DECISION MAKING AUTONOMY OF JOINT VENTURES : An Empirical Study of Joint Ventures between Foreign MNCs and Turkish Industrial Groups

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Introduction

Increased international joint venture (IJV) activity was seen as one of the major changes in international business environment in the past decade, and is popular means of entry for multinational companies (MNCs). This type of co-operative operations has also became an essential part of business strategies of MNCs and their partners, particularly local industrial groups of developing countries. Some of the co-operative ventures have involved blue-chip companies at national and international levels, promoting high technology discovery within research and development consortia; others have involved making break-through and cost saving and design in construction companies; while some joint ventures have involved organisations with mature technologies, and between those who have marketing channels, resources, business expertise and financial muscle, and the innovators.[1] To achieve their corporate objectives, MNCs need to identify and create opportunities presented by potentially attractive and under explored international

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[1] M. Demirbağ, H. Mirza and D. Weir, "The Dynamics of Manufacturing Joint Ventures in Turkey and the Role of Industrial Groups", **Management International Review**, 35 (1.1), 1995, p.45-61.

markets.[2] However, there are more motives for foreign direct investment than there are separate investment decisions.[3] The major advantages identified for such operations in the international business literature are ; (1) to improve a firm's strategic position in a competitive market place[4] since a local partner can provide it with an established network with the environment and management of environmental relations; (2) to "block competition" by turning potential competitors into allies,[5] (3) to provide horizontal or vertical integration opportunities for parents,[6] (4) to acquire or share a firm's knowledge or business culture,[7] (5) to overcome host government regulations,[8] (6) to reduce transaction costs,[9] and (7) to reduce the financial and political risk.[10]. Despite the increasing popularity of joint ventures, experiences and observations of businessmen and managers alike suggest that this type of organisations are not complication free. These complications may cause some distinct disadvantages, if they are overlooked or ignored.[11]

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[2] D.K. Datta, "International Joint Ventures: A Framework for Analysis", **Journal of General Management**, 14 (2), 1988, p.78-91.

[3] P.J. Buckley and M. Casson, **The Economic Theory of the Multinational Enterprise**, London: MacMilllan, 1985.

[4] B. Kogut, "Joint Ventures : Theoretical and Empirical Perspectives", **Strategic Management Journal**, 9 (4), 1988, p.319-332.

[5] L. Berstein, "Joint Ventures in the Light of Recent Antitrust Development : Anticompetitive Joint Venture", **Antitrust Bulletin**, 10, 1965; F. Contractor and P. Lorange, "Why Should Firms Cooperate: The Strategy and Economic Basis for Co-operative Ventures", in F. Contractor and P. Lorange (eds.), **Cooperative Strategies in International Business**, 3-29, Lexigton Mass : Lexington Books, 1988; J.F. Hennart, "A Transaction Cost Theory of Equity Joint Ventures", **Strategic Management Journal**, 9 (4), 1988, p.361-374.

[6] K.R. Harrigan, **Strategies for Joint Ventures**, Lexington Mass: Lexington Books, 1985; J.L. Williamson, **Markets and Hierarchies: Analysis and Antitrust Implications,** New York, Free Press, 1975.

[7] S.V. Berg, et al, **Joint Venture Strategies and Corporate Innovation**, Cambridge: Oelgeschlager, Gunn and Hain, 1982; E. Roberts, "New Ventures for Corporate Growth", **Harvard Business Review**, July-August, 1980; M. Lyles, "Learning Among Joint Venture-Sphisticated Firms", in F. Contractor, and P. Lorange (eds.), **Cooperative Strategies in International Business**, Lexigton Mas, Lexington Books, 1988; Demirbağ, Mirza and Weir, **op.cit.**, 1995, p.60.

[8] L. Franko, **Joint Venture Survival in Multinational Corporations**, New York: Praeger, 1971; K.R. Harrigan, "Joint Ventures and Competitive Strategy", **Strategic Management Journal**, 9 (2), 1988a, p.141 - 158.; UNCTC, "Arrangement between Joint venture Partners in Developing Countries", United Nations Centre on Transnational Corporations, **UNCTC Advisory Studies Series B**, No.2, New York, 1987; M. Demirbag, **The Dynamics of Foreign-Local Joint Venture Formation and Performance in Turkey**, PhD Thesis, University of Bradford, 1994.

[9] Buckley and Casson, **op.cit.**, 1985; P. Beamish and J. Banks, "Equity Joint Ventures and the Internalisation Approach to the Theory of the MNE", **Working Paper, Wilfrid Laurier University**, Ontario, Canada, 1985; Hennart, **op.cit.**, p.365.

[10] Demirbağ, Mirza, Weir, **op.cit.**, 1995; M. Demirbağ and R. Güneş, "Political Risk Assessment of Central Asian Republics and Russia: A Case Study of Turkish Companies Operating in Central Asian and Russian Markets", **Paper Presented at the 12th Annual Conference of Euro-Asia Management Studies Association,** November 8-11, 1995, SDA Bocconi, Milan, 1997; M. Demirbağ, R. Güneş and H. Mirza, "Managemnet of Political Risk: A Case Study of Turkish Companieas in Central Asia and Russia", in H. Mirza (ed.), **Beyond Protectionism**, London: Edward Elgar (forthcoming in 1997).

[11] S.E. Roulac, "Structuring the Joint Venture", **Mergers and Acquisitions**, Spring, 1983; R.M. Kanter, "The New Alliances: How Strategic Alliances are Reshaping American Business", in H. Sawyer (ed), **Business in a Contemporary World**, New York: University Press of America, 1988, p.59-82; J. Mohr and R. Spekman, "Characteristics of Partnership Success: Partnership Attributes, Communication Behaviour, and Conflict Resolution Techniques", **Strategic Management Journal,** 15 (2): 1994, p.136.

Many studies have pinpointed the high rate of divorce between joint venture partners.[12] Contributors to such problems faced in JV operations include the incompatibility of partners' expectations,[13] the incongruence of goals,[14] the improper division of power and control between partners,[15] and poor cooperation between partners.[16] Furthermore, whereas in wholly owned subsidiaries of MNCs there is only one parent firm and usually two major employee groups, IJVs have at least two parent firms and a variety of employee groups. Each of these parent firms have their own unique structure, goals and operation mode. In the midst of this complex situation stands the IJV, which needs authority for management of operation. IJV management faces simultaneous demands from policy makers of parent firms and various employee groups in each organisation.

This paper attempts to outline core characteristics of control exercised and autonomy given by parent companies to joint venture management in their decisions. Following a brief examination of the literature related to control in international operations, the theoretical framework of the decision making will be discussed. In the last section of the paper empirical results of the employed framework will be assessed in connection with a sample of foreign-Turkish joint ventures and their parent firms. In so doing, the paper aims to explore the kind and extent of autonomy given to joint venture management. The paper also attempts to examine differences between foreign and local partners' perceptions on influences exercised from each others view so as to identify convergence or divergence between parent firms' perceptions.

