Managing inter-partner relationships and its impact on international joint venture performance
- A multiple case study from a Swedish partner firms perspective

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Abstract

International joint ventures (IJV) are frequently stated to be increasingly popular but with significant managerial dissatisfactions in their operations. Severe failure rates of IJVs is distinguished in previous literature, between 30-70 percent eventually end up in failure. Prior research suggests that the management aspect of inter-partner relationships is limited. There is also limits in research regarding the factors impacting how to manage inter-partner relationship and how it relates to IJV performance. The theory used for this study is an integrated framework of social exchange theory (SET) and transaction cost economics (TCE). These theories acquire two sets of mechanisms on how to manage inter-partner relationship and its impact on IJV performance: (1) social mechanisms of trust, communication, and cultural adaptation, and (2) structural mechanisms of ownership control, contract, balanced asset specificity and resource complementarity. The framework is tested empirically using interviews as data collection from five Swedish companies involved in an IJV with partners headquartered in Europe, Asia, and Africa.

The outcome of this study suggests that a majority of the mechanisms impact on how to manage an inter-partner relationship and also provide to enhance IJV performance. The most influencing factors on inter-partner management and IJV performance are trust, communication, contract and resource complementarity. We also identified interesting results regarding the interaction between the social and structural mechanisms in relation to management and IJV performance.

Keywords: International joint venture, Inter-partner relationship, Social exchange theory, Transaction cost economics, Performance, Swedish firms
Acknowledgement

This journey has been long, bumpy and it has sometimes felt impossible to reach the destination. But we made it, and for that, we would like to show our most sincere gratitude to everyone who has contributed with their valuable time to help us write this thesis. First of we would like to thank the interviewees from the case companies; Anders Rosengren at BOXON, Anders Mattsson at IFAB, Kryger at Company X, Lars Berlin at InvestKonsult and Mattias Lägermo at Mattias Bygg. We can not show enough gratitude for the time and information you have given us. Without these individuals contributions, this thesis never would have reached the end.

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Kalmar, May 24th 2017

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1. Introduction

This chapter will commence with a brief introduction of the background to the selected field of study. After that, the problem discussion and research gap will be presented which will explain the relevance of the chosen topic and previous issues of the subject. Furthermore, this chapter will include the research questions and the purpose of the thesis. The delimitation, definition of keywords and the outline of theory will conclude this chapter.

1.1 Background of the Study

The last decades has witnessed a new paradigm, a fashionable phenomenon changing the international business scene as an unstoppable force titled globalization. The world of business has become an interdependent, complex and uncertain arena, characterized by constant movement and new opportunities forcing organizations to rethink their traditional methods and fashion of doing business (Kauser & Shaw, 2003). The increased access to new markets and the expanded interdependency between nations has evidently created cross-national business opportunities, and an organizational must sustain competitive advantage (Voss, Johnson, Cullen, Sakano & Takenouchi, 2006).

Johanson and Vahlne (1977) explain the process of internationalization as a process which gradually increases the international business involvement of a company. Harzing (2004) indicates that one of the most important decisions within the internationalization process is the strategic choice of foreign market entry mode.

1.1.1 Foreign market entry modes

There are several modes of foreign market entry a firm can choose among as they decide to go abroad. The selection of a suitable market entry is an important strategic decision which has a heavy impact on performance (Laufs & Schwens, 2014). Therefore, it is essential to decide on an entry mode that resembles a firm's business function and category of operations (Buckley & Ghauri, 1999). A foreign entry mode decision regulates the firm's degree of resource commitment towards the foreign market, host-market risks and the exercised control levels over their foreign market activities (Laufs & Schwens, 2014). According to Ravelomanana, Yan, Mahazomanana, and Miarisoa (2015), there are additional factors that impact a firm's selection of entry mode. These include external environmental factors of political, cultural and legal aspects, and internal factors of international experience, firm size, and marketing strategy.

Researchers have come to the conclusion that no matter how resourceful and strong the organization is, their competitive advantage can not be dominant in every step of the value chain (Kauser & Shaw, 2003). Partnership, as a foreign market entry mode, has therefore been a ubiquitous phenomenon for some time (Ranjay, 1998). Managers and
company executives around the world have come to realize that to cope with the globalization; a partnership is essential to reduce risks and to acquire the resources needed (Ali, 2013). Partnership, more commonly known as strategic alliances can take several different forms, ranging from nonequity ties as simple agreements of licensing to a more formal structure engaging equity ownership such as joint ventures (Chan, Kensinger, Keown & Martin, 1997).

1.1.2 International joint venture

The most common form of foreign entry mode is to create an international joint venture (IJV), where two or more legally distinct companies (the parents) create an independent business unit by contributing their share of equities. At least one parent firm is headquarterd outside the location of the IJV. (Gartner, 1985; Culpan, 2002; Ren, Gray & Kwangho, 2009)

In the mid-1980s, the choice of IJV as foreign market entry strategy started to gain acknowledgment and the establishments increased significantly on the international market scene. Reports state that since 1985, international joint ventures between US and international firms has been growing annually at a rate of 27% (Walters, Peters & Dess, 1994). In the Chinese market, the formation of IJVs with domestic companies is the most important way of conducting business (Mohr & Puck, 2005). Some of the world's largest companies have adapted the formation of IJVs, (i.e., Sony and Ericsson created Sony Ericsson, Nokia and Siemens formed Nokia Siemens Network and Microsoft together with GE developed Caradigm) (Informory.com, 2017). IJV have steadily gained focus throughout the years, and the attention among international researcher has increased (Walters et al., 1994). However, the attention does not only concern the popularity of IJVs but due to the fact of instability and unsatisfactory performance of IJV (Bener & Glaister, 2010).

The essential reason of why IJVs are more commonly used over other forms of entry modes is because they tend to acquire lower transaction costs and offer strategic or distinct local business advantages (Lihong & Goffin, 1999). Researchers argue that IJVs are formed to reduce the transaction costs since it enables the parents to share ownership, risks, revenues and the monitoring of control (Ng, Lau, & Nyaw, 2007; Ekanayake, 2008). Another popular argument is that the IJV structure facilitates the parent organizations to mix their competences into a more powerful operation than if they were to act independently (Fryxell, Dooley & Vryza, 2002). Nippa, Beechler, and Klossek (2007) explain that IJVs make it possible for parent firms to gain access to complementary resources, improved knowledge flow and also to achieve coordination cost advantages. The transfer of the knowledge is another reason of why IJV is a key form of international business (Lihong & Goffin, 1999).

In contrast to the benefits and superior formation advantages of IJVs, there is a complexity perspective that should not be oversee (Talman, 2009). Like any other relationship, there is a constitutional complexity when two people are to collaborate
with each other (Berdrow & Lane, 2003). The author's further state that it gets more complex in the IJV context, when two or even more owners, who perhaps are competitors, are collaborating in an inter-partner relationship. The complexity in IJVs gets even more intense as the relationship involves cross- national partners with different settings of goals and cultural backgrounds (Berdrow & Lane, 2003; Luo, 2007). The complexity and difficulties are addressed to the fact of inter-partner relationship management (Berdrow & Lane, 2003). According to Ng et al. (2007), such management difficulties are enlarged in the IJV context since they operate in an environment with a high level of risk and uncertainty where inter-partner opportunistic behavior is abundant. This tends to increase the transaction costs due to a higher degree of surveillance, communication and negotiation requirements (Ng et al., 2007). Maintenance of the inter-partner commitment together with effective and efficient control over the joint operations is therefore mentioned as a key to management success of IJV.

The uncertainty and complexity of IJV, together with their popularity within the international business environment motivates for an interesting phenomenon. This thesis will, therefore, focus on how Swedish firms manage their inter-partner relationships in an IJV context and how the inter-partner relationship management impacts IJV performance.

1.2 Problem discussion

Despite the fact that previous literature identifies many benefits of IJVs, they are, however, not without problems. Talman (2009, p. 180) states an interesting paradox of IJV: “Whereas the popularity of JVs is very high, the percentage of JVs that fail is very high too.” Researchers have discovered significant high failure rates; between 30-70% of IJVs total formations eventually fail (Kauser & Shaw, 2002; Ekanayake, 2008; Nguyen & Larimo, 2009). The interest in IJV has therefore increased over the last decades, leading to an increase in new studies regarding IJV:s in different aspects. Research on how firms can manage joint venture has been done in the past, but is very limited (Hill & Hellriegel, 1994; Kauser & Shaw, 2002). Regarding academic literature, the high failure rates and dissatisfaction of inter-partner relationships in IJV are due to several factors, such as conflict, poorly anticipated performance and non-flexible operations (Kauser & Shaw, 2002). Other academic literature stresses factors underlying the high failure rates to poor communication, opportunism, and a difference in the party's goal objectives (Caves, Crookell & Killing, 1983; Choi & Beamish, 2004).

According to Barkema, Shenkar, Vermeulen, and Bell (1997), earlier studies only found one significant factor which explained the high failure rates of IJVs. The authors (Barkema et al., 1997) further state that the significant issue is based on lack of partner skills to manage the inter-partner relationship. More recent studies point towards inter-partner control, which is a structural inter-partner relationship mechanism, as being the primary reason for failure or success (Groot & Merchant, 2000; Talman, 2009). Another
reason is related to the social relationship where lack of inter-partner trust, which is an inter-partner relationship mechanism, cause instability, unsatisfactory and break-up (Currall & Inkpen, 2002). Other studies, however, indicates a necessary shift in future studies regarding inter-partner management (Kwon, 2008). From studies only concerning either the structural factors (i.e., Ownership and Control) or relational factors (i.e., Trust), should instead be combined (Kwon, 2008). Luo, (2007) has also discovered that recently collected evidence provides inconsistent results between inter-partner management and its impact on IJV performance.

1.3 Research gap

Both main theories that has been recommended and most used in previous research to understand the management of inter-partner relationship in IJVs is the social exchange theory (SET) and transaction cost economics (TCE) (Madhok, 1995; Young-Ybarra and Wiersema, 1999; Hennart and Zeng, 2005; Ybarra and Turk, 2009; Ali and Larimo, 2016). These theories provide two different views of how to manage an IJV relationship (Hennart and Zeng, 2005; Ybarra and Turk, 2009; Ali and Larimo, 2016).

Yang and Zeng (1999) has identified limitations in previous IJV research. Most of the research that has been done previously have chosen to focus on the motives of IJVs, the formation strategies of IJVs, partner selection issues and the end stage and instability of IJVs (Yang & Zeng, 1999; Reuer & Leiblein, 2000; Nguyen & Larimo, 2009). A very limited amount of research has focused on the mid-life of the IJVs and the management of IJVs. Either these studies has focused on the social mechanism of trust or the structural mechanisms of contract and ownership control. There are also some other variables that should be taken into consideration which previous researchers have ignored.

There is however a previous comprehensive understanding of the social and structural mechanisms which lead towards the management of inter-partner relationship in IJV, but their impacts on performance have not yet been analyzed (Lu & Hebert, 2005). Researchers have suggested that future research should integrate these two theories and comprehensively study the social and structural mechanisms which help to manage the inter-partner relationship and also its impact on IJV performance (Whipple & Frankel, 2000; Ali & Larimo, 2016).

1.4 Problem definition

Due to the previously stated research gap, we have identified a need for a qualitative study combining the two theories, TCE and SET, and its related mechanisms to better understand the management of inter-partner relationship in an IJV context. We are also aiming it specifically towards the impact on IJV performance. Our opinion is that the result of the thesis could be of practical interest for firms who are establishing or already have established an IJV and foremost from a Swedish firm perspective. We
have therefore divided our main research question into two sub question to get the best possible understanding of the inter-partner relationship management and its impact on IJV performance.

1.5 Purpose

The purpose of this thesis is to acquire a deeper understanding of how firms manage their inter-partner relationships in international joint ventures and how it relates to the performance of international joint ventures. By examining companies with active international joint ventures with one parent firm headquartered in Sweden this thesis will create a more accurate study. This thesis will be conducted in an exploratory nature and will be done by investigating the impact inter-partner management has on the international joint venture performance.

1.6 Research questions

**RQ1: How to manage inter-partner relationships in an international joint venture?**

The purpose of RQ1 is to increase the understanding of inter-partner relationship and to identify mechanisms that help the management of IJV.

**RQ2: How does the management of international joint ventures impact international joint venture performance?**

This sub-questions is to critically analyze how different mechanisms of inter-partner relationship management impact IJV performance.

1.7 Delimitation

This thesis is limited to only investigate the inter-partner relationship management and its impact on IJV-performance from a Swedish parent firm's perspective. The empirical data is only gathered from Swedish-based companies with a parent role in an IJV. This thesis does not take the other foreign parent in the partnership into consideration except the information regarding the partner gathered from the Swedish parent firm. The study is based on two main theories and some of the involved mechanisms related to the Social exchange theory and transaction cost economics.
<table>
<thead>
<tr>
<th>Key terms</th>
<th>Definitions</th>
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<tr>
<td>International Joint Venture (IJV)</td>
<td>Where two or more legally distinct companies create an independent business unit by contributing their share of equities, where at least one parent is headquartered foreign to the joint ventures market of operation.</td>
<td>Culpn (2002); Ren et al., (2009)</td>
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<tr>
<td>IJV Performance</td>
<td>According to the subjective measurement; The overall satisfaction, goal achievement, and the Swedish parent firms satisfaction with the IJV.</td>
<td>Krishnan, Martin and Noorderhaven, (2006); Ali and Larimo, (2016).</td>
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<tr>
<td>Internationalization</td>
<td>A process which gradually increases the international business involvement of a company.</td>
<td>Johanson and Vahlne (2007)</td>
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<tr>
<td>Inter-partner relationship</td>
<td>A cooperative partnership between parent firms involved in an IJV.</td>
<td>Yan and Luo, (2016).</td>
</tr>
<tr>
<td>Trust</td>
<td>The mechanism of trust is developed as a social connection in inter-partner relationship and functions to keep the IJV partners together.</td>
<td>Kwon, (2008); Ali and Larimo, (2016)</td>
</tr>
<tr>
<td>Communication</td>
<td>Communication is a mechanism broadly defined as the formal as well as informal sharing of meaningful and timely information between firms.</td>
<td>Silva, Bradley and Sousa (2012)</td>
</tr>
<tr>
<td>Cultural adaptation</td>
<td>Cultural adaptation is defined as the awareness a firm has of the existing cultural dissimilarities (national and organizational) between firms and its IJV partners, and how the differences are adopted.</td>
<td>Johnson, Cullen, Sakano and Takenouchi (1996)</td>
</tr>
<tr>
<td>Ownership control</td>
<td>Ownership control is defined as the power to exercise discretion over major decision-making, meaning the firm with control has the power to endorse major decisions.</td>
<td>Leech and Leahy (1991)</td>
</tr>
<tr>
<td>Contracts</td>
<td>Contract is defined as; certify and specify promises, obligations and responsibilities together with a process to settle conflicts either written or verbal.</td>
<td>Luo, (2002)</td>
</tr>
<tr>
<td>Balanced asset specificity</td>
<td>Balanced asset specificity is defined as; to which extent both partners of an IJV contributes equally with specific assets to the IJV.</td>
<td>Zeng (2003)</td>
</tr>
<tr>
<td>-----------------------------</td>
<td>-------------------------------------------------------------------------------------------------</td>
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</tr>
<tr>
<td>Resource complementarity</td>
<td>Resource complementarity is defined as the degree partner firms in an IJV can eliminate the weaknesses in each others resource pool and support the other partner and together reach their set goals.</td>
<td>Deitz, Tokman, Richey &amp; Morgan (2010)</td>
</tr>
</tbody>
</table>
1.9 Outline of the study

Chapter 1: Introduction
The introduction chapter will consist of a background regarding the topic of this study. It will be followed by a problem discussion and research gap. This will align with the research questions and purpose of the study. The introduction chapter will be concluded with delimitations of the study and an outline of this thesis.

