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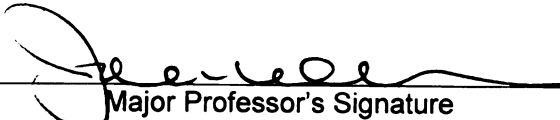
THE ROLE OF CONFLICT AND CONFLICT POTENTIAL IN
INTERNATIONAL JOINT VENTURES

presented by

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**THE ROLE OF CONFLICT AND CONFLICT POTENTIAL IN INTERNATIONAL
JOINT VENTURES**

By

Zoltan Daroczi

A DISSERTATION

**Submitted to
Michigan State University
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ABSTRACT

THE ROLE OF CONFLICT AND CONFLICT POTENTIAL IN INTERNATIONAL JOINT VENTURES

By

Zoltan Daroczi

This study is concerned with the impacts of conflict and conflict potential on the level of performance, longevity, stability, and trust in international joint ventures. The primary focus is placed on the beneficial effects of conflict. Following a conceptual integration of multidisciplinary conflict research and the extensive set of international joint venture literature, the study also explores the interaction between conflict and the major dimensions of culture.

International joint ventures represent a significant factor of competitiveness in the global marketplace. The performance, success, survival rate, and longevity of such collaborative ventures have been extensively investigated over the last decades. Still, major questions remain unanswered about joint venture performance. International joint ventures are inherently instable business entities. They often do not perform up to their expectations. Their success depends on numerous variables, and the current analysis of conflict may significantly contribute to our understanding of international joint ventures. The study emphasizes the potential positive role of the non-antagonistic dimensions of conflict.

Instead of the widely applied measures of manifest conflicts, it argues for the measurement of ex ante, perceived levels of conflict and conflict potential. With this approach the apparent ambiguity around the measurement of the construct may be greatly reduced.

This dissertation draws constructs and concepts from diverse scientific fields such as sociology, organizational behavior, interorganizational relations, new product development, and international business research. The study contributes to interorganizational relations literature by its analysis of international joint ventures from a new perspective. The units of analysis are managers, and the practical investigation is based on a telephone survey among international joint venture managers in Hungary. A new measure of conflict potential is successfully introduced in the study. The findings, although inconclusive, also suggest that further steps of model development need to be taken to reliably measure beneficial effects of conflicts in joint ventures and other business organizations.

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Dedication
To My Family

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I would like to express my sincere appreciation to all the people who helped me during my graduate studies.

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Chapter 1

INTRODUCTION

Is there such thing as a “good conflict” in business organizations? Well, if the conflict is non-antagonistic, i.e., there is a potential solution available without breaking up an organization or liquidating a partnership, and then the answer is an ambiguous yes. There is some weight on the adjective: ambiguous. Research interest in various dimensions and effects of conflict is on the rise. Studies involve various fields of management, marketing, sociology, psychology, and economics. However, there are no uniformly applicable models in those fields for conflict measurement.

In marketing, there is an increasing significance of our knowledge about conflict's role in marketing. The era of relationship marketing is here. Our main research focus should be the system of personal and organizational relations (Webster, 1998; Harrell & Fraser, 1999).

New organizational forms, such as strategic partnerships and corporate networks are replacing single transactions and traditional organizational forms. The traditional paradigm of marketing has been the paradigm of profit maximization from microeconomic theory. However, with the emergence of new organizational forms, this traditional paradigm is gradually replaced by supply chain management and strategic partnership management (Webster, 1992).

There are two major literature streams that provide direct motivation for this research. The first one is a recent research direction within the international

joint venture literature. Parkhe (1996) called for a more systematic, fine-grained research approach within the framework of international joint venture studies. According to his observations, significant conceptual and methodological gaps exist in this research field, offering numerous prospects for future research. The complex roles of conflict in international joint ventures have been extensively investigated before (e.g., Killing, 1983; Harrigan, 1985; Fey & Beamish, 2000, and 2001); still the role of conflict in joint ventures is far from being completely understood. Another important issue is the fact that most studies are exclusively concerned about the hindering effects of conflict on joint venture performance. As we will see, the construct of conflict may provide several beneficial effects for organizations, in particular international joint ventures.

The other literature stream that motivates this current study is well represented by the multidisciplinary studies of the International Journal of Conflict Management and several other publications. Conflict is not a recently discovered scientific concept in social sciences by any means. Some of the basic theories had been developed by philosophers of the 19th century (Turner, 1986). On the other hand, some recent publications, for instance by Elsayed-Ekhouly & Buda (1996); Rempel & Fisher (1997); or Polkinghorn & Byrne (2001), offer new perspectives on the potential effects of conflict. The interaction of culture, conflict, and conflict management is another interesting subfield to be explored.

Some of the publications have revived the classic approaches of organizational behavioral scientists (e.g., Blake & Mouton, 1969; Tjosvold, 1988), who primarily investigated the potential competitive advantages of conflict

management, while others have approached conflict from the point of view of classic sociology (e.g., Eckert, 1997). The main research questions of this study are derived from these two main literature streams.

1.1. RESEARCH OBJECTIVES

What, if any, kind of positive role is present or possible for the construct of conflict in an international joint venture? If there is a positive role, how is it modified by the dimensions of culture? Considering these questions, the current study is partly exploratory. However, we will see the richness of existing conflict and international joint venture theories as well. Thus, the exploratory nature is not an obstacle to conducting a well-reasoned research project, which is supported by salient research publications from various fields of marketing and other social sciences.

The major factors underlying social conflicts are threefold: differences in goals, interdependence, and differences in perceptions (March & Simon, 1958). This study focuses on the latter two factors because international joint ventures, by definition are business entities with two or more strongly interdependent partners, who pursue similar business objectives. Major differences in the partners' goals may lead to the elimination of the business entity altogether. Perhaps the most interesting question of this study is whether the temporary or ongoing differences in managerial perceptions are able to enhance the performance of an international joint venture.