Decision Making Autonomy and Control in the Context of International Joint Ventures

For many decades the topic of control has been source of considerable discussion, thus it is not surprising to find a variety of approaches to conceptualising and operationalizing control, due to proliferation of studies and importance of the issue.

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[12] P. Beamish, "The Characteristics of Joint Ventures in Developed and Developing Countries", **Columbia Journal of World Business**, 20 (3), 1985, p.13-19; Janger, **Organization of International Joint Ventures**, New York: Conference Board, 1980; P. Killing, **Strategies for Joint Venture Success**, New York, Praeger, 1983; B. Kogut, "Cooperative and Competitive Influences on Joint Venture Stability under Competing Risks of Acquisition and Dissolution", **Working Paper, University of Pennsylvania,** December, 1986; K.R. Harrigan, **Managing for Joint Venture Success,** Lexington Mass: Lexington Books, 1986.

[13] J. Geringer, **Joint Venture Partner Selection: Strategy for Developed Countries**, Westport Conn.: Quorum Books, 1988a; J. Geringer, "Selection of Partners for International Joint Ventures", **Business Quarterly**, Summer, 1988b; Killing, **op.cit.**

[14] E. Anderson, "Two Firms, One Frontier: On Assessing Joint Venture Performance", **Sloan Management Review**, Winter, 1990, p.19-30; Berg, **op.cit.**; Harrigan, **op.cit.**, 1985; Roulac, **op.cit.**; P.W. Beamish, **Multinational Joint Ventures in Developing Countries.** London: Routledge, 1988.

[15] Geringer et al., "Control and Performance of International Joint Ventures", **Journal of International Business Studies**, 20 (2), 1989, p.235-253; Killing, **op.cit.**; J.L. Schaan, "**Parent Control and Joint Venture Success : The Case of Mexico**", Unpublished PhD Thesis, University of Western Ontario: Canada, 1983; M. Demirbağ and H. Mirza, "**Inter-Partner Reliance, Exchange of Resources and Partners' Influence on Joint Venture's Strategy**", University of Bradford, Management Centre, Discussion Paper Series, (accepted for publication in 1996).

[16] P.J. Buckley and M.C. Casson, "A Theory of Cooperation in International Business", in F.J. Contractor and P. Lorange (eds.), **Cooperative Strategies in International Business**: Lexington MA: Lexington Books, D.C. Heath, 1988, p.31-54.

While some researchers have been interested in the degree of control,[17] others have focused on the mechanisms and systems used to achieve control,[18]. There are also some discrepancies in operationalizing the concept. In some studies coordination is implicitly assumed to be a part of control process,[19] whereas in others coordination is treated as separate and distinct concept.[20]

In international management literature, the context in which control is examined also varies across studies. While some researchers deal with the concept in terms of overall multinational organisation,[21] others focus on more specific relationships, particularly control of parent companies over international joint ventures.[22] Despite the diversity in approaches, the need to examine control as a multidimensional concept is becoming more apparent. According to Martinez and Ricks[23] the concept involves both the extent of control of a parent company over its affiliates and the means by which control is exercised. The concept is linked to human resource management[24] as well as strategy formulation and implementation power.[25] As Martinez and Ricks put it, the extent of control of a parent company stems from both its formal authority and its ability to influence affiliates; the means used to achieve control come from the type of mechanisms and systems that a parent company is able to develop and implement.

Decision Making Process

Organisational decision making process can be formally defined as the process of identifying and solving problems. Many researchers categorised decision into various categories. Simon[26] categorises organisational decisions into programmed or non-

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[17] Beamish, **op.cit.,** 1988; D. Cray, "Control and Coordination in Multinational Corporations", **Journal of International Business Studies**, 15 (2), 1984, p.89; Killing, **op.cit.**

[18] D.R. Baliga and A.M. Jeager, "Multinational Corporatins: Control Systems and Delegation Issues", **Journal of International Business Studies**, 15 (2), 1984, p.26; Y. Doz and C.K. Prahalad, "Patterns of Strategic Control within Multinational Corporations", **Journal of International Business Studies**, 15 (2), 1984, p.55-72; Y. Doz and C.K. Prahalad, "Controlled Variety : A Challenge for Human Resource Management in the MNC", **Human Resource Management**, 25 (1), 1986, p.55-71; W.G. Eglehoff, "Patterns of Control in the U.S., U.K., and European Multinational Corporations", **Journal of International Business Studies**, 15 (2), 1984, p.73-83; A.M. Jeager, "The Transfer of Organizational Culture Overseas : An Approach to Control in the Multinational Corporation", **Journal of International Business Studies**, 14 (2), 1983, p.91-114; V. Pucik and J.H. Katz, "Information, Control and Human Resource Management in Multinational Firms", **Human Resource Management**, 25 (1), 1986, p.121-132.

[19] Baliga and Jeager, **op.cit.**; C.K. Prahalad and Y. Doz, **The Multinational Mission : Balancing Local Demands and Global Vision**, New York : The Free Press, 1987.

[20] Cray, **op.cit.**; Z.L. Martinez and J.C. Jarillo, "The Evolution of Research on Coordination Mechanisms in Multinational Corporations", **Journal of International Business Studies**, 20 (3), 1989, p.489-514; B. Masceranhas, "The Coordination of Manufacturing Interdependence in Multinational Companies", **Journal of International Business Studies**, 15 (3), 1984, p.91-106.

[21] Baliga and Jeager, **op.cit.**;Doz and Prahalad, **op.cit.**; 1984, 1986.

[22] Beamish, **op.cit.**, 1988; Demirbağ and Mirza, **op.cit.**, 1996; Geringer, **op.cit.**, 1989; Killing, **op.cit.**; Schaan, **op.cit.**

[23] Z.L. Martinez and D.A. Ricks, "Multinational Parent Companies' Influence over Human Resource Decisions of Affiliates: U.S. Firms in Mexico", **Journal of International Business Studies**, 20(3), 1989, p.465-487.

[24] Doz and Prahalad, **op.cit.**; 1984; Pucik and Katz, **op.cit.**, p.123.

[25] Doz and Prahalad, **op.cit.**, 1984.

[26] H.A. Simon, **The New Science of Management Decision**, Englewood, N.J., Prentice-Hall Inc., 1960.

programmed decisions. Programmed decisions are well defined, and procedures exist for resolving the problems, while non-programmed decisions are poorly defined and no procedure exist for solving them. In programmed decisions information is available, but in non-programmed decisions information is hardly available.

Some researchers have discussed decision making from a process perspective. Daft[27] showed that decisions do not follow a careful analysis path, or even systematic analysis of alternatives and implementation of solution. He further elaborated that, on the contrary, decision processes are characterised by conflicts, coalition building, influence, and trial and error, and seem to be random and disorderly. The Garbage Can Theory[28] describes how decisions seem almost random in a highly organic organisation. They also see the flow and mixture of decisions, problems, ideas and people in the process of decision making.