Chapter 2: Literature review
In the literature review chapter, we will present the theoretical content for the reader which will be used to analyze the empirical data. Lastly, we will present a conceptual framework which will demonstrate how the theoretical subjects are interconnected.

Chapter 3: Methodology
In the methodology chapter, the choice and motives of methodology which we have found to most applicable for this study will be presented.

Chapter 4: Empirical findings
In this chapter, we will present our empirical findings in such a fashion that the readers will clearly see what is of value for the following analysis chapter.

Chapter 5: Analysis
In the analysis chapter, we will analyze the empirical findings and connect it with the previously presented theory with our analyze of the subject. We will also compare the findings to identify eventual patterns that are evident.

Chapter 6: Conclusion
In the final chapter of this thesis, we will present the reader with the arguments and the theoretical and practical implications that have been found in the analysis chapter. The findings from the analysis will consequently enable us to answer the research questions of this thesis. Lastly, we will provide suggestions for further research on the topic of this study.
2 Literature review

During this chapter of the thesis we will present our theoretical and conceptual framework, to clarify the combination of theories and their connection to the purpose of this study. We will define our theories that will be consistent during the whole thesis and important contextual facts. Further we will identify different important managerial mechanisms and further explain their impact on performance. This chapter will then be summed up with a conceptual framework providing an understanding on the theories connection to each other and their impact on performance.

2.1 Different types of Joint Ventures

Joint venture is a commonly used term in today’s international business vocabulary, and it is important not to forget that it exists two major types of JV: contractual JV and equity JV (Shenkar & Yan, 2002). A contractual JV do not involve shared equity, and therefore it comprises any form of association or cooperation between the partners for a certain period (Shenkar & Yan, 2002). The contractual JV do include exclusive contracts such as licensing and franchising (Anderson & Gatignon, 1986). The partners in an equity JV does, however, share the equity, risks, and profits, they also participate together in the management of the equity JV (Shenkar & Yan, 2002; Chadee & Qiu, 2001). Thus, the formation of equity JV includes joint ownership whereas the participant's profits and losses are based according to the equity percentage split between the partner firms. The equity JV can, therefore, be divided into three different types depending on the percentage of equity held by a firm: majority-owned JV, minority-owned JV and equally owned JV (Culpan, 2002; Makino & Beamish, 1998). The authors further argue that if one parent firm has greater than 50% equity share in a two partner IJV, the IJV is called a majority-owned IJV. If the ownerships is equal, 50/50, the JV is considered an equally owned JV, and if equity holding is less than 50%, the JV is identified as minority-owned JV (Makino & Beamish, 1998).

- It is a separate legal entity which is created by two legally distinct and independent organizations (between foreign parent firm and host country parent firm) (Culpan, 2002; Ren, et al., 2009)

- Equity of the new-born entity (i.e., JV) is shared between the foreign firm and host country firm in such way that the foreign firm holds 11% to 90% as the most commonly used limit for IJV (Luostarinen, 1990).

- The nationality of at least one parent firm of the IJV has to be other than the location of the JV (Culpan, 2002; Ren, et al., 2009).
After the decision of suitable arrangements of IJV, it is important to identify the motives of IJVs. In the following section, the motives of IJVs are discussed in detail.

2.2 Motives for International Joint Venture

Chi (2000) and Yan and Luo (2016) argues that the most common reasons for an IJV formation are:

- Foreign multinational enterprises usually have superior technology but a lack of knowledge regarding the target country, hence the lack of understanding on how to deal with the target country's government, culture, language, competitive conditions, and business landscape. Therefore, the formation of an IJV with an already established firm in the host market helps the MNE to reduce the uncertainty and knowledge gap for an entry in the target country.

- Due to high political instability in many developing countries, the formation of IJV is the only possible option to enter into the target countries.

- To earn a profit and obtain vital raw material at a lower cost.

- To develop new technology by combining the technological resources of both IJV partners.

Yan and Luo (2016) states that further motives can be the governmental insistence by creating attractive laws and regulations or the increasing global competition, forcing companies to be more cost efficient.

2.3 IJV Performance

Previous studies define IJV performance very differently, and therefore the choice of performance measurement is an often-debated issue in IJV research. (Geringer & Hebert, 1991; Ren et al., 2009). Nielsen (2007) states that prior empirical research has measured IJV performance either based on subjective or objective measures. The subjective measures of performance regard the parent firm's satisfaction with the overall performance of the IJV, the information flow between IJV partners and achievement of strategic goals (Geringer & Hebert, 1991; Nguyen, 2006; Nielsen, 2007). The objective measures of IJV performance include financial indicators including profitability, survival, growth, instability of the ownership and duration (Nielsen (2007). Larimo (2007) point to the survival and stability of the IJV as the most used objective measurements regarding IJV performance. Caves et al., (1983) suggests a mere use of objective measures should be avoided since it does not provide sufficient information on how well the short and long term objectives of IJV partners are achieved.
IJV research lacks a common definition of IJV performance, and therefore the choice of appropriate measures of IJV is an ongoing debate among researchers were many, but conflicting models have appeared (Ren et al., 2009). However, in this thesis, the IJV performance will be defined according to the mixture of the objective and subjective measurements; the satisfaction with overall IJV performance, and the satisfaction with the financial performance of the IJV. These are the most common subjective and objective measures recommended by many IJV scholars (Krishnan, Martin & Noorderhaven, 2006; Ali & Larimo, 2016).

2.4 Main theories of inter-partner relationship management

Social exchange theory (SET) and Transaction cost economies (TCE) are the two main theories both recommended and used by several IJV scholars to understand the management of inter-partner relationships in the IJV context (e.g., Madhok, 1995; Young-Ybarra & Wiersema, 1999; Hennart & Zeng, 2005; Ybarra & Turk, 2009; Ali & Larimo, 2016). The two theories present different views regarding the management of inter-partner relationships in IJVs. SET is a sociological theory and therefore signifies the role of social mechanisms in managing inter-partner relationships (Madhok, 1995; Young-Ybarra & Wiersema, 1999; Ybarra & Turk, 2009; Ali & Larimo, 2016). TCE, on the other hand, is an economic theory which stresses the role of structural mechanisms to manage the inter-partner relationship in IJVs. (Hennart & Zeng, 2005; Ybarra & Turk, 2009; Ali & Larimo, 2016).

Prior empirical research has mainly focused on the social mechanism of trust and the structural mechanisms of ownership share to manage the inter-partner relationships in IJVs. However, a comprehensive understanding of the mechanisms that helps firms to manage their inter-partner relationships is not provided in previous empirical research. In the following, the background of both theories will be discussed, and important mechanisms will be identified regarding how firms can manage their inter-partner relationships in the context of IJVs.

2.5 Social exchange theory and social mechanisms

The SET is a sociological theory initially developed by Peter Blau in 1964 (Emerson, 1976). The purpose of the theory was to analyze the social behavior of individuals regarding resource exchange. Blau (1964, p. 91) chose to define the social exchange as “voluntary actions of individuals that are motivated by the returns they are expected to bring and typically do in fact bring from others.” The explanation of this is that individuals who need resources from each other are more willing to enter a social exchange. This voluntary exchange is suggested by theory to be embedded strong relational ties between partners that help to manage these exchanges. The SET was in the initial stage focused at an individual level, but over time the theory has been extended to inter-firm alliances which include IJVs (e.g., Madhok, 1995; Young-Ybarra & Wiersema, 1999; Ybarra & Turk, 2009; Ali & Larimo, 2016). JVs are suggested by
research to be like a social exchange where partners can exchange the resources that they need, and the inter-partner relationships in JVs get help to be managed because of these exchanges that are always embedded in strong social ties (Das & Teng, 2002).

Previous research grounded in SET has identified three of the more important social mechanisms (i.e., communication, trust and cultural adaptation) which help to develop the inter-partner relationship in IJV (Ybarra & Turk, 2009; Ali & Larimo, 2016).

This theory has been faced with critic emphasizing problems from different researchers over the years. Cropanzano, Rupp, Mohler and Schminke (2001) questioned the general social exchange theory for creating too many misunderstandings. Cropanzano and Mitchell (2007) stated that even though the SET framework is a useful concept, it still has its flaws. The authors further emphasize that the probable problems are systemic; “The core ideas of that comprise SET have yet to be adequately articulated and integrated” (Cropanzano and Mitchell, 2007, p 875). This leads to that the ideas used when applying or testing this framework are seen as incomplete which creates two further problems. The designs of the SET has not yet been identified to a greater extent, and secondly, the formulations regarding SET are doubtful to some extent which opens up for different interpretations. These complications can, in the end, lead to a model that can be difficult to test if any obscurity exists. (Cropanzano & Mitchell, 2007)

In the following sections, we will explore the impact each of these three mechanisms has on the inter-partner relationship and how it impacts the IJV-performance.

2.5.1 Trust

Trust is an important factor and the first out of three mechanisms from SET that we have chosen for this thesis. The mechanism of trust is developed as a social connection in inter-partner relationship and functions to keep the IJV partners together (Kwon, 2008; Ali & Larimo, 2016). Positive expectations/acceptance of the counterparty's authenticity, reasonableness and goodwill is the base to inter-partner trust and concerns whether or not the partner firm can rely on their partner and accept vulnerability towards the partner in the IJV relationship. Madhok (2006) defines trust as the most important factor to hold an inter-partner relationship together. Madhok (2006) emphasizes that the trust-building process is a costly process for the involved parties of the inter-partner relationship, it is time-consuming and at the same time the expected results are hard to pinpoint.

Trust which is seen by many researchers as a sociological phenomenon. It usually emerges between individuals before it can emerge between organizations. To be able to establish trust between organizations there has to exist a mutual positive expectation together with shared beliefs from the majority of individuals in both organizations engaged in the IJV. (Zaheer et al., 1998; Ali & Larimo, 2016)
Kwon (2008) states that mutual trust combined with commitment is a key piece for growing the social capital. Trust which plays an important role of social capital has been defined in a various ways by different researchers. Morgan and Hunt (1994) define trust as the confidence that one partner has to the other partner of the IJV’s reliability and integrity and according to Hosmer (1995), that the partners of an alliance or IJV can control their actions when an opportunity of profit occurs for another partner. These are only some of many definitions of trust among researchers.

Previous researchers have stated that the inter-partner trust is a key success factor for an inter-partner relationship in IJV (Dyer & Chu, 2003; Krishnan, Martin & Noorderhaven, 2006). Although, the trust can not be taken for granted between the partners according to McEvily, Perrone & Zaheer (2003). Poppo & Zenger (2002) and McEvily et al., (2003) further state that the alliance partners simply can not grow the trust without expecting real costs to achieve it. Furthermore, McEvily et al., (2003) highlight that even if the trust among inter-organizational partners can enhance the performance of an alliance, another possible outcome can be no enhancement of the performance. Although Krishnan et al., (2006) explain that previous research has stated that the benefits of trust on the performance can alternate depending on the conditions. Kwon (2008) explains that critical information is shared with the other partner for them to get an understanding of their business which requires trust to not fall into the wrong hands. The author further states that mutual trust and commitment between partners in a relationship prevents future transaction costs if one part of the relationship would act opportunistic or if a conflict between them may occur.

Ali and Larimo (2016) agree upon what the previous researcher stated, that if trust exists in the inter-partner relationship the level of performance increases. The partner firm although having some expectations on the other partner when the expectation of reliability, fairness, and goodwill have been reached (Krishnan et al., 2006). With a belief that the partner firm operates within these expectations one does not have to be concerned about their opportunism because of the belief that they will put their efforts in achieving the goals set up by both partners and thereby enhance IJV performance (Krishnan et al., 2006).

2.5.2 Communication

Communication is a mechanism used in the SET which is broadly defined as the formal as well as informal sharing of meaningful and timely information between firms (Silva, Bradley, & Sousa, 2012). The authors discuss the importance of communication and the outcome of well-established communication. Furthermore, they state that communication causes trust between firms, and see this as a key to managing inter-partner relationships (Silva et al., 2012). Morris and Cadogan (2001) discuss the need for collaborative communication and refer to it as an open problem-solving exchange and interaction between partners. They further state that open communication and interaction will not only result in a trustful orientation but also improve knowledge
regarding the partners and a more open information flow. Communication also leads to an increased resolution of disagreements effectively and improved IJV performance (Morris & Cadogan, 2001).

Deeds and Hill (1998), make a comparison between the inter-partner relationships and marriage, highlighting the importance of communication to lower the risk of miscommunication or misinterpretations. Morris and Cadogan (2001) state that poor communication will lead to poorly managed conflicts and most likely a dysfunctional cooperation. However, well-established communication makes it easier to identify the partner’s expectations, norms, and values. These variables are important for a functioning and opportunistic inter-partner relationship, leading to improved IJV performance (Deeds & Hill, 1998).

2.5.3 Cultural adaptation

Cultural adaptation is another mechanism from SET on how to manage inter-partner relationships. According to Johnson, Cullen, Sakano and Takenouchi (1996), cultural adaptation is referred to as the awareness a firm acquires of the existing cultural dissimilarities between the firm and its IJV partners, and how the differences are adopted.

Hofstede and Hofstede (2005) state that individuals living in the same country tend to have similar values, and that they bring these values to the organizational cultures. They further state that a firm’s values are somewhat a reflection of national culture, and therefore IJVs in different countries tend to have different values. The values can make it hard for inter-partners to pursue opportunities of equal interests, and reach solutions to problems and conflicts (Hofstede & Hofstede, 2005).

