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Control and Performance in International Joint Ventures. A Model Based on Value Activities

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ABSTRACT

The international joint venture (IJV) is a form of cooperation that can endow multinational companies with the capacity to exploit their knowledge in foreign markets. Control structure (dominant control, shared control or split control) has been identified as one of the crucial factors in their success. However, studies that analyze the relationship between control structure and the performance of IJVs have produced contradictory results. This study proposes a normative framework for selecting the control structure of an IJV based on two dimensions: the strategic nature of the value activities and the relative expertise of the partners in managing them. The results of a comparative case study provide evidence that none of the control structures is superior to the others in terms of influencing performance under any circumstances, but rather that each of them can improve performance when they are contingent in terms of the two variables considered in the model.

JEL Classifications: F23, L24

Keywords: international joint venture, management control, control structure, firm performance, case studies

I. INTRODUCTION

An international joint venture (IJV) is a strategic option that is widely adopted by multinational corporations (UNCTAD, 2016), as it allows firms to reduce risk and uncertainty and/or access essential resources, amongst other advantages (Harrigan, 1988). According to UNCTAD (2016), 70% of IJVs are made up of locally based firms. Generally, the multinational corporation (MNC) contributes with financial capital, technology, and a variety of knowledge types and managerial skills. Local partners typically contribute knowledge on the host country relating to business norms and customs, local consumer habits and tastes, access to distribution channels, management of the locally employed workforce, access to local supply sources, and relations with the different institutions and government agencies of the host country (Steensma and Lyles, 2000; Luo et al., 2001; Steensma et al., 2008).

The prevalence of IJVs in the international strategy of the MNC and their reported unsatisfactory performance has generated a considerable body of literature, whose objective has hitherto been to investigate the causes of both success and failure (Geringer and Hebert, 1989, 1991; Luo et al., 2001; Choi and Beamish, 2004). Control is one of the principal determining factors of the success or failure of an IJV and is one of the more widely studied antecedents (Geringer and Hebert, 1989; Bener and Glaister, 2010). However, the relationship between control and performance in IJVs is still the subject of a good deal of controversy.

Geringer and Hebert (1989) identify three dimensions of control in IJVs: 1) focus or scope of control, i.e. activities and decisions controlled by parent firms, 2) extent of control, i.e. the degree of control imposed by parent firms, and 3) the control mechanisms employed by parent firms to monitor and evaluate the activities of the IJV (control over actions, results or personnel/culture). When examining the extent and focus of control, previous studies have identified three types of control structure or forms of control division between partners in an IJV: dominant control, shared control, and split control (Killing, 1982, 1983, 1988; Beamish, 1985; Geringer, 1986; Schaan, 1983; Hebert, 1996; Choi and Beamish, 2004). In dominant control, one of the partners makes the decisions and imposes their criteria on the majority of the activities in the IJV (manufacturing, marketing, R+D, logistics…), which is managed as if it was an affiliate of one of the partners. In shared control, the partners have an active role in decision-making in the majority or all of the activities of the IJV (Killing, 1983). Finally, in split control, each partner concentrates their control efforts on those value activities of the IJV it considers critical to its own interests, without influencing the other activities (Schaan, 1983; Beamish, 1985; Geringer, 1986; Killing, 1988). Split control also exists if a partner does not allow the dominant control of a clear majority of the value activities by one of the partners (Geringer and Hebert, 1989).

There is also a lack of consensus in the literature about how these control structures are connected to the performance of an IJV. Some studies conclude that, in IJVs where one of the partners has dominant control (normally the MNC), the venture reaches better performance levels than under shared control (Killing, 1983; Lecraw, 1984; Ding, 1997; Mjoen and Tallman, 1997; Yan and Gray, 2001). Other authors posit that the opposite might be true (Osland and Cavusgil, 1996; Yan, 2000) or suggest split control as the most effective strategy (Beamish, 1993; Choi and Beamish, 2004), while others present mixed results (Yan and Gray, 1994; Hebert, 1994).

Most of these studies conceptualize a global form of control (Killing, 1983; Lecraw, 1984; Geringer, 1986; Yan and Gray, 1994; Ding, 1997; Bener and Glaister, 2010) on the assumption that partners are seeking overall control of the IJV by attempting to influence strategic direction (Geringer and Hebert, 1989), thereby overshadowing their own contribution to the IJV (Mjoen and Tallman, 1997) and the activities through which they contribute value. The main cause of disagreement in this case is the juxtaposition of dominant control and shared control.

Some studies have focused on specific control. These studies demonstrate that partners do not solely emphasize the overall control of the IJV, but also concentrate on those activities that are related to the resources they bring to the IJV (Choi and Beamish, 2004) and/or those that the partners consider critical to achieving their objectives (Schaan, 1983; Geringer and Hebert, 1989). This second approach focuses on the activities of the IJV and on the contributions and objectives of the parent firms (Hill and Hellriegel, 1994; Child et al., 1997; Luo et al., 2001; Yan and Gray, 2001), and clearly shows the importance of specific control in explaining the performance of the IJV. Adopting this approach, in this study, we consider value activities to be actions through which partners contribute resources and expertise to the IJV.

Current empirical evidence available that adopts second approach is not conclusive. Mjoen and Tallman (1997) find that there is no direct relationship between specific control and IJV performance and propose a mediating relationship for overall control. Luo et al. (2001) provide evidence to suggest that these types of control have different degrees of influence on the performance of each partner. According to these authors, overall and specific control are positively related with performance for MNCs, while this is only true for specific control with performance in the case of the local partners.

Through control, partners ensure that the resources and skills that provide value to the IJV are appropriately transferred and managed, although the IJV should also be considered a part of the global strategy of each partner (Geringer and Hebert, 1989). Hence, in the structure of specific control, or the division between the partners of the management of a value activity, the expertise of each partner should be considered, as well as the strategic value of individual actions in terms of overall strategy. The objective of this study is to examine the relationship between the fit of these variables and the performance of the IJV using qualitative research.

In the next section, we summarize the results of previous studies, as well as the theoretical foundations. We go on to present the methodology and the results of the case studies of six IJVs. Based on these results, we propose a framework that prescribes the division of management control between partners for each value activity, taken on an individual basis. We end with the discussion and main conclusions from the qualitative study.

II. THEORETICAL BACKGROUND

The literature identifies three types of control structure or forms of control division between partners in an IJV: dominant control, shared control and split control. They each define a different way of establishing overall control of an IJV (Zhang and Li, 2001).

