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**MANAGEMENT CONTROL AND PERFORMANCE**  
**IN FRENCH-KOREAN JOINT VENTURES**

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**ABSTRACT**

South-Korea is one of the country in the world with the highest rate growth. To develop its economy, this country welcomes foreign direct investments (FDI) with free economics zones and free trade agreements. Further the Korean peninsula has a strategic location due to its short distance to China and Japan. As the result, a large amount of foreign companies invests there (about 40% of the annual FDI are new).

International joint venture (IJV) is an entry mode largely used for a company to go abroad. Moreover, management control and performance have been considered by the scholar as two important factors to consider while doing an international joint venture. Thus, the present thesis aims to investigate the relationship between these two factors in joint ventures made between a Korean and a French company located in South-Korea.

The research problem of the study is: "Does management control affect performance in French-Korean JVs located in South-Korea?". In the theoretical part of the study, the concepts and approaches of management control and IJV performance are presented. The study of these two factors have been controverted due to environment study and the difference of approach.

To answer the question, a quantitative research is conducted through a comparative case study. The sample of this study is composed of 4 French MNCs undertaking a JV with a Korean company in South-Korea. A face to face interview with a French manager of each case has been done to reply to a questionnaire of 33 questions.

The empirical part of the study indicated that there is no evidence on the relationship between management control and performance. In the 4 case studied, the absence of control has been observed. Indeed, the result of success of the venture where the result of a great selection of the partner (similar company culture) and a clear agreement between the partner about the venture management.

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**KEYWORDS:** Management control, Performance, French-Korean joint ventures.



## 1. INTRODUCTION

### 1.1. Introduction of the study

During the last decades, the international business environment has become increasingly more global, creating new opportunities as well as challenges, resulting in highly dynamic markets. The phenomena of globalization has led companies to go abroad to develop their firm in a new markets because of falling of trade barriers and barriers to market entry. This development has changed the competition to a higher global competitiveness between companies. The introduction of new products or the penetration of new markets has become a tough challenge even for a multinational company (MNC). To cope with the situation, the organizational focus is moving from economies of scale towards a specific core activity, while outsourcing other activities (Knoben 2008). As a result, firms has tended to form international strategic alliances with other companies located outside of the home country to either penetrate the local market of the latter, or to exchange skills and knowledge.

Among the internationalization strategy, International Joint Venture (IJV) has been the entry mode the most utilized these last decades with a significant increasing adopted these last years by multinational companies (Knoben 2008). In the mean time, scholars have given a considerable theoretical and empirical attention of this strategic alliance due to its challenges and outcomes. Indeed, IJV are motivated to various reasons, such as risk reduction, economies of scale, shared technology, co-opting or blocking competition, overcoming government-mandated investment or trade barriers (Contractor & Lorange 1988). However, in practice, many IJVs did not survive and have pushed researchers to undertake investigation on the reasons of failure.

Despite the large amount of researches done about IJV, it is still relevant to undertake studies on this field. In fact, it is possible to find controversial results regarding the same area of research but from a different environment. As note Adler (1991), “typical work behaviors vary across culture”, which justify the reason of different conclusions found in the research on the same subject matter. Moreover, because of the progress of new technologies and the environment change, in particular due to the globalization process, IJVs are constantly evolving. Therefore, business studies have to keep on following the change in IJV in order to be updated.

Holmes (2010), CEO Korn/Ferry Korea, argues that “Asia will be at the cockpit of growth”. Among the leader countries of Asia (China, Japan, South-Korea and India), China has been mainly the center of the previous studies with generally US or UK-based joint venture (JV). However, these last years, South-Korea has taken an important position into the worldwide market. In fact, its economy is growing continuously despite the economic crisis in 2009 and is considered as the fastest one nowadays in the world (French-Korean Chamber of Commerce and Industry – FKCCI 2010). Moreover, Korea has attracted a great amount of Foreign Direct Investment (FDI) – see Table 1, and will keep on drawing attention to foreign company since free trade agreements with European Union (EU) have been signed in October 2010 (EUROPA 2010) and more recently with the United-States (US) in November 2011 (USTR 2011). This thesis will focus on FDIs and more especially on the joint venture mode.

In 2011, the FTA with the EU may facilitate the economic relationship and attract more Korean companies in Europe. Due to this important change, it will be relevant to undertake research about the development of JV in Korea. As I am from France, I have chosen to concentrate more specifically on the commercial relationship between France and South-Korea. Nowadays, South-Korea has more than 200 French companies operating in their territory including about 15 through a JV. On the other hand, France welcomes no more than 10 Korean companies. Therefore, in the present thesis, the joint ventures between French and Korean companies in the context of South-Korea will be the focus of this research. (KCCI 2010)

*“Control plays an important role in the capacity of a firm to achieve its goals.”*  
(Geringer & Hebert 1989)

Management control and performance in IJV have been two factors in which business studies has given a particular attention from the beginning of the establishment of strategic alliances. The concepts of control and performance vary from a study to another one and from a situation to another. However, they both affect the well being of the joint venture as they are present in any cases but defined differently. As a result, this research is to investigate how control and performance are defined and used into French-Korean joint ventures in South-Korea.

## 1.2. Purpose and limitations

As stated previously, a large amount of academic research have been done about IJV

around the world but just a few have concentrated in IJV in South-Korea such as Choi and Beamish (2004), Korhonen (2005), Kim and Gray (2009), and Park, Giroud and Glaister (2009). Moreover, the center of interest of those studies is oriented on joint ventures either with US firms or with MNCs by the neighbors of the Korean peninsula such as Japanese or Chinese firms (China has been the center of most of the research done in Asia due to its importance in the business and economic world according to the previous studies read – see “1.3. Literature review of previous research”). The purpose of this paper is to study exclusively the French-Korean joint ventures hosted in South-Korea. South Korea is becoming more powerful into the world with a 13<sup>th</sup> rank in terms of gross domestic product (GDP) whereas it was on the 25<sup>th</sup> position 6 years ago (CIA 2011). As it is shown on the table 1, the amount of FDI has increasingly grown up in 2004 and stabilized afterwards. It is interesting to notice as well that the manufacturing industry with especially the manufacturing of components and materials takes an important part of the FDI. The amount of such FDIs proves the interest to invest in this industry in South-Korea. In fact, after the 2010 crisis, the amount of FDI in the manufacturing industry is still increasing while the amount of services investments drops down. Finally, over one third of every year FDIs are new investments. Furthermore, thanks to the establishment of free trade agreements, the amount of FDI in Korea may increase further in 2011. Thus, a study involving Korea as a host country for such investments provided an opportunity to know more about its business manner and behavior with foreign companies. It will be also a chance to test the generalizable or extend the previous findings of the IJV literature regarding management control and performance in South-Korean-based IJVs, as shown next.

<b>Year</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>
<b>Manufacturing</b>	NA	NA	NA	NA	NA	3 007	3 725	4875
<b>Services</b>	NA	NA	NA	NA	NA	8,387	7 594	4 715
<b>Others</b>	NA	NA	NA	NA	NA	317	165	96
<b>Total</b>	6 471 (NA)	12 796 (NA)	11 566 (NA)	11 427 (NA)	10 515 (NA)	11 711 (37,8)	11 484 (35,0)	13 713 (40,4)

NA: Not Available, Figure in ( ) indicates the percentage of new investment.

**Table 1.** Foreign Direct Investment in South-Korea by industry (Invest Korea 2011)

On the other hand, a countless amount of research has been conducted on management control and IJV performance but appears not have the same conclusion (see comments



by Zhang & Li 2001; Barden, Steensma & Lyles 2005; and Lu & Hebert 2005). The purpose of this paper is to investigate JVs in the area of management control and performance. These two elements are fundamental within a joint venture because of their critical variations from a IJV to another one. These variations could be explained by the fact that control and performance are defined and measured differently. Thus, this research is to answer the following two research questions:

*How do French-Korean JVs manage control and performance?*

*Does management control affect the performance of such ventures?*

Empirically, this research will be conducted in Korea through a comparative analysis of 4 case studies of a French MNC operating a joint venture with a South Korean company. As a first step, the literature review will examine broadly the assets of control and performance in IJV. Then, the comparative case studies will empirically analyze the theories and go into depth of the management control and its effects on performance. The case studies chosen will be independent in a sense that they will be in the same environment but will not be related each other. Finally, the obtained results will be compared and a conclusion will be made accordingly. The research design will be more developed in the part “4. Research methodology”.

In order to conduct a reliable research, some concepts and limitations need to be designated. Next, the concept of IJV will be defined followed by the description of the limitations of the area studied. Further limitations will be described in the section “4.3. Validity and reliability of the study”.

IJVs are regarded as a strategic alliance between at least two legal entities undertaking a single or specific series of transactions where they share mutually the profits and losses (Gutterman 2002). They aim to benefit all the parties in a case of a partial acquisition, or a specific commercial enterprise in the case of a greenfield investment (Gutterman 2002). Moreover, IJVs link companies from at least two different countries and operating either on the parents’ country or on a third host country. In the present study, sole IJVs in Korea having two partners have been the target of this study. In fact dyadic relationship is the most spread configuration of IJV. As a result, IJV based on a wholly owned subsidiaries, mergers and acquisitions or greenfield investment will not be taken into account in this research.

Luo, Shenkar and Nyaw (2001) have shown that results from a same study but in a

different environment tended to be different. The environment can be defined mainly by the country borders but also the company culture. In the case of this research, the environment of the study is South-Korea.

Studying IJV is a broad topic which needs to be narrowed down to provide relevant evidences and to bring an accurate answer to the research questions. Despite the interrelations of criteria involved in an IJV, this study is limited to examine the main factors considering management control and performance within an IJV.

The joint ventures selected for this research gather companies disregarding their number of employee and previous experiences on JV or IJV. Then, the perspective of the study is not industry specific. Finally, all the ventures selected for the study do not involve the Korean or French government as they are running a joint venture with a private partner.

### 1.3. Literature review of previous research

Extent literature has studied IJVs for almost five decades covering most of the issues in several contexts gathering about more than 4500 books and over 500 articles (Larimo 2010). This literature review of the previous research presents a selection of articles and assumes that some studies may have been forgotten. Moreover, the business books used on the present thesis are voluntarily not presented except for the one written by Killing (1983) as it presents a well-known concept about control and performance. In fact, IJV theory has changed significantly over the past years (Yan & Gray 2001) and journal articles present more updated information than books because of their ease and speed of being published. Furthermore, the study published in academic journal focus more deeply on a particular subject while a book gathers usually broad information about a subject. These are the reasons why journal articles have been privileged in this literature review.

The works presented in the literature review aim to introduce the different perspectives, concepts and approaches made across the years about IJV management control and performance. However, the findings observed in those works will not be presented due to the notice of numerous alterations. Therefore, their conclusions have not been included in the literature review and in the research because they may lead the research inadequately. Finally, these articles have been selected for most of them according to their amount of redundancy in the references of articles found through my personal

research.

This literature review is divided into two parts conforming to the topic of thesis. The first part focuses on “Management control” theories, and the second part on “IJV performance” theories. The previous research are presented chronologically from the oldest to the newest. A summary table will present at the end of the previous research to recapitulate the introduced works.

## MANAGEMENT CONTROL

**Killing (1983)** wrote a book called “Strategy for joint venture success”. This book is considered as the first in-depth study of control and the way to achieve successful performance into a joint venture. It focuses in particular on control design and performance within 37 Mexican-based JVs from developed countries (North America notably). Killing develops three kinds of control: formal agreements, staffing and influence techniques. However, while his theory has been largely spread, it has been controverted and criticized significantly during the last 30 years, but also developed such as in the study done by Geringer and Hebert (1989). The theory from Killing (1983) will be used more in the approach of management control paradigms than in the theoretical perspective of IJV performance in spite of the title of the book “joint venture success”.

**Geringer and Hebert (1989)** have been one of the first to publish conceptual frameworks about control and performance in IJVs. Based on the previous literature, they established a conceptualization of control gathering three dimensions: control focus, control extent and control mechanism. They also studied the link between strategy and control and its direct influence on performance. As a result, they built a model in order to clarify the nature of linkages between these three parameters: control, strategy and performance in IJVs. Later on, scholars have utilized their framework to develop new theory generations. In this study, the framework developed will be mainly used.

**Mjoen and Tallman (1997)** have conducted a study on control and performance in 102 IJVs of Norwegian companies located around the world. Based on this study, they developed a model which provides an integrated approach of the relationships between strategic resources, equity, control, and performance. It takes into account simultaneously the resource-based strategy, transaction cost theory, and bargaining

power models. This quite complex but complete model has been the sources of many other researches and will be a part of this study as well.

**Newburry and Zeira (1999)** examined the effects of autonomy on the effectiveness of equity international joint ventures (EIJVs) through 34 EIJVs located in Hungary and 49 in England. More to the point, they developed a multidimensional concept of autonomy linked with the performance of the venture. In fact, they assume that autonomy is a synonym of success in IJV as it shows the well being of the delegation process of control. However, in their study, cultural factors have been as well measured and shown that this observation would vary from a company/country's culture to another one.

**Luo, Shenkar and Nyaw (2001)** compared the control-performance relationship between the foreign versus local parents in IJVs in China. Based on the study of 295 Chinese-based IJVs, they observed the perspective between the local and foreign parents on control and satisfaction of the alliance through four main factors (equity share, goal incongruity, parent competencies, and cultural distance). In fact, the Chinese government is strongly involved on the decision of the JV to protect and control Chinese businesses and activities. As a result, it creates a dual local parent for the venture. They also emphasized the influence and effects of dual control on IJV performance. This work will be used both in the development of management control and IJV performance theories. As China is a neighbor of South-Korean, it will relevant to compare the results.

**Yan and Gray (2001)** developed a grounded-theory model based on their previous works in 1994 about the antecedents and effects of the parent management control structure in IJV. Through the studies of data collected from 90 US-Chinese manufacturing joint ventures, they observed the relationship between the ownership control and the strategic, structural and operational control. Moreover, compare to the previous studies, this research emphasized on the local partner's role, interest, and objectives in the IJV and its interaction with the MNC. In their work, relative distribution of bargaining power between the partners determines their relative levels of control over the IJV.

**Zhang and Li (2001)** investigated the dynamic relationship between the control design and performance within IJVs. They analyzed across 8 Japanese-Chinese joint ventures based in China the evolution of control design over the time and its effect on the success of the venture. Through a cross-sectional study, they determined which type of

management control gives the most successful performance.

**Choi and Beamish (2004)** built a framework about management control partitioning between MNC and local emerging market partners. Based on the study of 71 Korean-Japanese, Korean-US, Korean-EU and Korean-Canadian JVs located in South-Korea, they studied the relation between the control partitioning of the venture and the effects of the latter on the success of the venture. The classified control partitioning into four different ways: split control management, shared management, foreign parent dominant management, and local parent dominant management. As this research has been focused on South-Korean IJVs, the results of this studies will be compared with the one found in Choi and Beamish's work.

**Lu and Hebert (2005)** proposed a transaction-cost-based contingency framework resulting from a research regarding the relationship between equity control and IJV performance. Based on the observations of 720 Japanese IJVs in 12 developing Asian countries (China, Thailand, Malaysia, Philippines, Indonesia, India, Pakistan, Sri Lanka, Brunei, Vietnam, Laos and Bangladesh ), this research argues that IJV performance is mainly a function of the fit between a parent firm's strategy and its control structures, rather than solely the direct outcome of the extent of control exercised. According to their empirical results, their approach is not applicable in every situation, in particular in R&D joint ventures, but shows an interesting fact as it will be more discussed in the literature review part.

**Luo (2007)** studied the effect of specific parts of control on performance. Luo has divided joint venture control into two distinct types of control which coexist in every IJV: private control and collective control. Through this division, he demonstrates that control sometimes helps, but sometimes hinders IJV success. The demonstration has been assessed with a survey and through archival data referencing to 190 samples in China. Despite of the limitation of the study of the geographic area of China, the findings are relevant and may be the last and most updated one regarding the management control theory.

**Nguyen and Larimo (2009)** focused on the manner of establishing control structure within an IJV through Killing's (1983) theory. Based on 54 Finnish IJVs, they developed a theory regarding the relationship between the parent's firm strategy, its link with management control and their effect on the venture's performance. Although their work concentrates mainly on IJV strategy, it brings relevant facts regarding the

environment and the reasons of the establishment of control in an IJV.

**Fan (2011)** examined control through an analytical inductive case study. The author paid attention to the effects of inside and outside control from both side of the joint venture's parents and their respective management team. This study brings new information concerning the effects of outside control, but needs to be further developed. In fact, his work is based only on theory and has not been tested yet, however the approach of control will be used in this thesis.

## IJV PERFORMANCE

**Geringer and Hebert (1991)** discussed the different data collection approaches of measuring performance of IJV through two distinct but related studies taking place in the US and in Canada. In particular, this study aims to examine the reliability and the correlation between various IJV performance measures and assessments. Geringer and Hebert show some evidences about the methodology of assessing performance and its impact on the results. Moreover, they emphasize the need to adapt the selection of criteria to study according to the environment of the area studied and also the companies.

**Demirbag and Mirza (2000)** explored empirically some factors affecting IJV performance and built a framework made out of their findings of the study of 47 IJVs in Turkey. They focused especially on the association between the inter-partner relations such as conflict, commitment, control, co-operation, autonomy and performance. The outcomes of their studies confirm that there is a strong relationship between control and inter-partner relations and IJV performance.

**Boateng and Glaister (2002)** examined several aspects affecting IJV performance in 57 IJVs in West Africa. In particular, their study focuses on the partner capabilities, capital adequacy, congruity of motives and goals. On top of that, they analyzed the difference between an IJV made with a private company and one made with the government. They found out that IJV performs better with a private partner than with the government. Due to its specific environment, this study brings a different point of view of analyzing control and performance. It will be used both parts of the literature review (management control and IJV performance).

**Robson, Leonidou and Katsikeas (2002)** present a methodical, analytical and focused review of factors affecting IJV performance. In order to identify all the variables

affecting IJV performance, they scanned the previous literature and gathered 74 determinants and 7 performance measurement approaches to assess IJV performance. From these results, they built a table classifying the variable into 14 categories. A framework has been also built to visualize the process of IJV performance. Their methods of assessing performance will be in particular utilized in the empirical part of this study.

**Ren, Gray and Kim (2009)** present an in-depth review and critics of previous studies about IJV over the past 10 years. From their research, they established a conceptual model for studying IJV performance differentiating the performance measures and the performance drivers. In this paper, only the part covering the linkage between control and performance will be used. As the work done by Robson et al. (2002), this in-depth review will be mainly used in the empirical part of this study.

**Larimo (2010)** analyzed the performance and the factors affecting it in IJV located in Central and Eastern European (CEE) countries. Based on the activity of 77 Finnish firms having a JV in a CEE country, he analyzed the possible variations in the results depending on the measure of performance. The study shows that most of venture failed or could not reach their objectives. Moreover, the investigations present a divergence in the results which challenges the previous research and restrains any conclusion.

To conclude the introduction of the previous literature, the table 2 recapitulates the works reviewed.

<b>Authors</b>	<b>IJV origins (Sample Size)</b>	<b>IJV Location</b>	<b>Concepts developed</b>	<b>Area of Focus</b>
Killing (1983)	Mostly USA (37)	Mexico	Staffing, Influence techniques, Formal agreements	Control design and IJV performance
Geringer and Hebert (1989)	Based on previous literature		Control focus, extent and mechanism	Management control, strategy and performance within IJVs
Mjoen and Tallman (1997)	Norwegian (102)	Worldwide	Interrelation between strategic resources, equity, control, and performance	Control and performance in IJVs
Newburry and Zeira (1999)	– (34) & (49)	Hungary & England	Autonomy as a multidimensional concept and effectiveness	Control and performance in IJVs
Luo, Shenkar and Nyaw (2001)	– (295)	China	Relationship between dual parent control and IJV performance	Specific control and IJV performance
Yan and Gray (2001)	USA (90)	China	Influence of bargaining power, ownership on control	Antecedents of control
Zhang and Li (2001)	Japan (8 cases)	China	Evolution of control design and its effect on the success of the venture.	Control design and IJV performance
Choi and Beamish (2004)	US, Canada, Japan, EU (71)	South-Korea	Control partitioning: split, share, dominant control	Management control and IJV performance
Lu and Hebert (2005)	Japanese (720)	12 Asian countries	Fit between strategy and performance through control	Ownership control and IJV performance



Luo (2007)	– (190)	China	Private control and collective control	Specific management control
Nguyen and Larimo (2009)	Finland (54)	–	Control structure fits the strategy to achieve performance	Strategy, control and IJV performance
Fan (2011)	Analytical inductive case study		IJV control: parent inside and parent outside	Management control
Geringer and Hebert (1991)	Canada, US (2)	–	The correlation between IJV performance and assessment	IJV performance
Demirbag and Mirza (2000)	Worldwide (47)	Turkey	Inter partner relationship	IJV performance
Boateng and Glaister (2002)	Western Europe, US and Asia (57)	West-Africa	Partner capabilities, capital adequacy, congruity of motive and goal as factors influencing IJV	IJV performance, culture and control
Robson, Leonidou and Katsikeas (2002)	Based on previous literature		Extensive review of factors affecting IJV performance	IJV performance
Ren, Gray and Kim (2009)	Overview of the last 10 years academic studies		Review of factors affecting IJV performance studied over the past 10 years	IJV performance
Larimo (2010)	Finnish (77)	CEE countries	Analysis of IJV performance and factors affecting IJV performance	IJV performance

**Table 2.** Summary of the previous literature

#### 1.4. Structure of the thesis

The structure of the thesis follows the general presentation of a business paper: Introduction, Literature review (2 parts), Research methodology, Empirical results and Conclusion as it will be detailed below and oversimplify with the figure 1.

**Chapter one** is an introduction of the research area and the research questions including a presentation of the past research. First, the background of the study was described. Then the reasons of the study were developed followed by the presentation of the research questions and the delimitations of the study. Finally, this first chapter ended with a review of the previous literature that this research will use.

**Chapter two** develops in depth the theoretical perspectives of control in IJV. Based on the previous literatures, the different approaches, concept and theories of control are presented and analyzed. Then, the information gathered about management control will be used in the empirical study of the French-Korean JVs.