The study by Bradford group[29] investigated 150 decisions across 10 topics (i.e. product, personnel, reorganisations, boundaries, locations, inputs, technologies, domain, control and services) in 30 organisations, and found that different topics undergo different decision-making processes. Decision processes are categorised as sporadic, fluid, and constricted. A sporadic process shows that decisions run into delays, are more time consuming, and have more variability in information. A fluid process has less delay, is less time consuming, and has less variability in information. A constricted process shares some delays of sporadic process, and allows less scope for negotiation, and it is thus somewhat in between fluid and sporadic.[30]

In matching decisions and structure,[31] Butler proposed the principle of requisite decision-making capacity which states that:

> An organisation needs design a structure of requisite capacity; that is, one sufficiently crisp to minimise decision making costs and sufficiently fuzzy to achieve adaptability. This is the overall organisational design problem.....more picturesquely stated : fuziness is needed to cope with indeterminateness.

While it is relevant to look into compatibility of structure and design with the decision making process, it is also important to understand who the individuals are that make decisions. Obviously, most decisions in organisations are not made by a single person but there are some influential people who could decide on some important matters.

Brooke[32] reviewed relevant studies about centralisation and decentralisation and also locus of decision-making and concluded that there is an implicit dichotomy in the literature. He further added:

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[27] R.L. Daft, "Learning the Craft of Organizational Research", **Academy of Management Review**, 8 (4),1983, p.539-546

[28] M.D. Cohen, J.G. March and J.P.Olsen, "A Garbage Can Model of Organizational Choice", **Administrative Science Quarterly**, 17 (1) , 1972, p.1-25.

[29] D.J. Hickson, R.J. Butler, D. Cray, R.G. Mallory and D.C. Wilson, **Top Decisions: Strategic Decision Making in Organizations**, Oxford: Basil Blackwell, San Francisco: Jossey-Bass, 1986.

[30] R.J. Butler, **Designing Organisations: A Decision-Making Perspective**, London: Routledge, 1991, p.210-214.

[31] **Ibid.**, p.57.

> Writers are continually being pulled between participatory notions of centralisation and decentralisation, and a hierarchical analysis. Frequently, centralisation is seen in locus of decision-making at the top, and decentralisation is seen as increasing participation with all the alleged benefits of a democratically organised company. In fact, these two are not opposites but different interpretations of the same concept. Decentralisation in locus of decision-making terms may not imply any increase in participation at all.[33]

Although this study will attempt to investigate the extent of influence exercised by parent companies and joint venture management on various decision topics, it also aims to see the underlying dimensions of decision areas in such multi-parent organisations. Since decision making is a social process, it is also important to investigate further the extent of decision making autonomy that joint venture management in a developing country may enjoy. Therefore the researcher will investigate the concept of autonomy in decision making process. Comparison of both parent firms' influence on certain strategic and operational decisions may reveal underlying dimensions of joint venture management's decision-making autonomy.

Autonomy and Inter-dependency in Joint Venture Operations

Among the most significant consequences that theorists have attributed to the establishment of inter-organisational relationship is a loss of organisational decision making capacity or autonomy.[34] Hence, most organisations attempt to avoid inter-organizational relationship so far as these relations inhibit organisational freedom in making their own decisions and managing their own destiny.[35]

Pfeffer and Salancik argue that organisations seek to avoid being controlled in exchange relationship, and that an organisation aversion in establishing inter organisational relationships will be proportional to the loss of autonomy anticipated to result from the relationship formation.

Brooke and associates studied the issue of centralisation and autonomy between companies and their subsidiaries, which is also known as The Manchester Studies.[36] The studies have provided clarification concerning autonomy and centralisation. As Brooke[37] put it;

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[32] M.Z. Brooke, **Centralization and Autonomy: A Study in Organization Behaviour**, London: Holt, Rinehart and Winston, 1984.

[33] **Ibid.**, p.146.

[34] J. Pfeffer and G.R. Salancik, **The External Control of Organizations: A Resource Dependence Perspective**, New York, Harper and Row, 1978.

[35] D. Thompson, **Organizations in Action**, New York, McGraw Hill, 1967; K.S. Cook, "Exchange and Power in Networks of Inter-Organizational Relations", **Sociological Quarterly,** 18, 1977, p.62-82; Pfeffer and Salancik, **op.cit.**; H.E. Aldrich, **Organizations and Environments,** Englewood Cliff, N.J: Prentice Hall., 1979; C. Oliver, "Determinants of Inter-Organizational Relations: Intergrations and Future Directions", **Academy of Management Review**, 15 (2), 1990, p.241-265.

[36] M.Z. Brooke and H.L. Remmers, **The Multinational Company in Europe**, London: Longman, 1972; M.Z. Brooke and H.L. Remmers, **The Strategy of Multinational Enterprise**, London: Pitman, 1978; M.Z. Brooke and M. Black, "The Autonomy of Foreign Subsidiary", **International Studies of Management and Organization**, Spring-Summer, 1976, p.11-26.

[37] Brooke, **op.cit.**, 1984.

> Centralisation is not seen as synonymous with efficiency any more than autonomy with humanity; neither are to be seen as the fruits of a complete random process.....The cycle of centralisation and autonomy will change as the frame of reference, the context, changes.[38]

Definitions of Organisational Autonomy

Brooke[39] refers to autonomy as one in which units and sub-units possess the ability to take decisions for themselves on the issues which are reserved to a top decision makers in a comparable organisation. The difficulty to make a distinction between autonomy and decentralisation, are overcome by distinguishing between different kind and dimensions of autonomy. Terms like delegation, devolution, and discretion were used to provide a wider dimensions of autonomy. Hence, to investigate autonomy and centralisation is to see the comparative relationship between two or more units of an organisation.

According to Oliver,[40] organisational autonomy refers to an organisation's freedom to make its own decisions about the use and allocation of its internal resources without reference or regard to demands or expectations of potential linkage partners. What Oliver[41] refers to specifically is organisational discretion to make choices in allocating internal resources and its freedom to invest its resources in activities that are unrelated to satisfying the obligations or expectations of an organisation with which it develops relationships.

This definition could always see its application for organisation that are involved in such a relationship as a joint venture or joint projects. As Oliver[42] repeated, organisational commitment of time, personnel, also capital to joint venture or other forms of resource-sharing and exchange obliges the organisation to divert resources to activities where decision making authority and responsibility are no longer the exclusive domain of the organisation.

To some organisations, autonomy can also be a prime motivation in the construction of inter organisational ties,[43] while to some, the loss of autonomy in relationship formation may impede an organisation's capacity to respond to future unforeseen contingencies as they arise in the environment.[44] Oliver's[45] general propositions concerning autonomy state that:

> A high degree of organisational autonomy reflects extensive organisational control over internal decision processes and minimal commitment of resources to satisfying an external demand or sustaining an external linkage, while a low degree of autonomy indicates that organisations are obliged to make considerable time and resources investments in satisfying or deferring to inter organisational expectations and demand.