This study investigates international joint ventures and their role within the emerging new paradigm of marketing. The research seeks answers to the following questions. How is the level of trust, longevity, stability, and performance affected by the different levels of perceived conflict in international joint ventures? How are the relations among these constructs modified by the factors of culture? Should we distinguish between the most often analyzed manifest conflict and perception-based conflict measures, and the construct of conflict potential? If so, how may we distinguish among these measures? Last, but not least, what are the managerial and theoretical consequences of the findings?

1.2. PERSPECTIVES ON CONFLICT

Conflict can also serve to unite social sciences (Tjosvold, 1996, p. 1203)

Conflict has traditionally been considered as a “negative” construct in social sciences. This image refers to all research attempts focusing on either the prevention or elimination of conflict, or the minimization of conflict in different interpersonal or intergroup relations (Anstey, 1989). However, the potential benefits of the construct have been investigated as well. Beginning from the works of nineteenth century philosophers and sociologists, such as Karl Marx and Georg Simmel (Simmel, 1955; Coser, 1965), conflict has never been treated as an unequivocally negative construct in social sciences. Still, largely due to the fact that conflict has been identified with the antagonistic, manifest types of

conflict, the construct was mostly investigated for its hindering effects on other sociological constructs, for instance, trust (Anstey, 1989).

One way or another, conflict has always been a major source of change in social systems and social institutions. Coser revived the notion that conflict may be even necessary in order to maintain a relationship (1956). Scientists of Organizational Behavior theory have also accounted for the importance of conflict in an organization's attempts to create competitive advantages (Blake & Mouton, 1964 and 1983b; Tjosvold, 1986a and 1991). Here the focus is mainly on the management of conflict situation within organizations. With an appropriate managerial approach, certain levels of conflict may be turned into a positive force in organizational practice, in particular, in transitional periods. When summarizing the results of conflict management studies, however, the question still remains: what we may say about the presence of conflict itself?

Conflicts are always seen as dynamic phenomena, which need to be investigated from the point of perceptions. In the interorganizational relations theory, previous research has focused on the understanding of antecedents and types of conflict (Etgar, 1979), life cycles of conflicts (Pondy, 1967), or conflict's relation to other major constructs of the theory, including trust, power, control, and organizational performance (Gaski, 1984). Again, in spite of the dynamic nature of those analyses, the continuum of conflict levels was not investigated thoroughly or rather it was simplified in most studies.

At the same time, the positive, or as often called, constructive effects of conflict have been investigated by Assael (1973) within automotive distribution

channels. Other authors also noted the potential constructive outcomes of conflicts.

However, their research ideas and assertions have not been turned into a consistent framework (Dwyer et al., 1987; Morgan & Hunt, 1994; and Weitz and Jap, 1995). Channel relations are highly similar situations for an organization like the constant process of negotiations within a joint venture. Both the continuum of different levels of conflict and the context of international joint ventures seem to be appropriate extensions of existing research.

The notion about the construct of Conflict Potential has been introduced to organizational relations literature by Cadotte & Stern (1979). After elaborating the threefold model of conflicts of March & Simon (1958), they assume that potential for conflicts exists along the dimensions of goal incompatibility, domain dissensus, perceptual incongruency, and interdependence. Cadotte & Stern have also introduced the additive nature of conflict potential, and this notion will be utilized in this study as well.

A perception-based measure of conflict potential may serve researchers well as an alternative measure to the different levels of conflict. Finally, it is worth the effort to review the literature stream of new product development, in particular the publications in that subfield of marketing within the last decade.

1.3. PERSPECTIVES ON INTERNATIONAL JOINT VENTURES

Due to an increasingly competitive global environment, firms are facing a great number of challenges in the international arena. The goals and motivations of firms operating internationally vary extensively: from expansion to foreign markets, to achieve economies of scale in production or marketing, through the impact of international governmental regulations, to the consequences of the development of regional trade blocks such as the European Union or NAFTA.

Interfirm cooperation is both a key strategic task and an opportunity in international marketing. The greatest change in international business in the past several decades is the accelerating growth of relationships based on partnerships rather than ownerships. Like marketing in general, international marketing has been experiencing a paradigm shift from transaction-oriented to relationship oriented marketing since the end of the 1980s (Webster, 1992).

This paradigm shift helped open new research directions for international business scholars. Strategic alliances, partnerships, and collaborative arrangements in general have received great attention from business researchers (Buckley & Casson, 1988 and 1996; Anderson & Narus 1991; Morgan & Hunt 1994; Doz & Hamel, 1998). Hamel, Doz, and Prahalad (1989) have created a new term for long-term competitiveness that characterizes the most successful international joint ventures as well: “competitive collaboration.”

An international joint venture is a unique organizational form, where the potential benefits of cross-border relationships can be maximized, even when the

new business entity operates in a culturally different environment from that of the home country of the firm. International joint ventures are unique in the specific managerial requirements they demand from the partner firms.

Joint ventures are defined as legally and economically distinct organizations, created by two or more parent organizations that collectively invest in the JV to pursue predetermined strategic objectives (by Pfeffer & Nowak, 1976; and Anderson, 1990).

International joint ventures expand the definition by introducing partner organizations from different countries that are cooperating across national and cultural boundaries (Yan & Luo, 2001).

Our understanding of international joint ventures can certainly benefit from an extended focus on relationships. Characteristics of the partner firms, their managers, and the environment in which the joint venture operates may serve as key explanatory variables for its performance. The interaction between interorganizational relationships and international business research is mutual. Joint venture research has also provided valuable insights for the general theory of business relationships.

