Asymmetric Motives and Value Creation: A Conceptual Model

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Abstract: Joint Ventures (JVs) have interested management scholars for over three decades. JVs have been examined through various theoretical lenses not only in longitudinal perspective but also across diverse geographic and industrial domains. Extant research on JVs draws primarily on initial conditions and its impact on the JV performance. However, there are certain limitations to these studies. Firstly, these studies have not focused on asymmetric motives of partners. Secondly, although the link between motive of JV and value creation has been established, mediating and moderating role of other factors influencing the relationship has not been explored. Thirdly, extant studies have not integrated the findings to understand the changing dynamics of JV. The aim of this research paper is to explore the forbearing of cross-border joint venture that explains asymmetric motive of partners in JV and establish the mediating and moderating mechanism to explore asymmetric motive and value creation relationship in a JV.

Index Terms: Joint Ventures, Asymmetric Motive, Value Creation.

I. INTRODUCTION

Joint ventures have been used extensively by MNCs from urbanized nations to enter embryonic nations (Kale & Anand, 2006; Harrigan, 1988; Culpan, 2009). Industrial regulations in many developing countries have been liberated through rapid policy reforms (Beladi et. al., 2009; Contractor, 1991; Beamish, 1987). In spite the escalating significance of joint ventures in urbanized nations, miniscule study has been done scoping the assessment of the same (Meyer & Teece, 2008; Kale & Anand, 2006; Mattos & Ghauri, 2002). Not so far in the past, a lot of research in joint ventures stress only in urbanized nations specifically U.S. corporations and other such countries(Gulati & Singh, 1998; Hennart, 1988; Hamel, 1991; Anand Khanna, 2000; Parkhe, 1991; Doz & Hamel., 1998; Glaister & Buckley, 1994; Gulati, Stych & Malhotra, 2008; Gulati, 1999; Hagedoorn, 2002). Findings from the work on joint ventures from urbanized nations have not been legitimised on the JVs in embryonic nations and thus fail to provide a thorough professional comprehension of joint ventures (Kale & Anand, 2006). This study is motivated by the fear that the existent JV blueprints might not be pertinent to an external developed-to-developed or developed-to-developing country context.

Joint Ventures (JVs) have been a focus of attention among management scholars for over three decades. JVs have been examined through a variety of theoretical lenses not only in longitudinal perspective but also across diverse geographic and industrial domains. No probable logic exists for the discontinued fashion of this pattern because of the stress from global competition, the requirement to acquire knowledge deftly and utilise precious assets which are limited in quantity, judiciously, are prone to continue.

Joint ventures have been defined as - ‘Conception of a new-fangled company by two or more parent firms by funding equities and allocating personnel to the board of directors of this original corporation’. The process of forming a JV is messy and complex involving at least two and perhaps many more complex organizations as partners. Partners are open to the elements of qualms regarding the upcoming status and plausible characteristic traits of the partners.

Extant research on JVs draws primarily on initial conditions and its impact on the JV performance. However, there are certain limitations to these studies. Firstly, these studies have not focused on lopsided intentions of the allies in a JV and the research has been ignored in developed nation studies (Kausar & Shaw, 2004; Chung & Beamish, 2010). Antecedents to asymmetric motives have not been established and the limited studies available do not provide a comprehensive view (Culpan, 2009). Secondly, although the link between motive of JV and value creation has been established, little evidence exists for the mediating and moderating role of other factors which influences the relationship (Doz et al., 2000; Anand & Khanna, 2010).
The objective of this research paper is to address the above investigation of gaps by focusing on following research objectives:

1. To propose the antecedents of cross-border joint venture that explains asymmetric motive of partners in JV.
2. To explore the mediating and moderating mechanism to explore lopsided intention and worth formation relationship in a JV.