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[38] **Ibid.**
[39] **Ibid.**
[40] C. Oliver, "Network Relations and Loss of Organizational Autonomy", **Human Relations**, 1991, p.944.
[41] **Ibid.**
[42] **Ibid.**, p.945.
[43] D. Knoke, "Organization Sponsorship and Influence Reputation of Social Influence Association", **Social Forces**, 61, 1983, p.1065-1087.
[44] Butler, **op.cit.**
[45] Oliver, **op.cit.**

In any organisation that establishes a joint venture with another organisation, the ultimate challenge usually falls on the joint venture managers, as Harrigan's argument[46] about the joint venture managers ("child's managers" as she called them) stated:

> If firm's joint ventures are managed by entrepreneurial executives, parents may find their child is straining at its tethers. The child managers may wish to exploit opportunities faster than parent managers had intended them to move : if the joint ventures' managers are not permitted to exercise initiative, the child will be ill-suited to move quickly and effectively when parents call on it for assistance.

Managers in an organisation are generally assumed to prefer as much autonomy of decision-making and also control over the organisational environment. It is also assumed that autonomy of decision-making is lost when the organisation interacts with the environment, and later probably loses more as it becomes more dependent on its environment. In joint programmes or activities we can see more interdependency, as explained by Aiken and Hage:[47]

> The more organisational decision-making is constrained through obligations, commitments, or contracts with other organisations, the greater the degree of interdependency.

Lawrence and Lorsch[48] argued that reciprocity exists between the environment and the organisation. The process of reciprocity consists not only of conflict and co-operation but also some giving up of autonomy. Harrigan[49] provided an extended view of the exchange process by indicating that at the base of this process is more than a simple exchange of inputs and outputs; rather, process of co-operation and conflict accompany an organisational exchange in which there is a sharing of clients (customers), funds and employees.

Since managers in a joint venture organisation are involved in a network of interdependency where the processes of co-operation and conflict happen and resources in terms of human and capital shared, autonomy in decision-making should be the most important issue to be addressed. It is also important to have a closer view on various types of dependency. Two types of dependency that exist between the focal organisation and its environment are functional-economic dependency and political-legal dependency.[50]

Functional-economic dependence is defined in terms of the focal organisation's relative position in the market system of suppliers and customers, or could be in a service system of clients. Political-legal dependency is defined in terms of the focal organisation's relationship to an owning or controlling organisation.

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[46] Harrigan, **op.cit.**, 1985.

[47] M. Aiken and J. Hage, "Organizational Interdependence and Intraorganizational Structure", **American Sociological Review**, 3, 1968, p.912-930.

[48] P.R. Lawrence and J.V. Lorsch, **Organization and Environment : Managing Differentiation and Integration**, Boston MA : Harvard Business School Press, 1967.

[49] K.R. Harrigan, "Joint Ventures: A Mechanism for Creating Strategic Change", in A. Pettigrew (ed), **Management of Strategic Change**, Oxford : Basil Blackwell, 1987, p.195.

[50] M. Z. Farrel, **Dimensions of Organizations - Environment - Structure - Process - Performance**, Santa Monica, Calif.: Goodyear Publishing, 1978.

Some specific indicators of functional dependence are the relative independence of the decision-making process within various functions, e.g. independence in critical decisions on expansion, diversification, appointment of top personnel, resource allocation, or long-term objectives of the organisation.[51]

Specific indicators of political-legal dependency, as shown by the Aston Studies, include relative size of the focal organisation in relation to the parent organisation, the status of the focal organisation (i.e., subsidiary or branch), representation of the focal organisation in policy-making bodies of the parent organisation, and the number of specialisiations the focal organisation contracted from the parent.[52]

Dependency between two organisations that are functionally dependent posits two different situations in comparison with parent subsidiary relationship. First, the two organisations, although they must cooperate, are assumed to interact under a conflict of interest, and both attempt to maximise their goals. Secondly, though both organisations exercise power and gain recognition in the interaction process, the weight of the influence exerted is more equally distributed between the functionally interdependent organisations than in the parent-subsidiary relationship.[53]

In terms of the power relationship of the organisation with the environment, studies by Thompson,[54] Evan[55] and Azumi[56] have enumerated some general propositions. Among those suggested propositions are:

- A large number of alternative sources will dilute the focal organisation in its task environment, hence reducing its task environment on any one organisation (e.g. private universities enjoyed a higher degree of decision-making autonomy as compared to public ones due to diversity of sources of revenue as well as lower concentration of revenue in a single source).
- Eliminating alternatives for those environmental collectivities gives the focal organisation greater control.

Pugh and associates[57] found that when ownership is viewed as a link between an organisation and the parent organisation, combined with links between a unit and its suppliers and customers, it was found that the environmentally-dependent organisations had less autonomy and more centralised decision making than did environmentally independent organisations.[58]

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[51] **Ibid.**

[52] D.J. Hickson, D.S. Pugh and D.C. Pheysey, "Operational Technology and Organizational Structure: An Empirical Reappraisal", **Administrative Science Quarterly**, 14 (3), 1969, p.378-97.

[53] Farrel, **op.cit.**,

[54] Thompson, **op.cit.**,

[55] W.M. Evan, "The Organization Set: Toward a Theory of Interorganizational Relations", in G. Maurer John, (ed.) **Readings in Organization Theory: Open System Approaches**, New York: Random House, 1971, pp. 33-45.

[56] K. Azumi, "Environmental Needs, Resources and Agents", in Koya Azumi and Jerald Hage (eds.), **Organizational Systems**, Lexington MA: D.C. Heath and Company, 1972.

[57] D.S. Pugh, D.J. Hickson, C.R. Hinings and C. Turner, "Dimensions of Organization Structure", **Administrative Science Quarterly**, 13 (1), 1968, p.65-104.

[58] **Ibid**

In the context of joint ventures, three generic types of interdependence can be identified. These are, as Gill and Butler[59] discussed, pooled, sequential, and reciprocal interdependencies. Pooled interdependence occurs when both parents expect the joint venture to provide an output but they have no direct dependence on each other. Sequential interdependence exists when one parent's expectations are met directly by the joint venture but the other parent's expectations are mediated by the former. The reciprocal interdependence occurs, however, when there is mutual causation between the parents and the joint venture.

Besides dependence as a factor that influences autonomy, there is also the question of clarity of purpose or establishment of a particular joint venture or strategic alliance which needs to be addressed.

Lynch[60] addressed the issue of clarity in strategic alliances by proposing a number of critical strategic questions. Among them there are those which relate to clarity of mission, strategic objectives of the alliance, and the time orientation (whether it has long or short-term focus).

Lyons[61] suggested that among the factors to be considered for choosing the alliance partners is clarifying defined goals and objectives. Schaan[62] cautioned that there is a fair chance of short and long-term objectives of partners being misunderstood so that the combined directions of the joint venture may not be clearly visible to anyone except perhaps to the joint venture manager.

Lewis[63] stressed the importance of building strong goals and being specific about it in order to reinforce the parent's mutual commitments. Schaan and Beamish[64] discussed the importance of clarity in objectives. It is important to have clear definitions objectives to avoid conflict during the later phases since managers in joint ventures have to face up to varieties of expectations. Objectives have to be operationalised and measurement procedures have to be established to allow for performance evaluation.