The importance of international joint ventures is arguably increasing along the various trends of globalization of business activities (Beamish & Killing, 1997; and Inkpen, 2000). Alliances are considered as alternatives to wholly owned subsidiaries and also as means of creating competitive advantages (Buckley & Casson, 1988). However, international joint ventures have to face multi-level tasks, relationships, and complexities.

Joint ventures are involved in the typical channel relationships along their supply chains by cooperating and competing with other firms. Additional issues include the relationship between the partners firms and their managers, cross-national legal and managerial problems, and the everyday, problem-solving, and ongoing working relationship among managers within the joint venture.

International joint ventures are arguably the most researched organizational forms in international management literature. Beamish and Killing (1997) provide a comprehensive summary on the major research directions. There is quite an extensive list of publications which provide a general overview of the research advances in the field (for instance, Beamish, 1987; Beamish & Banks, 1987; Buckley & Casson, 1996; Geringer & Hebert, 1989 and 1991; Harrigan 1987a, 1987b, 1988a and 1988b; Hennart, 1988; Kogut, 1988; and Wallace, 1993). The richness and depth of the different research approaches is certainly worth mentioning. Within this extensive list of publications, however, conflict is mostly considered for its performance hindering effects (Shoham et al., 1997; Ding, 1997; and Fey & Beamish, 2000).

There are several key research opportunities in the international business research to be considered in the current study (Cavusgil, 1998). Performance of international joint ventures is one of those opportunities. A great number of publications are concerned specifically with the performance of international joint ventures.

Summaries, categorizations, and reviews of a series of studies are provided by Geringer and Hebert (1991); Inkpen and Birkenshaw (1994); Evirgen

(1995); and Hatfield et al., (1998). The key, and repeatedly discussed constructs related to joint venture performance are the perceptions of managers, the level of trust, the longevity and the stability of joint ventures. These constructs need to be taken into account in the current study as well. The basic research question is how conflict can help us understanding the complex issue of joint venture performance. The literature review guides us in finding the appropriate theoretical and measurement role for the construct.

1.4. PERSPECTIVES ON CULTURE

Geert Hofstede (2001) first published his seminal research on the dimensions of culture in 1980. His work inspired some criticisms over the years. It is, however, still the most widely used and the most generalized research in this field.

The role of culture is significant in all international research domains. This study attempts to highlight the role culture plays in conflict's correlation to other constructs within international joint ventures. Previous studies evaluated culture's influence on the initial attitudes toward international joint venture formation, the partner selection process, the relationships between partners from different countries, and, after all, the perceived performance of joint ventures (Parkhe, 1996).

Might culture serve as a resource in international business? The answer is certainly yes, if we follow the logic of Barney's analysis of organizational

resources (1991). It has been established for instance, that low level of uncertainty avoidance supports entrepreneurship in a society (Hofstede, 2001). However, research is still to be completed on the “fine-tuning” of such cultural effects. This is a very promising field in international business research. Based on the existing foundations (Hofstede 2001; Kogut & Singh 1988), new models of managerial behavior may explain and measure culture’s impact on the key constructs of international joint venture research. On the other hand, bridging different cultures within management teams is a going to be a long and challenging task (Beamer, 1998).

Several exciting culture-related research streams seem to have emerged recently. An example could be the location of business entities. Location selection has long been a major competitive factor in international business, and it has been thoroughly analyzed from an economic point of view (Krugman 1991). Location of international joint ventures is increasingly important as globalization proceeds forward. However, economic theories are often unable to account for intangible factors. Culture is certainly one of those factors. Updating the role culture plays in managerial theories is an ongoing task of international business research, and this is a point where the current study can make a contribution.

A recent study states explicitly that culture may be a resource for international businesses. Li, Lam, and Qian (2001) investigated the role of culture as a resource for international joint ventures. Makino and Neupert’s (2000) study about transaction costs is another excellent example of the

application of testable, culture-related hypotheses. Subsequent research projects in this domain may build on each other's findings in order to incorporate culture into existing models of joint venture behavior. The current study attempts to join the emerging stream of studies, targeting the demystification of culture in international business research.

1.5. EVALUATION OF CURRENT LITERATURE

Although the number of recent publications focusing on the construct of conflict and conflict potential is quite impressive and briskly increasing, only a limited number of commonly accepted conclusions have emerged. Overall effects of conflict are generally seen as negative, or performance hindering in most situations. At the same time, the measurement of negative or positive effects of conflict is an unresolved research issue, and perhaps needs to be approached from a multidisciplinary point of view.

There appears to be a lack of integration of interorganizational relationship and international joint venture literature. Perhaps this is the most important research gap targeted by this study. The richness of constructs in relationship literature is far from being fully utilized in international management publications.

There is a certain degree of ambiguity about conflict's role in international joint ventures. Conflict's overall effect seems to be clear from previous research (Fey & Beamish, 2000). However, the reviewed research was not able to fully

explore the effects of different conflict levels on constructs such as performance. This is the point where the need for fine-grained research comes up (Parkhe, 1996). The apparent ambiguity in research findings and publications always presents an opportunity for marketing scholars. Convergent thinking focuses on the synthesis of the development so far and significantly helps scientific advancements (Kuhn, 1970). This study attempts to integrate the major literature streams on conflict, and apply their findings and constructs to the highly specific context of international joint ventures.

Buckley (2002) recommends three major directions for international business researchers: the explanation of foreign direct investment trends, analysis of multinational firms, and the globalization of business. This study, again, follows Buckley's recommendations.

There are two unexplored opportunities for the current study. First, instead of the development of another analytical framework focusing on the wide variety of managerial approaches toward conflict situations, the analysis of different levels of perceived conflict should be pursued. Such an approach was strongly encouraged by Pondy (1992). The context of international joint ventures provides an appropriate field for such analyses because of the presence of at least two partner organizations, who share at least one common goal, though their relationships have been proven to be inherently instable (Harrigan, 1987a and 1987b). Theoretically, both the negative and positive effects of conflict should be highly transparent and measurable in international joint ventures.

