass the search for potential providers/partners, for such a search in itself means that candidates are sorted into potential and non-potential providers/partners, i.e. accepted or rejected from further consideration. Hence, in the following search for potential providers/partners, assessment of potential providers/partners, and the choice of provider/partner are all viewed as elements of selection.

Based on an empirical analysis, Viljamaa (2007a) identified four different modes of selection used in case firms: *Evaluation of alternatives*, *default selection*, *entwined selection* and *short selection*. Next, each of the modes is described and then discussed in the IJV partner selection context.

Evaluation of alternatives

Evaluation of alternatives refers to the selection mode in which the selector compares several alternative providers prior to making the choice. Models of B-to-B services purchasing usually include the assumption that multiple alternatives are sought and compared. The empirical data in Viljamaa's (2007a) study suggests otherwise; only few of the cases involved actual evaluation of alternative providers, i.e. seeking out several potential providers and comparing them prior to making a selection. This may be due to *bounded rationality*. The search for alternatives takes management time, which is a scarce resource in SMEs. Also, the more extensive the search, the more time the evaluation of potential providers will take, and thus it is doubly reasonable to limit the number of alternatives. After all, the firm still retains the option of continuing the search later if none of the evaluated providers prove satisfactory. (Viljamaa 2007a.)

The evaluation of alternatives based on multiple criteria is to an extent seen as the assumed mode of partner selection within most of the IJV literature. However, the requirements for such a selection process (proactiveness, lack of time constraints relating to strategic motives, sufficient resources for an extensive search) causes one to consider its frequency within real-life IJVs or ISAs.

Still, it must be noted that evaluation of multiple alternatives can also take place even though the firm originally did not initiate the process. For example, rejecting an offer for unsuitable partner characteristics may nevertheless trigger the firm's interest in entering an IJV in a specific country, and thus lead on to its own search for potential partners. In this case, the outside initiation could be seen as the basis for need recognition, leading to the actual partner selection process.

Default selection

In default selection the selector makes an ‘automatic’ choice because an alternative exists that is so obvious that the possibility of seeking alternatives is not raised – the selectee is selected by default. In the default selection cases examined by Viljamaa (2007a) the interviewees give no indication of considering their choice of a particular provider, or even particularly assessing that provider’s capabilities relative to their need. The cases involve either continuing an existing relationship or a close connection between selector and selectee. However, Viljamaa (2007a) suggests that the default provider only gets the assignment when there is no clear reason to look for an alternative, i.e. for example a previous business relationship is not in itself sufficient.

In the context of IJVs the mode of default selection of a local partner can occur only under the circumstances where the firm already has previous experience of operating in the target country and thus relationships exist to create the potential for an ‘obvious choice’. As found by Geringer (1988), typically among the first considered partner prospects are the distributors, suppliers and customers for the industry of the proposed venture. Also, the importance of strong ties, i.e. the strong relying on existing connections in identifying potential partners as found by Wong & Ellis (2002) as well as Maurer (1996), supports the idea of default selection existing as a mode of partner selection process in the context of IJVs or ISAs. In the IJV/ISA context, however, it may also be common that there exists a small (2-4 firms) default pool of prospective partners, which is largely determined by the firm’s existing social networks in the target country.

Entwined selection

In entwined selection the client firm simultaneously considers both the decision to use expert services and the decision to use the particular provider. The process of purchasing is

initiated or activated by external parties, the initiative often coming from the future service provider. Although in most of these cases similar services could be acquired from other providers as well, Viljamaa's (2007a) interviewees give no indication that alternatives are considered. Rather, the focus is on the decision of whether the service is used at all, and the provider selection is taken more or less for granted. The client firm's decision-making is focused on what is to be done, rather than who does it. Provider selection is simply entwined with the decision to use expert services. In some cases entwined selection is a matter of accepting a proposal. The firm is offered an opportunity that is acceptable, and the provider making the offer is engaged for the service. In traditional purchasing models need recognition and the provider decision are treated as if they were separate – in these cases there is no indication they are. (ibid.)

In the IJV context, the entwined selection mode challenges to some extent the notion of how the process of partner selection is a separable decision-making entity within the process of IJV formation, which is, as stated earlier, a common statement within previous IJV/ISA partner selection literature. In this case, the choice of partner(s) and the decision to set up an IJV can not be separated, and thus the decision to enter an IJV agreement embodies the choice of partner(s).