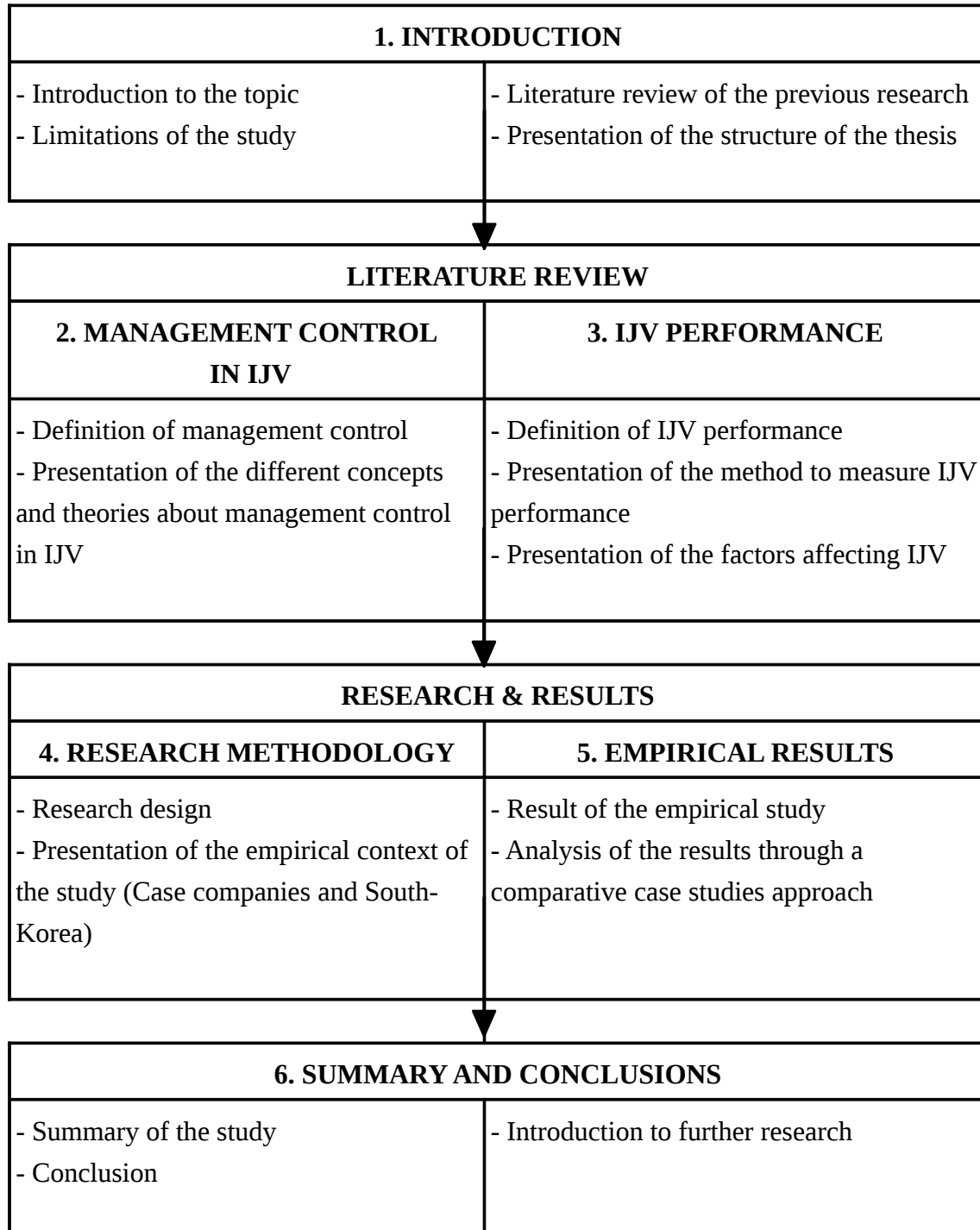
**Chapter three**, in the same purpose of the previous chapter, highlights the relevant theories in relation with IJV performance. Based as well on the previous studies, it will present the different approaches and theories about achieving and measuring performance. A list of factor having influence on IJV performance will be made and tested in the empirical study of the French-Korean JVs. To conclude the literature review, a framework will summarize the theories studied at the end of the chapter.

**Chapter four** presents the appropriate methodology for the accomplishment of this research. The chapter begins with the presentation of the different research methodologies followed by the justifications of the method chosen including the data collection and data analysis. In order to achieve an accurate results of the study, the reliability and validity of the study will be presented. Furthermore, the selection of the qualitative multiple-case study is justified and the case companies presented.

**Chapter five** gives the empirical results of the studies. The results are presented and analyzed individually according to each case studied. Then, a cross-comparative table summaries the data collected during the interviews.

**Chapter six** concludes the research. It contains a summary of the research followed by the final conclusions of the study. In addition, it describes briefly the managerial

implications which derive from this research and suggests directions regarding further research.



**Figure 1.** Structure of the thesis

## 2. MANAGEMENT CONTROL IN INTERNATIONAL JOINT VENTURE

The chapter 2 is the first part of the literature review of this research. In this section, based on the introduction of the previous studies in the chapter “1.3. literature review of previous research”, the approaches, conceptions and theories regarding management control within an IJV will be presented. These studies will be further developed in this chapter. The purpose of this literature review is to extend complete knowledge regarding the topic in order to draw a theoretical framework. Then, relying on this approach, a questionnaire (appendix 1) will be made to investigate management control and performance and its possible relationship within French-Korean joint ventures in Korea. The final conceptual framework is presented at the end of the chapter “3. International joint venture performance”.

### 2.1. Definition of management control in IJV

During the past three decades, the amount of studies about IJV has been increased suggesting each time a different perspective and interpretation of the divers terms used in jargon of the field of the IJV. The importance of the definition of such terms has an impact on the methodology and result of the research (Geringer & Hebert 1991). Consequently, in this part, the definitions of control from the different sources of the previous literature will be discussed and analyzed. Those definitions may vary according to the situation and environment of the IJV. Then, the relevant aspects of control will be suggested in order to give the direction of the thesis.

In 1983, Killing and Schaan while working together argues that control regards only the parents of the joint venture. In fact, they suggest that control is a matter of decision power. Through this control, the parent company ensures to affect the joint venture in order to perform into the way they wish and achieve their personal objectives. Nonetheless, it is important to highlight that their works tend to give a certain advantages to the North American JV because of their domination on the joint venture activities (about 43% of the all joint ventures were American in 1971 and 80% if the UK-based JV are added – Killing 1983). This idea of winner-looser under the pretext of parenting the JV has been repeated later in 1997 by Ding, however there are other ways of looking at control in IJV. For example, Geringer and Hebert (1989) went further on the idea of Killing (1983), Schaan (1983) and Ding (1997). In fact, they demonstrated

that control in IJV is complex and multidimensional. Three dimensions have been distinguished into IJV control: (1) the focus of control which refers to the scope of activities over which parents exercise control; (2) the degree of control achieved by the parents; and (3) the mechanisms the parents use to exercise control (The Geringer and Hebert's (1989) concept will be more developed later in the "2.4. The multidimensional approach of control"). It should not be concluded from their perspectives that control is the sole matter of the parents of the venture in particular when it is linked to IJV performance, but there is no doubt of the importance of their role.

It is often argued that traditionally control in IJVs has been limited to the degree of ownership (Mjoen & Tallman 1997). Also, Geringer and Hebert (1989) said that many studies have concentrated on only one dimension or element of control: ownership. It would be exaggerated to claim that control may be determined only by the level of ownership. In fact, ownership may not be the most accurate representation of control in each situation and may even have a low influence in governance (Mjoen & Tallman 1997). It is well known that several criteria are interrelated while describing some important factor in IJV and this is what Mjoen and Tallman (1997) have been substantiated. They have taken into consideration several elements and proposed to have an influence on the performance of IJVs. From this point of view, control cannot be studied without considering the factors surrounding.

One of the most popular motives of the creation of IJVs is the exchange of technology and knowledge. In this case, control leans towards to play a role of protection (Killing 1983). In order to avoid the JV partner to copy the capabilities of the IJV's parent, control regulates and checks through authority the access of data. These rules of conduct can also be established while an MNC starts a strategic alliances with another company located in a less developed country. Above all, Hamel (1991) extends the assumption of control as a regulation to cover the competitive advantage of the parent company. He also argues that control protects "the performance possibilities of both joint venture and parent". These lines of arguments lead to investigate whether control is used as a protection of knowledge transfer within a R&D IJV in Korea. It can also be interpreted that the role of control adapts itself to the circumstances of the IJVs.

At first sights, the basic function of control into a joint venture is to ensure the company to achieve their goals. Glaister and Buckley (1998) have declared that control is a process to lead the organizational objectives to success. In practice, control is a leader which has to influence the human resources and not to oppress them. Lu and Hebert

(2005) support as well this argument and go more to the point. They characterize control as an “ability to exercise authority and influence over the JV’s strategic and operational decision, system and methods”. Therefore control can be taken to be an intangible resource which, according to Mjoen and Tallman (1997), can strongly affect the outcomes of the IJV. Moreover, in contrast to what have been argued in the last paragraph, Lu and Hebert (2005) consider equity share as the central element in parent control. This does not mean that it is true, but it makes sense as it may define the amount of manager in the management team of the IJV. At last, Child, Faulkner and Tallman (2005) have written that “control is a central aspect of the management”. The view suggested here emphasizes a social control and managerial control of the strategic alliance. Thus, the staff of the JV and its relationship with JV’s partner are perceived as the key success factors of the IJVs.

Through control, it is possible to observe the behavior of the joint venture and so to adjust the strategy to match the objective if the results recorded go wrong. In effects, “control is to aim predictability and critical information” (Makhija & Ganesh 1997). For instance, using indicators that the company would have beforehand set up on some critical factors, managers accountable are able to constitute their action and decisions according to them (Child et al. 2005). The consequences of control in this case related to the interest of forecasting by keeping a track on the activities of the joint venture.

Finally, managing an IJV either its strategy or its control is unique despite of the similarities observed from an IJV to another one. In fact, it has been proved that culture and environment of the company of country interact to create a unique set of managerial values and control (Ralston, Gustafson, Mainiero & Umstot 1993). These two factors – culture and environment, change the order of the IJV’s mise-en-scène due to its important impact on the inter-relation with people and the behavior of the MNC (Mjoen & Tallman 1997). Further a large amount of studies have been controverted by the fact the IJV is taking place on a certain part of the world. In contrast, some countries, for instance China, have received more attention than others due to its specific way of managing business. One way of summarizing this would be to say that management control is specific to the company and its target country.

To summarize, the divergence of opinions and assessments of control demonstrate an ambiguity on its role which highly depends on the condition of the JV. Nevertheless, over the time, it would not be an exaggeration to say that the role of control has moved from an authoritative and dominating influence towards a requirement to adjust and

regulate the joint venture in order to achieve high performance on the IJVs and not anymore on the parents'. From these lines of arguments, a clear definition of management control cannot be written as its meaning varies from a situation to another. However, several aspects linked to control can be enumerated and will be taken into account on the assessment of the French-Korean joint ventures. These aspects are summarized in the table below.

<b>General aspect of control and its management</b>
<ul style="list-style-type: none"> <li>- The importance of the role of the parents of the IJV</li> <li>- the interrelations of factors affecting control and the outcomes of the JV</li> <li>- The bargaining power and the influence of control on the JV (how it is perceived?)</li> <li>- Protect patterns and competitive advantages</li> <li>- Depends of the managers of both parents</li> <li>- Forecast performance and adjust IJV strategy</li> <li>- Management control is specific to each IJV</li> </ul>

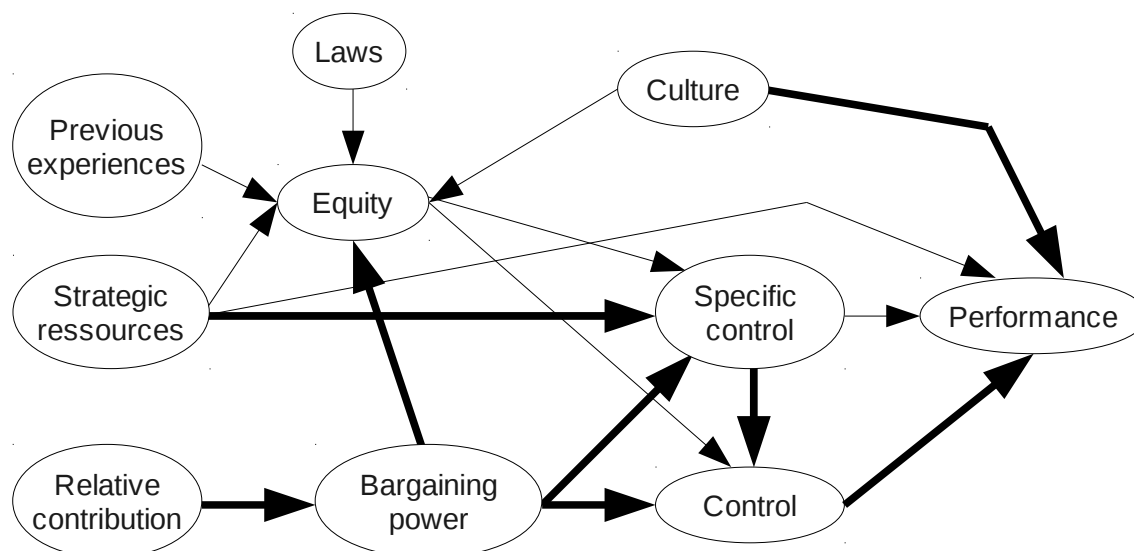
**Table 3.** Summary of the different aspects of control

On top of being ambiguous, control interacts as well with several factors. According to the importance of those factors, management control may be moderately affected as it will be explained in the next chapter.

## 2.2. The interrelations of IJV factors linked to control

Although management control has been defined, the external and internal context of the area of the research has to be considered. The factors composing these contexts have to be identified, measured and weighted in order to make a reliable research. Here Mjoen and Tallman (1997) proposed a deep approach of the interaction of the IJV factors and their link to management control (figure 3). They have drawn a complete theoretical model highlighting the different interrelations linked to control in an IJV. However, the concept of control has been approached through a different way. In fact, they have defined control through several forces affecting each other. For instance, control and specific control are separated and are under the influence of different elements. Previously, strategy and control were connected while in this model, strategy affects specific control but not control. Mjoen and Tallman (1997) define "Specific control" as the control over specific JV activities while "Control" focuses on the overall control of

the venture. Moreover this model can be interpreted as a process to achieve performance. Each factor has to be validated from left to right according to the direction of the arrows to obtain great outcomes on the joint venture.



**Figure 2.** Theoretical model of the relationships between control and performance (Mjoen & Tallman 1997: 264)

In the figure above, the dark arrows represent a strong relation between the elements and normal arrows show that there is a link between those elements. The sense of the arrows shows the direction of the effect from an element A to another element B. According to the figure, “Control” and “Culture” are the key factors for JV success. Nevertheless, in this study, the factor “Culture” will be moved further apart as this research focuses exclusively on management control and performance. It is important to note that culture, in this case, is not considered as a factors affecting control. Finally, the external control such as the context of the IJV has been omitted as well as the effect of feedback from the JV performances.

Among the factors presented in the graph, “Law” which represents all of the regulations regarding to IJV, and “Strategic resources” which is not fully connected to the research will be discussed in the sub-chapter “2.4. The multidimensional approach of control”. In addition, “Equity” and “Relative contribution” which are related to each other, will be discussed in the sub-chapter “2.6. Equity share and control allocation”. It will be followed by the discussion of the impact of “bargaining power” over control in the sub-chapter “2.7. Bargaining power and control”. “Specific control” and “Control” will be discussed in the sub-chapter “2.9. Inside, outside, private and collective factors”. Finally



the factor “previous experience” will be argued below.

Killing (1983: 28) argues that a lack of experience from a parent firm is likely to be an “exercise of raw power” through control within an IJV, hence having some experiences moderates the beginner’s mistakes. International or local joint venture experience is an ability that takes time to acquire (Lu & Hebert 2005) and will help obviously future joint ventures to perform better. Nevertheless, having previous experiences is not only the factor to consider on the elaboration of the equity of the venture, in particular regarding the elements to figure from the JV partner and the right achievement of performance. Thus, partner selection appears to be an important factor in the process of success of a joint venture but will not be more developed in the present thesis, but taken into account in the analysis of the empirical results. Further Lu and Hubert (2005) highlighted that, studies on IJV control can be separated into two categories. The first category of studies focuses on the relationship between the initial conditions of IJV and the level of equity control, while the other one focuses on the equity control and performance. This study belongs to the second category.

### 2.3. Killing's approach of joint venture control

As mentioned in the definition above, control has the power to influence people working within the JV. In other words, control can be utilized to affect the way of behaving into the JV. Furthermore, depending on this situation, control is exercised either by the foreign parent(s) of the JV either together with its local partner. Killing (1983) has identified three mechanisms to influence the management of a joint venture from the foreign parent: formal agreements, staffing and influence techniques. However, Schaan (1983) labeled this behavior as a “negative control” because it aims only to give advantages to the foreign parent and do not encourage the venture to last. Therefore, in Killing’s (1983) theory of control regards the interests only on one side of the joint venture but brings relevant information on control mechanism.

*Formal agreements:* are the legal documents which accompany the creation of an IJV and are closely connected to the issue of control. Through them, the parent companies organize the level of control to the foreign partner. Further, more the parent company is involved, the greater its influence.

*Staffing:* consists to designate the amount of manager from both parts into the IJV. In

fact, if the parent company affects a large amount of people into the IJV, the communication between the venture and the parent company is likely to be improved. In 1983, Killing argued that this practice do not show evidences regarding the joint venture success, but contribute to the dominance of the JV by the parents. Later, this intangible resource will be shown as an important factor to success (Mjoen & Tallman 1997).

*Influence techniques:* are a qualitative control such as quality process, technical form and measure. By asking some information through a pure technical and formal way, the parent company access to data and oblige the partner company to act according to them.

Despite the negative aspects highlighted by Schaan (1983), Killing's (1983) approach has contributed to the IJV management control theory as it was one of the pioneer of the IJV theory. Later on its perspective has been re-used and developed as it will be shown next.

#### 2.4. The multidimensional approach of control

The multidimensional approach has been established by Geringer and Hebert (1989) and has been reused later by a large number of academic writers such as Wang, Wee and Koh (1998), Nguyen and Larimo (2009), and Fan (2011). The developed concept has identified three dimensions into control: the focus of control; the extent or degree of control achieved by the parents; and the mechanisms the parents use to exercise control. These three elements examine a different part of control. They complement each other and are interdependent. In addition, Geringer and Hebert's (1989) concept is linked with the IJV's strategy and performance. (Geringer & Hebert 1989)

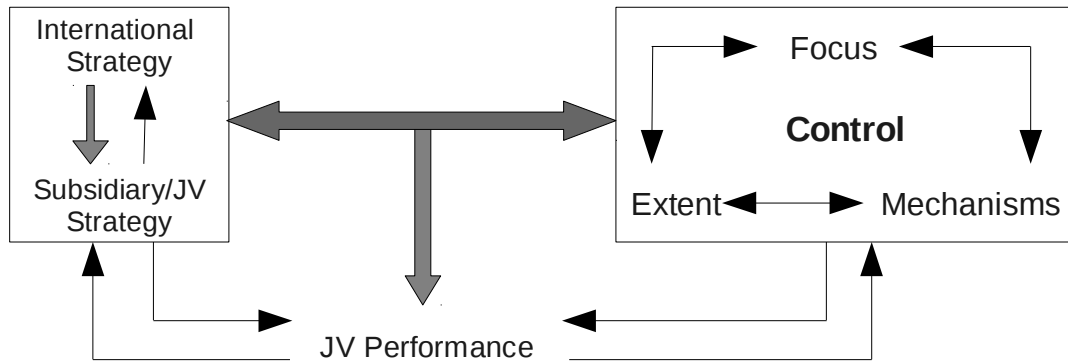
*Control focus:* consists the JV to determine whether it applies an overall control – control over the whole IJV's activity, or a specific control – control over a specific activity such as Marketing, sales, and distribution; General management and operation; Finance and accounting; R&D; Production and quality; and Human resources (Glaister, Husan & Buckley 2005). Furthermore, depending on the parent's firm abilities and the goal of the IJV; control may be established on technology-oriented or market oriented activities (Child et al. 2005). (Nguyen and Larimo 2009)

*Control extent:* is related to the degree of control that the parent company exercises on the venture. Alternatively, control extent agrees on the balance between operating a

strict control or a complaisant control. There are pros and cons for both of the extremes of control extent. On a complaisant control, the IJV has an abundance of freedom and can run the venture autonomously, while it implies none protection for the parent firms' assets. It is undeniably a synonym of trust between the parent and the partner. In contrast, a strict control offers a high level of protection which favors a frequent and precise reporting. This type of control has its interests when the parent firm requires a high quality product or a need to follow strict procedures and policies. Nonetheless, if control is exercised in a too frequent and domineering manner, it is likely to lead the IJV to a significant ill or even to its eventual breakdown. (Child et al. 2005)

*Control mechanism:* are the structural arrangements used for directing the IJV such as the "formal agreements" from Killing (1983) described previously. Friedman and Beguine (1971) have extended the control mechanism to two sub-controls: formal control and social control. Formal control regards all the regulation and laws or other agreements that explicitly affect the behavior of the IJV. Furthermore formal control has not objection due to its formality. On the other hand, social control aims to encourage the informal relationship to allocate the common attitudes and knowledge of the organization. The control mechanism adopted to apply social control refers to informal communication, information exchange and training, personal relation, mentoring, and development of a common organizational culture. However, it is important to note that social control has to be coupled with another control method in order to have feedbacks on the intangible resource created by the latter (Mjoen & Tallman 1997). (Friedman & Beguine 1971)

From their theory, Geringer and Hebert (1989) have developed a framework (figure 2). It integrates their approach (control focus, extend and mechanism) and its contexts: the firm's overall strategy. In the figure 2, the strategy, control structure and performance of the IJV are illustrated with their different relationship.



**Figure 3.** The strategy-control framework of JV performance (Geringer & Hebert 1989)

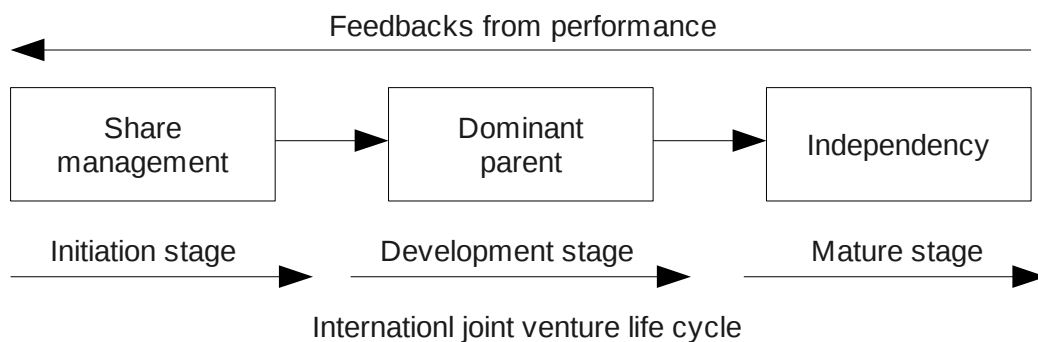
The framework puts forward the strong relationship between strategy, control and IJV performance. It also shows the importance of feedbacks and the interdependence of the control focus, extent and mechanism. Nguyen and Larimo (2009) employed this framework and tested it within 54 Finnish-based IJVs. The outcomes justify the theory that companies using their strategy to build their control structure were more satisfied with their performance than those who did not. Thus, it is undeniable that strategy, performance and control are related and depend to each other through a triangular relationship. Control is made according to the strategy which is judged by the resulted performance. The performance gives then feedbacks to the management control and the strategy of the venture which are improved accordingly. Seen in this light, performance is not just the result of what it has been controlled but also the global outcomes and other unverified elements.

Later on, based on the notion that parent control is multidimensional developed by Geringer and Hebert (1989), Yan and Gray (1994) have proposed that parent control can be exercised in three ways. The first way is that IJV's board of directors manages the control of the venture so called "strategic control" (similar to control extend). Secondly, the venture's top management manages the control of the venture hence "operational control" (similar to control focus). Finally, the parents impose procedures and routines on the IJV which is named "structural control" (=control mechanism). This is a slightly different approach of control than Geringer and Hebert's (1989), but with a similar concept and different and more explicit designations. This concept can be found in the part "2.7. Bargaining power and control" in the figure 7.

## 2.5. Control structure, autonomy and independence

From the beginning and over the time of the life of strategic alliances, IJVs are facing challenges. In order to achieve the goals of the venture, the IJV has to adapt its strategies to affront these challenges and put straight again the venture on the way of success. From the fact that management control is determined according to the IJV strategy (Nguyen & Larimo 2009), changes within the strategy may involve as well changes in the control structure. These changes can be either due to the results of the IJV performance, either due to an external factor such as change in the government. In the case the outcomes of the IJV is the origin of changes, it is suggested that IJV performances affect management control. What needs to be noted is the fact that strategy which is obviously linked to the matter of attaining the objectives of the IJV, is also linked to the control structure. Therefore, there is a relationship between the performance of the venture and management control.

Furthermore, the structure design of IJVs tends to change according to the outcomes of the venture. Zhang and Li (2001) emphasized that performance is the feedback of the JV's control. For that reason, performance is a “motivating force to stimulate the evolution of the control design” Zhang and Li (2001: 1). Accordingly, the outcomes of the JV give a dynamic dimension to management control. Based on this assumption, Zhang and Li (2001) have imagined a life cycle of management control as it is shown on the figure 4.



