1995

Performance of international joint ventures (IJVs) in developing countries: a study of IJVs in Bangladesh

Md. Yunus Ali
University of Wollongong

UNIVERSITY OF WOLLONGONG

COPYRIGHT WARNING

You may print or download ONE copy of this document for the purpose of your own research or study. The University does not authorise you to copy, communicate or otherwise make available electronically to any other person any copyright material contained on this site. You are reminded of the following:

This work is copyright. Apart from any use permitted under the Copyright Act 1968, no part of this work may be reproduced by any process, nor may any other exclusive right be exercised, without the permission of the author.

Copyright owners are entitled to take legal action against persons who infringe their copyright. A reproduction of material that is protected by copyright may be a copyright infringement. A court may impose penalties and award damages in relation to offences and infringements relating to copyright material. Higher penalties may apply, and higher damages may be awarded, for offences and infringements involving the conversion of material into digital or electronic form.

Recommended Citation


Research Online is the open access institutional repository for the University of Wollongong. For further information contact the UOW Library: research-pubs@uow.edu.au
NOTE

This online version of the thesis may have different page formatting and pagination from the paper copy held in the University of Wollongong Library.

UNIVERSITY OF WOLLONGONG

COPYRIGHT WARNING

You may print or download ONE copy of this document for the purpose of your own research or study. The University does not authorise you to copy, communicate or otherwise make available electronically to any other person any copyright material contained on this site. You are reminded of the following:

Copyright owners are entitled to take legal action against persons who infringe their copyright. A reproduction of material that is protected by copyright may be a copyright infringement. A court may impose penalties and award damages in relation to offences and infringements relating to copyright material. Higher penalties may apply, and higher damages may be awarded, for offences and infringements involving the conversion of material into digital or electronic form.
PERFORMANCE OF INTERNATIONAL JOINT VENTURES (IJVs) IN DEVELOPING COUNTRIES:
A STUDY OF IJVs IN BANGLADESH

A thesis submitted in fulfilment of the requirements for the award of the degree of Doctor of Philosophy

from
University of Wollongong

BY
MD. YUNUS ALI, B.Com (Hons), M.Com (Raj.), MBA (Monash)

DEPARTMENT OF MANAGEMENT
1995
DECLARATION

I hereby declare that this thesis has never previously been submitted for any other degree and this is the result of my independent research.

MD. YUNUS ALI
ABSTRACT

This thesis seeks to broaden our understanding of the determinants of joint venture performance in the context of a developing country. After a comprehensive review of past studies is presented, highlighting the focus of contemporary research on international joint venture, a conceptual model is presented for studying the determinants of joint venture performance. A number of hypotheses which focuses on the relationships between joint venture performance measures and various organisational, strategic, managerial, industry-related, and country-related factors are developed. The impact of these factors on joint venture success and stability is then analysed using multivariate analysis. While measurement methods of past studies are adopted in several cases, new measures are developed for the measurement of a number of determinants (viz., resource complementarity and psychic distance).

The empirical analysis uses data collected from 59 international joint ventures involving local partners and Developed and Developing country multinational companies in Bangladesh. A descriptive analysis of the preliminary results of the study is followed by bivariate and multivariate analyses. In general, the results of the bivariate analysis tend to support the posited hypotheses for half of the variables of this study. Multivariate analysis reveals that joint venture experience of the parents, the extent of complementarity of contributed resources, the extent of cooperation between parent firms, and export orientation of the joint venture have significant positive impact on success. Mature technology tend to influence success better than the sophisticated technology. The degree of cooperation between parent firms tend to determine joint venture stability. Psychic distance between parents is also a likely predictor of joint venture stability but, the influence is relatively weak.

The exploratory analysis of the joint ventures of Developed and Developing country multinational companies reveals that these two groups of joint ventures are significantly different in terms of parents’ firm size, multinational spread and joint venture experience, as well as the nature of technology they use, the market cater for, and the level of psychic distance between parents’ country of origin. Despite these differences, these two groups of joint ventures did not perform differently. Implications of the research findings are discussed. Finally, the limitations of this study are considered and possible directions for further research outlined.
ACKNOWLEDGMENTS

I am greatly indebted to my supervisor, Associate Professor A B Sim for his onerous support, intellectual guidance and responsibilities provided throughout this study. I am also grateful to Professor Julian Lowe for his enthusiastic encouragement to explore this field of research and his role as a co-supervisor at the initial stage of this study.