As the previous partner selection literature most often implicitly assumes that firms enter the partner selection process systematically, driven by an earlier recognized need, leading to identification of candidates and evaluation based on multiple selection criteria, another clear pre-disposition is that the firm is proactive throughout the process. This has led the IJV/ISA partner selection research during the last decades to neglect the point of view of the 'passive' or 'reactive' partner, i.e. the one who's not responsible for the initial contact and proposition to enter IJV negotiations.

Based on previous literature, Glaister & Buckley (1997) assumed that to the extent that partners are either proactive or reactive with respect to the initiative for the joint venture, and thus either making the initial approach or responding to an approach, then differences in the importance of particular selection criteria are likely to be evidenced between initiating and non-initiating partner firms. However, the influence of who was responsible for the initial contact was found to be virtually of no importance vis-à-vis the relative importance of partner selection criteria. It seems reasonable to assume that the influence of initiation is a more relevant focus as a determinant of IJV partner selection when observed from a process-oriented perspective when compared to studies focusing on the single mechanism of evaluation/selection criteria.

Short selection

In short selection mode a single potential provider is evaluated by the selector. The essential difference to cases entailing an entwined selection is that a provider is chosen, rather than a service, even if the choice is made from a list of one. The evaluation in short selection carries the possibility of rejecting the potential provider, and engaging in a second or third round of short selection (Viljamaa 2007a). However, there is not comparison of potential providers, except in the sense that the potential provider being evaluated is compared against other providers that might be found, assuming the selector is willing and able to invest more effort.

The mode of short selection in IJV/ISA context would, in comparison to entwined selection, be significantly more in line with previous IJV/ISA partner selection research. In this case, there is a distinction between partner selection process and the decision to set up an IJV/ISA. Although no more than one potential partner goes under the stage of evaluation, the selection process in short selection mode is a separable entity within the whole process of IJV

formation, assuming that a decision to enter the target country via an IJV/ISA has been previously made. Also, it should be noted that firms may engage in serial short selection, i.e. having rejected one evaluated candidate they look for another that satisfies their minimum requirements for starting the planned IJV.

In comparison to the mode of evaluation of alternatives, it could be argued that firms in short selection are more likely to approach the selection by looking for a partner that is good enough, rather than optimal – rejecting the candidate in case of not exceeding the requirements and therefore restarting the process with another candidate – whereas in evaluation of alternatives the focus is on search for an optimal partner. In light of bounded rationality and limited resources, it could be expected that SMEs are more likely to apply a short selection mode rather than evaluation of alternatives, especially if it lacks experience in operating in the target country.

The four modes of partner selection – *evaluation by alternatives*, *default selection*, *entwined selection*, and *short selection*, were all considered plausible in the IJV partner selection context. Further, each of the modes suggests certain pre-dispositions within factors related to the characteristics and resources of the firm, the characteristics of the target country, strategic motives for the IJV formation, strategic importance of the IJV to the firm, as well as the role of initiator of the IJV process. Viljamaa's (2007b) discussion on selection modes, while suggestive of the forms of partner selection in IJVs, does not depict the process selection process, nor does it consider selection criteria. Figure 2 shows a composite of the four modes in the IJV/ISA partner selection context, modified to include setting of selection criteria as proposed in both Young et al. (1991) and Ellram (1991).

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To summarize, it is proposed that IJV/ISA partner selection can occur in various modes. Some suggestions are also made as the occurrence of these. First, based on bounded

rationality and limited resources, small and inexperienced firms are more likely to choose partners considered ‘good enough’ rather than ‘optimal’. This makes it less likely for these firms to undertake the IJV partner selection process based on the *evaluation of alternatives* mode. Also, *default selection* would require existing connections and target country related experience, making it non-applicable for firms considering entry via an IJV into a new target country. On *entwined selection*, the decision to set up an IJV and a choice of a partner are considered as bundle, making it a likely option for firms who do not act as the initiator in the IJV formation process. Also, the strategic motivation for the IJV formation, especially the time dimension it may embody – is of potential significance when considering the modes of partner selection the firm may undertake. As stated by Killing (in foreword to Geringer 1988), in the real world time is scarce, and perfect partners do not exist for every project.

Some potential propositions for empirical research on IJV partner selection process are listed below, divided by the main variable affecting the mode of selection process. It should be carefully noted, that several of these variables are likely to correlate with each other.

Strategic importance of the venture

- The more strategically important the firm considers the venture, the more likely they are to extensively commit time and resources for exploring their partner options, thus suggesting the approach of *evaluation of alternatives*.