Second, the context provides an opportunity to further enhancement of existing conflict theories by the introducing the role of cultural dimensions in the relationship between conflict and performance. Although conflict has become a hot research topic recently (e.g., Fey & Beamish, 2000 and 2001; Pothukuchi et al., 2002), the primary research focus remains on the construct's performance hindering effects and conflict management methods. Investigation of different conflict levels in international joint ventures may be a significant contribution of this study. Gradual extension of current research findings is an appropriate way to contribute to the development of marketing and management knowledge (Bagozzi, 1994).

Analyzing the perceptions of international joint venture managers keeps the research focused on the domain of marketing paradigms outlaid by Bonoma, Bagozzi, and Zaltman (1978). Key research domains in the new paradigm include social exchanges, interdependence, power and influence relations, bargaining and negotiation, and mutual problem solving within organizations. The current study also fits into the system of knowledge development in international marketing (Cavusgil, 1998). In particular, the study follows some of the recommended research directions: international partnering, collaborative ventures, and developing and coordinating partnerships, and also, the recommended research methods, such as the application of comparable measures and the methodological tools of cross-cultural research.

Chapter 2

LITERATURE REVIEW

Dyck, Bruning and Driedger evaluated the state of conflict research across different fields of organizational sciences in 1996. They found that in spite of the mass amount of previous research, “our understanding of the relationship between organizational conflict and organizational performance begs for further development” (p.295).

Sheppard (1992) also described the state of conflict research in management sciences as “schizophrenic.” Even today, there are multiple research approaches to be observed, multiple levels of analysis, competing institutional perspectives, and the wide variations of findings regarding conflict’s effects on the different aspects of organizational performance are seemingly dividing social researchers. We may approach conflict in many ways; however, the positive effects of the construct may be approached most effectively from the point of managerial perceptions.

This research approach is not unfamiliar in marketing, since Pondy (1992) and Eckert (1997) have made similar arguments after reviewing the major conflict theories. Perception-based models were also reviewed and considered as an alternative approach to analyze conflict by Lewicki, Weiss, and Lewin (1992).

2.1. CONFLICT AND CONFLICT POTENTIAL

The advances of sociology, organizational behavior, interorganizational relations, new product development, and international joint venture theory are reviewed below. It has to be emphasized that the interaction and interconnectedness of those fields really opens the doors for new discoveries. The advantages of interdisciplinary research are quite obvious from the current study.

2.1.1. CONFLICT IN THEORIES OF SOCIOLOGY

The clash of doctrines is not a disaster, it is an opportunity

(Alfred North Whitehead, 1925)

A general overview of the major findings of selected sociologists is necessary for the purpose of this research because in their investigations of conflict, organizational behavior, interorganizational relations, and all subsequent business theories have extensively borrowed concepts, constructs, and measures from the field of sociology.

In the early definitions of conflict the assumption of the construct's negative impacts on social relationships was implicit. Social conflict is defined by Blalock (1989, p. 7) as the intentional mutual exchange of negative sanctions, or punitive behaviors by two or more parties.

However, such definitions were not accepted unequivocally in the circles of sociologists. Perhaps the position of Dahrendorf (1959, p. 135) highlights this fact, and the current study also follows Dahrendorf's views:

"I am using the term 'conflict' in this study for contests, competitions, disputes, and tensions as well as for manifest clashes between social forces."

Obviously, the broader a definition, the more difficult it is to generate valid and reliable measures for the construct. However, the review of sociologists serves the purpose of understanding the potential positive effects of conflict, and Dahrendorf's approach is certainly a useful start there.

Without detailing the salient works of Georg Simmel, Max Weber and Karl Marx, it must be noted that they were the first social scientists to include the construct of conflict into mainstream sociology. Weber established that **conflict is inevitably present** in all social organizations, while Marx explained why **conflict is a major driving force behind change** in social systems and organizations (Turner, 1986). Simmel's conflict related works and hypotheses are probably the most discussed ones within sociological literature. Simmel (1955) emphasized that conflicts tend to mobilize groups and group members, and also **increase the cohesion of social groups**. Although Simmel's views have been analyzed and criticized by researchers, (e.g., Mills, 1965, or Sorokin, 1965), his set of hypotheses were thoroughly further developed by Lewis A. Coser (1965, see also in Anstey, 1989, and Turner, 1996).

A significantly streamlined outline of Coser's propositions (1956) on the latent, a potentially positive function of conflict is provided below. Only his relevant hypotheses are discussed here.

1. Conflict binds groups together by establishing and maintaining the boundaries of groups and societies. This function is certainly a key one for international joint venture stability and longevity.
2. Conflict may preserve the group as well, by freeing the feelings of hostility among group members. Again, joint venture stability and performance may be related to conflict here.
3. We need to distinguish between realistic (i.e., instrumental, goal seeking) conflicts, and non-realistic (i.e., tension releasing, self-rewarding) conflicts. In the context of joint ventures this study chooses the categorization of non-antagonistic conflicts, defining such conflicts as not threatening the existence of the joint venture itself.
4. Conflict encourages interaction and communication. This proposition, although general, is potentially beneficial to all social organizations.
5. The closer the relationship, the more intense the conflict. Joint ventures, as independent business entities need to be managed on a daily basis. These organizations seem to be appropriate choices for units of analysis. They are supposed to exhibit relatively higher levels of conflict than business organizations in general.
6. Conflicts that do not contradict basic core values (again, referring to non-antagonistic conflicts), tend to remove dissidents and reestablish group unity. Such conflicts minimize the risk of the occurrence of antagonistic conflicts. Joint venture survival and stability are the key affected dimensions in the current study.
7. Conflict serves as an index of stability of relationships. Stable, close relationships may be characterized by frequent conflicts. This is one of the key hypotheses from Coser, and it has been tested by numerous studies since the 1960s.