Beaton, Bombardier, Guillemin, and Ferraz (2000) argue the importance of culture adaptation between inter-partners. The authors state that different measures that are used across cultures, not only need to be translated well but must also be adapted culturally to maintain the validity at a conceptual level across different cultures. Bener and Glaister (2010) explain that one of the reasons IJVs are difficult to manage is due to the cultural dissimilarities between the inter-partners, having an impact on performance. Cultural dissimilarities are often seen as a reason for misunderstanding and miscommunication (Das & Rahman, 2010). According to Parkhe (1991), effective handling of cultural differences must begin with developing an understanding of the behavioral and thinking differences. Johnson et al., (1996) further state that culture adaptation enhances communication and trust between IJV partners, leading to an enhanced IJV performance.
2.6 Transaction cost economics and structural mechanisms

Transaction cost theory (TCE) is an economic theory that was first developed in 1937 by Coase (1937). TCE is developed of structural mechanisms to effectively bypass the ineffective bounded rationality that managers suffer from (Brouthers & Hennart, 2007). The authors further argue that TCE is the most widely used theoretical framework in international entry mode research. According to Hennart and Zeng (2005) an IJV offers benefits to all partners involved; however, the partnership can evolve into unequal benefits at the cost of the other partner and the whole inter-partner relationship. To handle situations like this, the structural mechanisms have an important role to manage the relationship, making it equally beneficial (Hennart & Zeng, 2005).

Through the TCE framework, it is possible to analyze the management of the relationship between buyers and suppliers (Wacker, Yang & Sheu, 2016). The authors explain that contract is a mechanism that can be used to define the structural arrangements between the partners to enhance their relationship. A contract is fundamental since it provides a formal ground for future interactions (Wacker et al., 2016).

Hsieh, Rodrigues, and Child (2010) argue the importance of analyzing the ownership of the IJV. The authors further state that the amount of equity a partner owns in the IJV reflects in control over major decision-making in the firm. Furthermore, the authors explain the dependence the partners have to each other, defining it as how dependent the partners are to each other to achieve their objectives (Hsieh et al., 2010). Ali and Larimo (2016) state that the investment partners do in the IJV creates the degree of dependency one partner feels to another. It is also important to consider the resource complementary as a mechanism since it is about combining the partner's resources to complement each other to reach the IJV objectives (Ali & Larimo, 2016).

TCE has been facing some critiques during the years. According to Ghoshal and Moran (1996), the theory does not take the fact of individuals being different into consideration. The theory generalizes the individuals as a base of all human behavior in opportunistic behavior. Another criticism is that the TCE is missing the social factor of trust, claiming that the factor of trust is the reason to why some succeed and some do not (Nielsen, 2007; Bener & Glaister, 2010)

2.6.1 Ownership control

Ownership control is an important structural mechanism from TCE focusing on the distribution of control between IJV partners. Leech and Leahy (1991) define control as the power to exercise discretion over major decision making, meaning the firm with control has the power to endorse major decisions. The authors further state that ownership control differs in extent depending on the degree of ownership and also the degree of control needed. According to Leech and Leahy (1991), the structure of shared
ownership can have a vital importance, due to the fact that there is no individual owner to exercise control and enforce decisions solely without others withholding. Culpan (2002) states that there are three different types of ownership: Majority equity ownership, equal ownership and minority ownership.

According to Leech and Leahy (1991), the degree of ownership affects the voting power of important decisions, in such a way that the more equity a partner owns, the more power they acquire within the IJV. Luo (2009) claims that symmetric partnership creates a more cooperative atmosphere and improves the communication in the inter-partner relationship. The author further states that equality in the inter-partner relationship has a positive psychological impact on the IJV partners. According to Luo (2009) inequalities affect the relationship negatively, where the minority owner may feel that their partnership is being overruled by the majority owner, leading to higher levels of disagreement. Choi and Beamish (2004) explain that symmetric ownership has an impact on IJV performance. They further state that IJVs in some cases performed better with asymmetric ownership. If the control is not properly divided between the partners, it is argued that the IJV performance is likely to suffer (Choi & Beamish, 2004).

2.6.2 Contracts

Firms in an inter-partner relationship are usually tied by contracts, most common a formal contract (Luo, 2002). The role of contracts is another central mechanisms in TCE and is settled to certify and specify promises, obligations, and responsibilities together with a process to settle conflicts. A contract contributes as a perceived, or intended legally binding framework between two or more parties and can take different forms, such as written or verbal, implicit or explicit (Luo, 2002). Within an IJV contract, Williamson (1985) and Luo (2002) mention that the purpose of the contractual terms are to facilitate exchange where the parties rights, duties, and obligations are summarized, and the goals, policies, and strategies underlying the declared IJV are specified. Williamson (1998) states that the contractual terms in an inter-partner relationship can hamper the moral dilemmas; thus the knowledge from each party are protected from unnecessary leakage where the parties in an IJV, therefore, can be neutral to risk and can at the same time deal with each other on a level of parity.

According to Williamson (1985), every formal contract has the purpose of mitigating opportunistic behavior by constructing durable commitment and stipulate rewards and penalties. The author further states that a formal contract is formed to reduce uncertainty in an inter-partner relationship and can also hamper each party's capacity to utilize private purposes at the expense of mutual advantages. On the other hand, an informal or incomplete contract is a vague shape of a formal and complete contract where the uncertainty increases between the parties (Luo, 2002). As formal contracts hamper the risk of knowledge leakage and the utilization of private advantages, informal contract increases the probability of inter-partner conflicts and accusation shifting between the
parties could merge. The informal contract also affects the management in the inter-partner relationship as the coordination of operations, strategy implementation, and resource utilization is hindered (Luo, 2002).

When contract governance changes the type of transaction, the author declares that the requested completeness of contracts decreases (Williamson, 1991). The formal contract and its completeness are suggested by theory to be important; however, the completeness and its relation to IJV performance are implausible to remain linear nor continuous (Luo, 2005). According to Shenkar and Zeira (1992), the more complete a contract is, the fewer conflicts and uncertainties occur between IJV managers which therefore increase the performance of the IJV.

### 2.6.3 Balanced asset specificity

Balanced asset specificity is defined as to which extent both partners of an IJV contributes equally with specific assets to the IJV (Zeng, 2003). The mutual commitment between partners can be explored with help from the balanced asset specificity invested by the partners (Young-Ybarra & Wiersema, 1999; Ybarra & Turk, 2009).

To have symmetric dependence can be seen as a safeguard that is mutual between partners (Zeng, 2003). The author further explains that if the dependence is in some way unbalanced, one firm can be more sensitive to the other partner's impulsive actions. The author further emphasizes that if the balance tips over and makes one partner more dependent they might be held up by the other partner for their advantage (Zeng, 2003). On the other hand, if the assets are in balance it will create a mutual motivational factor for all partners to show self-control (Ybarra & Turk, 2009).

Previous research has shown that the performance reaches the highest point when the IJV partners believe they are more committed than their partner (Zeng, 2003).

### 2.6.4 Resource complementarity

Deitz, Tokman, Richey & Morgan (2010) define the resource complementarity as the degree partner firms in an IJV can eliminate the weaknesses in each other's limited resource portfolio and support the other partner and together reach their set goals. Furthermore, the authors describe the combination of resources as a way of gaining market resource advantage through production in the IJV (Deitz et al., 2010).

According to Ali and Larimo (2016), TCE has a view on IJV to be constructed to give partners the ability to combine complementary inputs. These types of IJVs, where the partner firms combine their inputs are defined as link IJVs, and each of the partner firms contributions of knowledge is different to what the other partner contributes with (Hennart, 1988). Why these IJVs are formed according to Hennart (1988)
argumentation is because of several different reasons, for example, if the complementarity resources that is needed for a firm is hard to find or buy on the market and a purchase of such a supplying company would mean a high amount of management costs. Ali and Larimo (2016) explain that because of this, resource complementarity is one of the driving factors of TCE to why IJVs are formed. When the level of resource complementarity has reached an advantageous stage the probability of termination of the IJV reduces, and no further changes regarding the structure of the IJV need to be done (Deitz et al., 2010).

Deitz et al., (2010) stated that a combined base of resources that complemented the other partner's weaknesses would be mutually beneficial for the partners and them both would gain from this process. The authors further argue that partners have a higher probability to create value if they embrace resource complementarity and the trust between partners will increase due to the resource complementarity. This is because of the interdependence it creates, which will most likely diminish the partner firm to take actions in self-interest, that in some way hurts the other partner, and eventually lead to a greater trust between the partners (Deitz et al., 2010).

The performance of the IJV will be increased if the companies of the inter-partner relationship fill each others shortage of resources which they could need to reach the goals set up by both partners (Deitz et al., 2010).

2.7 Conceptual framework

The interaction between social and structural mechanisms embedded in the two theories SET and TCE will in this thesis complement each other to measure how to manage the inter-partner relationship and its impact on IJV performance. We apply the theoretical combination since a large number of studies today share the opinion that the social aspects are incorporated in the economic structure of exchange within IJV research, and these studies have, in turn, witnessed a prosperous development of IJV (Yan & Gray, 1994; Luo 2002, 2008; andAli & Larimo, 2016). Luo (2008) describes that a combination of the mechanisms could contribute to a better and more comprehensive understanding of managing inter-partner relationships in IJV. The author further argues, when the social mechanisms are absent, the structural mechanisms becomes inadequate to investigate inter-partner relationships which are also argued by Ali & Larimo (2016). This is because critical aspects of a partner relationship are left out, such as reaching cooperative conflict resolutions, disagreements, and uncertainties of external character. The structural mechanisms do not either take the relational aspects into consideration, i.e., Cultural differences, inter-partner trust, and communication between the partners in an IJV. In the same way, the social mechanisms become insufficient as the structural mechanisms are not taken into consideration, i.e., Contract and ownership control (Luo, 2008; Ali & Larimo, 2016).

Regarding the discussion above, we argue that the social and structural mechanisms
complement each other to manage inter-partner relationships and its impact on IJV performance. The developed model in this study acknowledges that the three social mechanisms based out of SET, trust, communication and cultural adaptation together with the four structural mechanisms taken from TCE, namely ownership control, contract, balanced asset specificity and resource complementarity interacts and complement each other to manage inter-partner relationship. Further, these interacted mechanisms impact the performance of IJV.

Figure 1: Conceptual framework model (Own model, 2017)
3 Methodology

During this chapter, the methodology chosen to collect and process the data will be presented. The chapter begins by presenting the choice of research approach and why. Furthermore, the selected research method will be presented and also the choice of study as well as an operationalization. Thereafter the choice of structure in collecting data will be presented, finalizing with the choice of analyzing method and critique.

3.1 Choice of deductive approach

There are two more commonly used approaches when conducting research; deductive and inductive (Ghauri & Grønhaug, 2010). The inductive approach derives from the empirical collected data, concepts and models while applying a deductive approach; the research starts from the theories which are later on tested with the gathered empirical data (Gummesson, 2000). The inductive approach is based upon conclusions drawn from evidence of patterns, gathered from several individual case observations, which have been established (Alvesson & Sköldberg, 2008). The results of an inductive approach are based on the observations and can be incorporated into the already existing theories (Ghauri & Grønhaug, 2010).

The deductive approach, on the other hand, is considered to be less risky since the conclusions are drawn from a set of general rules which claims that this one set of general rules explains a single case (Alvesson & Sköldberg, 2009). Research with a deductive approach bases their research on existing theories which is later used for empirical examinations. The authors state that this approach rather explains thorough authoritarian statements then giving a real explanation to the case. Alvesson and Sköldberg (2009) further argue that the deductive approach is rather flat since it lacks explanatory element such as underlying patterns and tendencies. The deductive approach is seen as a logical necessity, even though the empirical findings seem empty to its nature (Alvesson & Sköldberg, 2009).

Another approach to apply, except inductive and deductive, is the abductive approach. This approach is a combination of elements from both the deductive and inductive approach. The possibility of utilizing the best out of each approach without embracing the approaches to the fullest. The abductive approach initiates with the empirical framework, similar to the inductive approach but also include a deductive approach with theoretical concepts. Previous known theories might be used in combination with the analysis of empirical data as a source of inspiration for understanding and finding patterns in the data. (Alvesson & Sköldberg, 2009)

As the problem discussion and purpose of this thesis derive from the theoretical framework and previous studies rather than the analysis of empirical findings, the most suitable option of research approach to adopt is a deductive research approach. Since the
area of research previously has been relatively unexplored in relation to inter-partner management and its impact on IJV performance, our choice of the deductive approach is found based upon the fact that this thesis starts from the theoretical framework. We consider that a basic knowledge of the research is needed to find possible patterns in the findings of the empirical data.

3.2 Choice of qualitative research method

Merriam and Tisdell (2015) describe the research method as a way of collecting data to make a decision or change. These methods are often addressing some kind of organization, not focusing on the problems, but instead on facilitating innovation (Merriam & Tisdell, 2015). The authors state that the choice of research method is between quantitative or qualitative method. Where the quantitative method describes the facts and characteristics of a given phenomena or the relation between events and phenomena, collected through surveys.

The qualitative method has a deeper focus on understanding the interpretations people do when participating in research (Merriam & Tisdell, 2015). Furthermore, the authors state that the qualitative method understands and interpret words instead of numbers which are the quantitative methods approach to interpreting data (Merriam & Tisdell, 2015). According to Denscombe (2014), qualitative research method has a disadvantage of being less representative in comparison to quantitative research, and that the qualitative research often base assumptions from a small number of cases. Qualitative research is usually carried out when there is a lack of theory within the specific area, or when the existing theories fail to clarify the problem in question (Merriam, 2009). The qualitative method is often affiliated with an inductive research approach, as these often result in a contribution to forming new concepts or theories of the assembled data (Merriam, 2009).

This thesis is focusing on identifying the different structural and social mechanisms to measure inter-partner management and its impact on IJV performance. Despite the fact that this thesis will be conducted with a deductive approach, we believe that the theories that will be used will provide a good base to analyze the empirical findings. For this reason, the most appropriate method to apply is a qualitative research approach to focus this study in depth and require a more comprehensive analysis and results to our research questions.

3.3 Research design

This section in the methodology chapter is referred to as the comprehensive plan that logically connects the research question with the data collection and ultimately the analysis of the study (Yin, 2014). The research design is conducted to ensure that the collected empirical evidence will effectively address the research problem (Labaree, 2013). Ghauri and Grönhaug (2010) describes the process as a framework to
acknowledge the nature of the research and describe how the thesis completion is to be done.