The relationship between control structure and the performance of the IJV has been examined using the theories of transaction costs, bargaining power and resource dependence and to a lesser extent from approaches such as the resource-based view, learning perspective or equity theory. Most studies framed within transaction cost theory (Williamson, 1975, 1985) claim that dominant control imposed by the MNC is the most appropriate control structure from the point of view of performance. Killing (1983) states that dominant control galvanizes decision-making and the implementation of strategy, as it avoids unnecessary arguments and conflict in decisions on the different operations of the IJV, while shared control requires frequent meetings and negotiations, which use up time and resources. According to this author, the need for greater interaction between partners leads to potential for conflict, thereby resulting in a drop in performance. The results demonstrate that dominant control on the part of one partner, which is the closest form to a hierarchy in the IJV, leads to improved performance in comparison with shared control. Mjoen and Tallman (1997) examine the importance of protecting strategic assets and propose a logical chain through equity share and overall control to improve performance. Their data support the connection between overall control and performance. Hebert (1994) posits that, when partners have contributed via specific assets and there is an entrenched position of mutual hostage-taking, there will be a search for shared control, and hence better performance can be expected, as the partners will have a greater incentive to repress the temptation for opportunism and lend stability to the relationship. However, the results do not entirely support this hypothesis. Child et al. (1997) observe that local partners do not generally seek dominant control of the IJV and limit the extent of their control to those activities related to their own objectives, as a way of economizing on their investment. Luo et al. (2001) show the existence of a positive relationship between control on the part of a local partner over those activities related to their objectives (e.g., the acquisition of technology) and the performance of the IJV, measured as satisfaction with their work. They argue that, in developing countries that possess a planned economy, as in the case of China, asymmetry exists with regard to the transaction costs incurred by each partner. The local partner tends to feel less of a need to have dominant control over the IJV, as local forms of governance, often consisting of local business owners, also supervise the IJV. Moreover, these authors find a positive and significant relationship between the overall control of the foreign partner and the partners' satisfaction with the IJV's performance.

Bargaining power theory (Bacharac and Lawler, 1984) and resource dependence theory (Pfeffer and Salancik, 1978) allow IJVs to be seen as a relationship of mutual dependence between partners, with differing degrees of negotiation power (Kemp and Ghauri, 1997). They predict that firms will look to maintain the dependence of partners via the control of critical resources provided to the IJV. That negotiation power will increase if the resources they contribute are impossible or extremely costly to substitute for the other partner; or when there are several candidates to choose from prior to forming the IJV (Blodgett, 1991; Lecraw, 1984; Yan and Gray, 1994, 2001; Mjoen and Tallman, 1997; Luo, 1997).

Using this theory to frame their research, several authors find a positive, significant relationship between dominant control on the part of one partner and the performance of the IJV (Lecraw, 1984; Ding, 1997; Mjoen and Tallman, 1997), although several others call into question this relationship or qualify it (Calantone and Zhao, 2001; Yan and Gray, 1994; 2001). Among such authors, Calantone and Zhao (2001) find that, when the foreign partner exercises dominant control, the relationship between control and performance is mediated by the nationality of the MNC. Yan and Gray (1994) obtain positive evidence for shared control, deducing that shared control fosters mutual understanding, promotes the perception of impartiality, induces trust and reduces conflict among partners. However, they find no evidence of a negative relationship between dominant control of the foreign partner and performance. In such cases, the relationship between control and performance is moderated by trust, the compatibility of the partner's objectives and the level of institutionalization of those objectives. In a later study, Yan and Gray (2001) were unable to find a significant relationship between the dominant control of one partner and performance.

According to the resource-based view, the competitive advantage of firms should not be seen as the result of industry structure, but rather of a firm's skill in utilizing their resources, which are heterogeneously distributed and tend to remain embedded over time. The difficulty inherent in developing, accessing or imitating certain key resources explains the fact that competitive advantages can be maintained over long periods (Barney, 1991; Grant, 1991). This theory draws the distinction between two types of resources: property-based resources and knowledge-based resources. Property-based resources include a variety of types of physical assets, financial resources, patents and, generally, any type of resource whose market value can be calculated, and therefore transferred from one firm to another. Other firms can imitate these resources with relative ease. Conversely, knowledge-based resources, which include tacit knowledge and the skills the firm possesses, cannot be imitated or transferred through the market (Barney, 1991).

From this perspective, one of the motives for participating in a JV is to be able to access resources for which there is no current market (Kogut, 1988), particularly for knowledge acquisition or learning; an important factor in the performance of many alliances (Simonin, 1997). Hence, from a learning perspective, "the IJV is the most effective vehicle for the transfer of tacit and embedded knowledge, because it allows for prolonged cohabitation of managerial and technical personnel and facilitates the replication of organizational routines" (Yang, 2005: 72).

Authors who ascribe to this approach are skeptical about dominant control (Hill and Hellriegel, 1994; Choi and Beamish, 2004). They claim that the correct integration and exploitation of resources contributed by the partners depends on the control exercised by each partner over those activities related to their contribution to the IJV, which ensure that their expertise is correctly transferred. In this sense, Beamish (1985) suggests that shared control increases the guarantee of success, as it allows the foreign partner to make the most of the country-specific knowledge possessed by the local partner, which at the same time allows it to exploit its own firm-specific advantages more effectively in the host country. Dominant control on the part of the foreign partner reduces the likelihood of success of the IJV due to the lack of experience in adequately exploiting its technical knowledge and managerial skills in the host country. Equally, dominant control on the part of the local partner would also be risky due to a lack of familiarity with the technology and other managerial skills contributed by the foreign partner. Using similar arguments, Choi and Beamish (2004) focus their attention on the firm-specific advantages of each partner and demonstrate that, when each partner exercises control over its own firm-specific advantages (split control), the likelihood of success of the IJV increases. Indeed, the dominant control of one partner over the firm-specific advantages of the other hinders the effective transfer of these advantages to the IJV, and therefore, it compromises the attainment of both partners' objectives. According to these authors, the specialization of each partner in the IJV's value creation can implement potential resource complementarity between the partners much more effectively than shared control.

Research based on equity theory has also been critical of the dominant control standpoint (Steensma and Lyles, 2000). Barden et al. (2005) suggest that violations of partners' norms of equity regarding the distribution of control lead to relational conflict and finally to a drop in performance. These authors propose that the control structure-conflict relationship is contingent on (1) parent firm contributions of resources and (2) parent firm capacity in effectively monitoring the value-creating processes of the IJV due to the similarity between the operations of the parent firm and the IJV. Therefore, "a sense of equity, which minimizes conflict, depends on the consistencies between the control structure and parent contributions, and between the control structure and the relatedness of the parents to the IJV" (p. 157).

From an overall perspective, it can be concluded that selective control over the value activities related to the resources and expertise that a firm brings to an IJV constitutes a means of reducing control costs, maintaining the balance of power (or even of gaining negotiating power against the partner) and of fostering the perception of justice between the partners. Moreover, the specialization of each partner in the control of certain value activities also favors efficiency and effectiveness by allowing the most competent partner in each activity to make the most appropriate decisions. It can therefore be deduced that the level of expertise of each partner in managing a particular value activity must be considered in the division of management control between the partners. When the foreign partner contributes technology to an IJV, it is often difficult for the local partner to make the right decisions with regard to production activities if they lack knowledge on the technology contributed by partners. Equally, it is unlikely that the foreign partner can make the correct decisions with regard to those activities that are generally contributed by the local partner, such as the distribution of the IJV's products in the host country. Therefore, with regard to IJV performance, it would seem reasonable to formulate the control structure based upon the value activities of the IJV.