8. Conflict may be a group unifier. Conflict may stimulate the establishment of new rules, norms, and institutions, thus conflict serves as an agent of socialization within a group. For instance, conflict may be able to reduce the perceived cultural distance between joint venture managers with different cultural backgrounds.
9. Conflict intensifies participation in social life and facilitates change and readjustment. This is a similar function to statement #4 above.
10. Conflict establishes and maintains a balance of power. Conflict allows for the evaluation of the relative strength of the partners. Conflict also may stabilize and balance a group through the mutual adjustments by the partners involved. This hypothesis is also directly relevant to joint ventures.
11. Conflict prevents structural rigidity and facilitates adaptive internal reorganization. Flexibility is a key competitive advantage in international business.
12. Finally, conflict promotes social transformation by modifying major structures, values, and institutions. A similar statement like the previous one, emphasizing the role conflict may play in creating flexible organizational forms.

The basic premise of the current study is built on the **set of propositions** of Simmel and Coser, as several studies have done so among the reviewed literature streams (e.g., Dyck et al., 1996; Eckert, 1997). Based on the analysis of Coser's work, the categorization of conflict types emerged as the next stage in the literature of conflict research.

Deutsch (1973) introduced the terms of destructive versus **productive conflicts**. By his distinction, productive conflicts motivate problem-solving activities, trigger creativity in a relationship, stimulate new ways of interactions, and promote trust and understanding between the partners. On the other hand, destructive conflicts may quickly or gradually destroy a partnership. Deutsch's

findings originated in social-psychology, and his categorization is difficult to be operationalized in a business research. However, his note about the correlation between certain types of conflict and trust is certainly in the interest of this study.

Kriesberg's (1998) approach toward conflict provided a step beyond Deutsch's findings, and turns our attention to the **management of conflict situations**. His point of view also appears in the works of organizational behavior scientists, like Blake & Mouton (1964); Barker et al., (1988), or Tjosvold (1991). The question is once more the identification and measurement of "positive" versus "negative" conflict episodes. The managerial approach treats conflict as a post hoc, discrete variable, and although this is a legitimate research approach, it also counteracted the development of a uniformly applicable measurement model.

The antecedents of conflict have been discussed in numerous sociological publications (e.g., Turner, 1986; or Blalock, 1989), however, for the purpose of this study a review of interorganizational relations literature will suffice, since we intend to utilize the antecedents identified by Cadotte and Stern (1979).

As a closing point at the overview of sociological approaches, we refer to the book by Yarbrough and Wilmot (1995). They argued that in generally defined partnerships and negotiations the process of the "Mediation Wheel" guides individuals and organizations toward turning the inevitable and resolvable conflicts into positive outcomes. Conflicts may generate creative changes within the participating individuals and organizations through a cyclical process:

First, the partners enter into a *conflict situation* ⇒ *they diagnose the situation and the possible outcomes* ⇒ *then the negotiation stage follows* ⇒ *the partners reach some sort of an agreement* ⇒ *the agreement is analyzed in the follow-up stage* ⇒ *and finally a new entry occurs into a new conflict situation*. It is very important to note that the authors are concerned with non-antagonistic conflict situations, i.e., there is always an agreement within the cycles of the Mediation Wheel, and such agreements generate the positive changes in the participants.

The book is based on communication theory, and it obviously offers insights for members of a marketing channel or partners in an international joint venture as well. If cooperation in **conflict resolution** indeed catalyzes creativity, it indicates **a potential source of competitive advantage**. Such an advantage may be accessed through the systematic recognition of conflict situations, and the drive to resolve conflicts through intense negotiations. The book underlines the importance of conflict management theories, and, at the same time, reinforces the validity of Coser's set of propositions.

Without the advances of sociology this study would not have been underway. However, sociology doesn't provide us with a consistent framework for identifying, estimating, or measuring the potential beneficial effects of conflict.

2.1.2. CONFLICT IN ORGANIZATIONAL BEHAVIOR THEORY

Conflict is the spice of life...

Lewicki and Spencer (1992) introduced the 1992 special issue of the Journal of Organizational Behavior with this phrase. Lewicki, Weiss and Lewin identified 44 major models concerned with various aspects of conflict (1992). The **dominant paradigm** in the field is certainly that of Pondy's. The current study also approaches conflict from the point of view of Pondy's original and revised models (1967 and 1992). Pondy treats conflicts as organic episodes, which evolve through five stages, such as: (1) Antecedent conditions; (2) Latent conflict; (3) Perceived conflict; (4) Manifest conflict; and finally (5) the Conflict aftermath.

The stages were further discussed and revised by Cadotte & Stern (1979) during the development of the construct of conflict potential in interorganizational relations. Pondy's stages served as the basis for most organizational scientists to assess the various effects of conflict. Based on his and Coser's ideas, Rahim and Bonoma (1979) generated the idea of a reversed-U shaped curve to express conflict's effect on performance. Their assumptions reinforced Coser's propositions. However, there is still a limited amount of empirical studies, even less evidence for such assumptions. This is a point where the current study may contribute to the organizational behavior literature.

The 1992 special issue of the Journal of Organizational Behavior provides an exciting, and at the same time, challenging overview about the status of conflict research in the field. In the various fields of management, the positive effects of conflict have been the most thoroughly investigated by organizational behavior scientists. In that sense, the names of Robert Blake, Jane Mouton, Louis Pondy, and Dean Tjosvold highlight a long list of publications within the domain. Understandably, their research streams focus on the management of conflict situation, but, at the same time, they reflect on the findings of sociology as well.