**Figure 4.** Evolution of control according to Zhang and Li (2001)

In this figure, it is theorized that during the life cycle of an IJV, the equity share is changing according to the feedbacks from the performance achieved. First of all, it is supposed that a joint venture divides management control on a basis of shared management ownership. Then, following the feedbacks – positive or negative – created

by the performance of the venture, management control is likely to move to a dominant parent control during the development stage. Finally, a joint venture tends to reach an independent management control if the feedbacks are positive and then enter in a mature stage. In the case the feedbacks are negative, the equity share may change differently and the venture may broke down.

Nevertheless, it has been proved that shared management tends to be inefficient on performance (Killing 1983). Further the purpose of Zhang and Li's (2001) theory is to demonstrate that independence control is decisive for a successful joint venture. Thus, they show that shared management and dominant parent control are the steps to achieve the independence of the JV control. More to the point, based on other studies, they assumed that if the level of control is low, the performance prone to be higher (Zhang & Li 2001). However, to achieve this high level of performance the threshold of independency has to be crossed (Zhang & Li 2001). This can be interpreted as poorer is performance, higher is the probability that IJV is running independently. Indeed, a high performance would not resettle the management control as it performs well. Or, the management control does not simply need to be adjusted as the venture is satisfied with its outcomes. As a conclusion, performance gives a rhythm to the control design of the venture.

There are other ways to look at the evolution of the IJV control design. It has been argued that control design is linked with performance hence it can be also said that the way of managing such alliances affects its outcomes. Newburry and Zeira (1999) argue that the level of freedom into an IJV given from the parent to their venture has a positive effect on the performance. For an IJV, being independent is synonym that it is able to work by itself and that the tasks have been well delegated from the parent firms. In contrast, it means as well that a high level of control from the parent companies signify a failure to assign the mission. Being independent connotes with the trust that the parent firm has for the JV and also the ability of running the activities without the assistance of the parents. In this sense, it is added that a lack of freedom of the IJV strengthens the idea of the abuse of bargaining power of the parent firm on the local partner. Thus, the parent company shows a need to control and perhaps a need to protect its own activities. In the works done by Newburry and Zeira (1999), they suggest the notion of "joint control" in order to give the control impartial and reinforce the relationship within the joint venture. The joint control takes place into the joint venture itself and depends only on the company managing the venture. Further the local partner becomes the parent company of the IJV. (Newburry & Zeira 1999)

It should not be concluded that managing control autonomously is the only method to reach high performance in IJVs. The environment of the alliance is, in fact, the sole determinant of its management control. Other alternatives exist and will be described in the following sub-chapter.

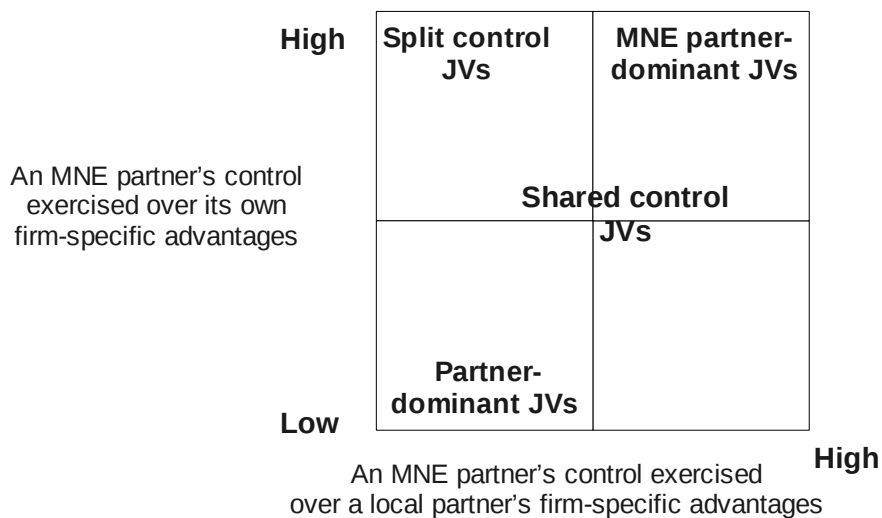
## 2.6. Equity share and control allocation

The division of ownership has been considered for a long time as the base of managing control into an IJV and a long-standing matter of contention for academic scholar (Choi & Beamish 2004). Further most of the IJVs have adopted a 50-50 equity share ownership control thinking that it is easier to set up an equal control between the foreign and the local parent (Killing 1983). The opinion regarding the use of 50-50 joint venture has been controverted over the time. Among the paper selected in this research, Killing (1983), Ding (1997), Mjoen and Tallman (1997), and Yan and Gray (2001) support the hypothesis that MNC should secure a dominant control when undertaking an IJV. By contrast, Beamish (1993) and Yan and Gray (1994) insist on sharing equally the control with their local partner as much as possible. Later on, a different way of structuring control in IJVs based on the abilities of the partners has come out through Choi and Beamish (2004)'s work described below. The government structure is a critical stage on the establishment of management control which can affect negatively or positively the performance and survival of the IJVs. Furthermore, Kogut (1988) claims that "IJV structure is the result of a negotiation process between foreign and local partner". In the separation of control, bargaining power has a considerable role to play in particular when the equity share is not 50-50.

It is obvious that every joint venture has constraints on the manner of managing the venture and should decide independently and according to them. However, the theories of management control justify the claim that MNCs should think more on the way they mediate their equity in their partnership with the other foreign companies.

Choi and Beamish (2004) have contributed to IJV literature about the allocation control possibilities that an IJV has, by identifying the different mode of managing control. In fact, they have established a framework (figure 5) dealing with the management control between a MNC and a local partner making shape of 4 different modes: (1) the equal equity of control (50/50), (2) the dominant control of the foreign parent, (3) the dominant control of the local parent, and (4) the split management control. They have

tested their model on 150 IJVs in South Korea and discovered that the split management control allocation works better than the others. They found out that with such a system, the IJV performance is affected positively than applying the others alternatives. As the context of the research done by Choi and Beamish (2004) is the same as the current study, the empirical result will be examined in contrast.



**Figure 5.** Four ways of partitioning control between JV partners (Choi & Beamish 2004: 205)

On the graph above, the perspective of control is disclosed from the amount of control of the parent firms over its own abilities (vertical axis) and the abilities of the local partner (horizontal axis). The four ways proposed by Choi and Beamish (2004) depend only on the amount of control on the skills and knowledge of each partners. Their vision does not include the concepts of quantity of equity ownership and bargaining power. Nevertheless, the four different styles of management control presented below, will take into account the concepts of equity ownership and bargaining power – not included by Choi and Beamish (2004) – in order to have a broader approach.

- *The equity share 50/50*: there is an exact amount of control between the parent(s) and the partners of the venture, usually only two companies are involved. This way of organizing control suggests that each partner of the venture has to agree on any decisions before taking them. As stated previously, this method has been spread widely because of the idea of having an equal share of the responsibility within the venture (Killing 1983). The concept seems ideal, as Killing (1983) claimed, it makes the partners of the IJV doubtful and inefficient. At the mean time, this situation has also advantages as it may replace a relationship of control with a more friendship



relationship. In fact, IJVs may have a more thoughtful focus on the great achievement of their partnership than on whom is controlling what. Further, Gray (1996) advocates that more control the parent company share with their local partner, the more they perform. However, in the case disagreements happen within the JV, it is difficult to solve the conflict because of the absence of clear role about control. Finally, it has been observed that most of the 50-50 joint ventures do not share equally the JV's activities as they should accordingly the equity ownership (Schaan 1983). Hence, either the parents of the JV, either the local partner takes a stand on the control of the latter as it will be explained next. (Choi & Beamish 2004)

- *Dominant foreign parent control*: the foreign parent has the most responsibilities over the joint venture (over 50%). In this situation, the parent of the venture has the full power on the venture. It is clear that decisions are taken from the parent side which can have both positive and negative effects on the strategic alliance. On one hand, in contrast to the present situation of a 50-50 equity JV, it is clear that the parents of IJV have control over the activity. The parent companies lead and decide the direction that the venture has to take (Mjoen & Tallman 1997). On the other hand, it can be seen as an abuse of power: the local partner can perceive a “one-sense” interest on the venture without taking any advantages. Naturally, the IJV itself will make the principle of behaviors and a situation that parent companies need to apply a strict control due to the protection of competitive advantage or technology patents. (Choi & Beamish 2004)

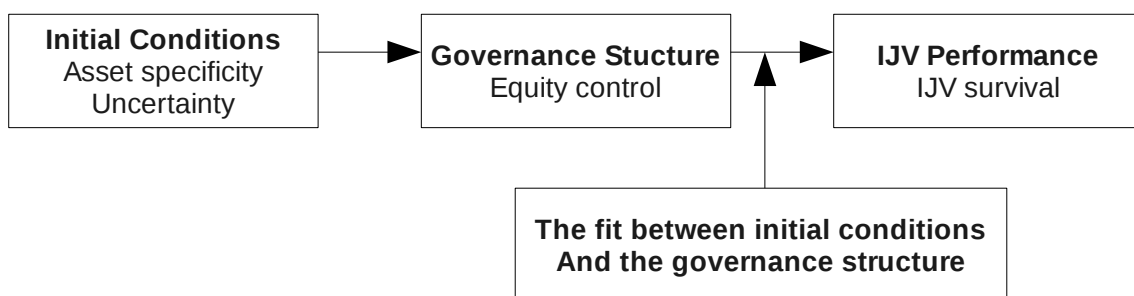
- *Dominant local parent control*: the local partner has the most responsibilities over the IJV (over 50% of the equity share). It is interesting to give control to the local partner when the trust between partners is well established (Fryxell, Dooley & Vryza 2002). Moreover, in the case the role of the local company is to bring a marketing approach of the country, this latter needs freedom on the decisions. Indeed, the local company as this determinant advantages of knowing and having the abilities of penetrating the market. (Choi & Beamish 2004)

- *Split management control*: the control of the venture is divided not according to the equity ownership but to the abilities and activities of each partner performing into the joint venture (Choi & Beamish 2004). In fact, based on the investigation why IJVs achieve low performance, they found out that the reason why is due to “a lack of or erosion of resource complementarity between the JV partners” (Choi & Beamish 2004: 204). The local partner brings new assets to the parent company however it has to be managed with another style in order to exploit them adequately. The split management

of control influenced by the abilities of the partners enables the joint venture to take the full benefit of the competitive advantage of the partner. Furthermore, in this management style, the bargaining power has been erased of the management control process. Thus, the role of each partner of the IJV regarding control is clear and appropriately defined. (Choi & Beamish 2004)

To sum up, Choi and Beamish (2004) have identified four ways of dividing control into IJVs which have been examined in this part. They all have pros and cons depending on the situation of the strategic alliance. However according to Choi and Beamish (2004: 211) “split control ventures perform better than all other management control styles”. They are convinced that IJV performance is the result of the proper management of the competitive advantages of the JV partners through an adequate control structure.

Lu and Hebert (2005) have a similar reasoning. They support the fact that equity share is not the sole factor in action to achieve performance but the mix of the governance structure with the initial condition of the JV as it is summarized in the figure 6. As a result, the most important fact to note is that an appropriate control structure leads to the partner firms to integrate the IJV’s activities with their overall strategies (Zhang & Li 2001) which can be summarized shortly by leading to performance. Thus, by focusing on the control division through the skills and knowledge of the partner, respectively, the use of bargaining power is not required on the elaboration of the control structure compare to other solutions. Nevertheless bargaining power is in practice present on every IJV as it will be more described next.



**Figure 6.** Equity control and IJV performance: a transaction cost-based contingency framework (Lu & Hebert 2005: 737)

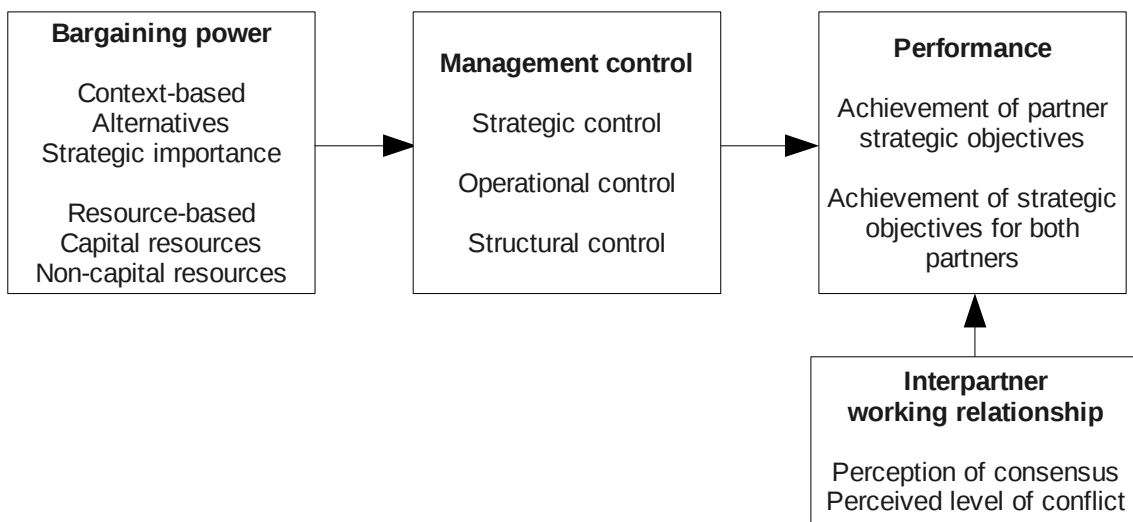
## 2.7. Bargaining power and control

It has been viewed quickly in the last part that bargaining power plays a significant duty on the establishment of the management control of an IJV. In this part, this argument will be further developed. Lu and Hebert (2005) argue that the initial conditions of the joint venture are more important than equity control. It means that the upfront factors of the IJV decision appear to be more significant than the elaboration of the equity control itself. Nguyen and Larimo (2009: 10) claim that “IJV control structure is the result of a negotiation process between foreign and local partners”. Indeed, the first step of a JV creation is to establish the agreement to make justice judgments about the fair distribution of control in the IJV (Barden et al. 2005). It is in this social exchange between the partners that power distance takes place and affects the IJV structure. Furthermore, Hamel (1991) identified a dilemma in the IJV management control: while the goal of an IJV is to cooperate together in order to achieve an accomplishment, a joint venture involves as well a competitive dynamics between the partners. In this sense, the control system used to monitor and influence the alliance, is also utilized as a source to impose power and authority. Those are the reasons why bargaining power has such an importance into the control management setting and later on the performance.

Bargaining power has been perceived as a negative occurrence in the establishment of IJVs. Even though the oriented goal of a strategic alliance is to establish a win-win situation, every partner of the joint venture will tend to maximize their control share in order to full fill their interest (Yan & Gray 2001). It needs thus that the actors of the IJV have a adequate relationship involving trust (Fryxell et al. 2002) and similar perspectives as it will be shown in the next part (Luo et al. 2001; Fan 2011). In fact, the quality of the inter-partner working relationship was found to have a strong, positive relationship with the achievement of strategic objectives for both partners (Yan & Gray 2001). As control is a part of the IJV management process, this step cannot be avoided and forced partners to agree together before starting their strategic alliance.

Moreover, the origin of bargaining power comes from the context (context based) and resources (resource based) of the venture (Yan & Gray 2001). The context-based is explained by the situation and the environment of the JV. It examines what are the alternatives about management control and also the needs for the partner to have more equity according to its strategy. The other sources suggested by Yan and Gray (2001) is resource-based built with capital and non capital resources. Capital resources consist of a financial contribution through sets or their equivalent in physical or proprietary

properties while non capital-based consists of the contribution of intangible resources such as technology, expertise, marketing channels, and political networks. Then, management control is established and will be proved later whether or not the bargaining power step has been led efficiently if the outcomes of the venture are positive. The following figure (figure 7) summaries Yan and Gray's (2001) approach.



**Figure 7.** A model of parent control in IJVs (Yan & Gray 2001: 396)

In the definition of control, it has been advanced that control is a way to protect the company's advantage and resources. Zhang and Li (2001) argue that the level of protection through control goes across the amount of power that the partner may acquire. It is during the step of establishment control that the rules will be cleared about who can do what and under which conditions.

Finally, bargaining power have been investigated from an internal perspective of the joint venture, however, it appears as well as an external factor that the companies has to consider while establishing the JV. In fact, the government takes the role of a third part into the negotiation and has the power on the decision made about the venture (Luo et al. 2001). In some countries – China for example, the government can be reluctant to the penetration of foreign companies into their territory due to internal control or a protectionist regulation of the local activities. It is more particular true in under-developed countries. Moreover, foreign parent should be aware that the host government tends to acquire a majority of share and control JVs for strategic reasons. In particular, they aim to develop through commitment of financial resources commensurate with their holdings which often is lacking (Boateng & Glaister 2002).

Therefore, it is important to consider external factors in the agreement of the management control.

To conclude, establishing control involves the use of bargaining power for obtaining a position over the partners according to the goals, the situation and the environment of the joint venture. Further a third part such as the local government has to be taken into account as they affect the settlement and the control of the venture. It has been seen that an IJV is also a competitive dynamic between its partners led by its strategy and its objectives. This last point leads directly to the next more serious objection regarding the differences of perspective of control between the JV partners.

## 2.8. The difference of perspective of control between foreign parent and local partner

The inter-relationship between partners as developed before, involves trust and a similar vision on the venture in order to achieve the performance expected. This part will focus on the difference of perceptiveness of management control between a foreign parent and its local partner. The perception of management control tends to be different from a company to another one. It is just as convincing to argue that due to the fact that control is defined in different manners (see “2.1. Definition of control”), it can also be interpreted and applied in different ways as it will be shown next.

The conception of control is perceived through the environment of the company such as culture and the local regulations. To take a simple example, in the Korean language, control is translated by *조종* which found its root in the combination of two Chinese characters *操縱* which could be translated in English by “keep things busy”. Without going any into details on the analysis, it would not be exaggerated to argue that control is apprehended differently. As management control and IJV performance have been chosen as the scope of this thesis, the influence of culture will not be further developed. However, the empirical results will be aware of the impact of the latter.

Moreover, management control can be also under the authority of the host government through regulations and power. The intention of the host government is to incite the local partner to think and act in a certain way. Previously, the argument that developing countries tend to install a high level of control to protect the local market (Luo et al. 2001) and acquire new skills and knowledge (Boateng & Glaister 2002) have been suggested. Nevertheless, the outcomes of this initiative appear to be divided. Choi and

Beamish (2004) account for a negative performance over the joint venture due to intense position of the host government over the JV. In contrast, Contractor and Lorange (1988), Luo et al. (2001), and Boateng and Glaister (2002) have seen an opportunity in spite of the challenge to negotiate with the local administration. The fact that the investment is government-mandated, it involves a guarantee on the alliance and a support on its success. Nevertheless, despite the government's conditions, the local partner will try to supervise the venture over the government's position (Boateng & Glaister 2002). Therefore, these lines of argument lead to the conclusion that establishing an IJV involving the government affects the management control due to its incongruity control.

## 2.9. Inside, outside, private and collective control

In this last part presenting theories about management control in IJV, the different factors influencing control in itself will be presented. In the part "2.2. The interrelations of IJV factors linked to control", the factors presented were related to the relationship with control and more specifically the factors in conflict to achieve performance. In this part, the interrelations between the different actors of the joint venture such as the parents, the government and the shareholders, and control will be introduced. Furthermore, the decisions taken by those actors can be for their own interest or the one for the venture, therefore Luo's (2007) classification of control will be proposed and utilized in this section.

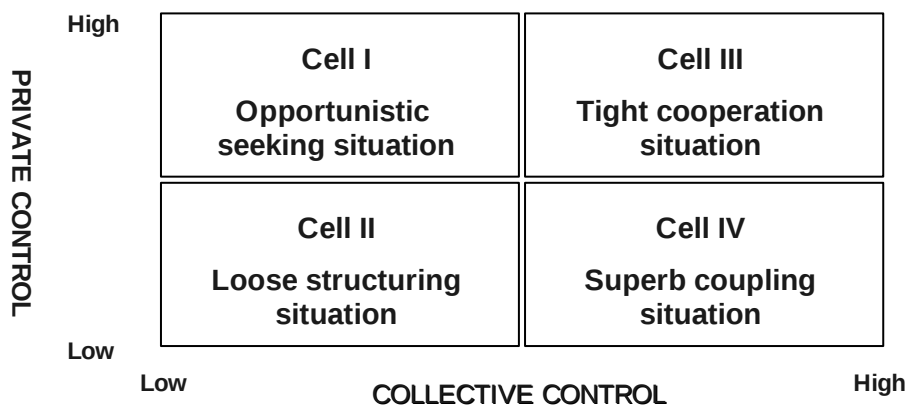
In the chapter "2.4. The multidimensional approach of control", the theory made by Geringer and Hebert (1989) categorized control into three dimensions: control focus, extent and mechanism. Now, in Luo's (2007) approach, control is divided into two classes: the collective control and the private control. The results of controversial studies have pushed Luo (2007) to look at the reasons of this cause. He discovered "a lack of separation of control" (2007: 532) and decided to establish a framework based on the origins of the decision. Thus, he separates control according to the source of the decision and its target as described below.

*Private control:* it involves decisions made by one party of the venture with the purpose of increasing their own advantage.

*Collective control:* in contrast, collective control involves mutual decision made by all

the parents of the joint venture to achieve a cooperative advantage.

Furthermore, private and collective controls can be distinguished in nature (unilateral vs. bilateral), goal (private gain vs. collective gain), objective (fulfilling own interests vs. ensuring IJV success), scope (narrow vs. broad), and mechanism (Luo 2007). Nevertheless, it will be idealistic to assume that the decisions made are under a total-trusting relationship or a total-bargaining relationship (Yoshino & Rangan 1995; and Child et al. 1998; cited in Luo 2007). They, in fact, vary between these two extremes. In any IJV, there are factors from both sides – trust and bargain – which coexist and co-play at the same time as it will be more analyzed in this part with the Fan's (2011) theory. To have a better understanding of private and collective control, Luo (2007) built a matrix (figure 8) showing the different situations of an IJV according to its level of private and collective control.

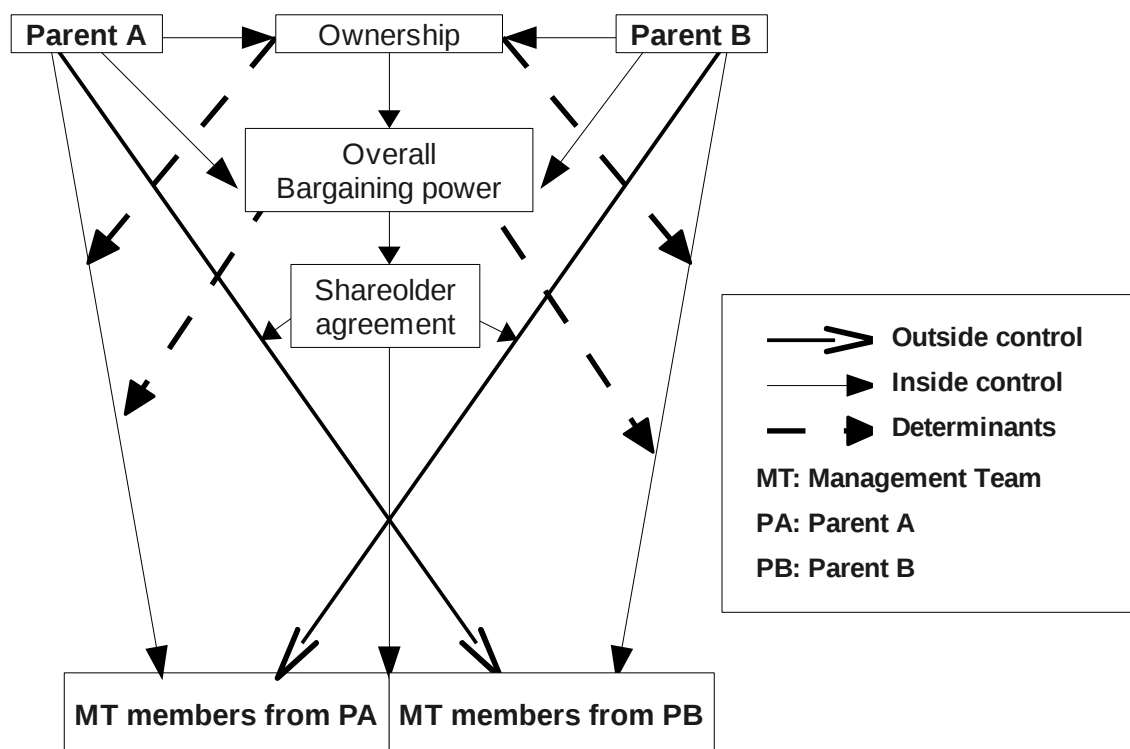


**Figure 8.** 2 × 2 Matrix of Private and Collective Control (Luo 2007: 534)

From this matrix, the achievement of performance of the venture according to the combination of private and collective control can be inferred. The Cell II and Cell III where their configuration gathers the two extremes (high-high or low-low) point to an ambiguous relationship while Cell IV with a low private and high collective control accounts for a trustful and successful relationship. Finally, conversely to the Cell IV, the Cell I with a high level of private control and a low level of collective control shows an examination of the situation for further actions from the side doing private control. Luo's (2007) approach shows as well that higher is the level of collective control, higher are the probability to success. It should not be concluded that private control should be banned in order to achieve better performance as private control and collective control complete and influence each other (Luo 2007). Nonetheless, it is necessary to associate

who could affect collective and private control to complete Luo's (2007) assumption which will be carry out with Fan's (2011) theory.