This necessity can also be observed in the lack of empirical correspondence between the legal control and effective control over the IJV. Geringer (1988) observes that, among the JVs in his sample with equal participation, the partners did not share management proportionately in all the value activities. Lee et al. (2003) conclude that, in countries where for legal reasons the majority of the capital belongs to the local partner, in reality the foreign partner tends to manage most of the activities due to their expertise. These authors suggest that the control a partner wishes to exercise over the IJV, and the extent to which they are able to actually control it, are two different things (Barden et al., 2005). It therefore seems clear that each partner should control those activities in which they possess the necessary expertise to adopt the most appropriate decisions in the host country, avoiding the assumption of the existence of a direct relation between participation in the capital of an IJV and the degree of control (Mjoen and Tallman, 1997).

The control of critical resources and capabilities should not be overlooked in light of their importance for competitive advantage (Barney, 1991; Grant, 1991). Consequently, the strategic importance of the value activities for each partner must also be taken into account when configuring control. It can be expected that the partners will attempt to control the activities that are critical for the success of their individual strategies (corporate and competitive) and are related to their motives for participating in the IJV (Schaan, 1983; Beamish, 1985; Geringer, 1988; Geringer and Hebert, 1989).

Through control, partners can ensure that the resources and skills through which they contribute value to the IJV are appropriately transferred, managed and protected (Geringer and Hebert, 1989).

It can thus be expected that the success of an IJV depends on the partners' capacity to 1) effectively transfer technology and managerial skills to the IJV (Lyles and Salk, 1996; Steensma and Lyles, 2000; Lane et al., 2001; Anh et al., 2006); 2) learn from partners (Inkpen and Beamish, 1997; Makhija and Ganesh, 1997; Tsang, 2002; Anh et al., 2006); and 3) protect their key assets (Mjoen and Tallman, 1997); all with a view to maintaining and reinforcing the competitive advantage of each partner and guaranteeing the success of their corporate strategy. This success is dependent upon configuring control at the activity level, juxtaposing two key dimensions: (a) the expertise of each partner in adequately managing each of the value activities of the IJV and (b) the strategic importance of each value activity for each partner.

III. METHODS

We adopted a comparative case study approach (Yin, 1994). The selected cases are IJVs that involve companies that have been in operation for a minimum of 3 years (see Table 1). This allowed us to obtain information on the extent to which the original objectives were reached and on the development of the cooperation process, and even changes in the control structure (Anderson, 1990; Yan and Gray, 1994). In order to minimize extraneous variation that might result from the differences between service and manufacturing IJVs (Eisenhardt, 1989), and in order to control partially for cultural differences (Calantone and Zhao, 2001; Chen, 2010), all selected IJVs were created by Spanish manufacturing MNCs. We selected IJVs in which it was possible to interview key informants who participated in the contract negotiations and in the management of the IJV. Finally, we selected a set of IJVs with diverse performance and structures of overall control, with a view to guaranteeing the variability of the construct analyzed here.

Table 1
Characteristics of the Selected Cases

Case*	Hq of the IJV	IJV business	Foreign partner main sector of activity	Local partner main sector of activity	Length of the IJV in years	Distribution of capital	Objectives of the partners
1	China	Manufacturer of confectionery products for children	Manufacturer of confectionery products for children	Sugar manufacturer	11	51% Spanish partner 49% local partner	Foreign partner: to penetrate into the Chinese market and from there to access other neighboring markets under favorable tax conditions. Local partner: to acquire the technology of the foreign partner.
2	Argentina	Manufacturer of meat products	Manufacturer of meat products	Manufacturer of meat products	13	51% Spanish partner 49% local partner	Foreign partner: to penetrate into the Argentinian market and to expand into

							other neighboring ones. Local partner: to acquire the more advanced technology of the foreign partner and internationally renowned brand.
3	Mexico	Manufacturer of induction heating systems	Manufacturer of induction heating systems, mainly aimed at the automobile sector	Manufacturer of motorcycle engines	11	51% Spanish partner 49% local partner	Foreign partner: to penetrate into the Mexican market, to diversify through targeting another industry for its products and to provide technical assistance to its customers from a more favorable location. Local partner: to acquire the technology of the foreign partner (learning intent) and to access a new line of business.
4	India	Manufacturer of confectionery products for children	Manufacturer of confectionery products for children	Manufacturer of Ayurvedic medicine	4	51% Spanish partner 49% local partner	Foreign partner: to penetrate into the Indian market. Local partner: to diversify its business scope.
5	Philippines	Manufacturer of industrial baked goods	Manufacturer of industrial baked goods	Manufacturer of industrial baked goods	3	51% Spanish partner 49% local partner	Foreign partner: to penetrate into the Philippines and ASEAN (Association of Southeast Asian Nations) markets. Local partner: to broaden its product range, to acquire the more advanced technology of the foreign partner and to take advantage of the experience of the foreign partner in international commercialization.
6	Brazil	Manufacturer latex foam for the footwear industry	Manufacturer latex foam for the footwear industry	Manufacturer of glue and adhesives for the footwear industry	8	50% Spanish partner 50% local partner	Foreign partner: to penetrate into the Brazilian market. Local partner: to diversify its business scope.

*For reasons of confidentiality, the names of the firms have been replaced with pseudonyms (case 1, case 2…).

In order to ensure construct validity, we used multiples sources of evidence, gathering information from the documentation that was provided or shown to us, as well as face-to-face interviews with the CEO and other foreign partner managers who were directly involved in the initial negotiations and subsequent management of the IJV. This information allowed us to include and classify each case within the three structures of overall control defined by the literature (Table 2).

Table 2
Procedure Used to Classify the IJVs in Each of the Structures of Overall Control

Overall control structure	**Classification criteria***
Dominant control if…	• One of the partners makes the decisions and imposes their criteria on the majority of value activities in the IJV, which is managed as if it were an affiliate of one of the partners. • The general manager and other managers are appointed by the dominant partner. • The board of directors, despite containing representatives of both partners, perhaps equally so, is limited in its powers to approve the decisions adopted by the dominant partner.
Shared control if…	• The partners have an active role in decision-making in the majority or all of the activities of the IJV. • Management personnel are chosen under the consensus of both partners, and can even be transferred by them to the IJV. • The board of directors plays an active role in the control of the value activities of the IJV, as it is where all decisions are made.
Split control if…	• Each partner concentrates their control efforts on those value activities of the IJV it considers critical to its own interests, without influencing the other value activities or it does not allow the dominant control of a clear majority of the value activities by one of the partners.

*Based on Killing (1983, 1988), Geringer and Hebert (1989), Schaan (1983), Beamish (1985) and Geringer (1986).

We opted for the use of subjective indicators of IJV performance. Objective indicators do not necessarily reflect whether the partners have achieved their goals. Even in the presence of poor financial performance (e.g. profitability), an IJV may have enabled its partners to achieve their goals, and therefore the IJV may be considered a success.