Blake and Mouton started a series of studies in the 1960s about the role of human resources and organizational development in creating competitive advantages (1964, 1969, 1980, 1982, 1983a and 1983b, 1984, and 1985). Their basic concept is the Managerial Grid, an analytical tool assisting managers in their efforts to apply proper managerial techniques at given situations. They introduced the classification of managerial behavior toward conflict, describing the styles of problem-solving, smoothing, forcing, withdrawal, and sharing (1964). Emphasizing the importance of people-orientation of managers represents a parallel trend to the paradigm change in marketing during the 1970s. The findings of Blake and Mouton provide support and external validity to the assumptions and research findings of sociologists. **Conflict and conflict management appears to be a catalyst of change within the organizations** (1964).

Blake and Mouton investigated multiple dimensions of managerial techniques, including even the Presidents of the US into their studies (1985) or the relations between unions and management (1983a). After all, the basic concept of their analyses and findings is to acknowledge that conflict is present in organizations, and it will always exist, but a really effective manager needs to minimize conflict to create cooperation within the organization.

Pondy published his salient study about organizational conflict in 1967. He identified three major types of conflict:

1. Bargaining conflict between members of any organization where members have differing interests. International joint ventures fit into this category.
2. Bureaucratic conflict between parties who are in a superior-subordinate relationship. Again, such conflict s may be characteristic in joint ventures when the equity of the firm is not equally divided among parent companies.
3. Systems conflict between parties in an ongoing working relationship. This category is similar to the task-related conflict term, introduced by Dyck et al., (1996).

The conflict categories by Pondy may all play a positive role in an organization. Pondy's other findings directly relate to the hypotheses of the current study. He stated that the functionality (i.e., positive effect) of a conflict **may be measured by either the resultant improvements in productivity (quantitative or qualitative measures may be employed), or the enhanced stability of the relationship, or the increased level of flexibility and adaptability of the relationship.** Just like many sociologists, Pondy treats

conflict as a discrete variable through a series of conflict episodes. However, Pondy later revisited his original model and his insights are greatly invaluable for the current study (1973 and 1992).

*“The central flaw of the 1967 model is, I believe, the assumption that organizations are cooperative, purposive systems which occasionally experience conflicts or breakdowns in cooperation. [...] Let me suggest that an organization is precisely the **opposite** of the cooperative system. Think of an organization as a means for internalizing conflicts, for bringing them within a bounded structure so that they can be confronted and acted out.”*
(Pondy, 1992, p. 259)

Pondy’s ideas reinforce the current study’s purpose of approaching conflict as a continuous variable within organizations, and applying a conflict measure accordingly. Furthermore:

*“If organizations are arenas for internalizing and staging conflicts, then we would expect organizations that exist in conflict-rich environments to exhibit organized anarchy properties in their internal structures. [...] Thus, within the alternative model, **conflict is not only functional for the organization, it is essential to its very existence.**”* (Pondy, 1992, p. 260)

The hypotheses of this study directly relate to Pondy’s insights, for which the author is greatly indebted to the great organizational scientist.

March & Simon (1958) and Cyert & March (1963) approached conflict by analyzing both the positive and negative effects of the construct. Their ideas are based on the paradigm of rationalism. Although their findings are still relevant, their general framework does not fit into the context of cross-cultural managerial perceptions, at least not within the narrow framework of the current study. However, their work must be mentioned, in particular because they greatly influenced organizational behavior scientists. Simon has touched the domain of Coser's and Pondy's assertions, when he gave his insights to the management of complex systems (1963 and 1973). He stated that problem-solving skills may serve as a social-organizational equivalent to natural selection in biology. Problem-solving is described as a selective trial-and-error process, and organizations that exhibit skills in selectivity may have the best chances for survival. Finally, experiences, including previous conflict situations, may provide the desired skills in selectivity for organizations. Simon's logical path is similar to that of Steiner's (1973). Further analysis would lead us far from our primary topic however, we selfishly take note of his support of the potential benefits of conflict.

Another significant contribution to the external validity of managerial theories has been made by the publications of Dean Tjosvold (Tjosvold & Johnson, 1983; Tjosvold, 1986a and 1986b, 1988, 1991, Tjosvold et al., 1992; Tjosvold, 1993, and 1996). His focus is even more specific than that of Mouton and Blake. Tjosvold investigates various aspects of the management of conflict situations in an organization (e.g., Barker, Tjosvold, and Andrews, 1988). Tjosvold introduced new systems for categorizing conflicts, for instance

distinguished among competitive, avoidance, and cooperative conflict situations within organizations. Conflicts may be turned into competitive advantages, when managers realize that perceptions and aspirations, and not goals are incompatible.

Tjosvold's work supports one of the key points of the current study, that unrecognized goal incompatibilities tend to lead to antagonistic conflict situations, therefore our analysis needs to start with the differences in perceptions (Etherington & Tjosvold, 1998). Avoidance of conflicts leads to an illusion of openness, where the real antecedents of conflicts remain hidden. A competitive approach to conflict management leads to closed-mindedness, and incompatible behaviors and actions. **Understanding conflicts should start with understanding perceptions**, and should end with the creation of a cooperative environment where communication is natural, and arguments are open-minded (Tjosvold & Lai, 1989).

Similarly, Pruitt (1992) also supports cooperative solutions to conflict situations. Tjosvold summarized the value of cooperative conflicts as follows (1988):

- Encouraging open communication between partners;
- Improving the overall level of communication skills in the firm;
- Forming subgroups within the organization, and such subgroups take different sides, create different alternative solutions; and
- Indicating that major decisions will be made by consensus.

Tjosvold's research is highly relevant to both new product development and international joint ventures. His focus on both conflict and cooperation to create innovative organizations provides insights for new product commercialization successes and long-term survival of competitively operating joint ventures.