Fan's (2011) approach consists of the analysis of the different elements composing the parents of an IJV. Invariably, the parents of an IJV were limited to the parents companies themselves which operate the venture. Fan (2011) considers the parents of a joint venture every factors or actors that affect directly or indirectly the alliances. In fact, the parents' firms of the ventures are not only the unique source of control. Fan (2011) identified other sources outside of the JV parents that alter control and its target. He designated them: the parent inside control and outside control according to its origin. Inside control is defined by the control that a parent has over IJV activities through its 'own people', while outside control regards control to the same activities but through 'other people' – the managerial team of another partner of the venture. Furthermore, other forces overcome the decision made. For example, the ownership, the overall bargaining power and the shareholder agreement affect the decisions made. The framework made by Fan (2011) (see figure 9) illustrates the different flows of inside and outside control with the different forces affecting them.



**Figure 9.** Theoretical model of inside and outside control in IJVs (Fan 2011: 31)

In the figure 9, the framework represent the inside and outside control that the parent



companies exercised. In fact, the control they conduct targets the activities of the venture which is managed by both the management team of their company and the one from their partners. These two flows are altered with the effect of the equity based ownership, the overall bargaining power and the shareholder agreement. The equity based ownership and the overall bargaining power influence the weight of the decision made through inside control called determinants. The power given through these determinants affects the decisions' value and effect. However sole the shareholder agreement has influence only on outside control. Moreover, logically, it is shown that the equity based ownership affects the overall bargaining power which itself affects the shareholder agreement to finally affect the whole JV. It can be noted that in contrast to Mjoen and Tallman's (1997) model (figure 3), the way ownership affects bargaining power is reversed.

In this model, some elements affecting as well control do not appear on it. Fan's (2011) has judged that parent control varies depending of the parent management's skill and expertise, and the organizational culture within parent firms. It may also vary according to the environment of the alliance such as whether the venture takes place in a developing country. These lines of arguments lead to emphasize the importance of indirect factors of control which can direct control to a misdeal if not taken into account during its establishment.

To sum up, the approach of Luo (2007) and Fan (2011) emphasized the effects of the different actors on control and performance. Luo (2007) shows that decisions made about control can be divided between private and collective action depending on their intention of their purpose. On the other hand, Fan (2011) demonstrates the inside and outside dependences of the action taken. Together, they justified the notion of interest into the source of the decision maker. Consequently, control is forced by elements from inside and outside of the venture for private and collective purposes in accordance with their interests.

## 2.10. Summary of the management control theories

This second part of the present thesis concentrated on the theoretical approach of management control into IJV from previous research. It has presented the different assumptions of how control has been studied and viewed without considering the results of those researches. IJV has been in fact studied for almost half a century and most of

the investigations suggest various answers while applying them. Naturally the environment and the specificity of every joint venture make the situation unique, therefore only general approaches and more specific theories have been presented. The purpose of the literature review is to gather theory about the topic to acquire a large amount of knowledge. Later in this paper, they will be pulled together in a framework (figure 13 at the end of the section 3) in order to analyze management control in French-Korean joint ventures in South-Korea.

Yet a universal definition of management control has not been found in the previous academic investigations, it has been described in different ways. Nevertheless, as control and performance are linked together in many cases including this study, management control could be defined widely as the orchestration of decisions to optimize performance. Then, some theories about management control and in relation with performance have been examined to present the location, constitution and functioning of management control within an IJV. Following the examination of these paradigms, a questionnaire (see Appendix 1) has been made in order to analyze and understand management control and performance in the joint ventures studied as it will be more developed in the part “4.2.2. Data collection and results”.

To sum up, the table 4, summaries the theories analyzed in every sub chapter of this part. It highlights also the key points of management control that this research will analyze.

<b>Summary of the main facts studied in the management control theories</b>	
2.2. The interrelations of IJV factors linked to control	Based on the Mjoen and Tallman's (1997) framework, the architecture of a IJV is represented with its components and how they are linked each other. It shows that the elements of an IJV do interact each others. As a conclusion, the IJV factors interacting with management control have been identified and analyzed in the following parts.
2.3. Killing's approach of joint venture control	Killing (1983) have founded a theory about management control which has been expanded and controverted afterwards. Its theory consists of defining control with three elements (formal agreements, staffing and influence techniques). However, its approach tends to give advantages to the foreign parent of the venture, hence its critics.
2.4. The multidimensional approach of control	Geringer and Hebert (1989) have developed an approach about management control composed of three dimensions: control focus, control mechanism and control extent. Later, their work has been supported by many other theories.
2.5. Control structure, autonomy and independence	During the life of a joint venture, the alliance evolves according to its situation and external atmosphere. The arguments stressed in this part, show that if the level of control decreases, the venture is able to work by itself and tends to become autonomous.
2.6. Equity share and control allocation	While establishing an IJV, the main part consists to divide the responsibilities and control. It has been found four approaches of how to divide ownership in an IJV: equal 50/50, foreign parent dominant, local parent dominant and split control.
2.7. Bargaining power and control	Control may be defined as the level of power and authority. To determine the level of control, the degree of bargaining power of each partner will decide everyone's responsibilities. Bargaining power is based on the context and the resources of the company.
2.8. The difference of perspective of control between foreign parent and local partner	Control aims basically to check that the objectives have been fulfilled. While the parents are socioculturally different in an IJV, they think, expect and act in a different way than the others. Thus, common goals and perspectives are necessary for the well being of the venture.
2.9. Inside, outside, private and collective control	The actors of the IJV (parents, government, shareholders,..) express their interest through decisions for their personal interest or for the ones of the venture

**Table 4.** Summary of IJV management control

### 3. INTERNATIONAL JOINT VENTURE PERFORMANCE

The chapter 3 is the last part of the literature review of this research. After analyzing the management control's paradigms, the theoretical perspectives of IJVs performance will be introduced. Based on the previous research presented in the "1.3. Literature review of previous research", the methods to measure performance will be reviewed. Moreover, the factors and actors affecting JV's success will be also reviewed in this part. At last, at the end of this chapter, a theoretical framework of the theories analyzed in this literature review will be proposed and adapted to this study. It aims to suggest a base to conduct this research.

#### 3.1. Definition of IJV performance

The major difficulty in evaluating IJV success is due to the lack of a clear definition and measures of performance itself (Robson et al. 2002; and Larimo 2010). As in the definition of control (2.1. Definition of management control in IJV), IJV performance faces to the same issue when it comes to be identified: absence of universal definition. Performance can be defined simply as the achievement of the respective objectives of each parent. However, in practice, it happens that it is more complex. Characteristically, the concept of performance leans towards to change according to their interpretation and the manner it is measured from both parents of the venture (Geringer & Hebert 1991). It is thus challenging for MNCs to evaluate accurately the effectiveness of their venture. Regarding the literature written about IJV performance, the astonishing thing is that many studies focus on the relationship between one or several various variables and their influence on IJV performance. However, in a majority of them, the analysis of IJV performance itself has been neglected in favor to the variable studied. They found mainly that those factors affect the joint venture itself but does not adduce a proper interpretation of IJV performance. Consequently, some papers have been written turning on IJV success only. Among them, Geringer and Hebert (1991), Robson et al. (2002), and Ren et al. (2009) have in particular participated strongly to the establishment of theories of performance in IJVs. In this part, the work from Ren et al. (2009) and Robson et al. (2002) will be especially used as references because of their complete and recent work, and their inclusive approach of IJV success. Some other relevant articles such as Demirbag and Mirza (2000), Luo et al. (2001), Boateng and Glaister (2002), and Larimo (2010), will be also used in this literature review in spite of their focus on

specific area or context of IJV performance. Thus, from these previous literature articles, performance will be defined and analyzed as it will be shown next. At a first place, a clarification of the term of IJV performance will be given, followed by a presentation of the variables affecting IJV success and method of measuring IJV performance.

Although the different theories of control were introduced in the chapter 2, a link between management control and performance was frequently present. From this approach, performance can be defined as control. According to Hamel's (1991), performance is limited by what control is monitoring (essentially financial and objectives) but this perspective obscures the actual and real performance of the venture. It is what Lu and Hebert (2005) illuminated later. They regard IJV performance as a function of the fit between a parent firm's strategy and its control structures, rather than solely the direct outcome of control exercised. On the other hand, 14 years earlier, Geringer and Hebert (1991) defined IJV performance as the excess of its parents' objectives and the consideration of success by at least one of the parents. Finally, even nowadays a clear definition about IJV performance has not been found yet as well as an appropriate conceptualization and measurement of the latter. Buckley and Glaister (2002 cited in Ren et al. 2009: 807) supposed the "lack of agreement originated from the hybrid structure and transitory nature of alliances" as the reason of this failure. As a consequence, it is difficult to find a satisfying compromise on what IJV performance extend to.

To simplify the interpretation of the effectiveness of a venture, IJV performance has been thought to be reduced to the simple question: "Are you satisfied?" asked to the managers of the venture (Boateng and Glaister 2002). Indeed, the global satisfaction of the venture is measured through the personal assessment of those managers. In fact, it is not possible to find an answer to this question through quantitative data. Thus the answer depends of the personal expectations and observations of those managers. It is important to note that this question requires taking a stance while replying. Since a joint venture has rarely a unique objective, the answer related to the global satisfaction of the venture has to consider the gathering of several conclusions (the ones measured through control and the others which cannot be measured). Hence, the conclusion of assigning IJV performance as both a tangible and an intangible consequence.

On top of defining IJV performance, the chosen element and the method used to obtain the aftermath of the success of the joint venture seems to raise a point. The questions of

what kind, where and when to settle indicators appear strategic to measure adequately the effectiveness of such an alliance. This contradicts the interpretation of IJV performance cited above which defined IJV performance as control. Indeed, indicators and measure are control themselves. It would not be exaggerated to affirm that MNCs aspire to analyze and quantify every factor influencing the outcomes of the venture to give an estimation of their performance. To take a simple example, several authors have identified a large amount of variables that companies can use to measure the performance of their venture (120 determinants affecting IJV performance have been identified by Robson et al. (2002) while scanning previous literature of IJVs). In this way, every factors affecting the global achievement of the strategic alliance are weighted which could lead the overall results on the wrong direction. Indeed, although IJV performance is abstract, the adequacy of the results of the measure may happen distorted. In order to respect the actual value of performance, not all of the factors have to be chosen in the determination of the IJV performance. Moreover, in this way of measuring performance, it can be though that the final results may appear to be arranged to claim the necessity of carry on or not the venture. The consequences of using a method with an excessive evaluation of IJV performance's factors would question the credibility of the outcomes of the measures, and the assessment and meaning of IJV performance. The mechanism to determine IJV success has to suit the venture and the manner to measure accordingly the concerned factors as it will be shown next (3.2. General approaches of IJV performance).

As a conclusion, IJV performance has been studied for more than four decades but a clear definition could not be established yet. One of the reasons is due to the lack of agreements from the difference of structure and the natural evolution of the joint venture (Ren et al. 2009). Nevertheless, IJV theory has an idea of what IJV performances extend to and how to measure it despite the controversies of some studies. IJV success depends first on its definition – because of culture matter, and on both the effects of some factors and the measurement of performance itself. Furthermore, it has been seen in this definition that the environment and the personal situation of the venture make the evaluation of the venture unique. As a result, the choice of the factors to study and its measurement method have to be appropriate in order to obtain valid and reliable assessment of IJV performance.

Following this definition, a general development of IJV performance will be presented in the part “3.2. General approaches of IJV performance”. It will be examined that the relation between factors and methods affecting IJV success. Then, the IJV performance

measurement will be developed in the part “3.3. Methods to measure IJV performance”. Finally, a more in details development of the factors related to IJV success and management control will be analyzed in the part “3.4. Variables affecting IJV performance”.

The table 5 summarizes the key concepts of IJV performance reviewed in this part.

Summary of the key concepts of IJV performance
<ul style="list-style-type: none"> <li>- Achievement of the objectives targeted from at least one of the parents</li> <li>- Depends on the method and definition of performance within the venture</li> <li>- Limited to the outcomes of control</li> <li>- Could be minimized to the global satisfaction of the venture</li> <li>- Performance is tangible and intangible</li> <li>- Tends to be limited to indicators' measure</li> <li>- Performance is affected by a large amount of interrelated variable</li> </ul>

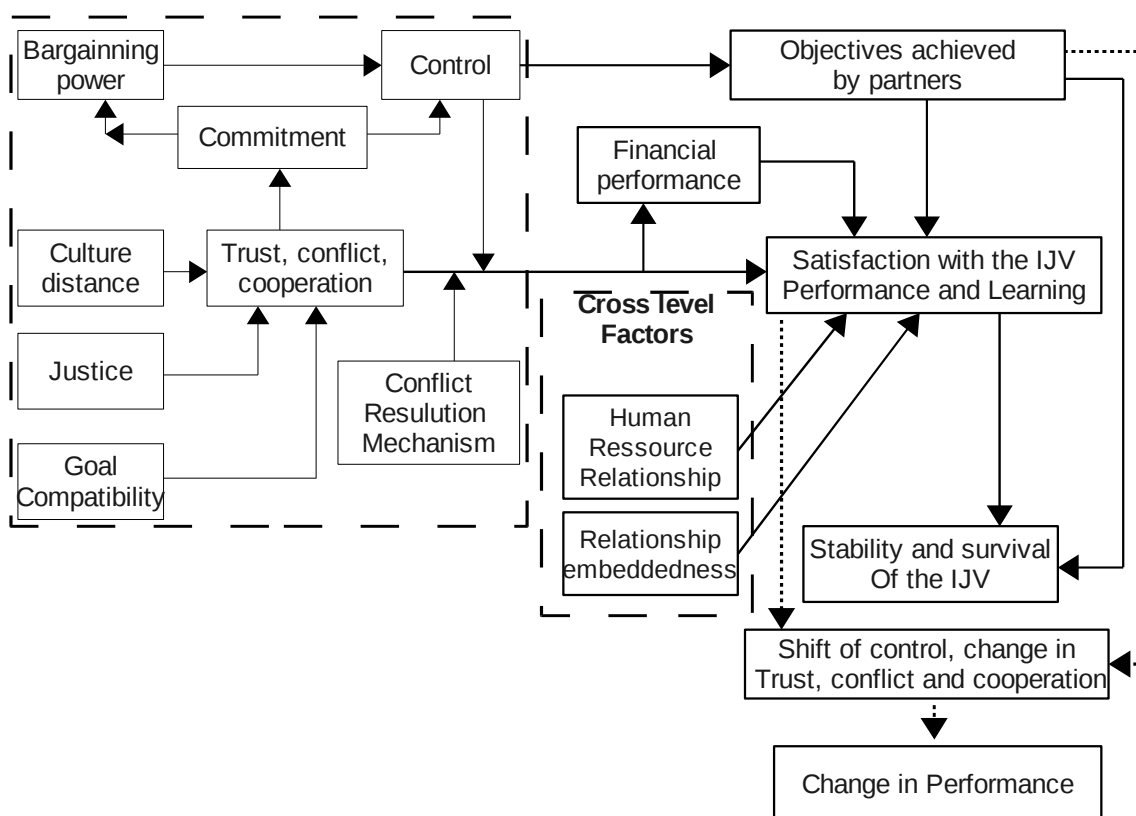
**Table 5.** Summary of the key concepts of IJV performance

### 3.2. General approaches of IJV performance

The international business literature has identified many factors affecting IJV success but according to the situation of the venture, some elements appear to be irrelevant with the influence of the IJV performance (Ren et al. 2009). Companies have to chose and utilize adequately the variables to obtain an accurate measure of their performance. Nevertheless, in this thesis, the review of variables will be made according to their relation to management control and IJV performance.

Ren et al. (2009) have developed a theoretical approach (figure 10) based simply on what could be measured or not. They have divided the factors affecting performance into two categories: the performance drivers (factors being not able to be measured) and, the performance measured (factors being able to be measured). Thus, performance can be calculated from the tangible part of IJV performance which is defined by “the performance measured” and adapted through the intangible part, the observation of “the performance drivers”. In the present thesis, this approach will guide the accession of IJV performance theory.

However, despite their in-depth review of factors influencing joint venture success and the approach of measuring performance, Ren et al.'s (2009) model is not exhaustive. To complete the theoretical perspective of IJV performance, some other theories and approaches will be added. For instance, Robson et al. (2002) have undertaken research on the previous studies about IJV performance. They have found 120 determinants and 10 performance measurement approaches that they gathered according to their overlaps, and theoretical or practical meaning. They finally obtained 74 determinants and 7 approaches that they categorized them into 14 groups and then into 5 principal construct types – background, antecedent, core, external and outcome. These 5 principal construct types will structure this literature review. From mainly this two approaches of IJV performance and some others, a global presentation of IJV success will be elaborated in this part. Despite the fact that these two approaches include almost every factor affecting the performance of the venture, only the dominant variables will be examined with a more in-depth approach regarding the variables linked to the management control.



**Figure 10.** A longitudinal Model for Studying IJV Performance (Ren et al. 2009: 825)

The figure 10 describes simply the main variables affecting IJV performance and the measuring methods of it according to Ren et al. (2009). In the frame on the left, the



performance drivers are represented as well as what they respectively affect. On the right, the approaches of performance measurement are outlined. In between, a second frame represents the “cross-level factors”. They characterized the inter-partner relationships and the role of the human resources in the achievement of IJV success. Already with the analysis on the foreign-local relationship and performance in IJV (Demirbag & Mirza 2000), the human resource relationship between each parent company has been seen as a factors influencing IJV satisfaction. It will be gone more into details later with Demirbag and Mirza’s (2000) framework. According to the figure 10, the performance drivers affect IJV performance mainly through the variable “control” and “trust, conflict, cooperation”. The arrow between “Control” and the assessment of the objectives provide evidences about the correlation of the two latter. Moreover, it is interesting to note that the financial performance is isolated and not linked to the achievement of the objectives but to the satisfaction of the venture. As a conclusion, the model shows explicitly that IJV control, which measures qualitatively the performance of joint venture has a straight effect on the objective achieved by the partners. In contrast, control does not affect the financial performance and satisfaction of the venture.

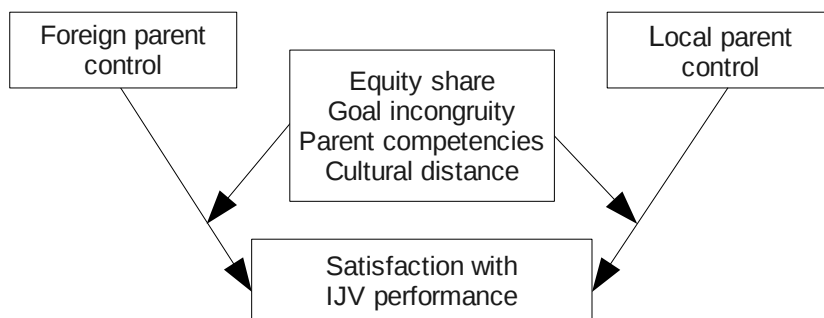
If we compare Ren et al.’s (2009) framework with the theoretical approach of the relationship between control and performance made by Mjoen and Tallman (1997) (see figure 3), it is interesting to notice that the variable identified by the authors are similar. However, the ties between those variables are different and the development of the model is more detailed in Ren et al.’s (2009) framework due to the natural evolution of theories. This comparison shows that the factors affecting performance are the same but their interpretations have changed.

Among IJV literature about IJV performance, Robson et al. (2002) had brought a complete methodical, analytical, and focused review of the previous empirical studies examining the factors affecting IJV performance. According to the frequency of use, they have selected 74 determinant and 7 methods that they classified into 14 categories for the determinants and 3 for the methods, and finally into 5 principal construct types (background, antecedent, core, external and outcome – the last one concerns only the methods) which will be developed next. In the present paper, the attention will be paid only on the classification on itself in order to have a better understanding of what factors to focus to achieve performance in an IJV. The table 6, summaries Robson et al.’s (2002) concepts.

Variables	Determinants
<b>Background variables</b> (the ability of the company to undertake successfully an IJV)	<b><i>Intra-partner characteristic</i></b> : it is the international experiences and cooperation, its global mindset and its size.
	<b><i>Inter-partner fit</i></b> : it is the sociocultural distance, the goal congruence between the partner, the size symmetry, ...
<b>Antecedent variables</b> (the structural and processual aspects of IJV development)	<b><i>Venture demographic</i></b> : concerns the information about the age, the size and the number of parents.
	<b><i>Contractual elements</i></b> : measure the agreement made by the parents of the venture such as the equity ownership and parental contribution.
	<b><i>Managerial characteristic</i></b> : same as the contractual element, but regarding the human resources itself.
	<b><i>Control and supervision</i></b> : discuss the level of control between the JV partners
	<b><i>Project-specific relational aspects</i></b> : involve the inter partner relationship for example: conflict, trust, commitment.
	<b><i>Organizational learning</i></b> : examine the knowledge transfer between partner s.
<b>Core variables</b> (the strategic factors to attain a high level of performance)	<b><i>R&amp;D and technology</i></b> : the technological sophistication of an IJV is a channel for technology transfer.
	<b><i>Production</i></b> : the production cost, the rationalization and specialization may have an impact on IJV performance.
	<b><i>Marketing</i></b> : is the study of the 4 Ps (Price, Product, Place and promotion).
	<b><i>Human Resources</i></b> : HR involves on top of its allocation, the turnover, the job satisfaction, the training and more.
<b>External variables</b> (parents have a little or no control)	<b><i>Industry Characteristics</i></b> : give attention to the impact of the industry factors on the joint venture.
	<b><i>Environment</i></b> : outline the law and political situation of the host country.
<b>Outcome variables</b> (concerns the IJV performance assessment approaches)	<b><i>Financial outputs</i></b> : measure of the IJV performance based on the profitability and sale growth of the venture.
	<b><i>IJV stability</i></b> : estimation of the rate of unexpected dissolution in order to assess the longevity of the venture.
	<b><i>Multidimensional</i></b> : gathers the methods of performance assessment based on at least two performance facets such as market and financial growth.