The main research designs within the qualitative research approach, which are also the most adopted designs according to research are compiled into the following five categories; experiments, histories, surveys, archival analyses and case studies (Yin, 2014). These different strategies or designs are, depending on chosen research approach, suitable for different studies (Ghauri & Grönhaug, 2010).

Case studies are argued by Merriam (2009) and Yin (2014) to provide an accurate and holistic understanding regarding a phenomenon and how it works. Yin (2014) further states that the case study method is most suitable when the research purpose acts to understand a present and tangible phenomenon. If the approach of the researcher also aims to focus on interpretation, insight, and discovery instead of one or several hypotheses, Merriam (2009) argues for the qualitative case study design.

Since the case study method provides a thorough, real-life phenomenon understanding with the allowance for a deep analysis, we argue that the design of a case study is the most suitable approach for this thesis. The focus of our thesis is to understand how to manage inter-partner relationships in an IJV context and how that impact IJV performance. According to Yin (2014) the analytical focus of “how and why-questions” is another objective when to use a case study design which further strengthens our argumentation to the selected design. Qualitative case studies can further, depending on whether the study seeks to examine one or more cases, be divided into single-case studies and multiple-case studies (Yin, 2014).

3.3.1 Multiple-case study

As the decision is set to conduct a qualitative case study, our next option is whether to execute a single- or multiple-case study. Single-case studies exclusively include a single case of which the data is assembled and analyzed, whereas multiple-case studies involve two or more different cases (Merriam, 2009). According to Yin (2014), multiple-case studies are a preferable method because of the analytical conclusions that can be drawn from two or more cases are usually more durable and therefore more valuable than the analytical conclusions to be ascertained from a single case. Yin (2014) further points out that single-case studies generally requires the inquiry to be unique to a single and significant case.

For the researcher to understand the differences and similarities between identifiable cases and be able to analyze the collected data both within and across each situation a multiple-case study is needed (Yin, 2014). Therefore, we are in the opinion to conduct a multiple-case study. Thus, we do not limit our findings to a single inter-partner relationship and its impact on IJV performance, but instead, provide a more generalized
picture in the context and can, therefore, at a final stage, conclude with a more valuable analytical conclusion to the phenomenon.

### 3.3.2 Purposive sampling

It is important to select the right research subjects before collecting data for the thesis (Merriam, 2009). According to Merriam (2009), this can be done differently depending on what sampling techniques that will be used. The author states that there are two techniques that are the most commonly used, which is the probability and the non-probability sampling. It is explained that the probability technique is a model of random selections, allowing the researcher to draw statistical generalizations, making it more applicable on quantitative than qualitative studies (Merriam, 2009).

Merriam (2009) further state that a study with a qualitative method, are focusing on a deeper understanding of an event rather than the fact of “how often” an event occurs, the author thereby prefer a non-probability sampling to this type of research. A purposive sampling is a technique that Silverman (2010) state is the most commonly used within non-probability sampling. Silverman (2010) explain that this technique will enable the researcher to select samples representative to the focus of the study and that this technique suggests a selection of criteria for the search of possible interviewees.

With the above stated facts, we have chosen to apply a purposive sampling technique for our study, where we through the criteria mentioned below have identified companies to collect our empirical data.

The companies have to reach the criteria of:

- Being Swedish, meaning that one parent firm involved in an IJV are based and operates in Sweden.
- Being a part of an active IJV.
- Been active for more than two years.

After identifying these criteria, the interviewees from the companies also have to reach some criteria to be interesting to interview. It is important for us to reach respondents that have some insight of the company’s operation in this area in question. The most appropriate interviewee would be a top level manager (Director, CEO, etc.) at a company with an active IJV. In this position, the interviewee will be able to provide the information needed.

### 3.4 Operationalisation

The purpose of doing an operationalisation is to find a clear connection between theory and practice. Before writing the interview guide, it is important to conduct a thorough
literature review (Jacob & Furgerson, 2012). By doing this, the author gets an understanding of what the previous theory already have found in the subject of the thesis. By doing so, the authors know how to formulate the interview questions (Patel & Davidson, 2011). Patel and Davidson (2011) define operationalization as when the author translates a theoretical concept into a survey or interview question. In the operationalization, the main concept is to gather information in a verbal or numeric form (Patel & Davidson, 2011).

The theories presented in the theoretical framework of this thesis has been operationalized, and the interview questions (Appendix A) have been based upon this concept.

<table>
<thead>
<tr>
<th>Topic</th>
<th>Questions</th>
<th>Purpose</th>
</tr>
</thead>
<tbody>
<tr>
<td>Company information</td>
<td>1 – 6, 9 – 14</td>
<td>General questions about the firm's operations were asked to get an understanding of company's operations</td>
</tr>
<tr>
<td>IJV</td>
<td>9, 20</td>
<td>These questions aim to identify motives and investments made in formation of their IJV</td>
</tr>
<tr>
<td>Contract</td>
<td>21 – 23</td>
<td>These questions aim to identify the importance of contract in an inter-partner relationship.</td>
</tr>
<tr>
<td>Trust</td>
<td>24 – 25</td>
<td>These questions aim to identify the importance of trust in an inter-partner relationship.</td>
</tr>
<tr>
<td>Communication</td>
<td>26 – 27</td>
<td>These questions aim to identify the importance of Communication in an inter-partner relationship.</td>
</tr>
<tr>
<td>Cultural adaptation</td>
<td>28 – 30</td>
<td>These questions aim to identify the importance of cultural adaptation in an inter-partner relationship.</td>
</tr>
<tr>
<td>---------------------</td>
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<td>--------------------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>Ownership control</td>
<td>7 – 8, 31 – 32</td>
<td>These questions aim to identify the importance of ownership control in an inter-partner relationship.</td>
</tr>
<tr>
<td>Resource complementary</td>
<td>16 - 17</td>
<td>This question aim to identify to what extent invested resources complement each other in their inter-partner relationship.</td>
</tr>
<tr>
<td>Balanced asset specificity</td>
<td>18 – 19</td>
<td>This question aim to identify to what extent the partners are dependent of each other.</td>
</tr>
<tr>
<td>Performance</td>
<td>33 – 35, 37 – 38</td>
<td>These questions aim to identify how the firms define performance, and their IJV satisfaction.</td>
</tr>
<tr>
<td>Contributing information</td>
<td>38 – 39</td>
<td>These questions aim to identify important factors for IJV performance, to contribute to future IJV formations and research.</td>
</tr>
</tbody>
</table>

*Table 1: Operationalization model.*

### 3.5 Data collection

Creswell (2014) refers data collection as a step to gather information to answer the research question. Creswell (2014) further explains that a qualitative data collection should focus on two things; what kind of data is to be collected and how to gather the information. Merriam (2009) explains the differences between data collections, where the qualitative data are words that are spoken or written, while the quantitative data are numbers. Ghauri and Grønhaug (2010) state that the data can be collected from either primary or secondary sources. The authors further argue that primary sources tend to be more accurate and relevant to the problem discussed than secondary sources (Ghauri & Grønhaug, 2010).
3.5.1 Primary data collection

According to Ghauri and Grønhaug (2014), primary data is defined as empirical data collected by the researchers. The data in a qualitative study can be collected through observations or interviews and is according to Yin (2014) collected from interviewees experienced in the area of research. Furthermore, interviews can also be done through telephone meetings or emails and still be referred as primary data (Ghauri & Grønhaug, 2010). When conducting qualitative research, it is preferred to use primary instead of secondary data collection, because the researchers obtain a deeper understanding when interviewing a person with experience in the particular area. (Creswell, 2005; Merriam & Tisdell, 2015). It will thereby be hard to retrieve the necessary information from secondary data to get a deep understanding of the structural and social mechanisms and their connection to IJV performance.

This thesis will be conducted with the usage of primary data collection, since it is recommended by researchers to be the most appropriate for a qualitative study, due to their depth and accuracy. The data for this thesis will be collected through interviews, to get an understanding of the management of inter-partner relationships and its impact on IJV performance.

3.5.2 Secondary data collection

Secondary data collection is research that has already been done by someone else (Ghauri & Grønhaug, 2010). According to Ghauri and Grønhaug (2010), a secondary source can be books, summarizing journals or encyclopedias.

The secondary sources in this thesis have been used in the introduction, literature review and the methodology chapters. Thus, to create an understanding of the problem that is discussed, the majority of sources used are scientific articles providing information from previous studies and about the theory used.

3.5.3 Interview structure

Yin (2014) argue the importance of conducting interviews in qualitative research, and in particular case studies. According to Merriam (2009), there are three different ways of conducting interviews; structured, semi-structured and unstructured interviews. Denscombe (2010) explains structured interviews as being conducted with high control over the questions, with limited answers for the interviewee to choose from. The author further explains that semi-structured interviews are conducted with less control, giving the interviewee the possibility to speak more freely (Denscombe, 2010). The unstructured way of conducting interviews is argued to have even lower control than semi-structured, and that an unstructured interview is conducted with no predetermined questions (Denscombe, 2010). When conducting research with a complex problem the
semi-structured way of interviewing is the most appropriate, providing the information needed in a qualitative study (Denscombe, 2010).

In this thesis, semi-structured interviews will be conducted, due to the complexity of the highlighted problem. The lowered control over the interviewees will probably provide more informative answers than a structured interview would, but still be governed to be relevant to our subject. The interviewees will before the interview receive a description of the topic that will be discussed, to keep the answer as genuine as possible, with no rehearsed answers.

3.6 Method of Data Analysis

Ghauri and Grønhaug (2010) explain qualitative analysis as a way of simplifying a complex problem. By breaking down the problem into smaller parts a more comprehensive understanding is created regarding what the problem consists of. According to Yin (2014), a qualitative analysis is appropriate regarding an exploratory research. However, Miles and Huberman (1994) argues the importance that a qualitative study is conducted in a natural environment, meaning that the events will be naturally occurring reflecting the “real life-situation.” The authors further state that they have identified three different concurrent activities in the analysis being; data reduction, data display, and conclusion drawing/verification. Data reduction is explained as a process of collection, focusing and simplifying the data (Miles & Huberman, 1994). Data display is defined as an organized and compressed assembly of information permitting the authors to draw conclusions. The third activity is conclusion drawing and verification that is defined as noting regularities, patterns, and explanations of the collected data (Miles & Huberman, 1996).

The empirical data that have been collected has been analyzed with consideration of the research question and theoretical framework of the thesis. The interviews we conducted to gather the empirical data have been transcribed and summarized to an essential data that will be useful in the analysis conclusion. Each case has been considered as unique and is therefore separately analyzed at first and then compared with the theoretical framework and the other cases. According to Silverman (2010), this kind of analysis is described as giving a firm base to find patterns and explanations.

3.7 Quality of research

There are two ways of measuring and verifying the quality of research, which is validity and reliability (Yin, 2009). This is one of the areas which differ a qualitative research from a quantitative research (Kumar, 2014). The author further states that it is questionable if these two concepts can or should be applied to qualitative research, this is the reason why the concepts have been more accepted amongst quantitative researchers than qualitative (Kumar, 2014). According to Kumar (2014), it exists different ways of judging the quality of the two previous mentioned paradigms,
trustworthiness and authenticity. Trustworthiness can be determined by four indicators similar to reliability and validity; credibility, transferability, dependability and confirmability.

3.7.1 Validity

Validity concerns to which extent the collected data is valid to the chosen research subject and the collected data needs to be relevant and accurate (Denscombe, 2010). The author further states that this criterion is the single most important regarding the quality of the research. Validity is also considering to what extent the method investigates and what is intended to be investigated in the study (Brinkmann & Kvale, 2015). Denscombe (2010) states that a high degree of validity can be seen as a scientific proof towards acceptance of other researchers.

The quantitative research approach is seen to hold a higher level of validity compared to the qualitative approach according to Holme & Solvang (1997). The reason for the lower level of validity amongst qualitative research relates to the fact that it generates a more subjective judgment rather than an objective judgment which would increase the validity (Denscombe, 2010). Not only does this give life to a subjective judgemental but also limit misinterpretations of the signals from the respondents which can harm the degree of validity (Denscombe, 2010).

To make sure that the collected data from the interviewees is not misinterpreted and judged from a subjective point of view, it needs to be interpreted in a correct way (Denscombe, 2010). This according to Kumar (2014) is called respondents validation and enables the researchers to reach back to the respondents to assure that the gathered data is understood correctly. Respondent validation has however not been applied to the collected data from this thesis as it is considered to be sufficient enough. Throughout the interviews, the topics were discussed more than once which provided the authors with crucial data. Kumar (2014) further defines triangulation as a way to increase the validity. The triangulation enables the us to view the given result from several different viewpoints to get a better interpretation of the results. The data gathered has also been thoroughly transcribed and evaluated.

3.7.2 Reliability

Kumar (2014) and Denscombe (2014) define reliability as research which should provide a consistent, or similar result in repeated and similar circumstances. Denscombe (2010) further explains that researchers have to be confident that the proven results are not affected by the research tools and gives different result each time, they rather want to be assured that the result reflects the differences in the measurements. The reliability is often associated with the quantitative research, and research further argues that the relevance for the reliability regarding the qualitative research is irrelevant (Stenbacka, 2001). Kumar (2014) opposes to the arguments regarding the irrelevance of reliability;
the author states that when a researcher is conducting qualitative research, the reliability can have an appraised value based on confirmability and dependability of the study. Merriam (2009) on the other hand argues that the reliability in the context of social science is considered to be very complex since the human behavior can not be seen as consistent. Therefore, qualitative research is not likely to be repeated because of the humans interpret and expresses themselves differently from one point of time to another (Merriam, 2009).

Denscombe (2010) explains that to increase the level of reliability in the study, it is important that the methodology is presented thoroughly with detailed descriptions and explanations of the process. The reader should be able to follow the process, see how the results were interpreted and how we draw the conclusions.

To enhance the reliability of this study, the interview guide has been the same for each and every respondent participating in this study. By using the same interview guide and letting the interviewees answer the same questions we have been able to get a relatively consistent base of data which will enable us to compare and measure the collected data with each other. The methodological procedure has also been presented in a descriptive manner enabling the reader to get an understanding of how the empirical data was gathered and how the conclusions were drawn from these findings.

3.8 Method criticism

With the choice of conducting a qualitative study, both advantages and disadvantages exist. According to Denscombe (2010), one disadvantage with qualitative research is that the collected data is considered to be less representative in comparison to the data from a quantitative research. The author further states that since the data from a qualitative research derives from only a small number of cases, the quantitative research has many respondents to their surveys, therefore the qualitative method is seen as less generalizable Denscombe (2010). According to Yin (2014), there are however according to two different types of generalization; statistical and analytical generalizations where analytical generalization are the only type considered suitable for qualitative research. The reason for this is because it allows generalization of a smaller number of collected data, which the statistical generalization do not allow (Yin, 2014).