Although some of those propositions refer only to the parent-subsidiary relationship, international alliances or even public enterprises, it has now become more important to see the same kind of relationship between joint ventures and parents.

In this study it is aimed to explore parent firms' and joint venture management's influence on a number of decision areas. Therefore the paper attempts to find;

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[59] J. Gill and R. Butler, "Cycles of Trust and Distrust in Joint Ventures", **European Management Journal**, 14 (1), 1996, p.83-84.

[60] P.R. Lynch, **The Practical Guide to Joint Ventures and Corporate Alliances**, New York : John Wiley and Sons, 1989.

[61] M.P. Lyons, "Joint Ventures as Strategic Choice: A Literature Review", **Long Range Planning**, 24, August, 1991, p.130-144.

[62] Schaan, **op.cit.**

[63] J.D. Lewis, **Partnership for Profit: Structuring and Managing Strategic Alliances**, New York: The Free Press, 1990.

[64] J.L. Schaan and P.W. Beamish, "Joint Venture General Mangers in LDCs", in F.J. Contractor and P. Lorange (eds.), **Cooperative Strategies in International Business**, Lexington MA, Lexington Books, 1988.

• extent of differences between three groups in terms of influence exercised on decisions concerning joint venture operations

• extent of differences in partners' perceptions concerning each others and joint venture management's influence on selected decision areas. In order to do this, both partners were asked to give their views on their own organisation's, the other parent organisation's and joint venture management's influence on certain decision areas included in the questionnaire.

Hence, the issue that need to be addressed is what kind of appropriate mixture of measures of autonomy form and coordination are required from both organisations, joint venture's and their parents. The consequences such as loss of sense of the joint venture direction and strategic mission as well as motivations and creativity on behalf of joint venture managers can further be elaborated.

Methodology

Identifying the Sample

This article is based on a study that took part in Europe (the UK, Germany, and other continental European countries) from 1990 to 1996. Using a wide variety of sources, a population of 144 IJVs has been identified through in-depth consultations with such organisations as the foreign investment directorate of Turkey, German trade delegation in Turkey, foreign embassies, as well as a thorough examination of the Turkish State Planning Organisation data base, and directories such as, Dunn and Bradstreet, and Compass International.

For the sample selection four main criteria were employed: size of joint venture, industrial sector of operation, percentage equity shares of local and foreign parent firms, and foreign parent firms nationality. For the purpose of this study joint ventures were defined as firms which have at least one local and one foreign parent company with participation rates of between 20% and 80% of equity shares. Joint ventures which have foreign parent firms with equity share of less than 20% or more than 80% inclusive were not included in this research. Therefore, the population sampled for this study was defined as joint ventures in Turkish manufacturing industry having at least one foreign multinational company as a foreign parent with an equity participation within the range of 20 to 80%. The equity is shared and both local and foreign concerns have at least a 20 % share holding. The foreign companies examined are based on Western Europe, the USA, and Japan. Although many researchers used at least 10 % share holding of partners as equity criterion to define international joint ventures in developing countries,[65] one might argue that such a small percentage of equity ownership may not reflect the true picture of joint ventures and the nature of contributions and

[65] Beamish, **op.cit.**, 1988; B. Gomes-Casseres, "Joint Venture Instability: Is It a Problem?", **Columbia Journal of World Business**, 22 (2), 1987, p.97-102; B. Gomes-Casseres, "Joint Ventures in the Face of Global Competition", **Sloan Management Review**, 30 (3), 1989, p.17 - 26; J. Chowdhury, "Performance of International Joint Ventures and Wholly Owned Foreign Subsidiaries", **Management International Review**, 32 (2), 1992, p.115-133.

commitments, and would increase the sample size. Artisien and Buckley[66] used at least 2 % equity-ownership criterion but they argued that equity participation below 25 % fall into the category of low commitment in their study of joint ventures in Yugoslavia. Therefore, this research utilised at least 20 % share holding criterion (which is slightly conservative cut-off point as compared with earlier studies) which reflects "high", "equal", and "low" financial commitments of both local and foreign parents. The 20 % minimum cut-off point also makes the classification of this study reasonably consistent with previous studies and US Commerce Department practices (which takes 11 % minimum cut-off point). Joint ventures are further classified into three categories ordered according to the level of parent firms' ownership : majority owned if a parent's equity in the joint venture was between 51-79 %, 50-50-owned (or co-owned) if parents' equity holding was 50 %, and minority-owned if parents' equity holding was between 20-49 %. This classification is also largely consistent with several previous studies using the Harvard MNE data[67] and other data.[68] The population also excludes joint ventures with an initial invested capital of less than 1 billion TL, based on the assumption that such firms would be small sized operation. Data sources indicated that there were 144 joint ventures between foreign multinational companies and local enterprises in manufacturing industry in Turkey which met these criteria.

Table 1. Distribution of the Sample Foreign MNCs by Country of Origin

Country	Number of firms	Percentage in the sample
Germany	18	38.0
United Kingdom	7	14.9
Netherlands	2	4.3
France	2	4.3
Belgium	1	2.1
Italy	2	2.1
Japan	3	6.4
Canada	1	2.1
United States	11	23.4
Total	47	100.0

Source : Foreign Parent Firm Interviews

Approaches to parent companies of these joint ventures resulted in the 47 foreign parents and affiliates, and 22 of their local partners (most of which are participant of more than one joint venture) agreeing to participate in this research. Hence the number of joint venture operations covered in this research are 47. The 47 ventures represent 32.6% of the total population of large and medium sized joint ventures in manufacturing industry of Turkey, a very satisfactory rate of participation. As for the

[66] P.F.R. Artisien and P.J. Buckley, "Joint Ventures In Yugoslavia: Opportunities and Constraints", **Journal of International Business Studies**, Spring, 1985, p.111-136.

[67] W.H. Davidson, **Global Strategic Management**, New York: John Wiley, 1982; Gomes-Casseres, **op.cit.**, 1987,1989; Chowdhury, **op.cit.**

[68] Beamish, **op.cit.**,1988, p.11.

representativeness of the country of origin of these MNCs, the sample was drawn from countries that are major foreign investors in Turkish economy.

The sample is also fairly representative in terms of foreign parent firms' equity share in the joint ventures' risk capital. The sample splits fairly evenly between three main categories of operations, namely minority foreign owned, majority foreign owned and fifty-fifty owned joint ventures. The percentage distribution of these three main categories of operations within the sample are, 26% fifty - fifty owned, 38% minority foreign owned and 36% majority foreign owned.

All forty-seven fit our definition of IJVs. All other types of strategic alliances were excluded. Sampled joint ventures operate in a wide array of industries. The sample is validated by comparing the percentage distribution of the sample firms with their industrial classifications. 19% of the sample were drawn from electronics and telecommunication industry, 8% from electrical and electrical machines, 16% from transport vehicles and parts, 19% from chemicals and allied industries, 10% from food, drink and textiles - and the rest of the sample form from various other industries. Thus the sample is predominantly drawn from the manufacturing industries in which foreign firms widely participate in Turkey.