We coded and linked the information in each case with the following constructs: 1) the expertise of partners in the management of each of the value activities of the IJV; 2) the strategic value of each value activity for each partner in accordance with their objectives and motivation for participating in the IJV; 3) the control structure for each of the value activities of the IJV; 4) overall control structure of the IJV; 5) attainment of goals; and 6) general satisfaction with the development of the IJV.

For each IJV, we created a file with documentation provided by the companies, the recordings and transcripts of the interviews, as well as an individual report on each case. For each report, we summarized the implications of the case in terms of the relationship between the division of management control and performance. To strengthen the validity of the constructs, we sent a draft of the report to be revised by one of the informants in each case.

In a multiple case study, the findings obtained for a particular case provide the information required for literal and theoretical replication in the other cases. According to the literal replication criterion, some cases have similar results to others with regard to the theoretical model proposed, while other cases with different results can also be explained by the theory. We begin by relating one case and then comparing the findings with the theoretical debates, and repeat this process for each case. Tables 3.1 to 3.6 summarize the outcome of this process. In these tables, for the value activities in each of the six IJVs studied, we summarize: (a) the partner with the expertise needed to manage each value activity; (b) the strategic importance of each value activity for each partner in accordance with their objectives for participating in the IJV; (c) the initial control structure used for each value activity; (d) the evolution of the control structure for each value activity; (e) the overall control or structure of overall control of the IJV; (f) IJV performance (attainment of goals and general satisfaction with the development of the IJV). Finally, in accordance with the theoretical discussion, we indicate whether, for each value activity, there is a fit between: (a) the control used; (b) the expertise of the partner in managing the activity; and (c) the strategic value for each partner.

IV. RESULTS AND DISCUSSION

A. Case Description

Case 1. The foreign partner contributed technology and managerial skills in production and national and international marketing. Apart from the main contract, the partners signed additional agreements on technology transfer, technical consultation and the supply of a particular component. The IJV did not carry out R+D activities. The IJV was dependent on the foreign partner in introducing new products or changes to processes. The overall control was shared between the partners (Table 3.1). Although the foreign partner possessed the expertise to manage the areas of production and marketing, consensus was always sought with the local partner before any decision was made. The foreign partner never made use of its casting vote, as the IJV was entirely dependent on the relationships and contact with the local partner for obtaining the necessary licenses and authorizations for the smooth running of the venture (transport, use of state-owned warehouses for national distribution, availability of foreign exchange for importing machinery and profit repatriation, etc.). Although both partners decided on staff policies related to managerial posts (selection, salary and incentives), the management of the local workforce was left entirely in the hands of the local partner, with no interference from the foreign partner, as this was one contribution sought by the local partner. The characteristics of the resources contributed by the foreign partner (technology and management skills) allowed it to obtain the majority of the equity (Table 1), but the dependence of the IJV on the local partner's network balanced the power between the partners, leading them to establish joint control over most of the IJV's activities.

Table 3.1
Case 1 Results

Activity	Expertise needed to manage each value activity: Foreign partner	Expertise needed to manage each value activity: Local partner	Strategic nature of the value activities: Foreign partner	Strategic nature of the value activities: Local partner	Initial control structure for each activity	Evolution of the control structure over each activity	Fit
Product R+D							
Processes R+D							
Manufacturing	X		X	X	Shared control	No	Yes
Local Marketing	X		X		Shared control	No	No
International Marketing	X		X		Shared control	No	No
Management of local workforce		X			Dominant control-local partner	No	Yes
Bureaucratic tasks and institutional relations		X			Dominant control-local partner	No	Yes
Overall control: Shared control							
Attainment of goals						+	
General satisfaction with the development of the IJV						–	

Case 2. The foreign partner contributed technology, along with its brand name and international marketing skills. The local partner supported the IJV with management of the local workforce, relations with the local environment and local marketing actions. With regard to overall control, this case can be classified as shared control. The two partners made joint decisions on the majority of the activities of the IJV (Table 3.2). The foreign partner controlled international distribution, as its expertise is greater than that of the local partner in this activity. For its part, the local partner exercised dominant control over those activities that lacked strategic importance for the foreign partner and where it possessed greater expertise (management of the local workforce and government bureaucracy and relations). The partners came from the same industry and shared control over those value activities in which both partners have similar capabilities; but maintained dominant control over those activities related to their contribution to the IJV, and for which each partner possessed greater expertise.

Table 3.2
Case 2 Results

Activity	**Expertise needed to manage each value activity: Foreign partner**	**Expertise needed to manage each value activity: Local partner**	**Strategic nature of the value activities: Foreign partner**	**Strategic nature of the value activities: Local partner**	**Initial control structure for each activity**	**Evolution of the control structure over each activity**	**Fit**
Product R+D	X	X	X	X	Shared control	No	Yes
Processes R+D	X	X	X	X	Shared control	No	Yes
Manufacturing	X	X	X	X	Shared control	No	Yes
Local Marketing	X	X	X	X	Shared control	No	Yes
International Marketing	X		X		Dominant control-foreign partner	No	Yes
Management of local workforce		X			Dominant control local partner	No	Yes
Bureaucratic tasks and institutional relations		X			Dominant control local partner	No	Yes
Overall control: Shared control							
Attainment of goals						+	
General satisfaction with the development of the IJV						+	

Case 3. The foreign partner contributed technology, marketing skills and brands to the IJV. The local partner, which is a manufacturer of motorcycle engines in Mexico, contributed via management of the local workforce, bureaucratic transactions and relations with institutions. Together with the contract for creating the IJV, an agreement was signed for a technological and commercial license, and thus the foreign partner took on the training of the IJV's technical staff, permanent technical consulting, as well as lending its brand name for the commercialization of the IJV's products. The IJV did not carry out R+D activities. The foreign partner continued to carry out this function internally as a means of protecting core competences. Moreover, projects with a large budget, which came through a customer of the foreign partner in another country, had to be carried out under the direct supervision of the technical staff of the foreign partner, due to the potential consequences that an error could have for these projects on the commercial relationship with the customer in other countries. The foreign partner exercised dominant control over those activities related to its contribution to the IJV and with regard to those where it possessed greater expertise, i.e. manufacturing, and national and international marketing (Table 3.3). The management of the local workforce, as well as bureaucratic tasks and institutional relations were left to the exclusive management of the local partner.