Target country related experience

- The more experienced the firms is in operating in the target country, the more likely they are to place stronger emphasis on existing relationships, thus increasing the likelihood of using *default selection*, and less likely to use third party services in partner identification and selection.

Experience in forming joint ventures/alliances

- The more experienced the firm (more specifically the management in charge of the selection process), the more emphasis is placed on existing relationships due to reduced uncertainty on partner-related aspects influencing compatibility and inter-partner cooperation.

Firm size

- SMEs are less likely to select their partners based on *evaluation of alternatives* due to potentially significant resource demands
- Large firms, also more likely to have TC-related experience, are more likely to use *evaluation of alternatives*, but may start the process by focusing on its existing cooperators and other local relations (such as partners in previous alliances, distributors, suppliers, customers, etc.).

Strategic context/motivation

- Firms looking to set up a joint venture under a motivation that requires fast decision making concerning market entry, are less likely to undertake *evaluation of alternatives*, and more likely to look for ‘good enough’ rather than optimal, and more likely to apply *short selection*

Target country characteristics

- Firms looking to set up an IJV in a country with a strong cultural emphasis on existing relationships and mutual background (such as China and the *Guanxi* context) are more likely to exploit their existing networks and apply *default selection* for the basis of forming a small group of prospective partner candidates.

Initiation of the IJV

- Firms who are not responsible for the original IJV initiative (i.e. the passive/reactive partner) are more likely to undertake *entwined selection*, thus observing the decision

to enter an IJV agreement and choice of partner as a bundle instead of separate decision making processes.

4. Summary and conclusions

In light of literature on international joint ventures and alliances ever since early 70's, there is no question that selection of a partner is one of the most important decisions to be made within the process of IJV/ISA formation. Due to its direct influence on the resource pool available for the venture alone, partner choice may well be the key determinant of a subsequent success or failure of the venture. It is well documented that IJV/ISA partner selection is often considered an understudied field of research, although the number of studies in the field has accumulated during the last two decades. However, ever since Geringer's (1988) groundbreaking work on IJV partner selection, the focus has been almost completely limited into a single mechanism of the partner selection process, the evaluation of prospective partner candidates including the final selection decision of a partner.

Based on the bulk of partner selection criteria research, exploratory findings by Tomlinson (1970) and Geringer (1988), as well as an avenue-opening study on partner identification by Wong & Ellis (2002), this paper introduced a process-oriented review of past studies, leading to identification of certain gaps within the field, and a proposed new approach in examining the different modes that IJV partner selection process may undergo. In doing so, it built on Viljamaa's (2007a) empirical analysis of small manufacturing firms' provider selection in context of external expert services and the four modes of selection process identified. Each of the four modes were then discussed and observed under the context of IJV partner selection, a field with obvious differences but also arguable similarities to Viljamaa's original research setting.

The four modes of partner selection – *evaluation by alternatives*, *default selection*, *entwined selection*, and *short selection*, were all considered plausible in the IJV partner selection context, each of the modes demanding certain pre-dispositions within factors related to the characteristics and resources of the firm, the characteristics of the target country, strategic motives for the IJV formation, strategic importance of the IJV to the firm, as well as the role of initiator of the IJV process. It is suggested that small and inexperienced firms are more likely to choose partners considered ‘good enough’ rather than ‘optimal’, and hence are less likely to undertake the IJV partner selection process based on the *evaluation of alternatives* mode. Also, *default selection* would require existing connections and target country related experience, making it non-applicable for firms considering entry via an IJV into a new target country. On *entwined selection*, the decision to set up an IJV and a choice of a partner are considered as bundle, making it a plausible option for firms who do not act as the initiator in the IJV formation process (i.e. reactive partners).

It seems clear that firms find and choose their alliance partners by following different paths, each entailing a varying number of stages and a varying level of resource intensity. Also, literature suggests an existence of several factors having an effect on how firms undertake the process of partner selection, such as experience related to alliance/IJV formation as well as the target country, the strategic importance of the venture, the strategic context of the venture, firm size, the initiation of the venture, and target country characteristics. Therefore, there certainly is need for further research and empirical verification on the different stages in IJV/ISA partner selection process and the impact of various factors on each of the stages within the selection process.