As for size, eighteen of the ventures had less than 100 employees, twenty two had between 100 and 1000 employees, and only seven employed more than 1000 workers each.

Table 2. Distribution of the Sample JVs by Foreign Partners' Equity Share

Foreign partner's equity share (%)	Number of firms	Percentage in the sample
20-29	2	4.2
30-39	4	8.5
40-49	12	25.5
50	12	25.5
51-59	9	19.1
60-69	6	12.8
70-79	2	4.3
Total	47	100.00

Source : Foreign Parent Firm Interviews

Management executives were interviewed directly, although a limited number of mail questionnaires were also sent to MNCs headquartered in the USA and Japan. Postal responses were only used to validate answers given by executives at the affiliate level. The questionnaire used for the field work in this study was designed to apply to both foreign and local (Turkish) parent firms, and both parent firms' responses are reported in this paper.

Operationalisation of Variables

Apart from general information such as the scale of investment, foreign equity, duration of JV and local partners' features, a five point Likert-type scale was used with a "1"

indicating no influential at all, and a "5" indicating the most influence. Questionnaire designed to collect quantitative as well as qualitative data from participant organisations, namely foreign parent, local parent, and their joint ventures.

Data Analysis Techniques Employed

Analysis were carried out by through SPSS/PC+. In order to achieve the objectives of the study , three inter-group comparisons were designed. These were;

- comparison between foreign and local parent firms' influence
- comparison between JV and foreign parent firms' influence, and
- comparison between JV and local parent firms' influence on JV's operational and strategic decision areas.

These analysis were carried out on the both groups of data collected from foreign and local parent firms. Variables included into analysis are all nominal and ordinal measurement variables except basic descriptive data such as the scale of investment and equity participation of partners which are ratio variables. After the initial examination, some deviations from the normal distribution was found. Therefore it was decided to use nonparametric test procedures rather than parametric ones for all variables in this study. Since the aim is to compare three unrelated data set, Wilcoxon Matched-Pairs Signed Ranks test for difference between groups seem to be the most appropriate technique for analysis reported in this paper.

Empirical Results and Discussion

In this section of the paper empirical findings obtained through analysis of data collected from both local and foreign parent companies are presented. By comparing parent firms' and joint venture management's influence on certain strategic and operational decision areas, it is intended to find out the configuration of autonomy in such operations.

Tables 3 and 4 present distribution of data collected from both parents and each table gives three columns of numbers under titles of negative (-) ranks, positive (+) ranks, and ties. These represent the number of cases in which local partner's score is lower, higher and equal to foreign partner's score respectively. In other words, in cases under negative (-) ranks each partner tends to claim he has relatively more influence over that decision area (only in the sense of comparison of two scores rather than in absolute terms). If divergence occur as a result of comparison, such divergence is referred as type 1 divergence of perceptions. In cases under positive (+) ranks, however, each partner perceive that its counterpart has more influence (referred as type 2 divergence of perceptions).

Table 3. Comparison of Foreign and Local Parents' Rates of Influence on JV Decisions (Wilcoxon Matched-Pairs Signed Ranks Test) (†)

	FP Influence on Decisions					LP Influence on Decisions					Ranks		Ties	Sign. (*)
	I	II	III	IV	V	I	II	III	IV	V	(-)	(+)		
Capital Expenditure	2	2	2	11	29	3	6	4	10	19	12	3	27	0.0500
Pricing	15	3	12	5	11	16	5	9	5	7	17	14	11	0.5556
Product Selection	4	4	10	11	14	21	5	6	5	5	26	6	9	0.0002
Long Term Strategy	2	1	4	12	27	8	5	11	7	11	23	6	13	0.0018
Quality Control	14	6	6	11	9	22	8	3	2	7	20	9	13	0.1567
Marketing	13	7	13	5	8	10	7	10	7	8	13	17	12	0.6435
Purchasing	14	7	11	7	7	15	5	10	5	7	19	16	7	0.9804
Costing	8	4	13	10	11	19	8	3	7	5	23	10	9	0.0167
Budgeting	6	4	8	12	16	21	8	3	7	3	25	6	11	0.0004
Financial Account.	7	12	11	8	18	19	5	6	5	7	25	9	8	0.0062
Wage and Personnel	27	5	5	4	5	7	2	7	14	12	5	29	8	0.0005
Executive Selection	12	3	11	10	10	5	1	12	13	11	10	19	13	0.1357
Training	9	6	7	12	11	18	8	8	4	5	25	10	8	0.0254
Valid Responses	47					47								

(†) = Foreign Partner Sample (*) = Level of Significance

Table 3 gives the foreign partners' views of the control exercised by each partner, with 1 being "least influence", 3 "shared" and 5 "most influence". As shown, in decision areas such as "capital expenditure", "product selection", "long-term strategy", "costing methods", "financial accounting" and "training", there seems to be statistically significant differences between foreign and local parent firms' influences (or exercised control). That is to say foreign partners have more influence on decision areas such as "capital expenditure" ($p<0.05$), "product selection" ($p<0.000$), "long-term strategy" ($p<0.01$), "costing" ($p<0.05$), "budgeting" ($p<0.001$), "financial accounting procedures" ($p<0.01$) and "training" ($p<0.05$), while local parents exercise more influence on decisions concerning "wages and personnel policies" ($p<0.0005$) and some relatively high influence on "executive selection and compensation" (statistically non significant).

Before one goes any further to discuss those results reported in Table 3, we need to know to what extent the local partners agree with the foreign partners' views. Table 4 reports local partners' perception of their own, and their foreign partners' influence on the same decision areas. Although the number of cases reported in Table 3 and 4 are different, exact match is almost impossible, still reported results reveal the fact that there are areas both parents' perceptions converge or diverge. According to local parent firms' perceptions local parent firms exercise much greater influence on "pricing" ($p<0,1$), "purchasing" ($p<0,05$), "wages and personnel policy" ($p<0.005$), and "executive selection" ($p<0.005$) decisions.