Table 3.3
Case 3 Results

	Expertise needed to manage each value activity		Strategic nature of the value activities		Initial control structure for each activity	Evolution of the control structure over each activity	Fit
Activity	**Foreign partner**	**Local partner**	**Foreign partner**	**Local partner**			
Product R+D							
Processes R+D							
Manufacturing	X		X	X	Attempt at Dominant control by the local partner	No	No
Local Marketing	X		X		Dominant control-foreign partner	No	Yes
International Marketing	X		X		Dominant control-foreign partner	No	Yes
Management of local workforce		X			Dominant control-local partner	No	Yes
Bureaucratic tasks and institutional relations		X			Dominant control-local partner	No	Yes
Overall control: Dominant control by the foreign partner							
Attainment of goals						+	
General satisfaction with the development of the IJV						–	

Case 4. The foreign partner contributed the technology, while the local partner contributed distribution channels to the local market, as well as management of the local workforce and relations with institutions. With regard to overall control, there was dominant control on the part of the foreign partner (Table 3.4). The foreign partner exercised control over other local market variables. However, the disastrous results obtained during the first few weeks of the IJV called for a renegotiation of the initial contract. The product became overstocked at the factory and sales were far lower than

expected. Both partners agreed that the IJV should develop its own distribution network under the management of the foreign partner, due to its knowledge of the product and the proactive attitude of its managers in acquiring country knowledge allowed it, by that time, to adopt appropriate decisions in this area.

Table 3.4
Case 4 Results

	Expertise needed to manage each value activity		Strategic nature of the value activities		Initial control structure for each activity	Evolution of the control structure over each activity	Fit
Activity	**Foreign partner**	**Local partner**	**Foreign partner**	**Local partner**			
Product R+D	X		X		Dominant control-foreign partner	No	Yes
Processes R+D	X		X		Dominant control-foreign partner	No	Yes
Manufacturing	X		X		Dominant control-foreign partner	No	Yes
Local Marketing	X	X	X		Split control	Dominant control-foreign partner	Yes
International Marketing							
Management of local workforce		X			Dominant control-local partner	No	Yes
Bureaucratic tasks and institutional relations		X			Dominant control-local partner	No	Yes
Overall control: Dominant control by the foreign partner							
Attainment of goals						+	
General satisfaction with the development of the IJV						+	

Case 5. The foreign partner provided the technology and skills in international marketing. The local partner contributed the distribution of products and other marketing variables in the local environment, as well as management of the local workforce, bureaucratic procedures and other relations that were necessary for the development of the activity. Overall control of the IJV took the form of split control (Table 3.5). The foreign partner took on the obligation of instructing the staff of the IJV in the correct implementation of the different product lines. After the initial training period, both partners controlled production. Under contract, the foreign partner controlled the international commercialization of the IJV's products. The foreign partner, trusting in the sales expertise of the local partner, left pricing policy, promotion, marketing and distribution under the local partner's management; policies that were essential for fast-moving consumer goods such as those produced by the IJV, according to respondents.

Table 3.5
Case 5 Results

	Expertise needed to manage each value activity		Strategic nature of the value activities		Initial control structure for each activity	Evolution of the control structure over each activity	Fit
Activity	**Foreign partner**	**Local partner**	**Foreign partner**	**Local partner**			
Product R+D	X		X		Dominant control-foreign partner	No	Yes
Processes R+D	X		X		Dominant control-foreign partner	No	Yes
Manufacturing	X	X	X	X	Shared control	No	Yes
Local Marketing	X	X	X	X	Dominant control-local partner	No	No

International Marketing	X		X		Dominant control-foreign partner	No	Yes
Management of local workforce		X			Dominant control-local partner	No	Yes
Bureaucratic tasks and institutional relations		X			Dominant control-local partner	No	Yes
Overall control: Split control							
Attainment of goals						—	
General satisfaction with the development of the IJV						—	

Case 6. The foreign partner contributed technology and branding, while the local partner took charge of distribution in the host country, management of the local workforce and bureaucracy and relations with local institutions. In terms of overall control, this case fits the definition of split control (Table 3.6). The foreign partner took on the management of R+D activities, in both products and processes, as well as in production. The two partners come from different industries (Table 1). Under the management of the foreign partner, the IJV developed new products that were later transferred to other subsidiaries of the foreign partner. For these activities, the foreign partner had greater expertise than the local one and the activities were important for achieving its goals, since they were related to the adequate transfer of technology to the IJV. The local partner exercised dominant control over those activities in which it was more competent than the foreign counterpart, i.e. local distribution, management of the local workforce and bureaucratic procedures and relations with local institutions. At a local marketing level, control was split, as the local partner was familiar with the logistics, while the foreign partner had good knowledge of other local marketing strategies.

Table 3.6
Case 6 Results

	Expertise needed to manage each value activity		Strategic nature of the value activities		Initial control structure for each activity	Evolution of the control structure over each activity	Fit
Activity	Foreign partner	Local partner	Foreign partner	Local partner			
Product R+D	X		X		Dominant control-foreign partner	No	Yes
Processes R+D	X		X		Dominant control-foreign partner	No	Yes
Manufacturing	X		X		Dominant control-foreign partner	No	Yes
Local Marketing	X	X	X		Split control	No	Yes
International Marketing							
Management of local workforce		X			Dominant control-local partner	No	Yes
Bureaucratic tasks and institutional relations		X			Dominant control-local partner	No	Yes
Overall control: Split control							
Attainment of goals						+	
General satisfaction with the development of the IJV						+	

B. Joint Analysis of the Cases

We have observed two groups with different patterns in terms of the relationship between the division of management control between the partners and the performance of the IJV. On the one hand, there are cases (1, 3 and 5) in which at least one of the dimensions of performance is negative (Tables 3.1, 3.3. and 3.5). This is a result of the fact that the amount of control that the foreign partner shares with the local partner on each of the individually considered value activities is not contingent in terms of: (a) the relative expertise of the foreign partner compared to the local partner; and (b) the strategic value of the activity in question for both partners. On the other hand, there are cases (2, 4 and 6) where a good fit was achieved and performance was positive for both of the dimensions considered (Tables 3.2, 3.4 and 3.6).

The foreign partner exercised dominant control over the R+D activities in cases 4, 5 and 6, production in cases 4 and 6, national marketing in case 3, and international marketing in cases 2, 3 and 5. These are activities where the foreign partner has greater expertise in adequately managing these activities, while they only have strategic value for the foreign partner. With regard to these activities, the decision making process was smooth and no conflict arose between the partners derived from a lack of satisfaction with work carried out on the activity or through disparity of criteria between the partners. In line with the arguments of Geringer and Hebert (1989), our results indicate that control on the part of the partner that has the necessary expertise for an efficient management of an activity allows for the adequate exploitation of the resources linked to that activity. Moreover, expectations of control of that partner are met, as it controls a value activity that is related to its motives for participating in the IJV, and thus has strategic value (Schaan, 1983; Beamish, 1985; Geringer, 1988; Geringer and Hebert, 1989). Our results are also compatible with those of Barden et al. (2005), who find that the firm expects to influence the management of those value activities that correspond to their contribution to the IJV. According to these authors, when such expectations are not met, conflicts may arise between the partners with the subsequent drop in the performance of the IJV. Given that the performance of the IJV not only depends on achieving the initial objectives, but also on the process used to achieve those objectives (Anderson, 1990), reiterated conflict could harm the performance of the IJV. Apart from generating frustration and dissatisfaction (Anderson and Narus, 1990), it can increase complexity and the time needed for decision-making and/or lead to partners obstructing the decision-making process.