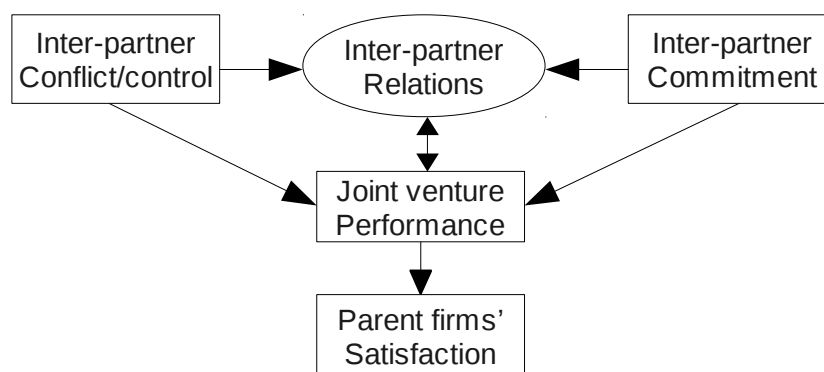
**Table 6.** IJV performance determinants and methods according to Robson et al. (2002)

From another perspective, Luo et al. (2001) established a concise model (see figure 11) summarizing the main factors influencing the satisfaction of IJV performance. More precisely, their approach focuses on four factors (Equity share, Goal incongruity, Parent competencies, and Cultural distance) which concern and link both the local and foreign parent of the venture. Luo et al. (2001) argue that the control-performance relation differs between the local and foreign parents' perspectives and is asymmetric. The fact that the parents of the venture have a different background, the approach of control as much as performance differs according to the 4 factors studied.



**Figure 11:** A model of dual parent perspective on control and performance in IJVs (Luo et al. 2001: 48)

As cited previously, Demirbag and Mirza (2000) built a framework (see figure 12) based on the parents' relationship, commitment, conflict and control of the venture. Their concept started from the theory according to Anderson (1990). He argued that the unique and most important indicator to drive JV success is the harmony among the parents. In fact, despite harmony does not guarantee a high performing joint venture, it is difficult to imagine a venture that succeed while partners are suspicious and conflicting (Anderson 1990). Harmony within the venture prevents as well from negative conflicts. Habib (1987) classified conflict behavior form passive resistance to overt aggression. Having a positive relationship may avoid hard tensions between the partners. As it is shown below, Demirbag and Mirza (2000) illustrated harmony – called “inter partner relationship” – with the balance of conflict and control on one side and commitment on the other side. But what has to be noticed is that in their perspective, conflict and control do not have a negative sense and position over the venture. They, in fact, claim that conflict is a part of the life of a joint venture but commitment has the role of equilibrating in order to achieve performance and satisfaction (Demirbag & Mirza 2000).



**Figure 12:** Factors affecting joint venture performance (Demirbag & Mirza 2000: 4)

To sum up, this part presented several general approaches emphasizing factors and methods influencing performance in IJVs. Through the frameworks from Demirbag and Mirza (2000), Luo et al. (2001), Robson et al. (2002), and Ren et al. (2009), the process to achieve IJV performance has been studied. To conclude, IJV success is the results of the right coordination of the JV components and the method used to measure the outcomes of the venture. Those two elements (methods and factors) will be reviewed more in detail in the following parts “3.3. Methods to measure IJV performance” and “3.4. Variables affecting IJV performance”.

### 3.3. Methods to measure IJV performance

Based mainly on the works done by Robson et al. (2002) and Ren et al. (2009), the different performance measured will be introduced in this part. As most of the studies concentrate on the relationship between one or two variables and their influence on IJV performance, not many articles show the method of how to assess the outcomes of such alliances. These presented methods below will be all utilized in the empirical part of this research to determine the relationship between management control and performance within an IJV.

#### 3.3.1. Financial output measures

The financial output measures have been the IJV performance approach the most appreciated in the IJV literature (Ren et al. 2009). Based on the basis of objectives indicators such as return on investment, market share, or sales growth, the performance of the venture is appraised (Robson et al. 2002). Moreover, the objective measures are preferred when all the variables are obtained from the same source in order to avoid

variances on the measures (Ren et al. 2009). It happens that the mode of measuring differs from a company to another. Despite the large use of this method, it has been criticized because of the financial measures “tend to be rolled into consolidate corporate data” (Ren et al. 2009: 810). However, firms are still using this method because of its results and try to extend the measure to subjective approaches. Indeed, more recently, some studies have operationalized financial performance using perceptual measures. These measures were based on the managerial assessment of IJV economic goal attainment and company share price reaction to the public announcement of an IJV strategy (Robson et al. 2002). Financial measures are increasingly used with subjective performance measures and it will be more developed in the explanation of the outcome variable: “3.3.3. Multidimensional assessment”. Such integration increases the validity of the results obtained and the quality of the measure (Ren et al. 2009).

### 3.3.2. IJV stability

Another common indicator while assessing IJV performance regards the stability of the venture. As a joint venture aims to be sustainable only as long as it represents the most efficient organization mode (Inkpen and Beamish 1997), it is considered that longer the venture survives, the more successful it is. In this sense, the venture is considered as successful when the parents carry on the alliance and as a failure if it breaks down (Ren et al. 2009). Moreover, the IJV stability variable gives estimation on the stability of the ownership of the venture and may prevent from an unintended ending (Inkpen and Beamish 1997). An instable ownership involves significant changes into the life of the alliance. Whether the situation is unstable but positive for at least one partner, then the joint venture may move toward a wholly owned subsidiary, otherwise it is negative and the alliance may break down. However, despite it is fully objective, always accurate and easy to interpret (Anderson 1990), this perception of JV success is limited. It obscures the fact that the termination of a joint venture can be a sign of success. Indeed, due to the accomplishment of their initial objectives, the alliance is stopped. Or, due to high performance, “it prompt one parent firm to buy out the other and turn the venture on a wholly owned subsidiary” (Ren et al. 2009: 808). Finally, the conceptualization of longevity as a sign a failure would be inappropriate (Yan & Zeng 1999) or must be analyzed with the original motive of the venture to be in adequacy (Ren et al. 2009). The same authors suggest as well that the analysis of IJV performance gains reliability by being coupled with another facet such as sales growth, as it will be shown next with the multidimensional assessment approach further developed by Robson et al. (2002).

### 3.3.3. Multidimensional assessments

The multidimensional assessment of IJV performance is built on the analysis of the correlation of several facets of IJV performance (Robson et al. 2002). As the amount of combinations is large, just the most relevant and the most used combinations into the IJV performance assessment will be described. The rationale for this approach may not be related to the venture longevity or financial outcomes seen previously, but more to the extent to the IJV initial objectives (Luo 1999). Therefore it is based on the managers' perceptual judgments. These managers are usually asked to self-rate performance on: (1) give an overall viewpoint on satisfaction with performance or goal achievement, and (2) provide indications along multiple and specific outcome dimensions (Robson et al. 2002). Thus, the correlation between their perspectives and the indicators is established.

**Overall satisfaction:** The overall satisfaction is built on the managers' subjective evaluations of the IJV performance (Ren et al. 2009). According to Anderson (1990), JV should be evaluated primarily by the managers with independent entities in order to maximize their own performance, not the parents' expectations. Then, this evaluation should be evaluated again by items designed to measure IJV managers' evaluation of their venture's overall performance. Although, the overall satisfaction is a common used performance measure, its reliability has been criticized. On top of being subjective, the overall satisfaction is made by the manager from each parent of the venture, so from different cultures. The manner that the foreign partner judges satisfaction with its own set of criteria and interpretation, may be interpreted differently from the local parent. As a result, the satisfaction may differ depending on whom is surveyed (Ren et al. 2009).

**Goal achievement:** In contrast with the precedent variable, "goal achievement" focuses more specifically on the evaluation of the objectives of the venture itself and the parents' individual objectives (Ren et al. 2009). The purpose of a joint venture is to achieve together strategic goals by complementing each parents' need. Thus, each partner has its own interests and purposes on the JV's activities on top of its common goals. As goal achievement is measured according to each partner firm's perspective for the reason explained, different evaluations are conducted accordingly. If the difference between the results made by the JV parents is too high, they are compared with those found by the managers of the IJV. In this way, it increases the overall accuracy of the measure (Luo 2008).

**Learning:** From a knowledge-transfer based joint venture, this argument for JV creation has become a measure for IJV success (Ren et al. 2009). Even though that the main motivation of the IJV formation is not knowledge transfer, the transfer of critical knowledge and skills is more and more considered as an essential subordinate goal of IJV. The interest of acquiring new intangible resources from its partners – in particular for SME, is to increase their savoir-faire and their opportunities. The amount of learning gathered is measured through managers' satisfaction with their experience within the venture. As seen before, due to a personal subjective approach of the measure, the accuracy of the outcomes is reassessed. Furthermore, the results of this observation challenge the real performance of the venture for the reason that it is a subordinate goal. The assumption underlying this is that when knowledge transfer is not the main motivation for such an alliance, measuring the managers' knowledge accumulation for personal purpose is not equivalent to a valuable variable of the global performance of the venture (Gong et al 2007, cited in Ren et al. 2009). Finally, from the learning perspective, IJV termination can be considered as a success or a failure depending of the skill and knowledge acquired (Ren et al. 2009).

### 3.4. Variables affecting IJV performance

Based mainly on the works done by Robson et al. (2002) and Ren et al. (2009), the different variables affecting IJV performance will be introduced in this part. Other works such as Larimo (2010), Luo et al. (2001), Boateng and Glaister (2002) and Demirbag and Mirza (2000) will complete these lines of arguments. The variables affecting IJV performance will be presented according to the classification made by Robson et al. (2002).

#### 3.4.1. Background variables

**Goal congruity:** According to several studies (Luo et al. 2001 and Boateng & Glaister 2002), the convergence of objectives leads to a greater perception of IJV success. In other words, the goal congruence is considered as the base of a JV as the alliance of the two or more companies will work together for the same goals. Nevertheless, Ren et al. (2009) highlight that parents' goal compatibility affects the relationship quality between the partners, hence its effect on the JV satisfaction. Thus, the goal congruity has an effect on the performance, but also indirectly on management control as control measures the well achievement of the target. This facet of control will be examined in

this study.

**Culture and social distance:** It seems obvious that a sociocultural (and physical) distance between partners heightens the abilities to work together. However, Morosini, Shane and Singh (1998) have demonstrated through a valuable research (52 cross-border acquisitions) that culture has a positive impact on the performance of their sample. It is difficult to have a position on the question as each IJV appears in a different environment and situation which lead to a different conclusion (Luo et al. 2001; Robson et al. 2002; Ren et al. 2009; and Larimo 2010). As the cultural factor needs a more in depth study, this factor will not be tested in the research. Nonetheless, we can assume that culture affects negatively the success of the venture as the French culture are opposite to the Korean according to study about culture done by Hofstede and Hofstede (2005).

**International experiences:** Previous experiences appear as a positive factor for IJV performance. They are characterized by several actions, for instance: the previous international or local JV that the partners undertook, hosting a foreign company or doing cooperation. Ren et al. (2009) insist that the lack of previous experiences on international cooperation is a negative factor affecting the performance of the venture. This idea has been also carried out later on by Larimo (2010). Despite the evidences, this assignment will test out this element in the context of MNCs doing a joint venture.

#### 3.4.2. Antecedent variables

**Bargaining power:** As mentioned before, bargaining power is linked to the difference of size of the partners because of higher abilities among the partners of the venture. It has been seen as well that bargaining power has also an impact on control (see “2.7. Bargaining power and control”). Now it will be shown that bargaining power has also a strong impact on IJV performance. Researchers have called our attention on the fact that a parent company with more power than others, tends to achieve their desired performance because it obtains control over the venture (Yan & Gray 2001). Moreover, Luo et al. (2001: 44) reported that “local parents may use the host government’s bargaining power and institutional interference to strengthen their positions for monitoring and controlling IJV operations”. Whatever the origin of the bargaining power, its final impact plays an important role in the performance of the venture including its longevity. In a country, such as South-Korea, where the economic growth is increasing dramatically compare to the rest of the world, the use of power arises to be



a protection and help on the challenge of the globalization for local companies to perform better. The analysis of bargaining power in French-Korean joint ventures will be relevant on the effect of control on the venture performance.

**Control:** It would be an exaggeration to say that management control is obviously linked to IJV performance because of the large amount of controversies regarding the control structure-performance link. Luo et al. (2001) claim that some parts of control – because control is a large term, may affect parents' satisfaction and IJV performance. The fragmentation of control is also a concept assisted by Ren et al. (2009). In fact, they hold that control is divided in three divisions made by Yan and Gray (2001): (1) strategic control, (2) Operational control and (3) structural control (see “2.4. The multidimensional approach of control”), may differentially influence IJV performance. Furthermore, as Martinez and Ricks (1989; cited in Demirbag & Mirza 2000: 6) put it, “the extent of control of a parent company stems from both its formal authority and its ability to influence affiliates”. In other words, IJV performance seen through control is the result of the type of mechanisms and systems that a parent company is able to develop and implement. This obscures the fact that for many years, IJV performance was determined mainly by the outcomes given by control. Control is on the center of the decision of IJV performance and it is the reason why it has long been a topic of international theory (Eisenhardt 1985 cited in Luo et al. 2001). The purpose of this thesis is so to elucidate the relationship between management control and performance in French-Korean JVs.

**Inter-partner relationship:** Doing a joint venture means to cooperate with one or more partner (Ren et al. 2009). Therefore it involves relationships with the different partners of the venture. The term of “inter-partner relationship” has been used by Demirbag and Mirza (2000) to integrate inter-partner cooperation, inter-partner trust and long-term reciprocal behavior into one factor. These three elements interact and are dependent of each other. Relationship within a venture is likely to influence the alliances' performance because relationship is needed at every stage of the venture life. However, this factor is considered as a long term performance dimension (Demirbag & Mirza 2000), therefore a longitudinal study is preferred to analyze it. While this study is cross-sectional, the analysis of the factor “inter-partner relationship” with IJV performance may not be the most accurate way but it will be nonetheless examined within this research. Inter-partner relationship interacts with trust, conflict and commitment as it will be exposed next.

**Trust:** “Trust is the willingness of a party to rely on another party’s actions in a situation involving risk and uncertainty” (Mayer, David & Schoorman 1995: cited in Ren et al. 2009). Trust is as well multilevel and complex as it relates to relationship between persons, groups, organizations and inter-organizations. As is has been said, the relationship between the partners are likely to influence IJV performance. In particular, trust has been linked with financial performance in several studies (Nakos and Brouthers 2008; and Luo 2002). However, for the same reason than the factor “inter-partner relationship”, trust needs a longitudinal study to be tested (Ren et al. 2009). Indeed, it is recommended to undertake time into consideration in order to assess appropriately the outcome of this factor on IJV performance. The analysis will be nonetheless reviewed in this study.

**Conflict:** Conflict has been defined as “an overt behavior arising out of the process in which one unit seeks the advancement of its own interest in its relationship” (Habib 1987; and Schmidt & Kochan 1972: cited in Ren et al. 2009: 819). Conflict appears as well in many forms from a passive resistance to an overt aggression. Despite that conflict is characterized by anger, frustration, and other negative feelings (Ren et al. 2009), it shows a dynamic process consisting of latent, perceived, affective, manifest, and aftermath stages. Furthermore, because cultural difference, a situation called “conflict” in one country may not be considered as a conflict in another one (Ren et al. 2009) As a result, it is difficult to define what ‘conflict’ is exactly and to find an influence with IJV performance unless through a longitudinal study as Hyder and Ghauri (1993) did between Swedish MNEs and local Indian companies. This factor will not be taken into account into this study.

**Commitment:** In Demirbag and Mirza’s (2000) framework (figure 12), conflict and control are represented as a force on one side of the factor “inter-partner relationship” and commitment as another force on the opposite side. Commitment brings stability to the joint venture due to trust and responsibilities that partner give each other. Ren et al. (2009) describe commitment as the partner’s positive valuation of a collaborative relationship. It is a long-term interest and gain in the relationship as it is based mainly on trust (Demirbag & Mirza 2000). From the same authors, they argue that it is relevant to connect IJV performance with the willingness of the JV partners to contribute resources (or provide a market for output) in a manner that accommodates the JV’s needs. As a part of the inter-partner relationship and for the same reason explained previously, commitment will not be studied in this work.

**Equity stake:** Equity stake has been among many studies one of the key factors to achieve IJV performance (Luo et al. 2001; Robson et al. 2002; and Boateng & Glaister 2002). Through the factor “equity stake”, it is regarded that the balance of tangible and intangible resources between the venture partners are significant to achieve IJV performance. In fact, the partner’s resources bring to the other partners skills, knowledge and opportunities. It is true in particular with MNCs because of their financial matter. Large companies have the opportunity to “hire managerial expertise and support research and development which enhances the firm’s competitiveness and performance” (Boateng & Glaister 2002: 530) and have more physical supplies. However, if the difference of resources is important, the “bigger” partner involves an imbalance of bargaining power (Larimo 2010). Because of its better resources than the other, the partner firm takes indirectly more control. Exchanging resources is often a motivation to undertake an IJV as it aims to exchange knowledge and techniques by working together (Robson et al. 2002). Nevertheless, it is usually more interesting for the foreign parent as it expects to gain from its local partner about the country specific knowledge (Luo et al. 2001). In the context of management control, JVs with parents having high level of competency, coordinates and manages more easily their alliance. Indeed, the resources of one partner complete the lack of the other firm partners (Robson et al. 2002; and Luo et al. 2001). More to the point, Choi and Beamish (2004) found out that a lack of or erosion of complementarity between the JV partners has a negative impact on IJV performance. In the present thesis, each selected IJV involves French and Korean MNCs, this relationship between equity take and performance will be thus checked.

**Ownership:** Whatsoever the level of ownership (equal 50/50 ownership, a dominant parents control (either the local or the foreign firm) or a split control – see: Choi & Beamish 2004 in the part “2.6. Equity share and control allocation”), its influence on IJV success has been one of the most reviewed variable (Larimo 2010). However, the results of those studies have been mixed and mostly indicating a non significant relationship between ownership and IJV performance. As the ownership distribution has been shown as a part of management control, this research will give it a particular attention – especially because Choi and Beamish (2004) have undertaken a study on a sample of 71 international JV in South Korea regarding this topic. They have found that a JV with its ownership based on a split control has better performance while other ventures adopting other ownership styles do not show a particular advantage. In the present study, the case companies have either a 50:50 ownership or a foreign parent dominant control with one running a split control management style.

### 3.4.3. Core variables

**R&D and technology:** the R&D intensity of a venture is determined by the amount of exploration activities that the parents of the venture undertake together. R&D and technology are usually a reason to undertake a JV in order to develop new concepts and learn from each other (Robson et al. 2002). Furthermore, they are well-known to be a factor of success. As the director of ITT automotive argues, “technology and products drive long term success” (Sierra 1995 cited in Choi & Beamish 2004: 205). In fact, working on a same technology signifies as well a strong cooperation between the JV partners and leads the team to motivations. As a conclusion, R&D and technology lead the alliance because of the involved common motivations, but affect the goal congruence of the venture. This factor will be reviewed in this research as most of the selected alliances involved an R&D department.

**Human resources:** The HR allocation determines the amount of staff that each partner will involve on the venture management. Their presence and role into the venture are critical. In fact, the general assessment of the joint venture will be based on the feeling of those managers (Boateng and Glaister 2002). Thus, it is just as convincing to say that the human resources has an effect on JV performance. Nonetheless, when it is contrasted to the control-performance relationship, the evidences appear less relevant. Obviously, the human resources have the role to monitor and control the venture, but the study of this variable has not been very popular and pertinent for the IJV literature (Larimo 2010). In this thesis, our attention will be paid on the amount of staff and its eventual effect on control and performance.

### 3.4.4. External variables

**Justice and Law:** Justice and law concern the taxes, the governmental legislations and notes through processes and rules. While doing a joint venture, the foreign parent analyses the local legislation regarding the FDI in order to determine the feasibility of the alliance. In fact, the local government opens or closes its boundaries according to the country's situation. If the local legislation tries to avoid foreign investments, then a protectionist regulation will be set up. In contrast, if the country looks for foreign investments, they will open special economic zone (Robson et al. 2002). More focusing on justice, Ren et al. (2009) highlight that justice has been recently the target of researcher with a positive effect on IJV as a conclusion. Nevertheless, justice will not be more developed in this paper as it is linked to the local culture and is complex itself. As

regulations are a part of control mechanism – defined by Geringer and Hebert (1989), their integration on this research is needed. It is even more important as Korea legislation tends to welcome investors in its territory due to a large amount of free economic zones. The fact that Korea is opening its boundaries to FDI can be interpreted as a positive economic growth for the country which is continuously increasing and for the investors too (Larimo 2010).

**Political environment:** In complement of the “justice and law” variable, the political environment completes the approach of the external factors affecting IJV performance. It reflects the uncertainty over the continuation of the present economic and political conditions and the government policies (Larimo 2010). The political environment of the hosting country has an impact on the venture success if the latter is uncertain (Robson et al. 2002; and Larimo 2010). Indeed, changes in government may cause issues related to FDI legislation such as taxation, repatriation of earnings and licenses (Delios and Henisz 2000, cited in Larimo 2010). In the case of South-Korea, the political uncertainties are based on the controversial situation between North-Korea and South-Korea, and the preference that the government gives to local MNCs in order to protect the local economic growth. The conflict between the North and the South of the Korean peninsula is ambiguous as officially the two countries have not signed any peace agreement. Furthermore, the Korean government will try to give priority and right to its own companies for economic reasons. The political uncertainty of South-Korea and its influence on the IJV located in its territory will be tested without going into details.

### 3.5. Summary of the IJV performance theories

To sum up, in this part the IJV performance literature has been reviewed. Through mainly the approaches from Robson et al. (2002) and Ren et al. (2009), the methods utilized to assess the IJV performance and the factors affecting it have been identified and analyzed. Due to the large amount of factors and the interest in this thesis of the effect of management control on IJV performance, this literature review focused mainly on the factors associated to management control. Further some factors reviewed will not be taken into account in this study despite of their relation with management control (see table 7). In fact, some variables need a deeper focus on the topic such as “culture distance”, and some others need to be analyzed through a long period of time such as the variable related to “commitment”. However, the methods used to assess IJV success have been all reviewed and each of them will be tested in this research. On the table 7

summarizes the factors and methods examined in this literature review and the selection of those which will be tested on the present thesis.

A large amount of variables dependent of management control and affecting IJV performance has been found as it has been shown on the longitudinal model for studying IJV Performance (Ren et al. 2009: 825 – figure 10). This assumption maintains the fact that there is a relationship between management control and the JV success. Furthermore, the existence of multiple-ties between those two entities makes their analysis complex to study. To decide if there are or not evidences on the role of management control in IJV performance, it is necessary to take into account the variables concerned. In the case it would not be possible, the validity and the reliability of the study would be challenged.