Table 4 Comparison of Foreign and JV Local Parent's Rates of Influence on JV Decisions (Wilcoxon Matched-Pairs Signed Ranks Test) (†)

	FP Influence on Decisions					LP Influence on Decisions					Ranks		Ties	Sign. (*)
	I	II	III	IV	V	I	II	III	IV	V	(-)	(+)		
Capital Expenditure	1	-	2	7	9	-	-	3	5	10	2	3	13	0.5002
Pricing	10	2	4	2	1	5	3	5	3	2	2	8	8	0.1029
Product Selection	4	2	2	5	5	6	2	5	3	1	6	2	9	0.1073
Long Term Strategy	1	-	2	3	13	-	1	3	5	9	4	2	12	0.4631
Quality Control	6	2	2	7	2	7	5	1	3	2	7	3	8	0.2026
Marketing	7	2	5	5	-	5	5	2	4	2	4	4	10	0.7794
Purchasing	9	4	5	1	-	4	3	6	3	2	2	8	8	0.0528
Costing	4	3	4	5	3	6	2	5	4	1	7	4	7	0.3281
Budgeting	3	2	2	7	5	3	2	2	6	5	4	5	9	0.9057
Financial Account.	4	5	2	4	4	5	1	3	5	4	5	7	6	0.7537
Wage and Personnel	10	2	3	-	4	1	-	2	4	11	1	12	5	0.0021
Executive Selection	9	3	3	1	3	2	1	4	2	9	1	11	6	0.0042
Training	5	4	2	7	1	4	4	5	2	3	6	5	7	0.8939
Valid Responses	19					19								

(†) = Local Partner Sample (*) = Level of Significance

As indicated in Table 3 and 4, in JVs, local parent firms agree with their foreign partners on the influence exercised by each of them over the areas of "product selection" (foreign dominant), "executive selection", "wage and personnel policies"(local dominant), "marketing", and "quality control" (roughly shared). On other decision areas however, both sides perceptions are significantly different. Perceptions on partners' influence on decision areas such as "pricing", "long term strategy", "purchasing", "costing", "budgeting", and "training" seem to portray the first type of divergence, namely, both sides claim they have more influence of their own. Ratings on these decision areas do not indicate existence of second type of divergence, namely, one partner's perception of influence exercised by its counterpart is higher than his partner's perception.

The reasons for these discrepancies of perceptions might be (i) unclear division of decision making authority over these areas. Interviews conducted throughout this study revealed that the type of divergence is more likely to occur because of improper division of decision making power and responsibility, which can lead serious consequences in effective operation of JVs. Moreover, the divergence could also signal the existence of disputes or potential disputes.

Table 5. Comparison of Foreign Parent and JV Management's Rates of Influence on JV Decisions (Wilcoxon Matched-Pairs Signed Ranks Test) (†)

	FP Influence on Decisions					JV Influence on Decisions					Ranks		Ties	Sign. (*)
	I	II	III	IV	V	I	II	III	IV	V	(-)	(+)		
Capital Expenditure	2	2	2	11	29	10	7	5	11	12	28	5	11	0.0003
Pricing	15	3	12	5	11	4	1	-	11	29	5	29	10	0.0002
Product Selection	4	4	10	11	14	7	1	4	12	22	12	21	9	0.5143
Long Term Strategy	2	1	4	12	27	12	5	6	7	15	25	8	11	0.0006
Quality Control	14	6	6	11	9	-	1	7	7	30	4	30	10	0.0000
Marketing	13	7	13	5	8	-	-	2	11	32	2	36	6	0.0000
Purchasing	14	7	11	7	7	2	3	4	13	23	7	32	5	0.0001
Costing	8	4	13	10	11	10	3	7	9	16	14	20	10	0.9251
Budgeting	6	4	8	12	16	7	7	1	6	24	15	21	8	0.9249
Financial Account.	7	12	11	8	18	11	7	4	8	15	20	15	9	0.1590
Wage and Personnel	27	5	5	4	5	3	2	4	8	28	2	36	6	0.0000
Executive Selection	12	3	11	10	10	3	5	9	7	21	12	26	6	0.0324
Training	9	6	7	12	11	1	-	8	14	22	8	26	10	0.0005
Valid Responses	47					47								

(†) = Foreign Parent Sample(*) = Level of Significance

Table 5 depicts differences between foreign parent firm and JV management's influence on decisions concerning JV activities from foreign parent firms' point of view. As indicated, foreign parent firms tend to influence more (or in other words, exercise relatively more control) decisions related to "capital expenditure" ($p<0.000$), "pricing" ($p<0.000$), and "long term strategy of subject operations" ($p<0.000$). In other decision areas such as "quality control" ($p<0.0001$), "purchasing" ($p<0.000$), "wages and personnel policy" ($p<0.000$), and "training" ($p<0.000$) however, JV management seem to have relatively more influence and differences between two groups' influence on these decisions statistically highly significant. These results implies the fact that JV managers possess more autonomy in decision areas related to day to day business and in hiring and firing of human resources. In strategic decisions however, foreign parent firms' headquarters seem to exercise relatively more influence and less autonomy is granted to joint venture managers for such decisions.

In order to identify the extent of decision making power given to JV management, Table 5 and 6 need to be assessed together. Results presented in Table 6, to a great extent, confirm views of foreign parent firms. Both parent firms agree that in decisions related to capital expenditure foreign parent firms are more influential than JV management, while in decision areas related to "pricing", "quality control", "marketing", "purchasing", "wage and personnel policy", "executive selection", and "training" JV management seem to be more influential than foreign parent headquarters. Both parent

firms also agree that in product selection decisions JV management is not necessarily more influential than foreign parent firms. Therefore, albeit with some difficulties, one can conclude that "product selection" decisions are "roughly shared" decisions between parties involved.

Table 6. Comparison of Foreign Parent and JV Management's Rates of Influence on JV Decisions (Wilcoxon Matched-Pairs Signed Ranks Test) (†)

	FP Influence on Decisions					JV Influence on Decisions					Ranks		Ties	Sign. (*)
	I	II	III	IV	V	I	II	III	IV	V	(-)	(+)		
Capital Expenditure	1	-	2	7	9	-	-	3	5	10	2	3	13	0.5002
Capital Expenditure	1	-	2	7	9	2	2	4	4	6	11	4	3	0.0995
Pricing	10	2	4	2	1	-	-	2	2	14	1	15	2	0.0009
Product Selection	4	2	2	5	5	4	1	-	4	8	6	9	2	0.5895
Long Term Strategy	1	-	2	3	13	1	2	4	2	9	9	3	6	0.2553
Quality Control	6	2	2	7	2	-	-	-	5	13	1	14	3	0.0013
Marketing	7	2	5	5	-	-	1	1	3	13	2	15	1	0.0014
Purchasing	9	4	5	1	-	-	-	1	5	12	0	18	0	0.0002
Costing	4	3	4	5	3	1	-	2	4	11	4	12	2	0.0262
Budgeting	3	2	2	7	5	1	-	1	5	11	3	9	6	0.0995
Financial Account.	4	5	2	4	4	1	2	1	5	9	5	12	1	0.1024
Wage and Personnel	10	2	3	-	4	-	1	4	4	9	3	14	1	0.0033
Executive Selection	9	3	3	1	3	1	1	1	7	8	3	15	0	0.0123
Training	5	4	2	7	1	-	-	-	6	12	0	15	3	0.0007
Valid Responses	19					19								

(†) = Local Parent Sample(*) = Level of Significance

Comparison of both Table 5 and 6 also indicates some discrepancies between foreign and local parent firms' perceptions concerning decision-making power on "long-term strategy", "costing", and "financial accounting". Although long-term strategy formulation decisions are taken jointly between parent firms, foreign parent firms see JV management as powerful as their local partners.