In this thesis, there is a limited collection of data which the generalization derives from. The data is collected from IJVs which all operates outside of the Swedish border in different parts of the world. Therefore the results from the data are not to be considered as a generalization for all IJVs around the world. The aim of the generalizations made in this thesis are not to find the general truth of all IJV:s but to provide further knowledge and understanding of how the different structural and social management mechanisms are influencing inter-partner management and its impact on IJV performance.
3.8.1 Ethical consideration

In qualitative studies, the ethical considerations are likely to occur when the data is being collected, and the interpretation of the findings from it is done (Merriam & Tisdel, 2016). Acting with good manners and good ethics both when the interview is conducted but also when the data is interpreted is important, it is the researcher's responsibility (Ghauri & Grønhaug, 2010).

It is important to let the interviewees get an understanding of what is being researched in the thesis. There are four factors the authors need to take into considerations to make the interview ethically acceptable (Denscombe, 2010). First of all, the participants have the opportunity to be anonymous which they will remain throughout the presentation and analysis of the data, and the data will be confidential and not shared with others. The interviewee has to understand the context of the research and how their involvement affects the research, and lastly, the interviewee's participation is in their hands entirely (Denscombe, 2010).

In this thesis, the interviewees have been offered to be fully anonymous, so the data collected from them is impossible to trace back to this specific company or individual. Both the contribution of the interviewees and what the purpose of this study is have been thoroughly described for the participants.

3.9 Cross-case analysis

An analysis with a cross-case approach is according to Khan and VanWynsberghe (2008, p. 1) defined as a research method that aims to contrast the differences and similarities in; “Events, activities, and processes that are the units of analyses in case studies”. According to Eisenhardt (1989), the idea of doing a cross-case analysis is to expand the author's impressions beyond the first initial impression. With this approach of analysis, the gathered data will provide the authors with a more reliable and correct theory which is more aligned with the gathered data. The possibility of new findings will enhance with this approach (Eisenhardt, 1989).

The most suitable choice of data analysis of the gathered data is the cross-case method. Mostly because of the methods way of increasing the reliability. The use of this method will also provide the authors with the possibility to draw new conclusions from the data.
4 Empirical findings of the study

During this chapter, the empirical data that have been gathered through semi-structured interviews will be presented. The data is presenting each case separately and their connection to each mechanism. Each case is finalized by presenting their definition and satisfaction of performance.

4.1 Cases

All interviewees participating in this study are experienced in managing inter-partner relationships. The firms where the interviewees are working at are Swedish firms active in operating IJVs that all have been running for at least two years. The IJVs are located in India, China, Poland, Netherlands, and Kenya. Two interviews have been conducted face-to-face and the other three over the telephone.

4.1.1 IFAB

The interviewee is Anders Mattsson, CEO of IFAB.

IFAB is a company active in liquid filtering, competing in the Russian and Baltic/European market. Their head office is located in Gothenburg, Sweden, and they currently have 30 employees. IFAB have through their 40 years of existence established subsidiaries in Belarus, Russia, Latvia, and Poland. Anders Mattsson has been working at IFAB for 27 years and took over as CEO nine years ago. Mattsson state that they only have been establishing wholly owned subsidiaries until three years ago when they established their first IJV in Poland. IFAB have conducted international trade for over 30 years and are experienced in managing cross-border relationships.

IFAB formed their IJV together with a Polish based company in 2014, since their partner wants to be anonymous we haven chosen to name them DualFilter in this thesis. The IJV is titled 3A Filters and is operating as a production company of liquid filters situated in Poland. IFAB started of like 50-50% equity share owner, which later changed in 2015 due to DualFilters bad economic situation, making IFAB the majority equity owner of the IJV with 90% whereas DualFilter owns 10% of the total equity shares. IFAB had a goal to overcome 75% of the IJV, but the financial situation forced them to invest even more capital to save the operation. 3A Filters consists of 12 employees. The motives behind the formation were that IFAB needed a new and cheaper purchasing channel for their filters, which previously was purchased from the United States. They then located DualFilter in Poland as a purchasing channel and after a while also forming 3A Filters. The motive for IFAB was also to reach new geographical markets which they previously were not operating in.
Trust; During the interview with Mattsson, he stated that trust is very important and that you can not control everything with money and power. If the relationship does not work, the partnership will not work at all. Mattsson further states that they trust DualFilter to a high degree.

Communication; When we discussed communication between the partners, Mattsson explains that he believes it to be very important as well and that he and the partner have frequent contact every day. He further explains that even though they communicate often, the importance is that the context of what is communicated is informative and not just empty talk. Mattsson explains that it is always better with visits at sight and not only communicate over the telephone to lower the risk of miscommunication. Mattsson declares that the communication with DualFilter and its quality is at an average level since the information is not always accurate.

Cultural adaptation; Mattsson continues and overlaps the communication discussion to cultural, organizational differences between the Swedish and Polish way of doing business. He explains that; “The employees of DualFilter have much, or too much respect for me as owner and therefore distort the truth sometimes and says things to be in line with what I want to hear. For example, the delivery will be tomorrow even though it will be in two weeks.” Mattsson further state that he has not noticed any particular national differences and the effort of time IFAB have invested in cultural adaptation is to a low degree.

Ownership control; Mattsson talks about how pleased he is with the new ownership split of 90-10% instead of the earlier split of 50-50% which he did not think was optimal due to the insecurity in who is making the decisions. Mattsson states; “This became a situation we were very happy with since we now hold the majority of the equity shares and thereby have the control in the major decision making.” Further, Mattsson describes that the equity split has not affected the inter-partner relation since both companies are aware of the formation and that it was a collective decision.

Contract; Mattsson argues for the importance of creating a rock solid contract when entering an inter-partner relationship like this. He argues that it is probably the most important factor since the whole relationship is built on this contract, and to trust the other partner they have to ensure themselves that all legal aspects are in order. “Our contract is therefore very complete I hope.”

Balanced asset specificity; Mattson describe that due to the equity split they have invested approximately the same amount of resources, although the type of resources is different. IFAB have invested more capital and DualFilter have invested a lot more time, Mattson might even think that they have invested a bit more resources in total than IFAB has.

Resource complementarity; IFAB invested from the start, as the equity split was 50-50, an amount of capital equal to the split whereas DualFilter invested in machines for
production. Then IFAB invested more money and thereby the change in the equity split. Mattsson explains; “Both companies investment in resources definitely complement each other. Otherwise, we would not engage in the partnership nor develop the IJV. We invest the capital, and they have the production and market knowledge in Poland.”

Performance; IFAB defines and measure the IJV performance in the amount of produced units, which he then equals with the number of sales. Mattsson explains that IFAB is satisfied to a high degree with the overall performance of the IJV. Further Mattsson states that financial performances go in line with the overall performance satisfaction. “Our inter-partner relationship is also very good, a perfect match.” Though the relationship is very good and IFAB trust the partners, Mattsson state that the part of agreements and communication is crucial to managing the inter-partner relationship.

4.1.2 Company X

The interviewee is Kryger, CEO of company X.

Company X is a company who wanted to stay anonymous throughout the interview since their partner companies required anonymity. Since this company and involved persons want to be anonymous, we chose to name the person; Kryger. Company X is a Swedish based company in the production industry with their head office in Gothenburg, Sweden. Company X is operating in an IJV together with two other companies from Switzerland and Austria and formed the IJV from scratch in 2015. Together they have developed a platform where all three companies combine their assortments to an online-based platform to reach both small and big customers together with a broader market. The two partners consist of three employees and have been operating on the international market for over 12 years.

The interviewee is the CEO of the company and co-founded company X together with a partner in 2004. According to the interviewee, they began this relationship to compete on a larger ground and to enter new markets simultaneously to compete against the bigger companies. Due to a lot of old licensing agreements, it has been hard to compete on some markets which Kryger believe to have the solution to.

Trust; Kryger stated that trust in inter-partner relationships is very important. He further explains that trust between the partner firms is to a very high degree. According to Kryger; “You do not get involved with people in something like this if you do not trust each other.”

Communication; Kryger states that they focused a lot of energy on communication with the other partners since they had been a bit slow. Furthermore, Kryger state that it feels safer when there is an open communication between the involved partners and that it also makes business easier to handle.
Cultural adaptation; Kryger speaks about the partner firms different backgrounds, and states that; “since they both are from western countries, they are both very similar to the Swedish culture.” Further, Kryger explains that Company X has put a very low effort to manage cultural differences since everything has gone smoothly so far.

Ownership control; Kryger explains that the investments the three companies composed into the IJV where a crucial fact to even make the IJV possible. Kryger further states that the equity share split is divided quite equally between all three partners. Company X does, however, posses a small majority with their possession of 34% equity, and the others with 33% equity each. This will make Company X a little more influential in the major decision-makings. Kryger states that; “Even though we have majority ownership, the others still have their opinions that have to be considered.”

Contract; Kryger further discusses the contract that has been agreed upon, explaining that; “It is very important, even crucial to establish any trustful ground to stand and fall back to.” Further, Kryger explains that Company X together with partner firms has developed a very complete contract.

Balanced asset specificity; Kryger then discusses the different resources Company X have invested in the IJV, explaining that all partner firms have invested the same amount of capital, but Company X has invested in more man hours. Further, Kryger explains that if the IJV would dissolve today, they would probably lose both the capital and man hour invested.

Resource complementary; Furthermore, Kryger explains that all partners complement each other very well. “The two partner firms have somewhat more complex products that we now together can offer on our platform.”

Performance; According to Kryger performance is defined as; “Finding new distribution channels. To get away from the traditional ways of finding the new generation of buyers, and to increase growth.” Further, Kryger explains that Company X is happy with the financial performance of the IJV. However, quite unhappy with the overall performance. Kryger finishes the interview by stating that contract is the most important mechanism in an inter-partner relationship.

4.1.3 Investkonsult Sweden AB

The interviewee is Lars Berlin, Chairman of Investkonsult Sweden AB.

Investkonsult Sweden is a small, family-owned consulting company working within the nonwoven and absorbent hygiene industry. The company conducts trade with second-hand machine plants all over the world and are one out of a few companies in the world specialized as consultants and brokers in the nonwoven and absorbent hygiene industry.
Investkonsult Sweden was founded in 1976 and has today five employees, Investkonsult Sweden is headquartered in Norrköping, Sweden.

Investkonsult Sweden formed their first ever IJV together with the Indian based company, Jajoo Surgicals Pvt. Ltd. in 2013. Investkonsult Sweden has however been active as consultants in India since 1987. Jajoo Surgicals is today a leading manufacturer, exporter and supplier of medical and hygiene products specializing towards hospitals and are operating within 27 states in India. The family-owned company has been active for roughly two decades and consisted of 25 employees around India. The IJV company is named Jajoo Hygiene Pvt Ltd and is operating with their manufacturing production facility located in Dewas MP, India. The equity split of the IJV is divided, and has been since the start in 2013, as follows; Investkonsult Sweden 33%, and Jajoo Surgicals 67%.

The motive behind the formation of the IJV is according to Berlin that Investkonsult Sweden had two machine parks not active, only storage at their warehouse in Norrköping for a longer period where nobody had any usage for it. Therefore, they searched for potential investors in India since Investkonsult Sweden acquire the machine park and the knowledge whereas the potential investors acknowledge the production opportunities. Berlin further explains that the potential investor (Jajoo Surgical) did not want to buy their machine parks but instead form an IJV together with Investkonsult Sweden, win-win Berlin finishes.

Trust; Berlin argues that trust is a must in an inter-partner relationship. “In a relationship, no matter what type, if it is related to a relationship between a married couple or a business situated relationship, you are forced to trust each other.” Berlin continues by stating that Jajoo Surgical need to trust us and we have to trust them, concluding that they to a very high degree trust Jajoo Surgical.

Communication; Jajoo Surgical does not have the same base to stand on as Investkonsult Sweden do when they communicate with each other explains Berlin. Investkonsult Sweden has therefore hired and put in their specialist in the IJV operating both as an accountant and some sort of translator. The specialist is Indian and provides with knowledge regarding accountancy since Jajoo Surgical lacks this type of competences. However, Berlin mentions that the communication is not a problem otherwise since both the specialist and some other employees in Jajoo Surgical speaks English which eases the communication process and its quality. Berlin also mentions that he visits India between 4-6 times every year both as a role in the IJV business method and to canvas. “A visit, face to face ease the communication process due to a decrease of misunderstandings, especially when it regards important matters.” Berlin finishes by stating that the communication and its quality with Jajoo Surgical is good.

Cultural adaptation; Berlin argues that the cultural difference has eased because both companies are small family businesses and are therefore on the same social level.
“However, we noticed differences in the living standards between how we live and how a Hindu live, which have had an impact on a purely organizational level. Berlin explains that, since they have been operating in India since 1987 the cultural differences with the IJV have not been a problem for Investkonsult Sweden. “We have not done any special adaptations; it has more been an adjustment from both parts, a lot of visits to India have decreased the cultural barrier between us. So when I think about it, the adaptation have regarded time and social meetings outside of real business, therefore I would say we have worked with the differences to an average degree.”

Ownership control; “The control and decision making of the IJV is dependent on the equity share split. Therefore, Jajoo Surgical as majority owner makes all of the decisions. However, we can always come with our inputs, but they are the final decision makers.” Berlin further states that the equity share split has not affected the inter-partner relationship since Investkonsult Sweden are aware of their position.

Contract: The contract between Investkonsult Sweden and Jajoo Surgical is something Berlin describes as unimportant in the daily operations. “However, if issues between us and Jajoo Surgical occurs, or when a break-up is a fact, the role of the contract becomes very important.” Berlin finishes by arguing that their contract is complete to a very high degree.

Balanced asset specificity; Berlin describes that their primary invested resources into the IJV are the two machine parks with a value calculated to approximately 200 000 euros. He further discusses their investment of know-how into the IJV from both Berlin himself but also from their previous mentioned specialist. The partner company, on the other hand, has invested the remaining resources of the total invested resources. Berlin states that Jajoo Surgical provides the lines, administer the lines and that they also distribute and sell the products produced by the machine parks. The total invested resources by Investkonsult Sweden is according to Lars roughly 300 000 euros. “Our invested resources have been more of a short, but heavy investment, while Jajoo Surgicals resources bottom out in a longer time perspective.”

Resource complementary; “The complement of resources is essential for being able to execute an IJV, as I mentioned earlier, we have invested the machine parks and know-how and they have invested the rest so to speak which enables the IJV to function and reach the set goals.”