II. ASYMMETRIC MOTIVES AND ITS ANTECEDENTS

Strategic motives of JV formation has been extensively studied and some of the motives analyzed for a developed nation firm entering into developing nation include - faster entry into markets (Beamish, 1993; Khanna & Rivkin, 2001); international expansion (Glaister & Wang, 1993); conforming to host government policy (Contractor, 1991); access local know-how/low cost sourcing (Anand & Khanna, 2010); risk sharing (Das & Teng, 1998) and utilize excess cash (Vardharajan & Cunningham, 2001). On the other hand the motives of developing nation firms to form a JV with developed nation firms include upgrade technology (Beamish, 1993); earn a profit (Shenkar, 1990); learn managerial skills (Yan & Gray, 1994); expand market share (Khanna & Rivkin, 2001) and associate with a reputed MNC (Beladi et al., 2009). Extant research on JV and its antecedents has focused on Partner attributes (Beamish, 1987; Luo, 1997), initial conditions and JV performance (Kogut, 1989), relational attributes (Das & Teng, 1998, 2001), effects of spillover (Jarillo, 1988; Gulati, 1995), external environment (Killing, 1983; Kogut, 1989) and changing environmental characteristics (Das & Teng, 2002). However, critical issues of antecedents in JV research remain diverse and fragmented. Overall match between partner firms has not been explored and in key aspects of the JV process, and scant attention has been paid to the antecedents. The present study considers 4 antecedents for ‘Asymmetric Motive’ of partners in a JV and controls for external environment dynamism and other firm level factors. 4 antecedents are Relative Partner Characteristics (Inkpen & Beamish, 1997; Das, 2006), collective Strength of Partners (Beamish, 1987; Nielsen, 1988; Doz, 1998; Luo, 1997; Das & Teng, 2003), inter – Partner Conflict (Dyer & Singh, 1998) and inter – dependencies (Inkpen & Beamish, 1997; Das & Teng; 2003; Das, 2006). The conceptual model (Figure 1) is as below:

**Fig 1. Asymmetric Motives in JV and its antecedents**

Whilst the notion of “partner fit” is prevalent, the contribution of partner characteristics configuration for joint ventures motives is limited to the complementary and supplementary trends. These two trends of a perfect match are dependant precisely on the angle of sameness of a partner’s possessions. The role of utilization of these partner specific assets has been overlooked for studying its effect on motives (Das & Teng, 2000). An unspoken supposition in the reading is that all pooled in assets are virtuous and significant. In reality a humungous quantity of assets in joint venture is not made use of which directly would imply that the part of the non utilized assets should be categorised in setting hypotheses about partner fit. Thus identical assets are just supplementary if certain portions are not being made use of—or not performing—in the joint ventures. Venkatraman (1989) discusses the assorted kinds of fit described in the literature. Accordingly, a partner fit could be conceptualized made of two distinct angles: asset resemblance and asset deployment.

**P1: Relative partner characteristics – asset resemblance and asset deployment - influences asymmetric motive of partners in JV.** The collective strengths of joint ventures are the sum of all the resource endowments of the
joint ventures. The endowed resource serves as the underlying principle for partners joining hands in the joint ventures and also reduces the asymmetries in motives of partners (Das & Teng, 2000; 2003). The collective intensity is acquired from the symbiotic combination of partner assets and is deployed to jointly form worth in the joint ventures entity. This focus on joint value creation decreases the likelihood asymmetric motives of partners.

Nielsen (1988) talks about types of cooperative strategies: pool, exchange, de-escalate (competition), and contingency. The pool and exchange strategies focus on escalating cooperative collected strengths, through either supplementary (pool) or complementary (exchange) resource contributions. In short, when evaluating the joint ventures lopsided intentions, the aggregated intensity of the partners act as an essential quarter of the evaluation.

**P2: Collective strength of partners influences lopsided intentions of partners in JV.** Asymmetric motive in joint ventures is also affected by third critical component of conflict between the partners. Disagreements among allies are defined as the level to which allies have challenging security, preferences, and functions that are difficult to be resigned in a joint ventures thus leading to asymmetric motives. Disagreements could be amongst the parent organizations and under the pretext of joint ventures. Conflict may arise in joint ventures for two reasons. First, conflict may arise due to differences in premeditated alignments, technological systems, corporate ethos, probable hazards, and managerial functionalities (Das & Teng, 1998, 2001; Park & Ungson, 1997). The second origin of inter partner disagreement arise in the specific attempts of each ally to acquire maximum confidential remuneration. Conflicts may thus arise from incompatible goals, resource allocation disagreements, opportunistic behaviour, knowledge replication, and competition in downstream markets. Generally the existence of inter partner disagreements is widely talked about (Kogut, 1989), so that such disagreements have become an imperative, integral aspect of joint ventures motives. The degree of disagreement has an inverse relationship to inter firm loyalty (Zaheer et al., 1998) thus leading to asymmetric motives.