Equally, in the six case studies, the local partner exercised dominant control on the activities related to its contribution to the IJV: managing the local workforce and bureaucratic tasks. Neither of these activities is strategic for either of the partners. According to informants, the local partner adequately carried out these activities and no tensions arose between the partners around related decision-making. Therefore, when a value activity lacks strategic interest for both partners, the best option is for the partner with the greatest expertise to take dominant control and manage the activity.

Contrary to the observations of Killing (1983), our results suggest that shared control need not imply a greater potential for conflict between partners. Case 2 provides a good example, where there is overall shared control (R+D in product and processes, manufacturing and international and local marketing). These are activities of strategic value for both partners and in which they possess similar levels of expertise for effectively managing the tasks. The same situation occurs for manufacturing in Case 5. According to interviewees, the work carried out on these activities was satisfactory and there was no conflict between the partners. Killing (1983) argues that, in comparison with dominant control by one partner, shared control is more costly, as it requires more time and resources, and increases the chances of conflict by virtue of the need for greater interaction between the parties involved. However, we have observed that if the partners have a common knowledge base, this can speed up the decision-making process on a particular value activity and the likelihood of conflict is reduced. In cases 2 and 5, partners came from the same industry. According to Hill and Hellriegel (1994), shared control of the value activities in which both partners have similar expertise allows them to combine the capabilities of both partners, thus increasing the likelihood of achieving the original objectives. They also argue that "to attain 'similar operating philosophies' the partners may need to have distinctive competencies in the same or similar functional areas. Otherwise, intense conflicts may result in trying to reach consensus on joint decisions" (p. 603). Hence, when the partners have a similar amount of expertise in managing a value activity and, additionally, that activity has strategic value for both partners, they should share control. The results from the analysis of case 1 support this argument. In particular, local and international marketing are important activities for reaching the individual key objectives of the foreign partner. The best option would have been dominant control of the foreign partner, i.e. the partner with the most expertise in managing the tasks involved (Choi and Beamish, 2004), and because they are important activities for achieving their individual objectives (Schaan, 1983; Beamish, 1985; Geringer, 1988; Geringer and Hebert, 1989). However, the partners opted for shared control of these activities.

In case 1, the partners came from different industries and, in addition, the local partner was a public institution with no experience of managing a for-profit company. A sizeable difference existed between their management capabilities. Shared control over some of the value activities slowed down the decision-making process, created conflict between the partners and resulted in higher control costs. In case 1, consensus was always sought with the local partner before any decision was made, as the IJV was entirely dependent on the relationships and contact with the local partner for obtaining the necessary licenses and authorizations for the smooth running of the venture. From the fifth year onwards, failure in the launch of new product lines provoked the systematic opposition of the local partner to carrying out new investment in other lines, adding to or renovating installations, investment in marketing, etc. Many times, the local partner did not comprehend the reasons or the need to adopt certain decisions. The later hindrance and veto on the part of the local partner on decisions that were crucial for the success of the IJV, and on which the foreign partner had the expertise to decide, made the relationship between the partners deteriorate and evolve in an environment of continuous tension and conflict. This situation damaged the expectations of the foreign partner with regard to control. However, the IJV allowed them to reach their projected objectives, although the foreign partner expressed dissatisfaction with the IJV. The involvement of the foreign partner in the management of the value activities related to its contribution to the IJV, and even sharing control with the local partner, guarantees the transfer and appropriate use of resources and skills with which it contributes to the IJV (Beamish, 1985; Mjoen and Tallman, 1997; Choi and Beamish, 2004). In addition, shared control allows the foreign partner to exploit its resources in the host country, thereby taking advantage of the country-specific advantages embedded within a local partner (Beamish, 1985).

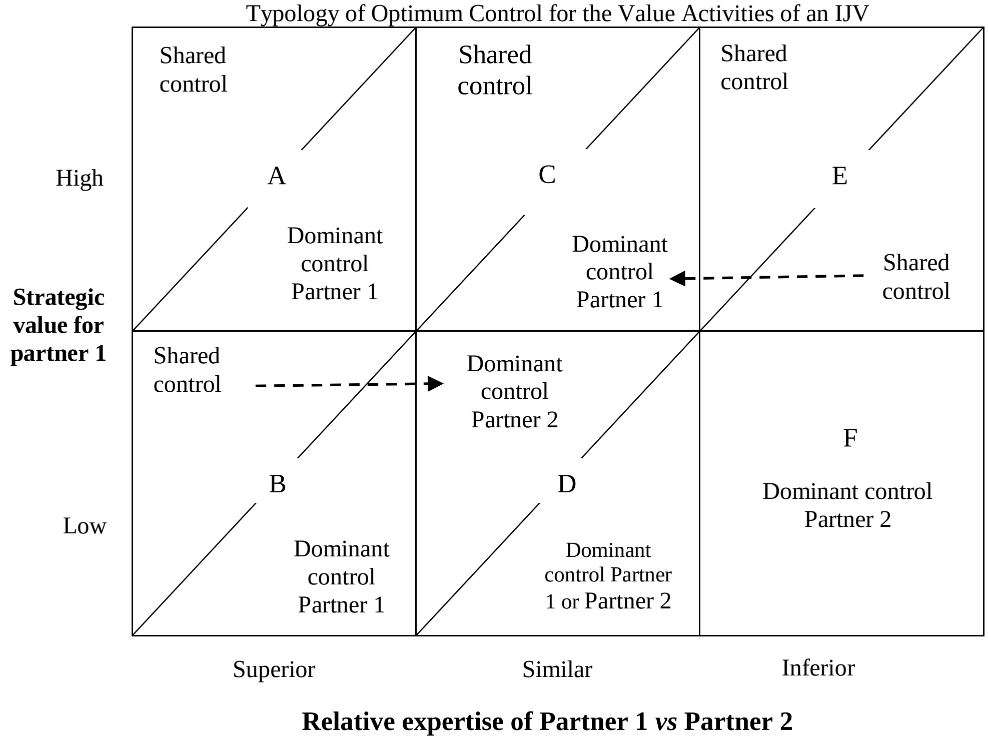
In case 5, partners came from the same industry. They agreed on dominant control by the local partner over local marketing. According to the CMO of the foreign partner: “we agreed to do it that way because they supposedly had a successful marketing model in their country”. In this case, the two partners had a similar level of expertise in this activity, which was strategic for both of them. The foreign partner was not achieving its objectives and interviewees expressed great dissatisfaction on the relationship with the partner. The repeated disagreements eventually led to the breakup of the alliance and the sale of the foreign partner’s share to the local partner. The IJV was unable to attain its expected sales figures. The product built up stock at the factory with almost no turnover, because the marketing policies put in place by the local partner were not as effective as had been hoped. According to the managers we interviewed, the cause of the failure was an erroneous pricing policy, based more on the margin they hoped to gain rather than the reality of the market. Due to these poor results, arguments arose which spiraled into a series of conflicts. The foreign partner attempted to renegotiate the initial conditions of the agreement and allow the distribution and other commercial variables to be reestablished, taking into account the criteria of both sides. Attempts on the part of the foreign partner to influence these variables resulted in the violation of the control expectations of the local partner, while also not complying with the expectation of the foreign partner (Barden et al., 2005), who attempted to contribute via its skills and capabilities in this area for the benefit of both partners. Previous research argues that IJV performance becomes a motivating force to stimulate the evolution of the control structure (Killing, 1983; Gray and Yan, 1997; Zhang and Li, 2001). However, our results show that a poor performance of the IJV stimulates changes in the division of control between partners in some value activities, specifically in the marketing management in the host country. Furthermore, we conclude that learning on the part of the partners is what enables that change. Inkpen and Beamish (1997) examine the strategic relevance of the local market for the foreign partner and suggest that it leads to a commitment of the necessary resources to acquire local knowledge, because firms often utilize IJVs as an entry mode.