Performance; The outcome of performance is not what Berlin expected. “We thought that we could have a better profit return and sell more than we actually have done.” Berlin continues by stating that they had a goal to break-even after three years where they are approximately now, one and a half year behind. However, overall, Berlin is satisfied with the overall performance of the IJV. Regarding the financial performance, Berlin argues that he is very satisfied due to the latest year of success. Regarding their partnership, Investkonsult Sweden is pleased to a high degree. Berlin finishes
underlining that a combination of all the mentioned mechanisms plays an equal part to manage the inter-partner relationship.

### 4.1.4 Boxon Group

The interviewee is Anders Rosberg, VP of Boxon.

Boxon Group is one of the largest packaging and labeling companies in Norden, active in three different lines of business. Boxon's primary line of business is packaging materials, especially transport packaging. Boxon has today 260 employees in total, and the head office is located in Helsingborg, Sweden. Boxon have been operational for roughly 80 years, starting as a small packaging company in Ramlösa into a company with activities in several European countries and fast-growing operation in China. Boxon started an IJV in China 6 years ago named Boxon Shanghai Packaging together with one Swedish company located in China and a local entrepreneur. The ownership split at the time of the establishment was 60% to Boxon and 40% to the partners located in China. Today the Swedish partner that was located in China has been bought out of the IJV by Boxon which acquired the ownership shares. The ownership share split is today 80% for Boxon and 20% for the Chinese partner. The Chinese partner's primary line of business is with IBCs, and they have 5 employees and is a trading company.

According to the interviewee, the motives for starting this new IJV was because they felt that it would be too difficult to enter China without the knowledge of a local company since the business climate in China is different to the Swedish business climate.

Rosberg said that Boxon had made previous attempts to run an IJV together with one French and one American company which were established approximately ten years ago in China as well. This IJVs primary field of business was IBCs adjusted for chemicals and metal powder primarily but also food. The ownership share split in this IJV was one third of the company each. The reason for the dissolution of this IJV was because of the formation of the new IJV Boxon established six years ago.

*Trust;* Rosberg describes trust as “*Very important, we feel like it is our guarantee, that we have convinced our Chinese partner to accept the manners, values and our leadership,*” which is a rare sight. He explains that they had started to form a relationship with the Chinese partner from the last IJV with the French and American company which have helped them over the relationship threshold.

Rosberg emphasizes that the trust between the partners is one of the most important things in an alliance and at the same time he explains that the degree of trust between Boxon and their partner holds a very high degree.
Communication; “Communication is a longer process and a learning process.” Boxon spent a lot of time with the communication during the six years that the IJV has existed. However, the first four years they spent a lot of time with personal encounters, visits in China but also visits from the Chinese partner here in Sweden. A lot of energy was spent on these interactions, says Rosberg. To be able to understand each other, both business-wise but also in private, Boxon has embraced this way of getting to know their partners, even in their personal life. “It has not been until recent years that we have had the chance to decrease our efforts, the necessity to meet face to face is no longer required,” instead have emails and phone calls been the major communication path for the last two years. The risk of misinterpretations with these types of communication is not as high anymore.

Cultural adaptation; Initially Boxon decided that they wanted to have a Swedish company in China with their values, business ethics, moral, leadership, communication and open-mindedness and that is what they have done from the start. However, this awoke surprise at the start. “But today, they have accepted our business culture, and they enjoy this business culture very much.”

The cultural differences were managed in the same way as the trust was built up. Personal encounters with the Chinese partner and a lot of interactions. “We have spent very much time and effort to manage the cultural differences.” So is became a long process to get them to accept our way.

Ownership control; Boxon today has 80% of the company share which puts them in control over the IJV and has the final saying in the decision making, which can be an advantage for them.

Contract; The contract is very important to Rosberg, which he says that they found out from our previous JV to. “The partners can develop different interest, and ownership changes occurs. That is why it is very important to be able to have a contract to relate to”. Rosberg pushes on that the contract is critical for them to manage their inter-partner relationship. He considers the current contract with the Chinese partner to be complete.

Balanced asset specificity; Boxon have invested very much resources into the IJV while their Chinese partner has invested a low amount of resources. If the IJV had ended today, Boxon still would recover all of what they have invested because of the development of the IJV, Boxon today has the control over the IJV.

Resource complementarity; When Boxon Shanghai Packaging was established, Boxon Group stood for the majority of the financial investments while the Chinese partner stood for a very small financial investment, the nominal share capital and the work on the product lines for the initial two years. Rosberg explains that “The Chinese compensation initially was very limited.”
The Boxon brand was decided fairly early to be the brand that they were going to use even in China. Boxon did this to be able to provide service for their Scandinavian customers over there. This is why it was a natural choice for Boxon since they thought it would be recognizable. The resources, however, are not that complementary to reach the goals set up in the IJV.

Performance; Rosberg and Boxon define and measures their performance in sales performance, margins and profit. The financial performance at the beginning was not that satisfying for them, but for the last two years, it has changed to be very satisfying. Both the overall performance and the financial performance have been very satisfying for Boxon.

Rosberg considers communication and cultural adaptation as the primary mechanisms to manage their inter-partner relationship which is intertwined in their JV. The contract is only important when it is signed and when problems may occur between partners, but not in the day-to-day business. Trust is also considered to be a key mechanism for Boxon and Rosberg to manage their inter-partner relationship.

4.1.5 Mattias Bygg AB

The interviewee is Mattias Lägermo, Founder, Owner & CEO of Mattias Bygg AB.

Mattias Bygg AB is a Swedish construction company operating at a local level in the southeast part of Småland, Sweden. The company was founded in 1995 by Mattias Lägermo who at that time operated alone; the company consists of 26 employees, ranging from carpenters to craftsmen. Mattias Bygg AB has minor previous experience with international business, primarily in Nairobi.

The IJV that Mattias Bygg is involved in is called M&D Construction and they are located in Nairobi, Kenya. The cooperation is composite by three partners, Mattias Bygg (Sweden), M&D Homes. Ltd. (Nairobi) and MMI. Ltd. (Nairobi). Both Mattias Bygg and M&D Homes. Ltd. are operating with construction whereas MMI. Ltd. is an architecture firm. The IJV, M&D Construction, are building apartments and office facilities in the region of Nairobi. The equity share split between the three partners are, and has been since the formation of the IJV in 2012, as follows; Mattias Bygg AB - 20%, M&D Homes. Ltd. - 50% and MMI. Ltd. 30%. M&D Homes. Ltd. consists of three employees and MMI. Ltd. involves 22 employees. The motive behind the IJV was that Lägermo wanted to do something different. Lägermo did not only want to donate money to the poor people in Nairobi but instead do something more concrete with more value.

Trust; “I could easily say that, trust is super important for the inter-partner relationship.” Lägermo continues to explain that he has worked a lot to build trust between the partners by frequent contact and visits to Nairobi and their partners, even
though the IJV have not had an ongoing project. Lägermo further declares that the contacts and visits have been done to build and maintain the inter-partner trust. “I want it to be more of a relational and social connection and not just a business related connection when a project is up and when a lot of money is involved.” Lägermo finishes by stating that due to the cultural differences, they trust their partners to a high degree instead of a very high degree.

Communication; “As I mentioned earlier, the frequent visits is an important part in the quality of communication and to manage the relations. My English however, is quite poor over the telephone, but as I speak English face to face, it gets more understandable which decrease the risk of misunderstandings.” Lägermo continues by stating that the frequency of the communication from their partner's side is quite poor, Lägermo could see more updates and information from their side. “This is where the cultures collide, they promise things that are not true, and they say things that they cannot uphold.” Lägermo finishes by stating that the communication is good to a high degree due to the trust between the partners.

Cultural adaptation; “Of course there are differences in the cultures, both regarding national cultural differences but also organizational differences which impact the management, I am however more keen to see every person as an individual to decrease the cultural barriers.” Lägermo continues to describe that the organizational differences are situated in the way they operate in Nairobi, their working conditions and that they are not where Mattias Bygg in Sweden is in the technique, both regarding tools and office necessities. “There is a big difference in how they operate things compared to how we do things in Sweden. We try to, especially at the beginning of the partnership, to decrease this barrier, as I mentioned earlier by frequent contact but we also, foremost at the beginning, where we educated the employees in the IJV with the right construction techniques and the right tools. The social relation hours we have spent, outside pure business, has also helped the process of adaptation.” Lägermo further states that the employees in Nairobi only do what the leader says and do not think outside the box and their tasks. Mattias Bygg AB has done a lot to adopt the cultural differences, but Lägermo states there is much more to do.

Ownership control; Lägermo explains that, even though the equity share split is lower for Mattias Bygg AB, they have the same influence on the decision making in the IJV. This is also something that both M&D Homes and MMI agree upon and have no problem with since Mattias Bygg AB have the knowledge, and has since the start contributed to knowledge. “However, I would, due to my influence and knowledge, seen that Mattias Bygg AB should quibble more equity shares and that they only were two firms in the cooperation.”

Contract; “The contract is only paper, I don not have many contracts written more than that I am involved with my share in the IJV.” Lägermo further explains that in this case, their contract is below the average level of complete, but to the extent that the inter-partner relationship is not affected. Lägermo also argues that the contract helps the
parties to know their place due to the equity share split in the IJV. If the IJV are to invest, then Mattias Bygg AB knows that their investment should equal 20% Lägermo finishes.

**Balanced asset specificity:** Lägermo explains that Mattias Bygg AB has invested capital equal to the equity share split, around 200 000 SKR together with know-how, smaller machines, and man-hours in the IJV. M&D Homes has invested with their brand name, constructors and also capital, an amount of 400 000 SKR whereas MMI’s capital investment is around 275 000 SKR, all in line with the equity share split. MMI are also involved with architectures, blueprints, and assists the construction process as consultants regarding the total process. Mattias further states that the know-how Mattias Bygg AB invested in, included the first years, construction education and project development.

**Resource complementary:** Lägermo explains that the resources invested in the IJV are definitely a complementary match, all the parties contributes with their invested competence and expertise. The architecture firm is a big asset to the IJV since they, therefore, are a complete unit with no need to hire additional firms nor employees. However, Lägermo point towards “Due to my involvement, my quality thinking and my expertise from Swedish construction, I would say that we complement our resources to a very high degree, that is a necessity in a partnership.”

**Performance:** Lägermo describes that the other partners define the IJV performance to the level of sales and the end price of the constructed facilities. Lägermo himself, on the other hand, defines performance as; “Profits in pure money is not a big deal for us, of course, we do not want to loose any money but to enhance the quality and the accomplished work is more important. Due to the quality, the IJV can protrude from the rest in Nairobi and thereby sell the facilities to a higher price and earn more money.” Lägermo states that the set goals are far from reached since they are only at the beginning of the relationship, but Mattias Bygg AB is very pleased with the overall performance of the IJV due to the experience Lägermo can adapt to their operations in Sweden. The financial performance is according to Lägermo very good, although he has not made any money on the IJV. “The money is not important to me in this operation, instead it is to contribute and learn from the experience, the IJV have never been about money”. The relation to the partners is according to Lägermo good, but can always get better. Lägermo finishes by stating that trust is the most important factor to manage the inter-partner relation, “without trust to my partners, I would have left a long time ago”.
5 Analysis

In this chapter our collected empirical data will be analyzed and connected to the theory. The data will be analyzed by a cross-case method, finding differences and similarities between the cases. Each mechanism is brought up one by one, and the chapter is finalized by connecting the mechanisms to IJV performance.

5.1 SET

5.1.1 Trust

Dyer and Chu (2003) and Krishnan, Martin, and Noorderhaven (2006) all argue that trust is considered to be one of the most crucial factors in inter-partner relationships. Further Kwon (2008) stresses that mutual trust in combination with commitment is a key piece of growing social capital. From the collected empirical data, we can clearly identify a pattern in all of the five cases. All companies argue the importance of establishing and maintaining mutual trust when managing the inter-partner relationship. All interviewees argue that trust is a must, without trust there is no partnership and without a partnership, there is no IJV. Thus, it is proved that the empirical findings support the theory and thereby we can certify that trust in the inter-partner relationship and for managing an IJV is important and somewhat even a foundation.

According to Poppo & Zenger (2002) and McEvily et al., (2003), trust cannot be taken for granted in an inter-partner relationship. The inter-partner trust cannot be developed nor maintained without the expectation of real costs. The respondents argue that a lot of efforts have been done to establish and maintain trust between the firms, both by frequent contact through telephone and email but also via face-to-face encounters. We argue that real costs, in theory, regard both money and time, which are a reason why the interviewees trust their partners to a high degree or very high degree. We also argue that the link between communication and the development and maintenance of trust goes somewhat hand in hand with managing the degree of trust and in turn manage the inter-partner relationship.

Investkonsult Sweden and Company X state that trust is a must in inter-partner relationships, and that they do not get involved with people they do not trust in the initial step of the formation. This was also, somewhat the situation regarding the other cases who either have been involved with their current partner in a previous relationship or have had some contact previously with their current partner. We, therefore, argue that we can identify a connection between what the companies states and what is stresses in the theory, that to establish inter-partner trust, the trust first has to be built up on an individual level (Ali & Larimo, 2016).
5.1.2 Communication

The theory states that communication is sharing of meaningful and current information which will help to boost the inter-partner relationship and the IJV management (Silva et al., 2012). The author's research stresses the importance of having a well established communicational network as a key to managing the inter-partner relationship (Silva et al., 2012). All interviewees agreed upon these very statements provided by researchers that a good and well-established communication with their respective partner firm is a vital matter to a good and healthy relationship.

Personal encounters and face-to-face meetings instead of mail correspondence and telephone calls were of major importance to Mattias Bygg, Boxon, Investkonsult Sweden and IFAB because it eases the communication between the parties at the same time as it rules out any possible miscommunication or misinterpretation of important matters. What the empirical data has provided can be linked to the theory which argues for the importance of interactions between partners as it enables more collaborative communication and at the same time increases the effectiveness in disagreement resolution (Morris & Cadogan, 2001). Deeds and Hill (1998) draw the comparison between an inter-partner relationship and a marriage and highlight that bad communication will lead to poorly managed conflicts that will most likely end in a break-up. As all of the interviewees agreed upon that the communication is one of the most vital factors for a good relationship.

According to Morris and Cadogan (2001), open communication in an inter-partner relationship will not only result in a trustworthy relationship, but it will also improve the knowledge and information flow between the parent firms and enhance resolution disagreements. As we already detected patterns increasing trust due to open communication, we can also stress the interviewee's responses regarding communication and its type. Boxon, Company X, and IFAB argue that the communication should be informative, open and understandable, both business-wise but also on a private level to ease the management. We argue that this correlates with the theory. We further stress as the partners understand each other, and develop a way, their way to communicate, this does not only ease the process of disagreement resolution, but in our opinion, it could even prevent a disagreement to occur in the first place.