**P3: Inter-partner conflict influences asymmetric motive of partners in JV:** Two other important perspectives on partner’s asymmetric motives are the power dependence theory (Cook, 1977; Emerson, 1962) and the resource-dependence theory (Pfeffer & Salancik, 1978). The power-dependence theory describes in detail in interpersonal and inter firm relationships quantifying the requirement of the firms for the support of one another and hence giving the magnitude of authority they have over the other. On similar grounds, the resource-dependence theory measures the dependence ratio of these firms on the other’s assets and skills. Following these viewpoint, the mutual support requirement can be viewed like the bases of asymmetric motives as the relative dependence in the midst of two firms decide their relative power (Das & Teng, 2002). Interdependencies encompasses the level of need from the ally is essential for the partner firm to accomplish each other’s common and private aims.

**P4: Inter- dependencies influences asymmetric motive of partners in JV**

### III. ASYMMETRIC MOTIVES AND VALUE CREATION: A MODERATION-MEDIATION EFFECT

JV initial conditions and motive determines relational mechanisms such as connection coded investments of partners (Anand and Khanna, 2000; Das & Teng, 2003), information partaking between partners (Inkpen & Beamish, 1997) and harmonizing associate resources contribution to the JV (Glaister & Buckley, 1997; Dyer and Singh, 1998). This relational dynamism illustrates the expectations of associates from The JV for aiding them to attain the reasonable common and private aims and missions.mec (Khanna, Gulati & Nohria, 1998; Lorenzoni & Lipparini, 1999; Kale et al., 2000, 2002; Kale & Singh, 2007). Thus, value Creation has been deduced to have an intricately important connection with the heights of success of the partner’s familiar or personal intentions (Parkhe, 1993; Khanna et al., 1998; Das & Teng, 1998, 2001).

**P4a: Asymmetric Motive influences Value Creation of JV.**

On the other hand, effect of other variables on this relation has been neglected in previous studies. In this paper, we link asymmetric Motives of partners to value creation in JV through ‘Partner Selection Criteria’ & ‘Perceived Value Criteria’.

The current study explains the fact that a job or associate selection norm of firm is decided by determined by the tactical intentions for JV (Glaistr & Buckley, 1997; Geringer, 1991). Emerging market corporate in reality own
varied tactical intentions and is on the hunt of various kinds of associates (Anand & Khanna, 2001). The choice of a particular partner by the firm also influences JV performance (Killing, 1983; Harrigan, 1988; Parkhe, 1991; Mohr & Spekman, 1994; Park & Ungson, 1997) as it influences the concoction of expertise and assets given into the JV by the associates and following this is the accomplishment of their tactical missions (Geringer, 1991). Research shows that the laurels won by the JVs in the upcoming markets are deduced by the competence amongst the partner’s job connected choosing criteria (Killing, 1983; Harrigan, 1988; Parkhe, 1991; Mohr & Spekman, 1994). Thus partner selection criteria acts as an effect of partner’s motive and a cause for JV performance.

P1b: Asymmetric Motive influences Partner selection criteria of partners

P1c: Partner Selection Criteria of firm influences Value Creation of JV

P1d: Partner Selection Criteria of firm may partially mediate the association between Asymmetric Motive of partners and Value Creation of JV

The second mediator variable – Perceived Value Criteria – affects the purposeful span of JV and grave responsibilities united by inter/intra industry JVs (Doz, 1997; Vardharajan & Cunningham, 2001). The stipulations of teamwork are governed by complimentary product, substitute industry and leader/follower relation in the JV (Pfeffer & Salancik, 1978). Motives of JV have been detrimental in the JV perceived value of partners (Khanna, 1998). The relationship formed due to the perceived value of JV will decide the authority of the allies in JV (Lee and Cavusgil, 2006), indenement norms (Khanna & Rivkin, 1999), elasticity in JV (Gulati, 1998), the nodes of debate and ideology clashes among allies (Peterson & Behfar, 2003) and the expenditure of operating in JV (Teng, 2003). These factors finally decide the performance of JV.