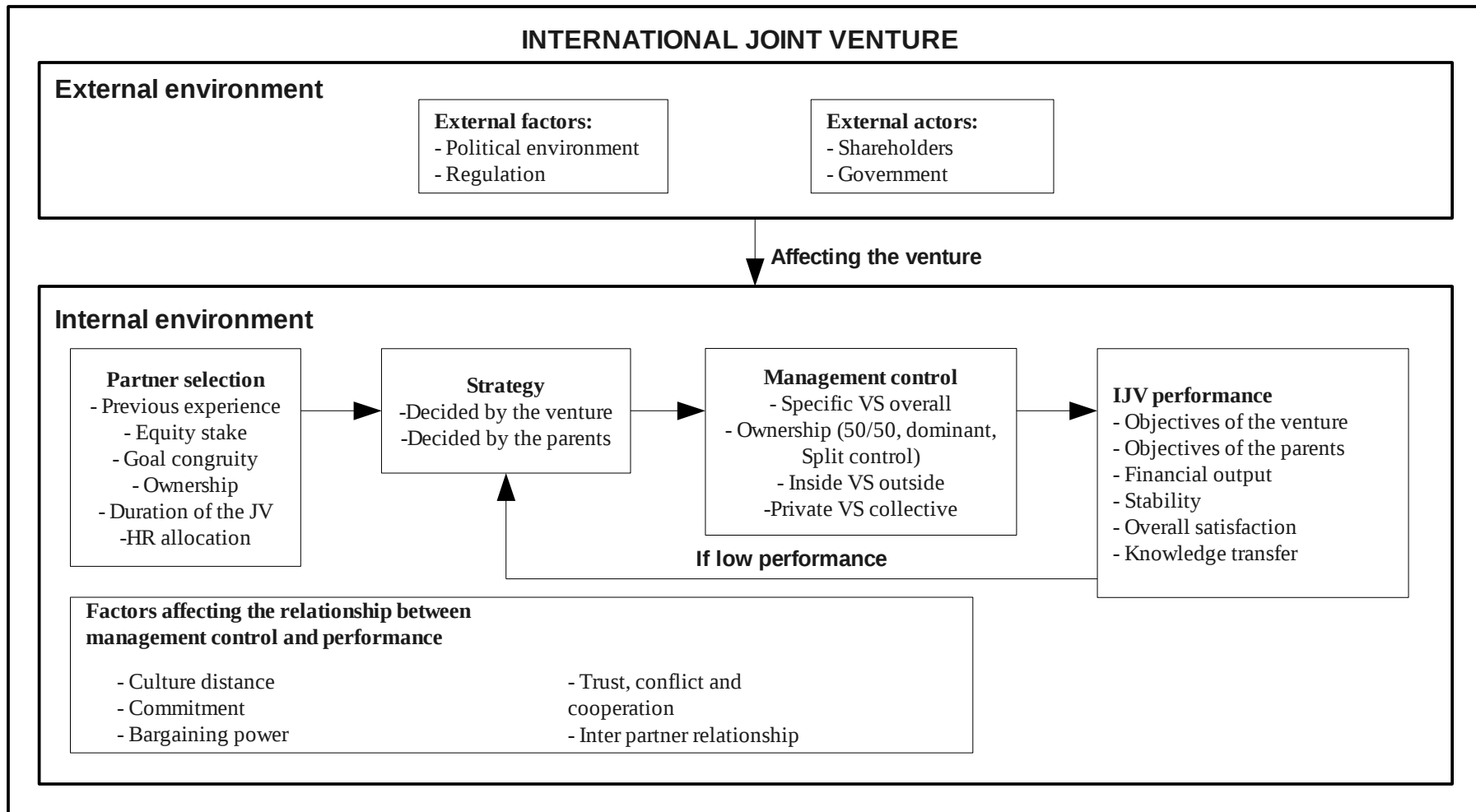
<b>Methods reviewed</b>	<b>Method tested in this study</b>
Financial output measures	Yes
IJV stability	Yes
Overall satisfaction	Yes
Goal achievement	Yes
Learning	Yes
<b>Factors reviewed affecting IJV performance</b>	<b>Factors tested in this study</b>
Goal congruity	Yes
Culture and social distance	No
International experiences	Yes
Bargaining power	Yes
Control	Yes
Inter-partner relationship	Yes
Trust	Yes
Conflict and commitment	No
Equity stake	Yes
Ownership	Yes
R&D and Technologies	Yes
Human resources	Yes
Justice and law	Yes and No
Political environment	Yes

**Table 7.** List of the factors and methods examined in the literature review, and selected for the use of this thesis

In the review of the methods assessing IJV success, every variable observed has its pros and cons about its outcomes. Among the recurring issues discovered, culture difference has been seen as an important factor affecting the manner to define and analyze IJV performance. In fact, the definition and the application of the assessments tend to vary according to the culture. Thus, the responses obtained change from a company to another one. Moreover, in particular in the “outcomes variable”, the approach of IJV performance is more subjective than objective. Except for the “financial output measures” and the “IJV stability variable”, the analysis of the other factors is based on the managers’ personal opinions of the venture. Due to these two main issues – culture distance and subjective approach, different responds are provided which lead a threat on the validity of the measures. To achieve accurate results, it has been suggested that the IJV performance analysis from both local and foreign parent’s managers and the parents themselves are confronted.

To conclude the literature review of this thesis and introduce the empirical part, a framework gathering the information regarding management control and IJV performance and their relationship will be presented (figure 13). The purpose of the literature review is to introduce the concepts, approaches and theories about the topic of the research in order to

The framework objects to emphasize what part to examine in the study of the relation according to the information gathered in the literature review.



**Figure 13.** Theoretical framework of the thesis



#### 4. RESEARCH METHODOLOGY

The fourth chapter of this study introduces the methodology and empirical context of the study. The aim of this section is to review the existing theories about research methodology and justify the reasons of the chosen methodology of this research. It will also describe the structure of the empirical research and method of the study. Then, the reliability and validity of the study will be analyzed. At last, an introduction to the empirical context and the case companies will be presented.

##### 4.1. Research design

Having defined the research question and analyzed the literature related to the topic, the research methodology is the next step of the research process. The methodology of this research will be based on the so-called research process ‘onion’ developed by Saunders, Lewis and Thornhill (2003), summarized on the table 8. It consists of six different layers in order to approach what kind of methodology the researcher should adopt for its work. The elaboration of the research design through this model will start from the second layer “Research approach”. In fact, the “Research philosophy” layer is not appropriate to such study – Master thesis.

Layer	Approaches
1: Research philosophy	Positivism, Realism, Interpretivism, Objectivism, Subjectivism, Pragmatism, ...
2: Research approaches	Deductive or Inductive
3: Research strategies	Experiment, Survey, Case study, Action research, Grounded theory, Ethnography, Action research, ...
4: Research choices	Mono method, Mixed methods, Multiple-methods
5: Time horizons	Cross-sectional, Longitudinal or Experimental
6: Data collection methods	Sampling, Secondary data, Observation, Interviews, Questionnaires, ...

**Table 8.** The research onion (Saunders, Lewis & Thornhill 2003: 83)

### *Research approaches*

The research approach consists to determine the role of the theory within the research. There are two ways to approach the research: deductively and inductively. The deductive approach means that the theory is already founded and will be tested in the research. This approach is usually used to check empirically the validity of hypothesis or existing paradigms. In contrast, the inductive approach consists to elaborate the theory from the research. This way of approaching research aims to undertake a deeper study such as a grounded theory or even an ethnography research. As already mentioned in the accession of the previous literature, the purpose of this research is to suggest a theory about the relationship between management control and IJV performance in the context of French-Korean joint ventures. In fact, while many studies have already focused on this topic, their results are controverted. Therefore, this study will suggest a theory for the relationship between IJV management control and performance in the specific context of French-Korean JV in South Korea. There are the reasons why an inductive approach has been chosen for this thesis.

### *Research strategies*

There are different strategies to undertake research which can be categorized into two groups: quantitative strategy and qualitative strategy. The quantitative methods aim to approach the research with variable measurements. Quantitative methods are usually conducted through surveys most of the time, but also through sampling, secondary data or experiment. On the other hand, qualitative method has the purpose of explaining and understanding the phenomena to which the study focuses. It provides a naturalistic approach that explores the subject of the study in a context-specific setting. Quantitative methods is made of a single or multiple-case study, a grounded theory, an ethnography or action research. The main difference between qualitative and quantitative research is not the “quality” but the procedure (Ghauri & Gronhaug 2005). Qualitative research depends on weightings of qualities or characters while quantitative research depend on measurements, on statistics, or on counting (Maylor & Blackmon 2005). However, it is possible, that qualitative data are quantified. In fact, qualitative and quantitative methods are not mutually exclusive as it will be shown later in the section “Research choices”. Finally, the appropriate research strategy depends on the sample used and the purpose of the research.

In this thesis, a quantitative research will be conducted with more specifically a multiple case study strategy. Indeed, the purpose of this research is to establish a theory regarding the relationship between management control and performance in the context

of French-Korean JVs located in South-Korea. The question that the study will try to answer regard the reason “Why” and the manner “How” of the relationship. To answer this type of question, a subjective approach such as a case study is needed (Stake 1995). Furthermore, the sample studied gathers a small and limited amount of cases. In fact, less than 20 French companies are currently doing a joint venture with Korean companies. The research will thus focus on a specific context which is also a particularity of the use of a case study method (Yin 1993). Due to this low amount of participant in the study, a multiple case study seems to be the most appropriate method to answer the research question. The multiple case study method aims to study the same questions in a number of organization and then to compare the results and draw conclusions Ghaury (2004). However, Yin (2004) points out that using a multiple case study research findings is more convincing that when there are results from only one case. In other words, the larger the sample of the study is, the more reliable it is. Moreover, despite that many paradigms already exist regarding this management control and IJV performance, some changes in the results have been noticed. This phenomenon of controversy comes from the environment of the study. As the result, management control and IJV performance theories are multifaceted. In this situation, doing research through a multiple case study gives the advantage to analyze a critical context (Ghaury 2004). These lines of argument justify the need of using a quantitative research with a multiple case study strategy.

#### *Research choices*

The choice of the research strategy is not limited to one process. In fact, the strategy which suits the best to the needs of the study has to be adopted. The research choice can be mono method – using only one strategy, mixed method – using several strategies together, or multiple-methods – using several strategies but independently. The context of this study, as explained before, does not need to use several strategies to be studied. As a result, a mono method using a multiple case study strategy will be applied to the research. (Saunders et al. 2003).

#### *Time horizons*

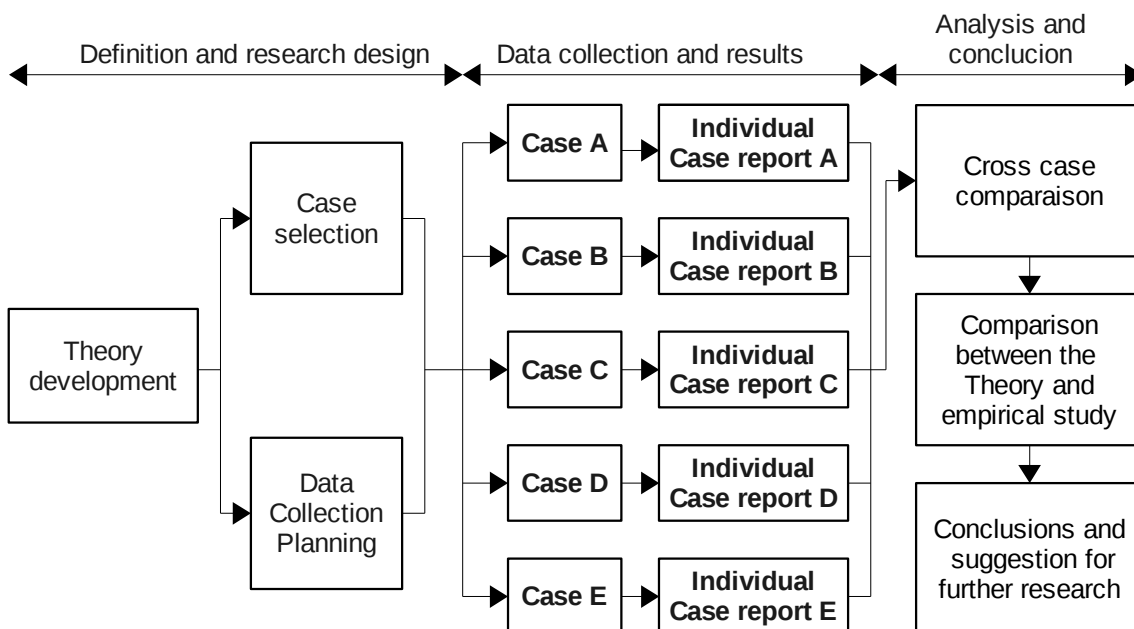
A research can be conducted under three different rhythms: cross-sectional, longitudinal and experimental. A cross-sectional research is based on a short period of time while a longitudinal and experimental research on a long time. The cross-sectional research seeks information at a specific and short time. The longitudinal research accumulates data to capture a change, thus data has to be collected at least twice during a defined time period. Finally, the experimental research aims to compare minimum two

equivalent situations and data have to be collected before and after the experience. In this research, due to the short time invested on a Master thesis, the time horizon of the study is limited. As a result, the research will be cross-sectional. (Saunders et al. 2003).

#### *Data collection methods*

There are several sources and techniques to collect information and data for a multiple case study. Among the most used data collection methods, there are the questionnaire, the sampling, the secondary data, the observations and the interviews. They all offer pros and cons and have to be chosen to accord with the research. In the case of this study, a multiple case study strategy will be used and the data collection will be done through interviews. Indeed, the interview is the best method to collect information when only a small of respondents exist (Daniels & Cannice 2004). Nevertheless, the questionnaire has also negative side. The fact that there is a contact between the interviewer and the interviewee may distort the result by influencing the answer (Daniels & Cannice 2004) which will be more discussed in the section “4.3. Validity and reliability of the study”. The way of collecting data for this research will be developed more in details in the section “4.2.2. Data collection and analysis”.

#### 4.2. Research method



**Figure 14.** Adaptation of the case study method from Yin (1994)

The research method of the present thesis is based on the case study approach developed by Yin (1994) as shown on figure 13. This approach is composed of three independent phases: (1) definition and design of the study, (2) data collection and results, and (3) Analysis and conclusion. They will be developed next.

#### 4.2.1. Definition and research design

The first phase concerns the theoretical part of the study. It is composed of the definition of the research question which was the part “1. Introduction”; the development of paradigms about the topic which was the literature review: part “2. Management control in international joint venture” and part “3. International joint venture performance”; and finally the approach of the research method, the selection of the sample and the way data will be collected which is the part “4. Research methodology”.

During this phase, the base of the study is made. The research question and the reasons of this study were presented. Then, the literature review of the previous research have been analyzed in order to introduce the concepts and theories of management control and IJV performance. In particular, in this literature review, the focused theories have been selected because of their interest of the topic and not because of their results. Indeed, due to the large amount of controversy, it is interesting to see what factors has been involved into those studies without taking into account their results. In fact, it would not be relevant to consider the outcomes of those studies as a common rule for every IJV while it may not work in this environment. Furthermore, the selection of these theories and approaches were based on their interest on management control and IJV performance only. Nonetheless, some studies may have been forgotten due to the large amount of academic paper regarding those topics.

From the literature review, the functioning of management control has been analyzed and the factors affecting IJV performance identified. The purpose was to obtain as much as knowledge as possible regarding this topic in order to undertake research on the environment of French-Korean JVs. It is through a quantitative research with a multiple case study as a strategy that the study will be done. The manner of how collecting data will be more developed in the next part.

#### 4.2.2. Data collection and results

In the second phase, the empirical part of the study is presented. It regards the

interviews and the part “5. Empirical results”. It exposed the empirical results of the 4 interviews.

Based on the literature review, a questionnaire to examine the relationship between management control and IJV performance in the environment of French Korean joint ventures located in South Korea has been made. The questionnaire is made of a set of 33 questions divided into 5 themes: (1) Presentation of the interviewee, (2) Presentation of the joint venture, (3) Management control, (4) IJV Performance, and (5) Conclusion. The table 9 presents the purpose of each theme of the questionnaire.

<b>Themes</b>	<b>Purposes</b>
1. Presentation of the interviewee	Introduction to the manager interviewed and brief presentation of the research (Question 1 to 4)
2. Presentation of the joint venture	Presentation of the case company, definition of the background details (Question 5 to 18)
3. Management control	Definition of the management control established within the venture: actors and processes (Question 19 to 23)
4. IJV Performance	Evaluation of performance of each case company, identifying the factors and actors affecting the performance (Question 24 to 29)
5. Conclusion	General impression regarding the relationship control-performance, conclusion of the interview: addition of some forgotten information (Question 30 to 32)

**Table 9.** Themes of the interview process and their purposes.

The questions of the questionnaire are either open-ended questions either close-ended questions. The questions for the part 1 are composed mainly of closed-ended questions. In this way, they are easy to answer while the respondents get more familiar with the interviewer and the topic of research. Afterwards, open-ended questions are asked for the rest of the interview. Such kind of questions gives the respondent recall freely and can take up a direction in the response. Moreover, the response may then be followed up with more specific questions from the interviewer (Saunders et al. 2007). Some questions in the part “2. Presentation of the joint venture”, have been taken from a study done by the University of Vaasa. During the interview, information about confidentiality of the data is also mentioned. Finally, the answer of the empirical research will be presented according the 4 sections of the questionnaire. The questionnaire is presented

at the end of the study in the appendix 1.

The theory examined in the literature review will be tested in a sample of 4 JVs. The sample chosen for this study gathers only IJVs between a French and a Korean company running in South-Korea. In total, 11 IJVs have been identified (see table 13. List of Joint Venture in South-Korea involving French and Korean companies) and only 5 joint ventures have been selected for this research. The selection of the cases has been based on the size and availability. In fact, the case company should be big enough to undertake such a study. Thus, 5 companies have been contacted and 4 have accepted to be a part of the study. The 5<sup>th</sup> company had to reject the interview due to their business sector (weapons).

Ideally, each case should use different characteristics within the same context for the purpose of having distinct comparisons. For example, the table 10 shows what kind of cases would have been the most appropriate for this study. Indeed, the selection of each case has to be justified as every case has to serve a particular purpose (Ghauri 2004).

		<b>Ownership control</b>			
		<b>Min 10-49%</b>	<b>50/50</b>	<b>Maj 51/90</b>	<b>Split control</b>
<b>Performance</b>	<b>High</b>	Case 1	Case 2	Case 3	Case 4
	<b>Low</b>	Case 5	Case 6	Case 7	Case 8

**Table 10.** Ideal selection of case companies for this study

In reality, it is rare that this situation is accessible. Usually, the selection of the case companies is based on their existence and availability for the research. In the present thesis, the case companies were selected according to the location – South-Korea, size – multinational companies only, entry mode style – in joint venture, and the number of parents – two parents: one French and one Korean company. It could not have been possible to choose the company according to their performance and ownership control due to the limited amount of French-Korean JVs at this time. As a result, the sample is limited to only 4 cases with the ownership and performance characteristics as shown on the table 11. Each case will be presented in the section “4.4. Introduction of the empirical context of the study”.

		Ownership control			
		Min 10-49%	50/50	Maj 51/90	Split control
Performance	High		Case A Case C		Case D
	Low			Case B	

**Table 11.** Selection of case companies for this study

The data will be collected through a face-to-face semi-structured interview except for one interview which has been done by phone due to the lack of time of the interviewer of the Case B. The face-to-face method enables to collect a rich set of data in a relatively short period of time (Saunders et al. 2007). Indeed, a semi-structured interview is the best choice in these conditions. It enables to guide the interviewee to the topic of research by following pre-established themes and questions while allowing a certain flexibility. In fact, the interviewee is offered the possibility to develop more issues with open questions. As a result, the interview becomes more interactive which may change the order of the question from an interview to another and add some supplementary questions.

Every interview has been held with a French speaking manager from the French parent company. In fact, I have chosen to undertake interview in French as it is my mother tongue. In this way, I have the advantage to communicate more easily with the interviewee and obtain additional information by breaking the language and culture barrier.

At last, the interviews have been held during January 2012 in Seoul at the company office as I have the chance to be on the spot during this time to conduct personally the interview. Four interviews have been conducted lasting for 90 minutes on average. For two of them, the manager was the CEO of the venture. The outcomes of the interview will be then analyzed as it is explained next.

#### 4.2.3. Analysis and conclusion

The last phase aims to analyze and conclude the outcomes of the research which is the part “5. Empirical results” and part “6. Summary and conclusions”.

Once the data gathered, the 4 cases will be analyzed through a comparative case study.



According to Saunders et al. (2007), in qualitative research, the goals of data analysis are to comprehend and manage data, to integrate the related data and to identify key patterns or themes emerging out from them. In simple words, the interpretation of the data is about making sense out of text and imaged data. The evaluation of the outcomes is based on the personal comprehension of the researcher.

To end the thesis, the research finishes with the conclusion part. The study will be summarized first and then concluded. In the conclusion, the limitation of the study will be reminded before the further research will be suggested.

#### 4.3. Validity and reliability of the study

To ensure the quality and the validity of qualitative research, Yin (1994) has developed four tests: (1) construct validity, (2) internal validity, (3) external validity, and (4) reliability. These four tests measure respectively a different part of the qualitative research and make sure to obtain accurate results. Indeed, as it will be explained below, each test intends to show evidences from different perspectives on the quality and reliability of the research. The validity and reliability of the present study will be defined through the four tests made by Yin's (1994) tests.

The first test, *construct validity*, analyzes that the right operational measures for the studied concepts are well established (Yin 1994). This test is the results of the researcher's initiative. In fact, he or she decides on what sources the evidence of the study will be based on, such as direct observations, documents, interviews and physical artifacts. In this study, I took the decision to undertake semi-structured face-to-face interviews. In fact, such interviews enable to create trust and interaction with the interviewee (Shank 2006). Furthermore, as the interview will be with a French manager, the language used to communicate will be my mother tongue. It makes sure that the communication between the researcher and the interviewee is accurate and will not affect the results. If some misunderstandings happen, the information can be checked as the interviewees were willing to complete any details through phone calls or emails.

The second test, *internal validity*, tests the causal relationship between two certain conditions, but concern only explanatory or descriptive studies (Yin 1994). Therefore, as this study does not belong to one of these two categories, it will not be further developed and applied in this thesis.

*External validity* assesses the possibilities to generalize the findings of the different case companies to the case study (Yin 1994). In fact, the results of a case study rely on analytical generalizations while a survey research relies on statistical generalizations. As a result, a study on a large amount of case companies leads to a higher external validity. In this thesis, the amount of case companies studied is as much as 4. It seems small for such a research, but the amount of French-Korean JVs appears to be very limited at this moment. However, it is sufficient to make a generalization out of them about management control and performance in French-Korean JVs. Some further studies may be needed to validate this approach.

Finally, the *reliability* test has the purpose of making sure that the next investigations using the same material and analysis process find the same findings and conclusion (Yin 1994). This last test may be controverted. Indeed, due to the natural change of the environment of the study and the evolution of theories, it may be not possible to find out again the same results if the study is undertaken a long time. Nevertheless, in this study, I have ensured its reliability by describing the design and process of the methodology. However, the reliability of the research is affected by the fact that the identity of the interviewed managers and the name of the case companies are kept private. This decision was made to protect the privacy of the companies studied. Furthermore, in qualitative research, the data collected are based on a personal and subjective approach which may vary from a manager to another one. To conclude, it is difficult to achieve a perfect reliability in a qualitative research despite the effort made. The researchers have to be aware of the difference of result while undertaking studies.

To complete Yin's (1994) approach, some other limitations affect as well the validity and reliability of the studies. The most important limitation is caused by the fact that the study is done only on the French side of the joint venture. Indeed, as my mother tongue is French, it is better to focus on the side that I have the most chances to obtain reliable information. However, this way may privilege the French partner of the joint venture in the research. In order to balance the study, it would be relevant to undertake as well this study from the Korean side made by a Korean researcher as it will be suggested in the part "6.4. Further research".

#### 4.4. Introduction of the empirical context of the study

##### 4.4.1. Introduction of South-Korea

South-Korea is the 14<sup>th</sup> major economy in the world (10<sup>th</sup> for France) and one of the country with the highest growth rate despite of the 2010 economic crisis (5% on average during the last 10 years – 1.3% for France). To keep on developing, South-Korea tries to attract foreign investment by creating FEZ (Free Economic Zone). There are currently 6 of this zone offering tax advantages for foreign companies wishing setting up in Korea. Moreover, in October 2010, South-Korea and the European Union (EU) have signed a FTA (Free Trade Agreement) (EUROPEA 2010) and in October 2011, South-Korea and the United-States (US) have also signed an FTA (USTR 2011). They aim to increase the trade between those countries by reducing Korean tariffs and tariff-rate quotas on goods. It is important to note that Japan and China do not have access to this benefit. Due to this agreement, Korea and France may prone to work more together in the Korean territory. (FKCCI 2010)

On top of having tax benefits, South-Korea offers a strategic position especially for foreign direct investments from EU and the US. The location of the Korean peninsula supplies an ease to penetrate other Asian markets. In fact, Seoul is only 2 hours away from Beijing and Tokyo. Therefore, it is an opportunity for companies to benchmark themselves to other Asian country. Moreover, South-Korea makes ease on the partnership creation. In fact, it is the leader in several sectors such as electronics, shipbuilding, petrochemical, car industry or even, biotechnology and information technology. Further South-Korea tends to invest increasingly on the development of green energy. In 2009, the amount of FDI reached 133 billion USD and France was the 7<sup>th</sup> country investing the most in South-Korea (1<sup>st</sup> EU, 2<sup>nd</sup> US and 3<sup>rd</sup> China). (FKCCI 2010)

The economy of South-Korea is characterized by a fast and increasing growth after the Korean War (1950 - 1953). In particular, in 1960's under the Park Chung Hee's government (1961 - 1979), the forming of Chaebols started. The Chaebol are some large, conglomerate family-controlled firms of South Korea characterized by strong ties with government agencies (Jwa 2002).