5.1.3 Cultural adaptation

Research explains that the cultural differences between partner firms are one of many reasons why inter-partner relationships are difficult to manage (Bener & Glaister, 2010). Further Das and Rahman (2010) explain that these differences in culture are often seen as a reason for misunderstanding and miscommunication. This correlates with our empirical data from the interviews as two of the interviewees describe big differences in culture, leading to a lower degree of communication. Boxon and Mattias Bygg both state that they noticed a vast difference when they established in China respectively.
Kenya. Both state they have spent very much time in managing the differences, which they did in a somewhat similar way. Boxon had a clear vision from the beginning to adopt the Swedish way of doing business, while Mattias Bygg has spent time on providing knowledge and techniques from a Swedish perspective. This is something that we can identify in the argument from the theory, where it is stated that the importance of adapting to different measures that are used across cultures and to maintain their validity (Beaton et al., 2000). By trying to adapt the Swedish business culture and techniques into companies in Kenya and China, they created new organizational cultures and measures, which demands a lot of time as they imply. We argue that depending on the level of differences; the adaptation needs more or less time. It also depends on the situation and previous experience, both previous experience with the partners but also previous experience in the partner's country of residence. We can also see different adaptation strategies, Both Boxon and Mattias Bygg bring their culture into the IJV where their partner have to adapt to their traditions, values and work ethics. Whereas Investkonsult Sweden stated that the adaptation was an adjustment from both partners.

IFAB and Investkonsult Sweden explain smaller cultural differences that also correlates with the theory Das and Rahman (2010) present. IFAB state that they see a difference in organizational culture in how the employees act when he, as an owner, is nearby and that they always try to show him how well they perform in their work. IFAB explains that this leads to a lot of misunderstandings and miscommunications since the employees say things that are not always in line with the reality. Investkonsult Sweden however, states that they only notice national differences in the living standards. The organizational differences have according to him not been that big, and further state that it has more likely been an adjustment from both parts. He also explains that they both are small family businesses and that the communication is on the same level. We can see a connection between Investkonsult Sweden and IFAB not noticing any particular differences in the culture since they have been operating in their current partner countries for 30 years and have thereby adapted to the culture during time. This is in line with Johnson et al., (1996) where they explain that a beginning of handling differences creates an understanding of behavioral and thinking differences.

The company that the least correlates with the theory is Company X which do not see any cultural differences to adapt to. They explain that all companies have a similar background from enhanced western countries and we state that to be the reason for less or no cultural differences. We can also correlate this to IFAB who also have done little to adapt to the cultural differences and are also operating in Europe where the cultural differences are lower.

All companies besides Company X do however stress the importance of regular visits on site, to lower the risks for miscommunications and misunderstandings that easily occurs from a distance. We see that Company X who has an online based business does not feel the same urge to adapt to the partner's culture since their business is run from a distance.
5.2 TCE

5.2.1 Ownership control

According to Leech and Leahy (1991), ownership control differs in extent, by the degree of ownership a firm possess, meaning the control over major decision-makings. IFAB and Boxon are both majority owners, meaning that they both posses more than 50% equity share. Boxon who posses 80% of their IJV states themselves that they have complete control over the major decision-makings. IFAB are in the same position by owning 90% of their IJV also putting them in control over the major decisions. This is a connection we also can draw between the theory and InvestKonsult who acquire minority equity shares and are fully aware that the majority equity owner decides.

According to Luo (2009) inequalities affects the inter-partner relationship negatively. We can not see a connection to this theory by Luo (2009) since IFAB states that both companies are well aware of the situation. This is something that Investkonsult also state. They are however a minority owner with 33% of the equity shares, something that Investkonsult argues for not having an effect on their inter-partner relationship. This part of Luo’s (2009) theory is thereby not applicable to the cases presented in this thesis.

Company X and Mattias Bygg are somewhat different from Boxon, IFAB, and Investkonsult Sweden. Company X has the majority ownership with 34% of the equity shares, where the two partners possess 33% of the equity shares each. Company X state that they all have their opinions that are being considered equally in major decision-makings. Mattias Bygg is minority owners with 20% equity shares in their IJV and states that they have the same influence as the partners with 50% respective 20% do. We can find a connection between Company X and Leech and Leahy (1991), where they state that a structure of shared ownership is vital to the fact that no individual owner exercise their power without others withholding.

5.2.2 Contract

Contracts in an inter-partner relationship are a common phenomenon, most often written, formal and complete (Luo, 2002). The majority of the interviewees, which either did not come as a surprise to us, were bounded by complete contracts to either a high degree or very high degree. The formal contracts and its completeness are according to Luo (2005) mentioned as an important factor in an inter-partner relationship. From the empirical data that has been gathered, we could notice a clear pattern among the same four respondents bounded by complete contracts mentioning the contract as very important and even crucial for IJV operations which are therefore linear with the theory.
The contractual terms in an inter-partner relationship contribute as a perceived or intended legally binding framework and important in the process of solving conflicts (Luo, 2005). Luo (2005) further explains that a contract is also stipulated to reduce uncertainty in an inter-partner relationship. Boxon, Investkonsult Sweden, and IFAB mention the contract as an important matter when legal aspects are to be discussed between the partners and also that the complete contract gave them some sort of safeguard that the legal aspects are in the IJV formation already in order. We argue that the safeguard gives the companies a comfortableness by this knowledge and can, therefore, focus on other things (e.g., IJV operation and IJV goals). We also argue, that since these three companies are majority owners, the contract gets more vital from their side since they have more to lose in a break up for example. The theory aspect regarding conflict solving and reduced uncertainty is also something we could notice from InvestKonsult and Mattias Bygg. They describe the contract as unimportant in their daily operations, but when uncertainty or conflicts occur, the contract was mentioned as important. A factor that we also argue to operate as a safeguard towards their partners. The theory is also in line with the respondent's answer, Williamson (1998) states that the contractual terms can hamper moral dilemmas in IJVs and the parties can, therefore, operate neutrally to risk and deal with each other on a level of parity.

A complete and formal contract is formed to restrain each party's capacity to utilize private matters at the expense of mutual advantages. Boxon, who has learned from a previous IJV, stated this as an important aspect of the role of the contract. We argue that this factor was also mentioned, indirect, by the other respondents since it is linear with the theory regarding the underlying legal framework.

Mattias Bygg is the only interviewee who stated that their contract was informal and somewhat incomplete, however to the extent that it does not affect the inter-partner relationship. The theory states that informal contracts increase the possibility of conflicts and accusations between the parties. We could notice a vague connection towards this theory, Mattias Bygg declared that they wanted to acquire more equity shares due to the amount of work they put into the IJV and also could see that there were only two instead of three parties involved. The connection we draw is not based on confliction nor accusations, but, indirect the connection is there. We argue for beginning to accusations and perhaps a starting ground for a conflict, especially if we compare to the other interviewees with a more formal contact. However, according to Shenkar and Zeira (1992), the contracts degree of formality should differ depending on the IJV operation and situation. Since Mattias Bygg describes their involvement in the IJV as more of a charity project with no big money involved, we argue that this could be a reason for the more informal contract. We argue that since the investment of Mattias Bygg is mentioned as "no big money" their loss in a break-up would not be a big deal and therefore the contractual part is less important. Another factor or an adding factor to the informal contract could be that Mattias Bygg is a minority owner with less invested resources.
5.2.3 Balanced asset specificity

Zeng (2003) argue, having a balanced asset specificity can act as a mutual security between the partners. Further, the author state that the partners can be more sensitive to others impulsive actions if the assets are in some way asymmetric. IFAB and Company X have both divided their resource investments symmetrically between the involved partners. Company X has invested the same amount of capital as the other two partners, making them equally dependent on each other impulsive actions. IFAB, who have invested a lot more capital in the IJV than their partner, still argues that they have invested the same amount of resources since their partner has invested in a lot of man hours. We can in this section connect what the interviewees states to the theory of Zeng (2003) since they both feel equally dependent on each other's investments despite the type. We also see a connection to Ybarra and Turk (2009) who argue that symmetric balance between the partners act as a motivational factor for all involved.

Investkonsult Sweden, Boxon, and Mattias Bygg are all asymmetrical in their resource investments. Investkonsult state that they have invested in line with their equity percentage, but in machinery as a resource. They further state that since they have invested in inventories, they will probably get them back in a worst case scenario, of course with a calculation to the devaluation. Investkonsult Sweden is, however, minority owners and involved in an asymmetric resource dependency, but with invested inventory, they are not that dependent of the partner's impulsive actions, nor do they have to worry. Boxon is in a somewhat different situation where they are majority owners and have invested a lot of resources. According to Boxon, they can recover all of their invested resources, which ends up as Investkonsult by not being that dependent on their partner. Mattias Bygg is in the other position since they state that they would probably lose all investments made in worst case scenario. They are in an asymmetric resource dependency, in which they are very dependent on the other partner's impulsive actions. We can see a big difference in how companies are dependent on each other, reliant of what they can recover in a worst case scenario.

5.2.4 Resource Complementarity

In all of the cases, each partner has provided their IJV with different types of resources. Either it has been financial investments, machines, man hours, expertise, trademark or knowledge. This can be correlated with the theory which says that it concerns how well one partner's resource investments can eliminate the weaknesses of the other partner's resource pool (Deitz et al., 2010).

IFAB, Company X, and Boxon which all are majority shareholders of their respective IJV. These companies majority investments have been financial capital. We can see a connection to the theory where they argue for eliminating each other's resource pool weaknesses by investments (Deitz et al., 2010). These companies all mainly invested financial capital to make the IJVs possible. IFAB explain that their IJV was in a very bad economical situation before they invested. According to IFAB the IJV would not
exist if they had not helped them with this situation, complementing the IJVs resources with IFABs financial investment. Boxon explains that the initial investment from their partner firm was very limited, meaning that they compliment each other well but also that the IJV would not exist if Boxon did not invest due to the size and financial assets of the Chinese partner. Company X is, however, different from IFAB and Boxon since they are an online platform, and the capital they all invested is to maintain the platform. The IJV is from the beginning based since the three partners complement each other's product line, making them more competitive on the European market.

Investkonsult Sweden’s and Mattias Bygg’s investments have been mostly knowledge and machines, but only a nominal part of the financial capital has come from these two companies. Investkonsult has invested the machinery and know-how in the IJV, and they state themselves that the partner firm has invested the rest enabling the IJV to function. We see a clear connection to Deitz et al., (2010), where it is explained that performance would be enhanced if the partner's flaws are complemented with resources. The partner was in need of machines that Investkonsult could provide, and the partner then complemented with the rest needed to get the operation started.

Mattias Bygg has invested in a smaller amount of capital, but also machinery, education and a lot of knowledge. They explain themselves that their invested resources are a complementary match, and further explain that they now have everything within the company and do not need to hire in any addition.

We can identify a connection between all companies and Hennart’s (1988) argumentation of how there are several different reasons to how a resource can be complementary to another. Capital is the most common denominator when it comes to resources. IFAB, on the other hand, says that they feel that their partner has invested more than they have, even though the partner has only invested a small capital but a lot of man hours.

5.3 Performance

The theory states that if trust exists in the inter-partner relationship the IJV performance increases (Ali & Larimo, 2016). Through the gathered empirical data we could detect that all of the interviewees trust their partner to a high or very high degree. The majority of the interviewees also state that trust is a key mechanism of managing inter-partner relationships. We could identify a clear pattern between trust and the impact of trust on IJV performance. We further argue that trust can be seen as a base for the majority of mechanisms where these mechanisms provide to build trust. The only exception is Company X, who rate themselves “low” on the overall satisfaction of performance. We, however, argue that this is not connected to the mechanism of trust since the pattern between the other four companies does not correlate.

The empirical data shows diverse answers on the quality of communication. The majority of the interviewees state that their quality of communication is above average
except Company X. Theory states that a well-established communication makes it easier to identify the partner's expectations, norms, and values which are important for a functioning relationship which then improves IJV performance (Deeds & Hill, 1998). We argue that we can see a connection between communication and IJV performance due to four of the interviewees stating their quality of communication is above average which correlates to their satisfaction with overall performance. The low satisfaction of overall IJV performance from Company X could be due to the low quality of the communication with their partner. We, therefore, argue that the quality of communication and not overall communication impact IJV performance.

Cultural adaptation enhances the communication and trust between IJV partners, leading to an enhanced IJV performance (Johnson et al., 1996). We have identified that cultural adaptation does have an impact IJV performance. The different answers regarding the efforts spent on cultural adaptation are due to the differences in the countries where the interviewee's partners are located. We see a connection between the developing countries, which needs more adaptation compared to developed countries. We also argue that previous experience in the partner's country of residence tend to lower the degree of cultural adaptation but do not influence IJV performance negatively.

The theory states that if you have a symmetric ownership it will most likely impact the IJV performance, but if there is an asymmetric ownership it will only in some cases enhance the IJV performance (Choi & Beamish, 2004). If the control is not properly divided between the partners, it is argued that the IJV performance is likely to suffer. We can argue that a more asymmetric ownership, despite majority or minority ownership, impact IJV performance. We can see a pattern between the asymmetric and symmetric ownership where the decision making is easier in the asymmetric ownership. As the theory declares when the control is not properly divided IJV performance can suffer. Which is agreed by Company X and their more symmetric control connected to their low degree of overall satisfaction and IJV performance. We argue that if the ownership roles are not distinctly divided the decision making suffers together with IJV performance.

The theory states that the more complete a contract is, the fewer conflicts and uncertainties occurs between the partners which thereby increase IJV performance (Shenkar & Zeira, 1992). We can see a connection to the contract and its completeness towards the impact on IJV performance. A majority of our respondents declared the importance of the contract as a foundation and a safeguard towards their partner. The contract provides safety, and we argue that the safeguard enhance IJV performance since the interviewees do not have to worry about unnecessary leakage in their daily operations and instead focus on IJV operations and work with their partner on a level of parity. However, Mattias Bygg has a more incomplete contract but are overall very satisfied with IJV performance. We argue that this is due to their small investment. Making them less vulnerable to inter-partner issues and IJV break-up and are therefore not as dependent on a complete contract.
Previous research has shown that the performance reaches the highest point when both IJV-partners are equally committed (Zeng, 2003). We can not see a pattern of the theory and the interviewee's investments of resources and what impacts it has on IJV performance. The variety of answers makes the patterns hard to interpret and make clear assumptions towards IJV performance. A majority of the companies stated that their balanced assets are at medium level, which does not reflect in their IJV performance with any particular pattern.