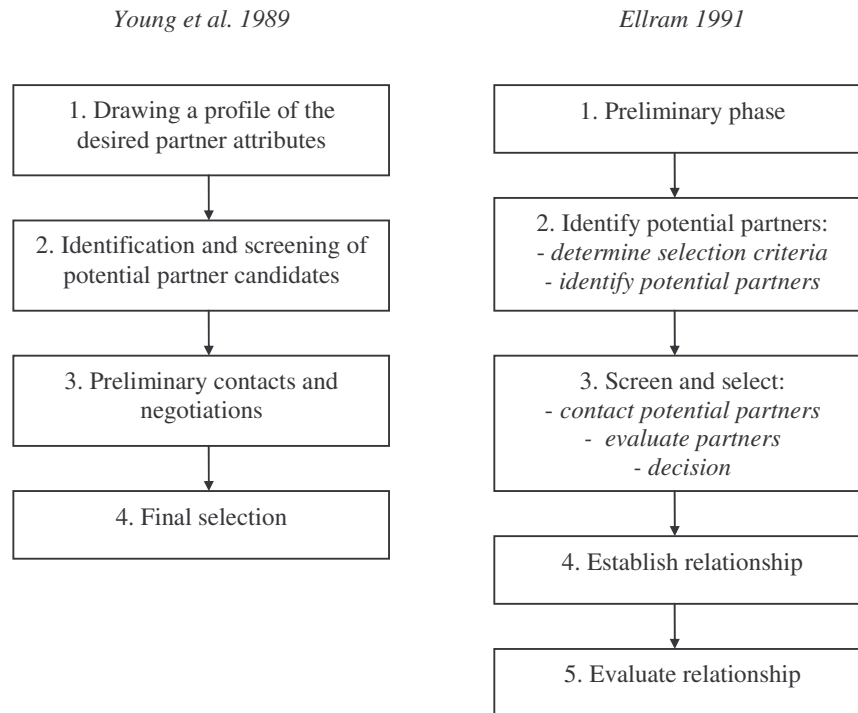


Figure 1. Partner selection processes, based on Young et al. (1989) and Ellram (1991).

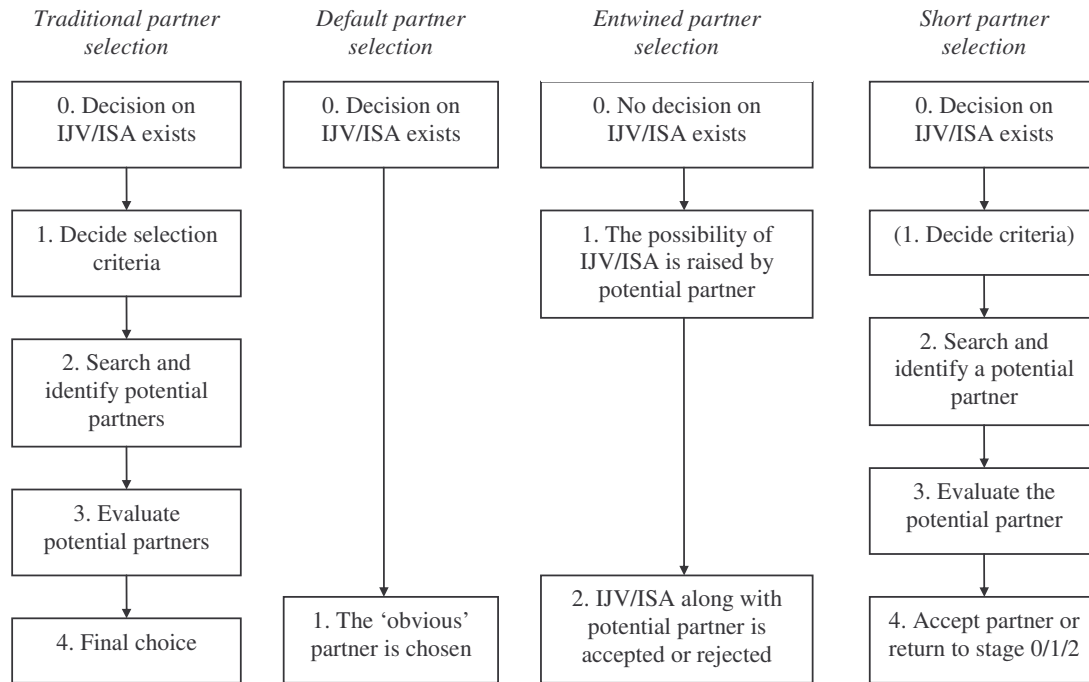


Figure 2. Proposed alternative modes of partner selection.

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