Finally, South-Korea is still officially in conflict with North-Korea and a war threat is often reported by the news. The last conflicts were in November 2010 when some

artillery fires have been exchanged between the North and South of Korea on Big Yeonpyeong island.

#### 4.4.2. Presentation of the Case A

The Case A has been founded in June 2003 between the petrochemical branch out of the 69 branches of one of the Korean Chaebol and the French leader petrol company through a 50:50 joint venture. Together, they are developing advanced products that are environmentally friendly in order to be the world leader supplier. The joint venture develops, produces and sells petrochemical products such as polyolefins, resin compounds and basics petrochemicals; for variety of uses such as electronics, automobiles, textiles and chemical materials. It produces as well refined petrochemical solvent and LPG (Liquefied Petroleum Gas). Their production is intended to mainly the Chinese market (~50%) but also the domestic market and some other countries in Asia and Africa. Case A does not export to France, however, through this venture the Korean company buys raw materials from the French company. With a petrochemical complex structure composed of 13 production plants based in South-Korea, Case A employs about 1000 people including 9,8% of research and development engineers. In 2009, the turnover of the case company A was over 4,7 trillion KRW. Moreover, Case A has acquired during their alliance a number of certification about quality, environment, safety and health such as ISO 9002, KOLAS, ISO 14001 and KOSHA 2000. (Source: Case A homepage on the internet and FKCCI 2010)

#### 4.4.3. Presentation of the Case B

The case B was established in September 2000 between a French, a Korean car manufacturer companies and the creditor banks of the Korean company. In fact, after being hit by the Korean crisis of the 2000's, the Korean car manufacturer was looking for a potential buyer. Finally, it is between the French and the Korean car manufacturer with its creditor banks that a joint venture is built with 70% stakes for the French manufacturer, 20% for the Korean and up to 10% for its creditor banks. The condition of the venture was to keep the current human resources and all functions including R&D. At this time, the joint venture sold only 12 000 vehicles per year. The purpose of the venture is to compete with the other local car manufacturer and built a manufacturing car platform in order to supply Asian countries – especially China. Nowadays, the venture mode has moved to a subsidiary of the French company with a 80,1% owned by the latter. In fact, it bought back the creditor banks' stakes. The case B

employs about 5 600 people including about 45 French managers. It holds 10,1% of the local car market share with 161 917 vehicles sold per year just in South-Korea. In fact, the production capacity of the Korean production plan reach the 300 000units/year which are exported mainly to Chile, Mexico and some countries of the Gulf Cooperation Council (GCC) such as Saudi-Arabia and Qatar. The turnover made in 2009 in South-Korea reached the 3,6 billion KRW. (Source: Case B homepage on the internet and FKCCI 2010)

#### 4.4.4. Presentation of the Case C

The Case C has been established in May 2008 between two important actors of the oil refined industry through a 50:50 joint venture. This joint venture produces and markets a wide variety of lubricants ranging from automotive to industrial products. Their products are designed for the domestic market and about 10% are intended to supply the French company subsidiaries. In fact, the Korean market has a high demand of lubricants because of the important production of cars. Together, they aim to be more competitive on the local market for the purpose to be the third local leader of lubricant supplier. The Case C employs about 160 people including only 3 French managers and the 2009 turnover was about 176 billion KRW. (Source: Case C homepage on the internet and FKCCI 2010)

#### 4.4.5. Presentation of the Case D

The last case is the result of the alliance of a Korean manufacturing rolling stock and an French international transport services company. The Korean company is a branch of Chaebol while the French company is a division of French multinational specialized in collective services. The joint venture is held by 80% by the French company and the rest by their partner. In June 2007, they signed a 30 years contract starting in 2009 to build and operate one of the subway line of Seoul city. The objectives of the venture are to launch and stabilize the subway line for 30 years. At the end of the contract, the government will take over the management of the subway line. Finally, the purpose of the French partner is to settle down in Korea in order to be a local metro management company. The case D employs about 550 people and 2009 turnover reached about 65 billion KRW. (Source: Case E homepage on the internet and FKCCI 2010)

#### 4.4.6. Summary of the presentation of the case companies

To sum up, the table 12 summarizes the presentation of the 4 cases that will be used in the study. All these joint ventures have only 2 parents – one from France, one from Korea, and they are all operating in South-Korea.

	<b>Case A</b>	<b>Case B</b>	<b>Case C</b>	<b>Case D</b>
<b>French company</b>	Fifth largest oil and gas company in the world	2 <sup>nd</sup> biggest French car manufacturer	Fifth largest oil and gas company in the world	Transportation division of a collective services MNC
<b>Korean Company</b>	Petrochemical branch of a Korean Chaebol	Car branch of a Korean Chaebol	Korean petroleum and refinery company	Rolling stock manufacturer, branch of a Korean Chaebol
<b>Establishment</b>	June 2003	September 2000	May 2008	June 2007
<b>Industry</b>	Petrochemicals	Automotive	Oil	Transportation
<b>Ownership</b>	50% - 50%	81% (French) - 19%	50% - 50%	80% (French) - 20%
<b>Products</b>	Mainly petrochemicals products and LPG	Cars	Lubricants for automotive and industrial products	Subway line 9
<b>Purpose of the venture</b>	Becoming the world's leading chemical supplier and being ecological friendly	Compete the other local car manufacturer and built a manufacturing car platform	Becoming the third local leader of lubricant supplier	Building and managing the subway line for 30 years
<b>Revenue (2009)</b>	4,7 trillion KRW	3,6 billion KRW	179 billion KRW	65 billion KRW
<b>Staff</b>	1 015 (4)	5600 (45)	160 (2)	550 (3)
<b>Distribution</b>	China (~50%), Domestic market, Asia and Africa	65% Domestic market and 35% Chili, Mexico and GCC	90% Domestic market 10% French Company	Domestic market

( ) indicates the number of managers from the French company speaking either English or French.

**Table 12.** Summary of the case company study

4.4.7. Presentation of other French Korean JVs located in South non-included in the research

JV's name	Industry	Ownership	Establishment	Staff	Turnover	Activity of the venture
Dong-il Devanlay INC	Casual Wear/ Textil accessory	Non available	May 2000	71	72,5 Billion KRW	Production and distribution of Lacoste products through 117 sales points
Yeang Chemical CO., LTD	Chemical & Environment	50/50	July 1998	99	116 Billion KRW	Production and distribution of water treatment chemicals and services related
Inergy Automotive systems CO., LTD (not Korean)	Automotive Industry	50/50 but acquisition 100% in 2010	August 2000	220	1,7 Trillion KRW (Global)	Production and development of solution for the automotive world
NH-CA Asset Management	Finance	French 40% Korean 60%	2003	60	17,5 Million KRW	Manage portfolio for Korean institutional and retail investors
Samsung Thales	Electronics/ Defense	50/50	February 2000	1660	623 Billion KRW	Developing jointly a broad spectrum of capabilities in defense system
Shinhan BNP Paribas Asset management	Finance	50/50	October 2002	190	125,5 Billion KRW	Manage portfolio for Korean institutional and retail investors
Valeo Pyeong-Hwa CO., LTD	Automotive Industry	Non available	1988	650	328 Billion KRW	Development and production of power delivery systems for manual transmission

**Table 13.** List of Joint Venture in South-Korea involving French and Korean companies (Source: company's homepage on the internet and FKCCI 2010)



## 5. EMPIRICAL RESULTS

In this chapter, the empirical findings of each case company are presented and examined in order to provide a holistic picture about the subject of study. At the end of this chapter, a cross-case comparison table of the analyzed case is conducted. It will summarize the presentation of the empirical results before the conclusions on the next section. The information presented in this part, are from the interviews done with each case company.

### 5.1. Case A

#### 5.1.1. Presentation of the interviewee

The interview has been done with the Senior vice president of base chemicals exports and purchasing of the joint venture. This manager has been at this position for about more than 3 years and he is one of the 4 managers from the French parent company out of the 1100 people working in this venture. This manager is an expatriate under the responsibility of the French company with an unlimited contract for his position.

#### 5.1.2. Background of the Case A

The Case A was established in 2003 through a 50:50 joint venture with a no intended duration. In 2003, because of the 1997 Asian financial crisis, the Korean company was loss-making and put up for sale. After a failure with a Japanese company, the Korean company put its offer on the European market. The objective of the Korean Chaebol was to give a second life to their petrochemical branch in order to stay in the local competition. Interested by the facilities of the Korean company and its geographical location to penetrate the Chinese market, the French company showed its interests. Finally, the French company decided to buy out 50% of their capital and raise up together the new company through a joint venture in order to develop a platform to produce together in South-Korea petrochemical products for the Asian market.

Despite the common goal of the Case A, the personal interest of the French company differs from the Korean company. Indeed, the needs of the parents are different due to their situation and their business activity. Despite the Korean Chaebol had international

experiences, its petrochemical branch has always stayed into the local market. In contrast, in 2003, the French company had branches in more than 100 countries around the world. However, it was the first time for the French company to undertake an investment in Korea. Some trades were done before with other Korean companies but no internationalization has been done before this one. It seems that the situation of the French company has done much more international experiences compare to the Korean company. Nonetheless, according to the interviewee, it has not affected the joint venture formation and development. Moreover, while both parents operate in the same line of business – petrochemical products, the core business of the two companies is different to each other. In fact, oil and petrochemical products is the main business activity of the French company while for the Korean Chaebol, the petrochemical products is just one of their branches, electronic consumer product is the main activity of the group. As the result, their respective business and management strategy (BMS) are different than the BMS of the venture. Thus, in order to achieve their common goal, the Case A's strategy depends of a specific board made up of 6 managers: 3 from each parent, chosen by the venture and belonging either to the parent companies or to the joint venture. In this way, the JV adopts a unique strategy for the venture.

In the JV formation, the equity stakes have been imported according to the respective resources of each parent. The Korean company brought all the facilities for the venture including human resources and production plants. In contrast, the French company brought some financial supports, production methods, safety and security, and internal control. According to the interviewee, the production plants were new and much more advanced and thriftier than the one that French company use in France. The Korean parent of the venture was as well more developed in term of technologies and processes than the French company. Thus, the intangible resources of the French company complete some lacks of their partner. On the other hand, internal control did not exist within the Korean company and brought transparency in the internal finance.

Finally, the Case A is planning on reaching about 1900 people with still the 4 positions hold by the French company, and a turnover of 12 trillion KRW by 2016. In 2003, the Case A employed 700 people including the 4 French expatriates, and in 2010, the Case A had 1 100 employees and the turnover was about 7,4 trillion KRW).

### 5.1.3. Management control

The Case A does not really exercise control within the venture and it may be justified by

three main reasons: the independence of the venture, its “auto-control” and the relationship within the venture as it will be developed next.

When the venture was established, the joint venture agreed on running independently of its parents. In fact, for both companies the profitability of the venture is one of the main objectives. As a result, the venture manages itself following the strategy established by the board of directors as explained in the previous part. However, the venture has the ability of taking any decision regarding the venture until the limit of the investment of 2 billion KRW. The system of the venture is based on the DOA (Delegation Of Authority) meaning that every manager has responsibilities at each level. This approach of control simplifies and increases the speed of the decision process, but over a certain limits the venture has to consult its parents.

During the interview, the manager of the case A claimed that the management control of the venture is based on an “auto-control” system. In reality, due to the 50/50 ownership of the venture, both parents have the same level of responsibility and interest to achieve high performance. As a result, the two partners take care indirectly that the objectives are achieved. Nonetheless, the two partners do not try to check what their partner is doing for the reason of the high level of trust in the relationship as it will be demonstrated next.

The last reasons of the absence of management control is explained by the relationship and trust involved into the Case A. Within the venture, only 4 positions are filled by a manager from the French company (not always French native speaker). The rest of the employee is Korean, but they are chosen and under the responsibility of the JV – except for 4 Korean managers for the same reason of the French company. The function of these 4 managers regards high position such as vice president or CFO. Further the language used in the JV is Korean – including the ERP system (Enterprise Resource Planning). Nevertheless, despite the small number of French employees and the use of the Korean language, the company is really trustful. Alternatively, the reasons of this high level of trust are also a culture matter. The Korean culture seems to encourage such relationship because of their sincere concern at work. It will be briefly further developed in the performance part.

In addition to these three reasons, the Case A’s financial activities are controlled daily by their parents. In fact, because both parents are registered on the stock exchange, they are required to report on a daily basis their activity as well as planning and quarterly

reports.

Finally, the venture A exercise internal control. Internal control is defined as a process to help to achieve goal, and prevent and detecting fraud (Sampson 1999). Thanks to this method, the Case A makes sure to be efficient and to avoid any corruption in the venture which may have happened in the Korean company before.

#### 5.1.4. Performance

The Case A measures the success of the venture based on the two more important criteria: the return on investment of the venture and at the same time the growth rate. These two indicators affirm the continuity of the venture as they represent the main interests of the venture.

On top of the assessment of these two factors, the Case A has to measure and present the financial activities of the venture due to the presence of the parent companies in the stock market as explained in the previous part.

Furthermore, for the Case A, and for all the cases studied in the present research, the knowledge transfer is not a criteria to take into account in the assessment of performance. In fact, the Korean culture brings a very different managing style and the way of working which result in a high level of efficiency. However, this attitude cannot be transferred in France because of this culture matter. Moreover, the language is also a barrier of knowledge transfer and a protection for the Korean. The use of the local language in the venture affects positively its productivity. At last, the Korean company does not need to acquire knowledge as the abilities of their partner are similar. As the result, knowledge transfer does not take place in the studied venture and is not considered on the evaluation of performance.

Finally, the Case A is globally very satisfied of the performance of the joint venture and the venture itself. The measures show important profits and an increasing growth rate which attests that the objectives of the venture have been reached. Further the venture A forecast to double its turnover in the next 5 years. Nevertheless, the manager commented that the performance achieved is not related to the management control of the company. In fact, he assumed that the performance of a joint venture is the result of the right partner selection. A joint venture leads to success if the partners share the same company culture and the motivations on achieving their common goal.

Regarding the tension with North-Korea, there is no statement showing that the venture will stop running if a conflict arises. However, as their production plants can be a potential target or victim of any accident, an evacuation plan is established in order to evacuate everyone on safe zone by the next twelve hours.

#### 5.1.5. Conclusion

To conclude, the relationship between management control and performance within the Case A cannot be established. The management control that operates the Case A does not explicitly exist. The venture applies 50/50 ownership and runs independently of its parents. Consequently, the Case A “auto-controls” itself but until a certain limit – project over 2billion KRW. This ownership style gives a sense of responsibility of both partners which lead them to perform well. Finally, the relationship and trust within the venture discharge the partner to exercise control.

The performances of the Case A are globally very satisfying. Built on the profitability of the venture and its growth rate, the venture achieved its objectives and the forecast for the next years appears positive. However, the success of the venture justified is not linked to the management control. The company culture and the motivation of both partner of achieving financial outcomes through this venture lead the Case A to perform well.

## 5.2. Case B

### 5.2.1. Presentation of the interviewee

The interview (through phone call) has been done with a French project manager. He has worked for more than 2 years within the venture for a 3-year project, but have been working for the French company for more than 10 years. This manager is one of the 35 expatriates from France and one of the 45 French speaking persons out of the 5600 people working in the Case B. Due to the short experience within the JV and the lack of time of the manager, the amount of collected information is limited.

### 5.2.2. Background of the company

The Case B started in 2000 while the Korean car manufacturer was hit by the 1998

Korean economic crisis. The Korean company was looking for a purchaser with a preference for a European company. The French and Korean companies agreed on working together and the French partner bought 70% of the capital of the Korean company, the rest were divided between the bank (10%) and the Korean partner (20%). Later, the French company bought the 10% stake from the bank and 1% from the Korean company. Nowadays, the French company is considering to buying back 9% more of the ownership from the Korean company.

The purpose of the Case B is to develop, produce and sell cars mainly for the Korean market. Nonetheless, the personal interest of each partner altered. In fact, the BMS of the French company is to take over the Korean company and settle down in South-Korea in order to have a manufacturing platform in Asia, while the Korean company is trying to save their investment. In this way, the ownership is shared but the Korean company do not have any effect on the management of the venture. In fact, despite that the venture is owned by the Korean company up to 19%, every strategic decision is made from the board composed of 6 managers from the French company. In the long run, the Case B is planning on becoming a subsidiary of the French company in order to supply their Asian sale network and penetrate the Chinese market.

The reasons why the two companies undertook a JV instead of an acquisition from the French partner is justified by the need of the Korean company to penetrate the Korean market. It is challenging to access the Korean market because consumers tend to buy local brand. Therefore, the Korean company allows the French car manufacturer to use their brand image under a 10-year basis renewable contract.

### 5.2.3. Management control

The Case B has a particularity compare to the other joint ventures studied in this research. In fact, despite that this case is theoretically a joint venture as its ownership is divided between the two companies as 81% for the French parent and 19% for the Korean parent, the French company consider the Case B as a subsidiary in Korea. As explained in the strategy, the Korean parent receives only the dividend and capital of the venture up to their ownership and it is not involved on the strategy. Regarding the management and the strategy of the joint venture itself, the French company has the full responsibility. As a result, the board of director is composed only of French managers as well as the most important position such as the CEO, CFO, R&D and Design directors are positioned by a French speaking person.

Among the 5500 employees of the venture, only 10% are able to speak French. Thus, the French adopted the strategy to work by pair with a French and a Korean speaking person for every division of the venture. This working method enhances the communication and the atmosphere between the operational and managerial part of the venture.

Finally, the fact the Case B depends of the agreement about the use of the brand image of the Korean company may be perceived as a control by the later. For the venture, the role of the brand image of the Korean company seems to secure their position in the local market.

#### 5.2.4. Performance

The Case B measures performance through five indicators: market share, sales (domestic and export), operational margin, profit margin and cash flow. The factors assessed are chosen by the French company and specific its strategy. As it was explained previously, the management of the venture is exclusively done by the French partner. As a result, the performance of the venture are measured according to their needs.

The performances recorded in 2011 of the Case B show that the company is facing a hard time. In fact, the Case B's market share has significantly decreased from 11% to 8,5% in 2011. According to the interviewee, the reasons why the performances of the Case B are low do not result of the management of the venture but from its external environment. In fact, South-Korea car market is divided in 4 categories: (1) Korean brand 1, (2) Korean brand 2, (3) the Case B and (4) the foreign brands. The market share of the Korean brand 1 and 2 represent about 70% while the Case B is about 11% and the rest for the foreign brands. In addition, the Korean brand 1 and 2 becomes more and more important on the international market. As a result, Case B's competitors are rich, more aggressive and popular than ever. Nonetheless, the Case B project soon to penetrate the Chinese market which is growing rapidly since the 90 and is estimated to grow tenfold between 2005 and 2030.

#### 5.2.5. Conclusion

To conclude, the Case B is particular compare to others because the management style is closer than a subsidiary than a JV. The approach of control and performance are

French company oriented. To sum up, the venture B do not need to exercise control as the French company does it entirely for the alliance. The management control of the French company is limited to the insurance of a good communication between a French and a Korean person. Further the use of the brand image of the Korean company appears to be a part of control from the Korean company.

The performance of the Case B is assessed through the indicators “market share”, “sales” (domestic and export), “operational margin”, “profit margin” and “cash flow”. These factors are chosen by the French company according to its strategy. Last year, the recorded figures were not satisfying for the venture as they were decreasing (1% of market share less than the previous year). However, the performance of the venture is not the results of the management style or control of the venture. The reasons of this low performance have been explained by the external environment of the venture. The local car manufacturers are becoming more competitive in the local as well as international market.

### 5.3. Case C

#### 5.3.1. Presentation of the interviewee

The interview has been conducted with the CEO of the joint venture C. The current CEO of the venture has participated to the establishment of the Case C since 2007. About 1 year and a half later in 2008 when the venture started, he took the position of Chief. The interviewee is one of the two expatriates from the French Company and the only French speaking person within the venture.

#### 5.3.2. Background of the company

The Case C was established in 2008 for an unlimited duration. Before 2008, the French company was already running a joint venture with another Korean company in the lubricant industry (ownership 49/51 French dominant – 8% of the domestic market). Because of a lack of interest of the Korean company and the opportunity of forming another venture with a more interesting partner, the French company ended their joint venture to set up a new one with a more important lubricant Korean company. In fact, the current Korean partner of the Case C was looking for a partner in order to be more competitive and move from 7% to 15% of the domestic market share. In this way, the



Korean company could compete with the two other Korean leaders of the market occupying each 15% of the domestic market. The real interest for the French company to enter in joint venture with this company was the straight access of the raw material as the Korean company is also a refiner, and has a better logistic and sales network.

The partners of the joint venture C share the same business activity but at a different level – the size of the French company is about 5 times bigger than the Korean one. Regarding the objectives of the venture, the Case C's partners have several expectations. They wish through this venture to double the size of their previous activity. In fact, they would like to move from an individual share of 8% the market to 15% together. Moreover, they expect to obtain through the alliance the synergy of both companies. From a local perspective, the French partner wishes to take benefits of the local distribution network of their partner due to the important automobile industry in Korea which needs lubricant. On the other hand, the Korean company may use the international position and the fame of the French company to develop its reputation and network around the world.

Despite the similarities on the expectations of both partners, the strategy of the venture is established separately. In fact, a board of director composed of 6 members: 3 managers from each partner, sets up the business and management strategy. In this way, the decisions made are neutral and do not give advantages to a party. In addition, it chooses only the best strategy for the venture.

For the joint venture, both partners brought tangible and intangible resources as both companies had previous activities in the lubricant area in South-Korea. Indeed, each company brings a factory including their HR. The Case C's partners share as well their patents and licenses. Nevertheless, if the JV is led up to the end, the companies will get their intellectual properties back.

### 5.3.3. Management control

The Case C shows some similarities with the Case A regarding its management control. In fact, the management control does not exist explicitly within the venture. The JV C has an equal 50/50 ownership control and assumes an auto-control of the venture for the same reasons as they were explained for the Case A “5.1.3. Management control”. The Case C is also running independently of its parents. The two partners of the venture have merged their lubricant activities together. Thus, it is better for them to run

independently this activity in order to be more efficient.

Finally, as for the Case A, the parent companies of the JV are quoted in the stock market. Despite that the shareholders do not have a direct impact on the joint venture management and control, the joint venture has to be profitable. As a result, the financial activity of the venture is controlled on a daily basis.

#### 5.3.4. Performance

The Case C measures performance through three main indicators: (1) return on investment, (2) market share, and (3) goals achievement. The factor “return on investment” appears the most important for the company. In fact, if the JV is not profitable, the two companies may not continue on working together. The two other indicators are less important. Despite the acquisition of 15% of the market share is one of the main purpose of the venture, Case C is more flexible on the result of the market share indicator. As it has been seen with the Case B, the external environment may challenge the expectation of the venture. Consequently, the results of the market share cannot affect the venture and its management. Completely, the last indicator is about the goals achievement of the venture. Every year, the board of directors establishes the objectives of the years regarding the action plan, security and safety and HR, in a limit of a certain budget. This indicator checks whether this goals are achieved.

After running the JV for about 3 years so far, the case company C is globally satisfied with the joint venture. However, one of their main objectives has not been reached. The JV shows profitability, but the targeted market share could not be reached yet. In fact, because the venture started recently, the objectives were more concentrated on the financial outputs than the gain of market share. Thus, the Case C expects to attain their goal later.