In terms of manufacturing and local marketing, both the local and foreign partner have expectations that there will be a certain amount of learning involved. In the six cases analyzed here, the foreign partner offered intense training programs in order to adequately transfer knowledge to the IJV. This transfer of knowledge also required technical staff from the foreign partner to visit the IJV while the activities were being set up and later to monitor their progress. As some authors point out (Lyles and Salk, 1996; Steensma and Lyles, 2000; Lane et al., 2001; Anh et al., 2006), the success of the internationalization strategy of the foreign partner depends on its ability to effectively transfer the knowledge agreed upon for the IJV. In cases 1, 2, 3 and 5, local partners intended to learn technology provided by the foreign partner. In cases 2 and 5, tasks for this value activity were carried out satisfactorily and no conflicts arose in the decision-making process, as there was a good fit between the partner’s expertise in managing the activity, its importance for both partners and the control structure put in place. In cases 1 and 3, the foreign partner had greater expertise in managing the activity, but it did not constitute a value activity for both partners. In case 1, training programs, technical support and daily contact with the IJVs activities on the part of the foreign partner allowed the local partner to reach a similar level of expertise in the daily management of production. However, the difference in their expertise in strategic decision-making for this and other value activities generated a high degree of conflict. In this case, dominant control on the part of the foreign partner would have ensured smoother running of the activities, in light of their greater management expertise (Geringer and Hebert, 1989). This option would also have brought about less tension and conflict between the partners (Killing, 1983), as it would have met the control expectations in so much as it is a value activity that is related to the contribution of resources to the IJV (Barden et al., 2005). However, in case 3, the partners agreed that the decisions on this activity would be the responsibility of the foreign partner. The relationship was tense due to repeated non-compliance of the contract conditions on the part of the local partner. The partners were in conflict, as some of the projects were not developed under the supervision of the foreign partner, and hence did not comply with the stipulations of the contract. Control over production had a high strategic value for the foreign partner when it concerned carrying out projects that resulted in orders from the customers of the foreign partner in other countries, or because of the large volume involved. Problems in the evolution of these projects could have compromised the foreign partner's relationship with an international customer. In addition, the IJV's products were sold under the brand name of the foreign partner and thus the problems that arose during the project could have damaged their reputation internationally. Local partner interference in a value activity (manufacturing) which, according to the contract, was under the management of the foreign partner, damaged control expectations, with the subsequent conflict between partners (Barden et al., 2005) and the generation of distrust and dissatisfaction with the local partner (Anderson, 1990; Anderson and Narus, 1990). The foreign partner's response was to increase the frequency of monitoring visits to the IJV (made by the project manager and sales director). This greater intensity of foreign partner control over the IJV increased monitoring costs, negatively affecting performance.

Local marketing is a value activity whose efficient management requires a particular type of tacit knowledge: country knowledge. This knowledge can be transferred more quickly and easily between firms that possess other knowledge that is also tacit, such as technological or productive capabilities (Hedlund, 1994). In cases 4 and 6, the local partner took care of product distribution, while the other variables in the marketing mix (price, product and promotion) were under foreign partner management. In both cases, there was initially split control of this activity. For case 6, the activity was carried out satisfactorily and no conflict arose between the partners as a result of disparities in managerial criteria. In case 4, despite having initially left local logistics under the dominant control of the local partner, the disastrous results obtained during the first few weeks of the IJV called for a renegotiation of the initial contract. Both sides agreed that the IJV should develop its own logistics network under the management of the foreign partner. Local logistics and the fast positioning of the brand was a key aspect for the foreign partner, as other international competitors were beginning to organize their entry into the market of the host country. The proactive learning of country knowledge enabled the transition of this value activity from split control to dominant control by the foreign partner. India is a strategic market for the foreign partner, due to its large child population, the target segment for the products of the IJV. Foreign partner managers of the areas of R&D, manufacturing and marketing spent several weeks at the IJV during the startup period. From the headquarters in Spain, the foreign partner also supervised monthly production reports and the sales department. These results are compatible with those of Tsang (2002). His study shows that supervision and involvement in the management of the IJV are two channels through which a partner can learn, and that this represents precisely the strategic importance of the IJV for each partner, rather than learning intent. This fact means that foreign partners will make the effort to acquire country knowledge through both channels.

The results of the case studies allow us to create a framework for the choice of control structure based on two dimensions (Figure 1): 1) the strategic value of the activity for each of the partners; and 2) the relative expertise of partners in managing the activity. Backed up by evidence garnered from the cases analyzed, the study lends weight to the theory that dominant control will be satisfactory when the partner with the greatest level of expertise carries out the activity and there is no clear strategic interest from the other partner. If this is not the case, shared control represents the best formula for success.

Figure 1
Typology of Optimum Control for the Value Activities of an IJV



In Figure 1, the columns contain the activities according to which partner possesses the greater managerial expertise. The rows show activities according to their strategic value for partner 1. Each cell is divided into two parts to represent the activities that are strategic for partner 2. The best control structure is prescribed for each cell or subcell and is extracted or generalized from the cases analyzed here.

Cell A. If the expertise of partner 1 in managing a value activity is greater than that of partner 2, and that activity only has strategic value for partner 1, then dominant control is advisable for that activity by partner 1 (lower section of cell A). Indeed, the greater expertise of partner 1 offers more guarantees of an adequate exploitation of the resources in the value activity (Geringer and Hebert, 1989). In addition, partner 1's control expectations would also be met, because the value activity is an important activity according to their own success criteria. This would contribute to stemming the potential for conflict between the partners, as they would expect to be able to influence the decisions related to those value activities through which they add value to the IJV, and which constitute its main source of knowledge (Barden et al., 2005). On the other hand, if the value activity is also important for partner 2 (upper section of cell A), partners should share control of this activity. In this case, although efficiency may be lower, due to the greater frequency of meetings and administrative costs (Killing, 1983), the control expectations of both parties would also be met, thus reducing the potential for conflict (Barden et al., 2005).