David Brown (1983) offers an overview of the various organizational changes that may be initiated by conflict situations or may be reduced by conflict management. Conflict may alter perceptions, communications, actions, the interface of communications, the character of one or both parties, and finally the context in which it occurs. Again, like in sociology, conflict appears as a primary agent of change.

Brown (1992) also recommended several general research directions on the basis of past achievements in the field of organizational behavior. In particular, he noted the importance of globalization and global diversity as an important research field for the future. This statement supports the perspective of the current study as well. Kolb & Putnam (1992) have described the "disputing perspective" toward conflict research. It refers to using disputes as the units of analysis. The approach is very promising and is not fully utilized yet in organizational research. The disputing perspective exhibits strong links to the negotiation literature stream interorganizational relations literature. In this study, a note must be made about the necessity to integrate disputing and negotiation studies.

Robinson's statements (1995) may serve as appropriate conclusions to organizational behavior studies. Robinson introduced the term of **conflict-competent organization**. The focus is on intra-organizational issues, and the findings are highly relevant for international joint ventures. The inevitable presence of conflicts is a continuous challenge to organizations. The more experiences an organization is able to accumulate about dealing with conflicts, the more conflict management skills it has. Therefore, the pure presence of non-antagonistic conflicts may create a competitive advantage for the organization in the long-run. Conflict management skills within a relationship or an organization may minimize the risk of the development of antagonistic conflict situations.

2.1.3. CONFLICT IN INTERORGANIZATIONAL RELATIONS THEORY

Interorganizational Relations or channel research originates from the Functional (e.g., Weld, 1917) and Institutional scholars (e.g., Alderson, 1954) of early Marketing research. Stern (1969) turned the main research direction toward the investigation of behavioral dimensions of marketing channels. As Eckert (1997) stated, power and conflict quickly became the key constructs in channel research (e.g., Gaski & Nevin, 1985).

Conflict is an inherent behavioral dimension of marketing channels (Rosenbloom, 1978). As in the case of other theories, conflict is primarily approached as a negative factor of theoretical channel models. According to the integrative work by Bowersox et al., (1980, p. 73), "conflict is a situation in which

one member of a distribution channel perceives another member as an adversary engaging in behavior designed to injure, thwart or gain scarce resources at its expense.” This definition indirectly implies that most channel conflicts are antagonistic in the long-run, unless conflict management is able to turn adversaries into cooperators.

Wall (1985) simplified, and at the same time broadened, the definition, by stating that conflict is a process, where two parties attempt to frustrate each other's goal attainment. The term, frustration in the definition is a promising step forward in the current study because it introduces a potential performance enhancing aspect of conflicts.

For Etgar (1979, p.61) conflict is present when a channel member perceives the behavior of another channel member to be impeding the attainment of its goals. Again, the importance of perceptions needs to be emphasized here. **Conflict is primarily a perception-based construct, and then either the conflict itself or its resolution might bring out performance enhancing consequences from the parties involved.**

Stern and El-Ansary focuses on the perceptual dimension of conflict as well (1977, p. 283), while Gaski (1984) provides an excellent review of the evolution of conflict definitions in channel literature.

Molnar and Roberts (1979) introduced a revolutionary approach to the construct of channel conflict. The positive aspects of conflicts that were first discovered by sociologists finally re-appeared in organizational relations research. Their term, **operating conflict** reflects the need for mutual

adjustments by the interacting organizations. Such adjustments are seen as potential strategic or tactical moves by channel members within the framework of long-term channel relations. On the other hand, they introduced the term of structural conflicts, in which the basic roles and responsibilities of channel members are questioned. Structural conflicts may be even created deliberately, in order to have them serve as sources of operating conflicts, however, structural conflicts have a tendency to escalate, and thus hinder channel performance.

Similar arguments led to the definition of the so-called **functional conflicts** by Anderson and Narus (1990) and later Menon et al. (1996). Functional conflicts were distinguished from antagonistic types of conflicts, and they were defined as a process of healthy exchange of ideas, beliefs and assumptions within a firm. The definition is obviously applicable to interfirm relations as well, in particular when communication between firms is a key factor of success. International joint ventures are such organizations.

In terms of operationalizing the main constructs of channel literature, the research of intra-, and interfirm negotiations provided a significant step ahead. Publications by Rinehart et al., (1988); Dart (1988); Holmes & Glaser (1991); Rinehart & Closs (1991); Rinehart and Page (1992); Novack et al., (1994); O'Connor (1997); Rinehart & Handfield (1998); or Stulmacher et al., (1998) delineated the domain of negotiation analysis within the context of generally defined marketing channels. Their findings provide practical and theoretical guidelines how future research can contribute to our understanding of the operation of marketing channels.

Negotiation literature provides several sets of measures and measurement approaches. Joint venture managers often conduct negotiations due to the multiple relationships to be managed in such organizations. However, most of the measures developed in the field of negotiations do not fit perfectly to the context of international joint ventures due to the differences in organizational and environmental settings. Also, the measures may not reflect positive effects of conflict at all (Balabanasis, 1998; Ahmed & Al-Motowa, 1999). Other theory streams might provide more appropriate conflict measures for the context of international joint ventures.

The analysis of interorganizational relations also shows that the current study may contribute to that literature stream along the recommendations of Achrol (1997) by focusing on international collaborative ventures as parallel organizational forms to international alliances, and thus taking a step toward the emerging network paradigm in marketing.

2.1.4. CONFLICT IN NEW PRODUCT DEVELOPMENT THEORY

The apparent difficulties of the “schizophrenic conflict research” (Sheppard, 1992) have been resolved with the advances of another key theoretical research stream: new product development. Sheppard recommended the development of a meta-model of conflict. Even if such a model is still non-existent, another idea from Sheppard, the improved generalization of a conflict model is already available.