I am thankful to many individuals for their ideas and comments on various aspects of this study. They include Dr Muayyad Jabri, Tony Naughton, Associate Professor Paul Patterson, Dr Muris Cicic, Dr William Rifkin, Dr Kuaku Atuahene-Gima, Professor Asgar A Talukder, Dr Rob Hall and Dr Ron Witton.

My thanks also goes to numerous colleagues for their extra-ordinary warmth of sharing and cooperative attitudes, including, Dr Abdullah H Ahmed, Dr Zein Frinces, Dr Osman Zein, Cheu Wong, Dr Sudhir C Lodh and Quazi M Ali.

This research would not have been possible without the generous assistance of the executives who consented to participate in this study, completed questionnaires and volunteered their precious time for personal interviews. I wish to express my deepest appreciation for their invaluable assistance. I am also grateful to officers and staffs of the Board of Investment, Bangladesh Export Processing Zone Authority and Bangladesh Consulate in Sydney for their invaluable assistance. My special appreciation goes to Mamdood H Alamgir, Director, Board of Investment for his support and assistance during the field studies in Bangladesh.

My special gratitude due to my late parents who implanted so much patience in me which I have capitalised during my hard days. I remember them with great respect. Finally, and most importantly, my utmost appreciation goes to my wife, Daisy. She has been a continual source of inspiration and motivation, and a constant companion of joys and sorrows of my long overseas life in Australia. This thesis is dedicated to her.

I am grateful to the University of Wollongong for the financial assistance and the University of Rajshahi, Bangladesh for a leave during the early stage of this study. I am also grateful to the Department of Management, University of Wollongong, especially to Professor Gill Palmer, for the assistance and support provided to complete this program.

While I am grateful for all the help I have received, responsibilities for errors and shortcomings of this thesis are mine.

Md Yunus Ali
Wollongong, Australia.
TABLE OF CONTENTS

Abstract ii
Acknowledgment iii
List of Tables vii
List of Figures ix

CHAPTER I: INTRODUCTION 1 - 8
1.1 Definition of the problem 1
1.2 Objectives of the Study 3
1.3 Methodology 3
1.4 Major Findings 3
1.5 Significance of the Study 4
1.6 Definitions and Terminologies Used 5
1.7 Organisation of the Thesis 8

CHAPTER II: REVIEW OF THE LITERATURE 9 - 58
2.1 General Review 9
2.2 Partners' Firm-related Factors and JV Performance 13
2.3 Management Control over Joint Venture 37
2.4 Cooperation Between Partners 46
2.5 Cultural Difference and Joint Ventures 49

CHAPTER III: THE RESEARCH MODEL AND HYPOTHESES 59 - 84
3.1 Introduction 59
3.2 The Research Model 59
3.2.1 Dependent Variables 61
3.2.2 Explanatory Variables 62
3.2.2.1 Parents' Firm-Related Variables 62
3.2.2.1.1 Relative Firm Size and JV Performance 63
3.2.2.1.2 Extent of Multinationality and JV Performance 64
3.2.2.1.3 Joint Venture Experience and JV Performance 66
3.2.2.1.4 Resource Complementarity & JV Performance 67
3.2.2.1.5 Linkage/Relatedness and JV Performance 69
3.2.2.2 Management Control and JV Performance 72
3.2.2.3 Cooperation Between Parents and JV Performance 75
3.2.2.4.1 Nature of Technology and JV Performance 77
3.2.2.4.2 Target Market of the JV and JV Performance 80
3.2.2.5 Country Related Factors and JV Performance 81
3.3 Comparison by Foreign Sponsors Country Category 82
CHAPTER IV : RESEARCH METHODOLOGY ...

4.1 Operationalisation of Variables ........................................ 85
  4.1.1 Relative Firm Size ........................................ 85
  4.1.2 Extent of Multinationality .................................. 86
  4.1.3 Joint Venture Experience .................................... 86
  4.1.4 Resources Complementarity .................................. 87
  4.1.5 Linkage and Relatedness ..................................... 95
  4.1.6 Management Control of the Joint Venture ................. 98
  4.1.7 Cooperation Between Parent Firms ......................... 100
  4.1.8 Nature of Technology of the Joint Venture ............. 101
  4.1.9 Target Market of the Joint Venture ....................... 102
  4.1.10 Psychic Distance .......................................... 103
  4.1.11 Joint Venture Performance ................................ 108

4.2 Research Method .................................................... 112
  4.2.1 Survey Approach ........................................... 112
  4.2.2 The Population and The Sample ............................. 114
  4.2.3 The Research Instrument and Pilot Study ................ 116
  4.2.4 Data Collection ............................................ 117
  4.2.5 Data Analysis ................................................ 118