Table 7 summarises the foreign parent firms' ratings of influences of local parent firms and JV management on above mentioned decision areas. Results presented in this table, to a great extent, confirm test statistics result reported in the previous tables. Wilcoxon Matched-Pairs Signed Ranks Test results reported in Table 7 implies that local parent firms share "capital expenditure" decision with their counterparts, while "executive selection" decisions are made locally with the participation of both local parent and JV management. As for the "long-term" strategy decisions there seems to be no significant differences between influences of both local parent and JV management. Thus empirical

results reveal the fact that, although decisions concerning "long-term strategy" are taken by both local and foreign parent firms, in other decision areas such as "pricing", "product selection", "quality control", "marketing", "purchasing", "costing", "budgeting", "financial accounting procedures", and "training" joint venture management enjoys relatively higher autonomy.

Table 7. Comparison of Local Parent and JV Management's Rates of Influence on JV Decisions (Wilcoxon Matched-Pairs Signed Ranks Test) (†)

	LP Influence on Decisions					JV Influence on Decisions					Ranks		Ties	Sign. (*)
	I	II	III	IV	V	I	II	III	IV	V	(-)	(+)		
Capital Expenditure	3	6	4	10	19	10	7	5	11	12	20	7	15	0.0271
Pricing	16	5	9	5	7	4	1	-	11	29	2	32	8	0.0000
Product Selection	21	5	6	5	5	7	1	4	12	22	3	29	10	0.0003
Long Term Strategy	8	5	11	7	11	12	5	6	7	15	15	15	12	0.9508
Quality Control	22	8	3	2	7	-	1	7	7	30	3	33	6	0.0000
Marketing	10	7	10	7	8	-	-	2	11	32	3	33	6	0.0000
Purchasing	15	5	10	5	7	2	3	4	13	23	7	32	3	0.0001
Costing	19	8	3	7	5	10	3	7	9	16	5	23	14	0.0153
Budgeting	21	8	3	7	3	7	7	1	6	24	4	28	10	0.0001
Financial Account.	19	5	6	5	7	11	7	4	8	15	8	20	14	0.0323
Wage and Personnel	7	2	7	14	12	3	2	4	8	28	13	26	3	0.0568
Executive Selection	5	1	12	13	11	3	5	9	7	21	15	19	8	0.3974
Training	18	8	8	4	5	1	-	8	14	22	5	35	2	0.0000
Valid Responses	47					47								

(†) = Foreign Partner Sample(*) = Level of Significance

As for the "executive selection" or in other words "management recruitment", decisions, foreign parent firms find that frequent change of top management in the joint ventures seriously affects the operation both on a strategic and a daily basis. This is particularly true for investors with a long term strategy and commitment. For small sized foreign investors, however, the predominant objective is to generate profit in a short duration. Therefore, they leave this decision to local partners as long as it does not affect too much. It is not unusual in a joint venture with a small sized foreign MNE to select a local person as their representative whose main job is to check the quality of products and ensure the delivery time.

Empirical findings presented in Table 8 however, based on analysis of data collected from local parent firms, and therefore reflects local parent firms view of autonomy given to JV management. Results seem to confirm findings presented in Table 7. As comparison of rankings and their significance levels indicate, joint venture management

participate in decisions concerning "executive selection", "long-term strategy formulation", and "wage and personnel policy".

Table 8. Comparison of Local Parent and JV Management's Rates of Influence on JV Decisions (Wilcoxon Matched-Pairs Signed Ranks Test) (†)

	LP Influence on Decisions					JV Influence on Decisions					Ranks		Ties	Sign. (*)
	I	II	III	IV	V	I	II	III	IV	V	(-)	(+)		
Capital Expenditure	-	-	3	5	10	2	2	4	4	6	10	4	3	0.0736
Pricing	5	3	5	3	2	-	-	2	2	14	0	13	4	0.0015
Product Selection	6	2	5	3	1	4	1	-	4	8	2	10	4	0.0712
Long Term Strategy	-	1	3	5	9	1	2	4	2	9	8	6	3	0.3967
Quality Control	7	5	1	3	2	-	-	-	5	13	1	14	2	0.0009
Marketing	5	5	2	4	2	-	1	1	3	13	2	13	2	0.0018
Purchasing	4	3	6	3	2	-	-	1	5	12	2	14	1	0.0021
Costing	6	2	5	4	1	1	-	2	4	11	0	13	4	0.0015
Budgeting	3	2	2	6	5	1	-	1	5	11	1	9	7	0.0108
Financial Account.	5	1	3	5	4	1	2	1	5	9	2	9	6	0.0454
Wage and Personnel	1	-	2	4	11	-	1	4	4	9	8	6	3	0.6603
Executive Selection	2	1	4	2	9	1	1	1	7	8	7	8	2	0.5321
Training	4	4	5	2	3	-	-	-	6	12	1	13	3	0.0012
Valid Responses	19					19								

(†) = Local Partner Sample(*) = Level of Significance

Conclusions and Recommendations

Results obtained in this study are consistent with findings of earlier studies, and in addition, bring to the fore some new discussions. First of all, there seems to be a dichotomy of decision areas, foreign parent dominated, local parent dominated, and JV autonomous decision areas. Although, there is no clear cut division in this regard, still, parent firm perceptions converge on "pricing", "product selection", "marketing", "wage and personnel", "executive selection", "quality control" decision areas, while there remains significant divergence in areas such as "long-term strategy", "costing", "capital expenditures", "product selection", "purchasing", "budgeting", "financial accounting", and "training".

Type of divergence emerged in this study, by and large, are type-I divergence, namely, both sides claim that they have more influence on the respective decision areas in international joint venture operations. There seems to be no type-II divergence of perceptions between parties involved, but existence of type-I divergence in perceptions

of parent firms signals potential conflict areas. This confirms findings of a previous studies[69] related to conflict and performance in such alliances.

Although the pattern of control changes from case to case, the results suggest that a good co-operation between partners over key decision areas such as "pricing", "marketing", "wage and personnel policies", "quality control", "executive selection", and "training" is very important to the success of JVs. Moreover, previous research found that it is important for each partner to have a clear understanding of what he contributes to the arrangement and what he expects of his partner before entering a joint venture. This study has shown that a full awareness of the partners' need is equally important. Each partner needs to identify the areas where potential disagreements or conflicts may arise and keep this awareness through the whole life of the venture.

The findings of the present study also suggest a number of implications for managers working in or with IJVs. At the strategic level, the findings lend support to equal control of strategic decisions between parents. Such an arrangement provides greater risk sharing and a broader pool of complementary resources, which may create a more conflict-free and hence more productive working relationship. On the other hand, at the operational level, IJV managers appear to exercise more freedom of operation, which is in line with the desire of the parent firms. Thus, if parent firms see JV management as representing the midpoint between markets and hierarchies,[70] then such an organisation may be more closely situated to the market pole from the point of view of the investing parents.

Findings presented in this study also suggest that differences between parent firms' influence may be regarded as complementary rather than conflicting. In other words, it may be easier to manage a JV where one parent is, say, aggressive and the other is not, than to manage one with two aggressive parents which struggle to outdo each other. This argument lend support to Killing's empirical results.

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[69] Demirbağ, Mirza and Weir, **op.cit.**, 1997.
[70] Kogut, **op.cit.**, 1988, p.321.