Cell B. When the value activity is not strategic for partner 1 but they are more competent than partner 2, dominant control by partner 1 is the most appropriate approach (Choi and Beamish, 2004) if the value activity is not important for partner 2 (lower section of cell B). Shared control is more appropriate where the opposite is true (upper section of cell B). In the former situation, the involvement of the partner with the greater level of expertise in managing the activity ensures smooth functioning (Geringer and Hebert, 1989). Moreover, it does not go against the control expectations of either partner, as the activity is not strategically important to them (Barden et al., 2005). In the second scenario, shared control is the best option. At a later stage, and as a result of the learning process, control can evolve towards dominant control on the part of partner 2 (upper section of cell D).

Cells C and D. In these cells, both partners have the same level of expertise in the management and control of the value activity. If the activity has a high strategic value for both partners (upper section of cell C), they should share the control. Despite a reduction in efficiency as a result of the need for frequent interaction between partners (Killing, 1983), there would be a greater guarantee of meeting the initially established objectives through the combination and exploitation of the capabilities of the two sides (Hill and Hellriegel, 1994). This fulfils the control expectations of both sides and mitigates the potential for conflict (Barden et al., 2005). If the value activity only has strategic value for one of the partners (lower section of cell C and upper section of cell D), dominant control by that partner could be considered the best choice. This would increase the efficiency of the IJV, as dominant control reduces the costs generated in terms of effort and managerial time (Killing, 1983; Parkhe, 1991; Doz, 1996), while the control expectations of the other partner are also likely to be met (Barden et al., 2005). If the activity is not key to either of the partners (lower section of cell D), either of the two can exercise dominant control, while shared control is not recommendable due to the additional costs associated with coordination.

Cell E. In this cell, the value activity is strategic for partner 1, but this partner has less expertise in controlling the activity than partner 2. If the value activity is also important for partner 2 (upper section of cell E), both partners should share control for the reasons previously explained when the activity is located in the upper section of cell A. If the value activity only has strategic value for partner 1 (lower section of cell E), control should evolve from shared control towards dominant control by partner 1, as it begins to acquire expertise in the activity (from lower E to lower C). It is also likely that this situation will meet the control expectations of partner 2 (Barden et al., 2005), as the activity is of relatively little importance according to that partner's own success criteria (Schaan, 1983).

Cell F. In this cell, partner 2 possesses expertise for an adequate management of the value activity, while the value activity lacks strategic importance for partner 1. Regardless of whether the activity is important or not for partner 2, this partner should take dominant control in order to guarantee appropriate decisions and achieve the established targets (Geringer and Hebert, 1989), as this partner possesses the necessary expertise. In addition, partner 1 would meet its control expectations, as the value activity is not crucial for its strategy (Barden et al., 2005).

V. CONCLUSIONS

The literature distinguishes between three forms of overall structures of control in IJVs: dominant control, shared control and split control. Despite the considerable amount of empirical work undertaken by researchers to date, the results have been inconclusive in terms of determining which control structure leads to better performance in an IJV. Based on the theories reviewed and the study carried out, in this paper we propose a framework that prescribes the division of management control between the partners for each individual activity according to two variables: the relative expertise of a partner in adequately managing the value activity; and the strategic value of this activity for each partner. We have analyzed six cases to determine how these two dimensions explain the efficiency and effectiveness of decision-making and the tension that arises between the partners derived from the desire for control.

Some researchers suggest that the partners look for the selective control of those activities that are relevant for the success of their individual strategies, instead of looking for the control of the entire range of the IJV's activities (Schaan, 1983; Geringer, 1986; Geringer and Hebert, 1989; Choi and Beamish, 2004). Taking each of the value activities of the IJV as the unit of analysis, our results show that the control structures identified in the literature perform better when the division of control is considered individually. They also perform better when they are contingent on the expertise of each partner in adequately managing the value activities and the strategic importance of every value activity for each partner.

In line with previous literature (Anderson and Narus, 1990; Lyles and Salk, 1996; Mjoen and Tallman, 1997; Steensma and Lyles, 2000; Huang and Chiu, 2014), our results indicate that conflict between partners emerges when one of them cannot influence the decisions adopted on the value activities related to their contribution to the IJV and which are crucial for their individual strategy. Furthermore, we have observed that even when partners achieve their goals, these conflicts negatively affect the IJV's performance, as having control over the value activities that involve key strategic input from the parent company is key to their satisfaction with the IJV. This point is critical because reiterated conflict harms the performance of the IJV and generates frustration and dissatisfaction between the partners, which can lead to the dissolution of the venture.

Our results show that when the performance of the IJV evolves according to the expectations of the partners, the design of control over the different value activities remains unaltered, since, as Yan (1998) argues, adequate IJV performance reinforces the commitment and trust among partners and reduces the need to introduce any changes in the control structure. These results are consistent with those obtained in previous research (Gray and Yan, 1997; Zhang and Li, 2001). Alternatively, as some studies state (Killing, 1983; Yan and Gray, 1994; Yan, 1998; Zhang and Li, 2001), our research shows that the reconfiguration of control can only be applied to a particular value activity and not necessarily on the set of value activities of the IJV. The control structure can be modified by the partners in response to variations in the performance level of the IJV. In this sense, we have observed that, in the case of poor performance, the reconfiguration of control over a particular value activity is possible when a partner has developed the expertise required to manage that activity and reaches a consensus with its partner.

This study has several implications for both academics and practitioners. Firstly, the proposed framework focuses on the problems that arise in areas of activity, and not on the overall control of the IJV. A single value activity that is incorrectly controlled can be the trigger for poor performance, a fact that highlights the importance of breaking down the level of analysis to the value activity. Secondly, once the model has been applied to every value activity in an IJV, the result will be the configuration of some of the control structures proposed by the previous literature: dominant control, either by the foreign partner or the local partner, shared control, or split control. Hence, the normative framework we propose assumes that none of the structures of control is better than the others with regard to influence on the performance of the IJV under any circumstances, but rather that each of them can be the optimum structure when contingent with the proposed model. Thirdly, most previous research has examined the relationship between control structure and performance from a static perspective. These studies have overlooked the fact that an IJV enables an appropriate context for organizational learning. It is precisely the capability of one partner to become involved in the management control of a particular value activity that can vary as it gains expertise in the value activity as a result of learning about, for example, a technology or country knowledge. Thus, partners should address the relationship between control structure and performance from a dynamic perspective, taking learning into account.

Managers should consider the suitability of negotiating the management control of individual value activities based on the level of expertise of each partner. The involvement of partners in the management control of value activities according to whether they possess the necessary expertise increases the likelihood of success of the IJV, as it implies a certain guarantee that the resources linked to the value activities will be appropriately managed. In addition, the involvement of partners in the management control of those value activities that are important for achieving its own objectives reduces the chance of conflict, which also leads to better performance.

This paper presents several limitations. The usefulness of the normative framework we propose has been verified via a series of case studies. The generalization of these findings in the area of IJVs requires further studies that test the framework in a representative sample. Second, the study is conducted from the perspective of the foreign partner. This limitation is shared by other studies, such as Nguyen (2009), Bener and Glaister (2010), Huang and Chiu (2014) or Larimo and Nguyen (2015). Therefore, further work should consider the relationship between the control structure and performance from the perspective of all partners.

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