CHAPTER V: DESCRIPTIVE RESULTS OF THE STUDY ............ 120-171

5.1 Characteristics of the JV Sample ............................... 120

5.2 Descriptive Results of the Study ............................... 127
  5.2.1 Parents' Relative Firm Size ............................... 127
  5.2.2 Parents' Relative Multinationality ....................... 131
  5.2.3 Parents' Relative JV Experience ......................... 132
  5.2.4 Parents' Linkages to the JV ................................ 135
  5.2.5 Parents' Resource Contribution to the JV ............. 137
  5.2.6 Management Control of the Joint Venture ................ 143
  5.2.7 Cooperation Between JV Parent Firms ................... 148
  5.2.8 Parent Firms' Country-Related Factors ................... 153
  5.2.9 Joint Venture Success ...................................... 158
  5.2.10 Stability of the Joint Venture .......................... 167
## CHAPTER VI: ANALYSIS OF JOINT VENTURE PERFORMANCE 172 - 198

6.1 Correlation Matrix and Evaluation of Assumptions 172
   6.1.1 Correlation Matrix & Evaluation of Collinearity 172
   6.1.2 Outliers 175
   6.1.3 Normality, Linearity and Homoscedasticity 176

6.2 Analysis of Joint Venture Performance 176
   6.2.1 Bivariate Analysis of JV Performance 177
   6.2.2 Multivariate Analysis of JV Performance 178
      6.2.2.1 Multiple Regression Results 180
      6.2.2.2 Logistic Regression Results 190

## CHAPTER VII: TESTS OF HYPOTHESES 199 - 228

7.1 Relative Firm Size and JV Performance 199
7.2 Relative Multinationality and JV Performance 201
7.3 Joint Venture Experience and JV Performance 201
7.4 Resource Complementarity and JV Performance 203
7.5 Linkage and Relatedness and JV Performance 205
7.6 Management Control and JV Performance 210
7.7 Cooperation Between Parents and JV Performance 215
7.8 Technology of the JV and JV Performance 217
7.9 Market-orientation and JV Performance 219
7.10 Psychic Distance and JV Performance 220
7.11 Difference Between DC- and LDC-sponsored JVs 223

## CHAPTER VIII: SUMMARY AND CONCLUSIONS 229 - 245

8.1 Introduction 229
8.2 Summary of the Empirical Findings 230
8.3 Limitations of the Study 236
8.4 Implications of the Findings 238
8.5 Future Research Directions 244

**REFERENCES** 246

**APPENDICES** 276 - 293

Appendix A1: Letter of Introduction 276
Appendix A2: Questionnaire 277
Appendix B1: Multiple Regression Results 292
Appendix B2: ANOVA of the Overall Control Variables 293
# LIST OF TABLES