Following the interview with the CEO of the Case C, the success of the JV is not the result of the management control as it does not explicitly exist within the JV. The performances of the venture are explained by two reasons. First of all, the companies involved in the venture must have a similar company culture. In the partner selection, the companies have to consider their match according to their culture despite their amount of previous international experiences or their size. Then, the companies should take the necessary time to establish the venture. During the negotiation time of the agreement of the venture, the companies involved must consent in every details of the

venture. As a result, according to the Case C, the achievement of IJV performance is the result of the right partner selection and the appropriate foundation of the venture.

Finally, the conflict between South and North Korea has no effects on the venture regarding the performance or the relationship.

#### 5.3.5. Conclusion

To conclude, the Case C is similar to the Case A regarding its management control. The joint venture runs independently of its parents and has adopted an auto-control to conduct the venture to success. The joint venture C is also tamed by its parents on its financial activities due to the registration of both parents in the stock market. Therefore, the Case C does not give importance on the management control of the venture.

The Case C is successful in spite of not every objectives have been reached. The performances of the venture are assessed through the return on investment, the market share and the goals achievement factors. While the JV is profitable, its objective of reaching 15% of the market share has not been achieved yet. The reason related to this failure is due to a more important focus on the profitability of the venture. As regards the success of the venture, it is the result a of matching of two company cultures and the well establishment of the venture itself. One more time, a relationship could not be found between management control and performance.

### 5.4. Case D

#### 5.4.1. Presentation of the interviewee

The interview has been conducted with the CEO of the Case D who has been the first and only CEO running the venture since its start in 2008. The CEO does not have a contract limitation on his post. The CEO of the Case D is one of the three expatriates from the French company.

#### 5.4.2. Background of the company

The Case D has been established in 2008 for a 30-year project in order to build and manage the subway line 9 of Seoul city. In fact, the history of the Case D started in

2002 with the negotiations about the agreement between the partners. In 2005, the building of the subway line began and in July 2009 the subway line opened. The building of a subway line is usually managed by the local authorities, however the government wanted to experience the project run by a private company to contrast the results. In this way, a private company may be more competitive and productive due to its structure, which may have an impact on the total cost of the project. Consequently, a Korean company has been selected to be in charge of conducting the project. Because this company was able only to build the line and not to operate it – as it is usually done by the local authorities, it looked for a partner. The criteria of the partner expected was to have an extensive experienced company in the field of subway line management which has a strong fame. Three companies answered to the call for tenders and the French company has finally been selected due to its expertise in the subway line operation, its size and its international presence – 80 000 employees with a 5,8 billion EUR turnover and present in 27 countries around the world).

The purpose of gathering these two companies is to complete the skills of each other in order to carry through the project. Despite their work for the same project, the role of each company is specific according to their savoir-faire. The Korean company is specialized in the rolling stone construction while the French company is on its management. Hence, each partner manages and controls their respective activities. However, the ownership of the venture is dominant by the French company with 80% of the equity. As the operation of the subway line is managed by the French partner although the Korean company manages only the building and the maintenance of the latter, it is easier for the venture to be governed by the French company. Further it is important to note that the Korean company is also a supplier and client of the venture. In this manner, the transparency of the activity of the venture may have been reconsidered. As a result, the board of director in charge of the strategy of the venture is composed of 5 managers from the French parent and 2 managers from the other partner. It will be more developed on the next part “5.4.3. Management control”.

Because the core business and responsibilities of each partner differs, the two companies have a personal interest on the JV. In fact, the French company plans on settling down in South Korea as a subway line operator company. On the other hand, the Korean company wishes to reinforce its activity on the rolling stone construction. Nonetheless, the BMS adopted for the venture is chosen to be the most appropriate to the venture.

In the agreement of the venture, it is said that during 30 years the line is the property and the responsibility of the Case D. Then the government will take over the line and the project will be over. During this 30 years, the responsibility of the venture and in particular the role of the French company as it operates the subway line, is to make sure that the shops at the station are profitable and the choice of subcontracting companies (such as for cleaning) are right. As regards the responsibility of the Korean company, it has to maintain the maintenance of the train and ascertain its safety.

As the project is an order from the government, the investment does not require any contribution from the companies of the Case D. The only assets that the company partners brought are building the subway line and intangible knowledge for the management of the line.

#### 5.4.3. Management control

The management control of the Case D is based on a split control (see Choi & Beamish 2004 in the part “2.5. Control structure, autonomy and independence”). The JV’s partners have a cross liability according to their role. The Korean company is running and controlling the building of the subway line while the French company manages and controls the operation of it. However, the French company dominates the global strategy of the venture up to 80% of the ownership.

Recently, the ownership division of the venture has changed due to some reorganization in the management of the French company. In fact, the Asian division of the French company (French company 1) have moved to a 50:50 joint venture with another French company (French company 2) except for 8% of the current venture. As a result, the current ownership of the Case D is as follow: Korean company (20%), French company 1 (44%) and French company 2 (36%). This change in the ownership may involve problems in the management of the venture. The way the control is managed will not be affected, however, the distribution of the dividends may be confused.

Despite the presence of three parents for the alliance, the venture is running independently. Indeed, the Case D does not have to be answerable to its parents due to the profit that the JV made, the Case D is self financing.

#### 5.4.4. Performance

The Case D measures just a few criteria in order to determine its performance. As the venture did not invest money and belongs to the service industry, the JV focuses only on two indicators: the profitability and the quality of the service. Like every company, the Case D follows the financial activity, however its results will not affect the venture. In fact, the French company is under a contract which engages their responsibility on the financial success of the venture up to a certain limit. If the outcome is higher, the French company gets profit, if not, the French company has to compensate. Since the beginning of the venture, the French company recorded profit slightly higher than expected.

Furthermore, the second criterion of performance is the quality of the service. For Korean people, the concept of service is very important and affects their choice on everyday life. For the Case D, the quality of the service within the subway line means the cleanness of the wagons and the station, the availability, the presentation and the look of the staff, and the frequency rate of the train. The quality of the service is measured by the customer satisfaction through surveys and feedbacks, and through other indicators regarding the attendance rate of the line and the shops located in the station. Among the subway lines of Seoul city, the line managed by the Case D is most agreeable to travel with. One more time, the results recorded show a high level of satisfaction for both the passenger and the venture. While the Case D has been established just a few years ago, the financial outcomes are higher than the one forecasted.

Case D is so far successful on their objectives and globally satisfied with the JV. However, according to the interviewee, the achievement of the objectives of the venture is not the result or linked with the management control style. If the Case D is successful, it is the result of the 5 years of negotiation upstream of the joint venture formation. During this time, every part and specificity of the venture have been discussed into the agreement. One more the facts speak plainly, the management control does not affect the performance of the venture in the Case D. However, the management control style seems appropriate to the joint venture D.

Nevertheless, the French company feels disappointed with the relationship with their partner. In fact, because there are operating and managing different parts of the project, the Korean company seems not to show interest on sharing information and building relationship with their partner. In spite of that, the Korean company has been qualified

as an “easy” partner. The Korean company is a serious and efficient partner which does not cause problems.

Finally, as the other cases, the conflict between South and North Korea has no effects on the venture regarding the performance or the relationship.

#### 5.4.5. Conclusion

As a conclusion, the Case D achieved higher satisfaction than expected while the JV has just started a few years ago. The Case D manages the control through a split control style. In this manner, the responsibilities are shared between the partners according to their role into the venture. This control management style has been seen as a favorable decision for the venture but harmful for the relationship between the partners. However, the performances itself of the venture are not affected by the management control of the venture.

The Case D assesses the success of the venture based on the profitability of the venture and the quality of the service. The outcomes achieved show that the Case D is successful. Despite the split control was an appropriate choice for the management of the venture, it has not been considered as a justification of the achievement of such results. The reasons of the positive results of the venture are explained by the upstream negotiations (5 years) which have led the venture to be organized this way. From the experience of the Case D, it can be concluded that management control does not affect the performance of the joint venture.

### 5.5. Summary of the empirical results

As a summary of the part five, the empirical results found in this research are presented on the following table. The conclusion of the study will be done on the next section “6.2. Conclusions”.

	<b>Case A</b>	<b>Case B</b>	<b>Case C</b>	<b>Case D</b>
<b>Intended duration</b>	None	None	None	30 Years
<b>BMS</b>	Similar only to FC	Similar only to FC	Best for the venture	Totally different
<b>Previous experience FC</b>	Yes but first time in Korea	Yes but first time in Asia	Yes and did a JV in Korea	Yes but first time in Asia
<b>Previous experience KC</b>	No but the Chaebol yes	No but the Chaebol yes	No	No but the Chaebol yes
<b>Equity stake FC</b>	Cash, some methods	Cash, skills and knowledge	A factory	Subway line management skill
<b>Equity stake KC</b>	HR, substructure	HR, substructure	A factory	Skills and knowledge
<b>Board of Directors</b>	3 French 3 Korean	Only French managers	3 French 3 Korean	5 French 2 Korean
<b>Type of control</b>	50/50	French dominant 81/19	50/50	Split control but French dominant 80/20
<b>Actor of control</b>	Both parents and indirectly shareholders	Only the French company	Both parents and indirectly shareholders	Both parents

Continuation of the table on the next page.



	<b>Case A</b>	<b>Case B</b>	<b>Case C</b>	<b>Case D</b>
<b>JV independent of its parents</b>	Yes	Yes	Yes	Yes
<b>Management control</b>	Auto-control Internal control Daily financial reporting	Working by pair Exclusively from the French partner	Auto-control Daily financial reporting	Split control
<b>Performance criteria measured</b>	Return on investment Growth rate	Market Share Sales Operational margin Cash flow	Return on investment Market share Goal achievement	Profitability Quality of the service
<b>Global satisfaction</b>	Yes	Yes but not this year	Yes but market share objective has not been reached yet	Yes
<b>Reasons of low or high performance</b>	Same company culture Goal congruity Well establishment of the venture	Stronger competitors (-) Working by pair (+)	Same company culture Well establishment of the venture	Well establishment of the venture
<b>Relationship between control and performance</b>	None	None	None	None

**Table 14.** Cross-case comparison of the empirical results of the 4 case companies studied

## 6. SUMMARY AND CONCLUSIONS

The section 6 is the last part of this thesis and aims to conclude the thesis. It starts by summing up the different parts of the present study followed by the presentation of the conclusions of the research. This chapter also suggests some propositions for further research based on the empirical results of this study.

### 6.1. Summary of the thesis

The purpose of this research was to examine the relationship between management control and performance in the environment of French-Korean joint ventures located in South-Korea. Through this study, the research question about the effects of management control on the performance of the venture tried to be answer. The research was organized in 4 main parts: (1) the introduction, (2) the literature review, (3) the empirical research, and (4) the conclusion. Each part will be summarized next.

The introduction part presented the background of the research and the starting point of the study. In this section, the needs of undertaking a research about management control and performance in IJVs in South-Korea have been developed and the research questions responding to these needs presented. Then, a short presentation of the previous literature has been made for the purpose of presenting the existing works relative to this topic. These works have been further developed in the “Literature review” section and used throughout the writing of this paper. Finally, the structure of the present thesis has been introduced.

The literature review aimed to introduce the previous theoretical and empirical research. This section was divided into 2 chapters in order to present on one side the literatures regarding management control, and on the other side, the literatures about IJV performance. The main theories, concepts and approaches about these two elements of IJVs were presented for the purpose of acquiring extensive knowledge about the thesis topic. To conclude the literature review, a framework has been made in order to emphasize the main factors to study in this research.

The empirical part presented the research method and the empirical results of the study through two different chapters. The first one introduced the research methodology of the

study, and the reasons why the study has been conducted this way. It presented as well the information regarding the questionnaire and the interviews and finally it introduces the 4 case companies used in the present research. In the second chapter of the empirical part, the results from the 4 interviews have been presented. In the results, the background of each case has been introduced in order to understand the reasons of the management style of the JV.

Finally, the last section “6. Conclusion” ends this thesis. First it summarizes the thesis and then presents the conclusions of the empirical research and the further research as it will be shown next.

## 6.2. Conclusions

Before presenting the conclusions of the research, the empirical purpose of this thesis will be reminded. This study sheds some light on the complex relationship between management control and IJV performance based on an exhaustive analysis of French-Korean JVs located in South-Korea. As a first step, the management control and assessment of performance have been identified within those JVs, followed by the relationship between these two factors. It is through the experience of 4 case companies that the outcomes of the research will be drawn.

In this research, in contrast with the theoretical approach of the topic, management control appears to be less significant. In fact, in the 4 cases studied, control has not been considered in the establishment of the JV and limited to its ownership. For instance, in the 2 cases having a 50/50 ownership, they claimed to have adopted indirectly an auto-control of the venture in order to answer my question. Regarding the two other cases, the answers have not be found. Through the outcomes of the study, some conclusions have been found about the reasons why management control is dismissed as it will be shown below.

First of all, every joint venture studied was financially independent and did not have to be answerable in any ways to their parents. In this manner, the JV is free on taking decisions and choosing the management style the most appropriate to the venture. In addition, the parents of the venture were willing to share their technological licenses in order for the venture to perform the best. Nevertheless, they do not expect anything in exchange except a profitable situation. Thus, the amount of control needed is lower as

the venture itself takes the full responsibilities.

The second main reason which has led the JV to avoid control into their venture, concerns the perception of trust. In fact, Korean companies may interpret control as a lack of trust in the venture or with themselves. As cited in the part “5. Empirical results”, the absence of control reinforce the trust between the partners. It should not be concluded that management control affect negatively the performance of the venture, but some further studies would be needed to show evidence. As a result, management control is perceived as a negative factor for the alliance.

Finally, the JVs studied have judged that management control was not necessary to the venture because of the clear agreement made before the JV started. Indeed, according to the interview of the 4 JVs, they assume that the success of their venture was the results of a transparent negotiation. For both partners, the fact that the bases of the venture frame every details of the alliance especially regarding its objectives, it is not necessary to establish control. Thus, the agreement of the JV will define the need of control. At last, control plays as well the role of evaluating the performance of the venture as it will be developed next.

The performances of the cases are controlled essentially through the observations of indicators. The most important need of the JV is to be profitable in order to assume their independence which is as well the basis to achieve the other goals of the venture. As the result, the indicator regarding the financial output measure is systematically taken into account in the analysis of the performance. Then, other indicators are considered according to the situation and the objectives of the venture. However, it has been observed that there is no extra measure than the ones for the objectives. The fact that the ventures are independent justifies the JV partners do not need to assess other criteria. Despite the literature review about IJV performance highlights knowledge transfer as an important factor to regard on the achievement of performance, none o the case studies was interested on transferring skill and knowledge as it will be shown next.

In the empirical part, the companies involved in the study did not tried to transfer knowledge from France to Korea or from Korea to France despite their R&D activity. The principal argument relates to the absence of information to transmit. In fact, on one hand, the partners did not have knowledge to exchange because either both partners have a similar amount of intangible equity, either the partners operates in a different field. On the other hand, the language and the culture obstruct the transfer of

knowledge. For every case, the language used in the venture were Korean. It is important to note that just a few French managers were working into the venture. In addition, an important amount of Korean manager did not have good English skills to conduct the venture in English. As a result, the ERP system as well as most of the meeting is conducted in Korean. It is better for the venture to adopt the local language in order to be more efficient, but the communication of the information to the foreign partner becomes more difficult. Moreover, the Korean culture obstructs knowledge transfer in a sense that the culture itself brings a certain rhythm in the company that cannot be applied into a French company. For example, in Korean company, when a decision is made, the employer will do their best into realize the task before the deadline, cheaper than planned and more efficient. Consequently, knowledge transfer is not applicable to the situation of the case study.

According to the information collected during the interviews, the achievement of success is not the result in any case of the management control style of the venture. Indeed, the managers met – except for the Case B - claimed that, the most relevant factors to succeed such alliances are the partner selection and a clear agreement about the venture conditions. As for the Case B, the venture doomed on the long term to be a subsidiary of the French company, therefore the strategy and management adopted for this case do not match with a usual venture. Through the results of the other cases, these two factors were taken as the origin of the success of their venture. The selection of the right partner of the venture is not based on the goal congruity of the companies, but based on the similitude of the company culture. In fact, two companies may have the same goals but cannot achieve it due to their difference of perspective and management.

The other factor responsible of the success of the ventures studied is related to the agreement of the venture. Between the partner selection and the beginning of the venture, the partners involved in the JV discussed about the conditions of the management of the latter thought an agreement. If the agreement covers every specific aspect of the goal of the venture, the manner of how to reach it as well as the conditions including unexpected situations, then the venture may run efficiently. As the present thesis focuses on the relationship between control and performance, some further research related only to IJV performance are needed to confirm the results of this research.

Finally, to answer the research question regarding the relationship between management control and performance in French-Korean JVs, there is no evidence that management

control affects positively or negatively the performance in the 4 cases selected. However, the management control adopted in each case seemed to be appropriate to their respective situation. Due to the fact that these 4 JVs were all independent of their parents, control was nearly inexistent. In contrast, if management control may have been more emphasized within the venture, the performance may have be different. This last point leads directly to the next chapter where further research will be suggested in order to approve the found conclusions.

To conclude the conclusion part, the table 15 summarizes the main outcomes of the thesis.

<b>General conclusions of the thesis</b>
<ul style="list-style-type: none"> <li>- Management control is not considered during the JV formation due to several reasons:               <ul style="list-style-type: none"> <li>- Independence of the venture</li> <li>- Control understood as a lack of trust within the venture</li> <li>- Due to a clear agreement, control does not to be established</li> </ul> </li> <li>- Management control may affect negatively the JV</li> <li>- Performance of the venture are based on quantitative data such as financial outputs and market share</li> <li>- The partner of the venture do not measure knowledge transfer due to the culture, the language and the absent of need</li> <li>- Partner selection (same company culture) and a clear agreement about the venture are the main factors of the success of the ventures analyzed</li> <li>- No evidence has been found between management control an IJV performance</li> </ul>

**Table 15.** General conclusions of the thesis

### 6.3. Suggestions for further research

In order to end this research, some future research will be presented according to the results of the present study. Three further research will be briefly suggested for the purpose of clarifying some unexpected phenomena.

This research was based on the study of French-Korean JVs located in South-Korea, but only 4 cases have been analyzed. In fact, the absence of correlation between

management control and performance resulting from this research, needs a broader investigation. In order to make a generalization of the result, it would be necessary to extend the research to other JVs including western countries – especially from Europe. Moreover, the JV selected must run independently of their parents in order to reproduce the same environment.

The second suggestion concerns the effect of control over performance in IJV in Korea. In this thesis, the 4 cases selected were all independent of their parents. Thus, a study should be undertaken on IJV located in Korea having a control from its parents. As a result, the supposition about a negative effect of control may be validated.

Finally, some conclusions regarding the IJV performance factors have been presented. As the thesis focus mainly on the relationship between management control and performance, an in-depth research focusing mainly on the achievement of performance should be conducted to confirm the positive effect of the right partner selection and a clear agreement on IJV performance.

The table 16 summarizes the future research suggested following the conclusion of the study.

<b>Summary of the further research</b>
<ul style="list-style-type: none"> <li>- Extend the research to other JV involving western countries (especially from Europe) in order to find more evidences on the absence of correlation between management control and performance in JV running independently of its parents.</li> <li>- Undertaking a boarder research on IJV in Korea having a control from its parents to observe the effect of control on performance</li> <li>- Going into in depth the fact that performance is the result of the right partner selection and a clear agreement into IJVs independent of their parents</li> </ul>

**Table 16.** Summary of the further research

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**APPENDIX 1: Questionnaire****1: Presentation of the interviewee**

1. Name of the interviewee: \_\_\_\_\_

2. Position: \_\_\_\_\_

3. How long have you been working:

a) for the JV in Korea: \_\_\_\_\_ b) for the company: \_\_\_\_\_

4. How long is your contract in Korea? \_\_\_\_\_

**2. Presentation of the venture**

5. Name of your company: \_\_\_\_\_

6. Name of the international joint venture (IJV): \_\_\_\_\_

7. What were the parents' a) names, b) ownership shares (%) at the time of establishment, c) today (%), and d) ownership types (state-owned, Greenfield)?

Partner 1: a) \_\_\_\_\_ b) \_\_\_\_\_ % c) \_\_\_\_\_ % d) \_\_\_\_\_

Partner 2: a) \_\_\_\_\_ b) \_\_\_\_\_ % c) \_\_\_\_\_ % d) \_\_\_\_\_

Partner 3: a) \_\_\_\_\_ b) \_\_\_\_\_ % c) \_\_\_\_\_ % d) \_\_\_\_\_

8. How was ownership divided within the venture when it was established (parent dominant, 50/50, split control)? How did you come to this control setting?

9. How long was the intended duration of IJV when it was established?

a) \_\_\_\_\_ b) no duration was initially agreed

10. What is the degree of similarity between your firm and partner firm in terms of line of business activity?

a) very low    b) low    c) not at all    d) high    e) very high

11. Your firm's operations in the target country before the establishment of the IJV:

a) no prior activity    b) licensing agreement  
 c) a manufacturing IJV    d) several manufacturing units  
 e) other operations \_\_\_\_\_

12. IJV business and management strategy (BMS) is:
- a) similar to your firm's BMS
  - b) similar to partner firm's BMS
  - c) have chosen only the best BMS from both firms
  - d) totally different from both firms' BMS
  - e) preserving both firm's BMS
13. To which market do your products are targeted (local, French, exportation – share of exports)?
14. Total number of employees in your firm?
- a. At the beginning: \_\_\_\_\_
  - b. Now: \_\_\_\_\_
  - c. In 5 years: \_\_\_\_\_
15. What is the number of employees from your firm in the IJV?
- a. At the beginning: \_\_\_\_\_
  - b. Now: \_\_\_\_\_
  - c. In 5 years: \_\_\_\_\_
16. How many international joint venture operations does your company had before?
- a) none
  - b) one
  - c) 2-4
  - d) 5-9
  - e) 10 or more
17. How did you identify and select your partner?
18. What are the resources that you involved into the venture (financial, HR, material)?

### 3. Management control

19. How do you manage control within your venture (agreement, financial results, specific, overall, strategic operational, staffing, collective vs private control)?
20. Except the parents of the venture, who are the other actors affecting control (shareholder, government)? And what are their role?
21. If your JV is based on the achievement of technical product or on R&D, what are the effects on control (patent, copyright) and performance (once the project over, the JV will stop)?
22. What role does the HR have over the venture? Over control? On the performance of the venture?



23. Do you manage control in the same way that your partner does?

#### 4. IJV performance

24. How do you measure performance? And more precisely regarding these criteria (if applied):

- Return on investment 1-----2-----3-----4-----5
- Market share 1-----2-----3-----4-----5
- Stability 1-----2-----3-----4-----5
- Goal achievement 1-----2-----3-----4-----5
- Knowledge transfer 1-----2-----3-----4-----5
- Other1: \_\_\_\_\_ 1-----2-----3-----4-----5
- Other2: \_\_\_\_\_ 1-----2-----3-----4-----5

25. Are you satisfied with the joint venture performance? And why?

- Return on investment 1-----2-----3-----4-----5
- Market share 1-----2-----3-----4-----5
- Stability 1-----2-----3-----4-----5
- Goal achievement 1-----2-----3-----4-----5
- Knowledge transfer 1-----2-----3-----4-----5
- Other1: \_\_\_\_\_ 1-----2-----3-----4-----5
- Other2: \_\_\_\_\_ 1-----2-----3-----4-----5

26. If you are not satisfied with the venture, what would be the reasons? If the parents of the venture are not satisfied, what would be the reasons?

27. How do you manage the relationship (trust, conflict and commitment) with your foreign partner?

28. How do you percept the Korean regulation regarding the foreign direct investment ? Does it have an impact on the alliance?

29. Regarding the tension between the North and South of the Korean peninsula, do you think it may affect the venture? What would be your reaction in case a conflict arose?

#### 5. Conclusion

30. Could you establish a link between the manner you manage the control the venture and the outcomes of this latter?

31. How would you justify the success of your venture?
32. Does the ownership control of the venture will change, if so how and why?
33. Would you like to add something that I may have forgotten?