P2a: Asymmetric Motive influences Perceived Value Criteria of JV of firm

P2b: Perceived Value Criteria of JV by the firm influences Value Creation of JV

P2c: Perceived Value Criteria of JV by the firm may partially mediate the rapport amongst the Asymmetric Motive of partners and worth formation of JV

The above bridging responsibility of associate choosing and perceived value criteria significantly explains the dynamics of value creation in JVs. However, ‘bargaining power’ and ‘absorptive capacity’ further moderates this relationship of value creation in JVs. Bargaining power, in JV context, is stated as the capability of favourably altering the conditions of concordance to achieve places from allies and impacting the results of what? by managing and controlling JV (Hamel, 1991; Yan and Gray, 1994; Coff, 2010). JV partners and its governance form convey organizational power implications (Inkpen & Beamish, 1997; Yeoh, 2009). Bargaining power influences authority on JV functions (Coff, 2010), allocation rents (Hamel, 1991), familiar or personal advantages (Khanna et al., 1998), interdependence of corporations (Pfeffer & Salancik, 1978); and opportunism & aggressive conduct (Brandenburger & Nalebuff, 1996).

Absorptive Capacity focuses on knowledge acquisition (Cohen & Levinthal, 1990; Mowery et al., 1996; Lane et al., 2006) and exploratory learning for improvement (Tsai, 2001; Zahra & George, 2002; Lane et al., 2006). Absorptive capacity enhances know how (Pfeffer & Salancik, 1978); and opportunism & aggressive conduct (Brandenburger & Nalebuff, 1996).

P3a: Negotiation strength moderates the connection in Partner selection basis and worth formation in JV

P3b: Negotiation strength moderates the connection in apparent worth formation and worth formation in JV

P4a: Absorptive Capacity moderates the relationship between Partner selection criteria and Value creation in JV

P4b: Absorptive Capacity moderates the relationship between Perceived value criteria and Value creation in JV
Therefore, we develop the following model (Figure 2) for the above discussed mediation and moderation effect between lopsided intentions and worth formation in JV.

**Fig 2: Asymmetric Motive and Value Creation: Moderation and Mediation Effects**

**IV. CONCLUSION AND DISCUSSION**

By focusing on the antecedents of asymmetric motives in joint ventures and moderating–mediating mechanism for value creation, this paper talks about lacuna in the strata of tactical mergers which are many a times dominated by developed world frameworks and direct-linear relationships. We propose frameworks for asymmetric motives and value creation by focusing our analysis on partner characteristics, initial JV conditions, partner selection criteria, value creation criteria, bargaining power and absorptive capacity of partner firms. Actually, this structure provides the foundation of the way a corporation’s escalated or average opportunistic conduct may give rise to, respectively, a poor value creation or a delayed firm’s motive attainment?

The key motivation behind the study is to investigate the JV partner dynamics and value creation and to present a backdrop for the possible aftermath for managers and strategy builders. This study pitches into comprehending and identifying: factors leading to asymmetric motives of partner firms and impact of mediator and moderator variables in value creation in JV where partners have asymmetric motives. This study highlights asymmetric JV characteristics and different strategies for enhancing value creation through JVs by understanding the nuances and interplay of factors in making effective JV decisions.

The study has some limitations. Multi partner JVs asymmetric motives have not been discussed. The proposed mechanism of moderation and mediation may not be exhaustive. Thus, future work in the area may empirically test the model in different contexts. An interesting extension of the study would be to analyze sectoral differences in JV dynamics. Also further studies could be conducted to explore effect of size of investment and national culture differences. Multi partner JVs and its comparison with bilateral JVs could be another area of work.

**REFERENCES**


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