<table>
<thead>
<tr>
<th>Tables</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>2.1 Evaluation of Local Partners' Effectiveness &amp; Usefulness</td>
<td>15</td>
</tr>
<tr>
<td>2.2 Difference between Small and Large Foreign Firms</td>
<td>16</td>
</tr>
<tr>
<td>2.3 Partner Selection Criteria</td>
<td>24</td>
</tr>
<tr>
<td>2.4 Effects of Partners Asymmetries and JV Performance</td>
<td>30</td>
</tr>
<tr>
<td>3.1 Summary of Hypotheses of the Study</td>
<td>84</td>
</tr>
<tr>
<td>1.1 Profile of Parents' Contribution in Domestic Market-oriented JVs</td>
<td>93</td>
</tr>
<tr>
<td>1.2 Profile of Parents' Contribution in Export-oriented JVs</td>
<td>94</td>
</tr>
<tr>
<td>1.3 1991 Sales of the JV Sample</td>
<td>121</td>
</tr>
<tr>
<td>1.2 Age of JVs</td>
<td>121</td>
</tr>
<tr>
<td>1.3 Foreign Partners' Country of Origin</td>
<td>122</td>
</tr>
<tr>
<td>1.4 Foreign Partners' Equity Holding in the JVs by Country Category</td>
<td>123</td>
</tr>
<tr>
<td>1.5 Exports as proportion of JVs' Total Sales</td>
<td>124</td>
</tr>
<tr>
<td>1.6 Industrial Classification of the JV sample</td>
<td>126</td>
</tr>
<tr>
<td>1.7 Level of Technological Sophistication</td>
<td>127</td>
</tr>
<tr>
<td>1.8 Parents' Firm Size</td>
<td>128</td>
</tr>
<tr>
<td>1.9 Contingency Table of Foreign Parents' Firm Size</td>
<td>130</td>
</tr>
<tr>
<td>1.10 Parents Relative Multinationality</td>
<td>131</td>
</tr>
<tr>
<td>1.11 Parents Relative Joint Venture Experience</td>
<td>133</td>
</tr>
<tr>
<td>1.12 Contingency Table of Foreign Parents' JV Experience</td>
<td>134</td>
</tr>
<tr>
<td>1.13 Linkage and Relatedness of JVs</td>
<td>136</td>
</tr>
<tr>
<td>1.14 JVs' Linkage and Relatedness to Local and Foreign Parents</td>
<td>136</td>
</tr>
<tr>
<td>1.15 Resource Contribution to JVs by Local and Foreign Parents</td>
<td>138</td>
</tr>
<tr>
<td>1.16 Foreign Parents' Contributions to the JVs</td>
<td>140</td>
</tr>
<tr>
<td>1.17 Local Parents' Contributions by JVs' Target Market</td>
<td>141</td>
</tr>
<tr>
<td>1.18 Foreign Parents' Contributions by JVs' Target Market</td>
<td>142</td>
</tr>
<tr>
<td>Table</td>
<td>Title</td>
</tr>
<tr>
<td>-------</td>
<td>---------------------------------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>5.19</td>
<td>Perceived Overall Management Control in the JVs</td>
</tr>
<tr>
<td>5.20</td>
<td>JV Ownership and Overall Control Relationship</td>
</tr>
<tr>
<td>5.21</td>
<td>Perceived Overall Parent Control by JV Board Membership</td>
</tr>
<tr>
<td>5.22</td>
<td>Locus of Decision Making Control over Policy Areas</td>
</tr>
<tr>
<td>5.23</td>
<td>Extent of Cooperation between Parents (by Country Category)</td>
</tr>
<tr>
<td>5.24</td>
<td>Extent of Cooperation between Parents (by Market-orientation)</td>
</tr>
<tr>
<td>5.25</td>
<td>Contingency Table of Cooperation between Parents</td>
</tr>
<tr>
<td>5.26</td>
<td>Level of Communication among JVs Parties</td>
</tr>
<tr>
<td>5.27</td>
<td>Difference in Cultural Attitudes between Partners</td>
</tr>
<tr>
<td>5.28</td>
<td>Difference in Business Practices between Partners Country of Origin</td>
</tr>
<tr>
<td>5.29</td>
<td>Means of Goal Importance and Success Ratings</td>
</tr>
<tr>
<td>5.30</td>
<td>JV Success by Foreign Parents’ Country Category</td>
</tr>
<tr>
<td>5.31</td>
<td>JV Success by Market Orientation of the JVs</td>
</tr>
<tr>
<td>5.32</td>
<td>Contingency Analysis for JV Success</td>
</tr>
<tr>
<td>5.33</td>
<td>Anova Table for JV Success</td>
</tr>
<tr>
<td>5.34</td>
<td>Correlation between Goal Items and Overall Performance Scale</td>
</tr>
<tr>
<td>5.35</td>
<td>Stability of the Joint Ventures</td>
</tr>
<tr>
<td>5.36</td>
<td>Level of Stability of JVs by Foreign Parents’ Country Category</td>
</tr>
<tr>
<td>5.37</td>
<td>JV Instability by Equity Ownership Category</td>
</tr>
<tr>
<td>6.1</td>
<td>Correlation Matrix</td>
</tr>
<tr>
<td>6.2</td>
<td>Correlation between DVs and IVs</td>
</tr>
<tr>
<td>6.3</td>
<td>Regression Results for the Models</td>
</tr>
<tr>
<td>6.4</td>
<td>Logistic Regression for JV Stability</td>
</tr>
<tr>
<td>7.1</td>
<td>Difference between DC and LDC-sponsored JVs</td>
</tr>
<tr>
<td>7.2</td>
<td>Summary of Research Hypotheses and Results</td>
</tr>
</tbody>
</table>
# LIST OF FIGURES

<table>
<thead>
<tr>
<th>Figure No.</th>
<th>Figure Title</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>2.1</td>
<td>Beamish's Research Model</td>
<td>19</td>
</tr>
<tr>
<td>2.2</td>
<td>Host Government Policy &amp; JV Stability</td>
<td>34</td>
</tr>
<tr>
<td>2.3</td>
<td>Operationalisation of Psychic Distance</td>
<td>56</td>
</tr>
<tr>
<td>3.1</td>
<td>Conceptual Model of this Research</td>
<td>60</td>
</tr>
</tbody>
</table>