The performance of the IJV will be enhanced if the companies of the inter-partner relationship complement their invested resources (Deitz et al., 2010). The empirical data gathered from all the interviewees state that this mechanism is a base condition in an inter-partner relationship and IJV. We can see a pattern relating to the theory, that if the partners complement each other, it enhances IJV performance. Four out of five companies rated their partner's degree of complementarity to a high or very high, where Boxon is the fifth company with an average rating. However, In four out of five cases the IJV performance is to a degree of high or very high.

<table>
<thead>
<tr>
<th>SET mechanisms</th>
<th>Boxon</th>
<th>X</th>
<th>InvestKonsult</th>
<th>Mattias Bygg</th>
<th>IFAB</th>
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<td>TCE mechanisms</td>
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<td>InvestKonsult</td>
<td>Mattias Bygg</td>
<td>IFAB</td>
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<td>Contract</td>
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Table 1: Interviewee responses (Own table, 2017)
6 Conclusion

In this chapter our conclusions drawn from the analysis chapter are presented. The chapter starts by answering the research question by dividing it in two sub-questions. Further the theoretical and practical implications of the study will be presented, finalizing with limitations and recommendations for further studies.

6.1 Answering the research question

The main research question of this thesis is: “How do Swedish firms manage inter-partner relationships in international joint ventures and how does this relate to international joint venture performance?” We have come up with a conclusion to this question by doing a thorough literature review of the concepts and an empirical analysis of the interviews. The identified research gap in combination with the literature review we have been provided with the knowledge to create an interview guide. The gatherings from the empirical data have allowed us to find patterns and connections of the combined theories and IJV performance. Our research question will be answered through our two sub-questions, to create a deeper understanding of the main research question.

We can conclude that all the mechanisms of the two theories are affecting inter-partner relationship management to some extent. We can also see a clear connection among some of the mechanisms irrespective if the mechanism is based on SET or TCE. The mechanisms also go together with each other and therefore we can conclude that the majority of chosen mechanisms are important to understanding how to manage an inter-partner relationship.

Based upon the analysis of the empirical data the following has been identified in each sub-question:

*RQ 1-* “How to manage inter-partner relationships in an international joint venture?”

We have come the conclusion that a combination of the social and structural mechanisms have been proven to influence how to manage inter-partner relationships. Some mechanisms have however shown to be more relevant and crucial than others. The following is answering how to manage an inter-partner relationship in an IJV from a Swedish firm perspective according to the collected empirical data:

Swedish firms usually chose to apply a combination of the social and structural mechanism when managing their inter-partner relationships. Some of the mechanisms lie the foundation of how other mechanisms can be used to manage the inter-partner relationship.
Trust is considered by Swedish firms as one of the most crucial variables when establishing inter-partner relationships. If trust does not exist between two companies in an inter-partner relationship either the inter-partner relationship nor the contemplated IJV will exist. We have come to the conclusion that trust is one of the keystones to manage the inter-partner relationship. The most effective way to build trust is with personal interactions rather than email correspondence or telephone calls. This personal interaction requires a lot of investment in both time and money.

More personal encounters will grow the commitment between the partners, and the inter-partner trust will gradually increase. As trust increases, the demand for personal encounters can, by time, decrease due to a specific way of communication between the partners is established. This will also lead to a decrease of misunderstandings. We draw the conclusion that inter-partner communication should be frequent, qualitative, open and specific for each relation to prevent or solve disagreements, contribute to trust and finally improve inter-partner management.

There is a difference of efforts that needs to be spent on cultural adaptation depending on where the partners are headquartered. When the partner is located in a country with minor national cultural differences, in this case, from a Swedish perspective, northern Europe, the resources invested in cultural adaptation are less than if the distance between national cultures is higher (i.e., China and Africa). A conclusion is also, depending on previous experience in the foreign country and previous experience with the partners, can reduce the differences and thereby the cultural adaptation. We can also draw the conclusion, by adopting the national cultures, new organizational cultures occur between the firms. Therefore we conclude that depending on cultural differences the role of management differs in the inter-partner relationship.

We conclude that ownership control in an inter-partner relationship is most effective when the equity share split is significant, no matter if the partners acquire majority or minority ownership control. This clarifies the partner's roles which eases the process of decision making and thereby management abilities. We, therefore, conclude that symmetric equity share split hampers the decision-making and impact the management negatively.

Contracts in an inter-partner relationship function as the foundation of the relationship. A contract operates as a safeguard, indirectly important in the daily operations and directly important as disagreement occur. The completeness of a contract hamper dilemmas and switches focus to more important matter and therefore enhances inter-partner management. We also conclude that depending on situation and size of investment the completeness of the contract should or at least could differ.

The data collected from the interviewees shows that there are no visible patterns that balanced asset specificity have any impacts on how to manage an intern-partner relationship in an IJV.
To complement each other’s resources in an inter-partner relationship is vital for the creation and survival of the IJV and one of the main reasons why IJVs are formed in the first place. Regarding how to manage an inter-partner relationship, the invested resources can acquire specific knowledge towards the invested resources and are therefore a mechanism affecting the inter-partner management. If that is not the case, the complementarity of resources does not impact the management. However, it still affects the inter-partner relationship.

RQ 2 – "How does the management of an international joint venture impact international joint venture performance?"

We have come to the conclusion that mixing the different theories mechanisms can lead to increased IJV performance. A combination of trust, communication, contract, and resource complementarity is the most preferred and important mechanisms by Swedish firms in managing inter-partner relationships to increase IJV performance. These four mechanisms have in this study provided us with a clear pattern enabling us to conclude the mechanisms’ impact on IJV performance.

Swedish firms operating in an IJV tend to prioritize trust between them and their partners, but if trust does not exist in the inter-partner relationship, the IJV would not even be established, leading to a non-existing IJV performance.

Communication is seen by our empirical data to be a vital factor to build trust and to operate the inter-partner relationship. We noticed patterns on the quality of communication and its impact on IJV performance. We conclude that the quality of the communication together with frequent communication between the partners increase the degree of IJV performance.

Further, the data indicates that a high degree of cultural adaptation leads to a very high degree of IJV performance. If a company is experienced on the international market, they tend to rate their cultural adaptation to a lower degree, which still reflects a high degree of IJV performance. The amount of years companies have been active on the international market makes it easier to adapt to the local culture with a lower degree of adaptation.

Through the analyzed data we can also make the conclusion that the degree of equity shares a firm owns in an IJV, despite minority or majority ownership, reflects in the IJV performance. We can draw the conclusion that if the partners are aware of their ownership position, it leads to effective decision makings and thereby increased IJV performance.

The collected data indicates that a complete contract leads to a high degree of trust. The contracts lead to increased protection against the partners, reducing unnecessary leakage and risks. This leads to increased trust since they have a legal security. The data also indicates that a complete formed contract and a high degree of trust between the
partners leads to a very high IJV performance. However, we also conclude that a more incomplete contract can enhance IJV performance depending on the situation and size of the investment.

The balanced asset specificity does not have an impact on either inter-partner management nor a connection to IJV performance.

The analysis of the collected data also indicates that resource complementarity is highly prioritized. If the partners complement their invested resources, it will lead to an enhanced IJV performance, since that is one of the keystones of inter-partner relationships.

6.2 Theoretical implications

Research on the subject of key success factors and IJV has been done to a large extent. The research gap that we identified is the combination of these factors and doing it through a Swedish firm perspective. The aim of this thesis was to contribute to filling this research gap with the focus on how a manager should manage their inter-partner relationship in an IJV, and relate it to IJV performance. The problem identified was that a high percentage of IJVs was failing in their operations. With the result of this thesis, we can contribute to the theories of managing inter-partner relationships, with the combination of two theories that both have a vital impact on management. Previous research has had the focus on key success factors for IJVs which has not been directly aimed towards the managerial factors. This thesis provides important factors that should be considered by Swedish firms to be sure that they take crucial managerial factors into account.

6.3 Practical implications

Many complex factors in management have an impact on inter-partner relationships. Through this thesis, we have identified some crucial mechanisms a manager should take into consideration in managing an IJV. Our research further indicates the importance of using these mechanisms, and how it can have a positive impact on IJV performance. Our empirical data shows that Swedish firms have different ways of managing inter-partner relationships and different goals with their partnerships. It is in our opinion that the managers should use the mechanisms we consider crucial, to build effective relationships that can aim their efforts towards performance rather than the relations between the partners. Through this thesis, we have identified that a manager should spend a lot of time in managing their inter-partner relationships since it can have a crucial impact on IJV performance.

Our aim is that this research will contribute to further studies in this area, but also that it will contribute important knowledge to Swedish firms interested in forming an IJV or already operating in one. This research can provide important information for
companies interested in this subject, and thereby provide improved statistics of successful IJVs. Furthermore, this research can provide how each mechanism is connected to performance, highlighting the impact and the importance of every mechanism discussed.

6.4 Limitations

During our research, we encountered some obstacles affecting the research quality. One of them was how hard it was to find interviewees willing to put aside one hour of their working hours, and also be in line with our demands of being experienced and involved in an IJV operating for at least two years. This lead to the collected data being to some extent limited, resulting in five interviewees. We also experienced that some interviewees were more willing to provide information about their operations and everything around. Leading to some of the interviewees being more representative than others, and thereby more applicable to this study.

Furthermore, we identified that different companies have different aims with their IJV and that their supplied information differed depending on their goals. If we had had the knowledge in a sooner stage, we would have characterized the companies based upon their operation goals and to a larger extent. With this corrugated, we could be able to provide a much more accurate and focused study.

Another limitation of our research was the aim to provide the information from a Swedish perspective, meaning that we limited us only to conduct our research on the Swedish partner's management.

6.5 Further studies

The research of management if inter-partner relationships is quite limited, and has a lot of areas that have not been covered. Our research that has the focus of Swedish firms perspective is the one, and only, we have thereby identified numerous topics to be researched.

The difference between companies managerial mechanisms, depending on their operation goals can be one topic to be studied; How does the IJVs operational goals impact on their management? Since we noticed a big difference, it would be interesting to see in a deeper research.

Instead of focusing on Swedish firms, another research topic could be to focus on other countries characteristics of IJV management and make a comparison; How are Swedish firms characteristics of managing inter-partner relationships, compared to other countries?
Our research highlight seven different mechanisms, An interesting topic could be to identify if there are any other mechanisms that we did not consider that are vital to managing an inter-partner relationship; Which are the most crucial mechanisms in managing inter-partner relationships?
References

Articles


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Mattias Lägermo, founder, CEO, Mattias Bygg.
Appendices
Appendix A – Interview guide

SEMI-STRUCTURED INTERVIEW

1. Company name?
2. Interviewee’s name?
3. Interviewee’s title?
4. Name of IJV and location?
5. Year of IJV formation?
6. Partner company name?
7. Ownership split between partners at formation of IJV?
8. Ownership status of IJV in 2017?

Company information:
9. What are your firm’s major business lines?
10. Total number of employees in your firm?
11. How many IJVs have your company had before forming this IJV?

12. What were your firm’s operations in the target country before forming this IJV? (No prior activity, licensing agreement, exporting, a manufacturing JV, several manufacturing units, a manufacturing WOS, or other operations)

Partner firm information:
13. What are your partner firm’s major business lines?
14. Average number of employees in partner firm?

IJV information:
15. Was the joint venture a new separate firm established or did you partially acquired the partner firm?
16. When firms form IJVs, they usually made some important investments in the IJVs. What kind of resources have your firm and partner firm invested in the IJV (e.g., Basic R&D, production related technology, brand names\trademarks, distribution channels to local market and international markets, local market knowledge, raw material, HR, capital)?
17. On a scale of one to five, with one being very low and 5 being very high, how much your firm and your partner firm’s resources invested in IJV are complementary for accomplishing the IJV goals?
   1) very low  2) low  3) medium  4) high 5) very high
18. If I give you a scale with 1 being very low and 5 being very high, how much you and your partner firm have invested resources (size of investment) in the IJV?
   1) very low  2) low  3) medium  4) high 5) very high
19. Suppose if your JV dissolves today, to what extent you and your partner firm can recover the invested resources in the IJV? (second hand value)
   1) very low  2) low  3) medium  4) high 5) very high
20. Can you shortly describe your firm’s motives for IJV formation? (e.g. resource seeking, market seeking, strategic asset seeking):

**IJV relationship characteristics:**
21. IJV partners usually have a contract in IJV. How important is contract for managing your firm relationship with partner firm?
22. Does a contract help to manage the inter-partner relationship?
23. And how complete are the IJV contract?
   1) very low  2) low  3) medium  4) high  5) very high
24. How important is trust between IJV partners for managing the inter-partner relationship?
25. And how much does your firm trusts the partner firm?
   1) very low  2) low  3) medium  4) high  5) very high
26. Communication is very important ingredient for managing and developing the relationship between IJV partners. How do you describe the quality, frequency, and openness of communication between your firm and partner firm?
27. Overall the quality of communication between your firm and partner firm is:
   1) very low  2) low  3) medium  4) high  5) very high
28. Are there significant national (traditions, values) and organizational cultural differences (management style, business ethics, and conducting business) between your firm and partner firm that you have observed or are aware?
29. If yes, then what have you done, or tried to do to manage these differences? (Communication quality, encouraging trustworthy relation, cultural training, language, spending non-business hours, participating in IJV decision making, recruiting highly intercultural competent managers):

30. How much efforts your firm has made in effectively dealing and managing these cultural differences?
   1) very low  2) low  3) medium  4) high  5) very high
31. Depending on the equity share split, how does that influence your decision-making abilities on the IJV?
32. Do you think the equity percentage split have an impact on the inter-partner relationship?
33. How you evaluate the performance of your joint venture? (overall performance, level of sales, sales growth, market share, profitability, ROI, efficiency of distribution, efficiency of marketing, manufacturing, quality control, cost control, achieving IJV goals, performance compared to competitors, and relationship with partner firm)?
34. How satisfied is your firm with the overall performance of IJV?
   1) very low  2) low  3) medium  4) high  5) very high
35. How satisfied is your firm with the financial performance of IJV?
   1) very low  2) low  3) medium  4) high  5) very high
36. How satisfaction is your firm’s relationship with partner firm?
   1) very low  2) low  3) medium  4) high  5) very high
37. To what extent has your firm achieved IJV-performance?
1) very low  2) low  3) medium  4) high  5) very high
38. Out of these variables which one do you think are the most important for your IJV performance?
Trust: High or Low?
Communication: High or Low?
Cultural adaptation: High or Low?
Ownership control: Majority or Minority or Equally?
Contract: Complete or Incomplete? (Informal)
Interdependence: Equal or Unequal?
Resource complementarity: High or Low?
39. What advice would you give someone else who’s thinking of forming an IJV