Interfunctional conflicts are naturally and traditionally present in new product development projects. The main focus of researchers here is the success of a new product or the success of the commercialization process. For decades, the systematization of new product development projects created a competitive advantage for organizations however, as it is always the case in management practices, systematization can be easily imitated. Their international focus makes the current new product development studies even more relevant to the current study.

Song and Dyer investigated the success factors of new product development processes in a series of studies (1995, and Dyer & Song, 1998). They have found that certain types of companies (defender firms) had relatively high level of conflict within their organizations, and that fact may provide an edge in the success of new product development and innovation. Thus the presence of conflict may be even sanctioned by managers who strive for a competitive advantage in innovative practices.

Furthermore, a general model of conflict may focus on **measuring the different levels of perceived conflict** within an organization or in the context of an interorganizational relationship.

The measurement design in the study by Xie, Song, and Stringfellow (1998) supports the assertions of the current study. The authors investigated the characteristics of interfunctional conflicts and the role it plays regarding new product success. This study provides empirical support to some of Coser's (1956) propositions, and offers a uniformly applicable measure for assessing

conflict's effects on other constructs. Since the original assumption of the reversed-U shaped curvilinear effect of conflict on performance by Rahim & Bonoma (1979), this is one of the first empirical evidences to support that assertion. Xie, Song, and Stringfellow's study is also concerned with the impact of culture on conflict. However, unlike the current study, the authors were focusing on culture's impact on the selection of conflict management methods. Such approach may be included in the future extension of this study.

Souder et al., (1998) and Song, DiBenedetto, and Zhao (1999) have investigated the reasons behind competitive advantages in new product development and early market entries. They have found that pioneering and innovativeness is perceived to be associated with higher market share and profitability (Song et al., 1999). This finding was supported by the perceptions of managers across nine countries in their cross-cultural study. This is a further indication that the potential benefits of conflict may be perceived and may be observable globally. The question remains though, whether such perceptions are modified by the given culture. This question is to be discussed below at the joint venture literature streams, and it is also the subject of current investigations in new product development studies (for instance, Montoya-Weiss et al., 2001).

Due to the similar requirements facing managers in international joint ventures and in multifunctional product development teams, and also due to the uncertainties of performance assessment, this theory stream provides direct support to the primary hypotheses of the current study.

2.1.5. THE CONSTRUCT OF CONFLICT POTENTIAL

As it is stated by K.W. Thomas (1992), there is still no generally accepted definition of conflict in the management literature. Within a series of different conflict-related studies the construct itself is interpreted in different ways as well.

In the current study conflict has been treated as a very broad and general construct. However, for the purpose of the measurement model we need to narrow the applied definition from the point of marketing research. The definition we use in this study after this point is as follows:

Conflict is present in an exchange situation when there are real or perceived differences in the interests, views, or goals between the agents (Kolb & Putnam, 1992). The recommended measurement approach in marketing and business research should focus on managerial perceptions.

In the field of Interorganizational Relations, the construct of conflict potential was thoroughly conceptualized and operationalized by Cadotte & Stern (1979): **Conflict potential is defined as a continuous, antecedent construct of conflict.**

Cadotte and Stern approach the construct from the point of marketing channels and negotiations. They divide conflict potential into four dimensions. First, incompatible goals of channel members are potential causes of conflicts. In this study, the incompatibility of highly important goals is not considered, given the context of the research. If the partners' goals are highly different in an international joint venture, then the organization has a very short life expectancy.

The solution to this measurement problem might be a relative weight system of incompatible goals, however such weighting remains to be developed in future research.

The second dimension of conflict potential is called domain dissensus. A domain defines the expectations for channel members about what an organization will or will not do (Thompson, 1967, p. 29). Conflicts about domain dissensus are considered task related conflicts, as it was stated by Dyck et al., (1996), and therefore they might bring performance enhancing effects. The third dimension of conflict potential is perceptual incongruence. Differing perceptions in a relationship may lead to different actions as responses to the same situation. In other words, incongruent perceptions may generate a greater number of alternatives to a given problem, and therefore may create competitive advantages for an organization.

Finally, Cadotte and Stern describe the dimension of interdependence. It estimates the degree to which any two partner firms have to take each other into account if they are to accomplish their goals (Litwak & Hylton, 1962). Similarly to the dimension of goal incompatibility, we do not utilize this dimension in the context of international joint ventures. The argument for that decision is that interdependence of joint venture partners is inherent in the specific relationship. Further analysis may be focused on evaluating the relative dependency of the partners, by accounting for the size of parent firms.

The construct of conflict potential has been highlighted in a different context by Dyck et al., (1996). In their measurement model, conflict potential

appears as an alternative to conflict itself. The authors describe an exploratory, four-stage model, where conflict potential and conflict stimuli together determine the level of conflict within the system or a relationship. Their approach is highly relevant to both channel relations and organizational behavior literature because it may raise the level of internal validity in the measures employed. However, their study did not focus on relationship conflicts, rather on the potential for task related conflicts (p. 301). If their observations about the overall effects of relationship conflicts are correct, then we need to focus on the identification and measurement of task related conflicts.

The construct of conflict potential has also been linked to the role of culture. Robbins (1991) stated that the value differences between partners may represent the most overlooked measure of conflict potential in the study of organizational conflict in organizational research. Managers traditionally have been instructed to avoid conflicts, minimize conflict potential, and eliminate conflict triggering situations. According to the interactionist paradigm (Dyck et al., 1996), **managers may wish to increase the level of conflict potential within organizations in order to improve organizational performance.** This observation is in accordance with the current trends driving organizations toward diversity in many aspects of management, for instance human resources.

Based on the premises of Pondy (1967) and the findings of Dyck et al., (1996), conflict potential will be introduced in this study as an alternative construct to conflict.

While conflict was often measured as a discrete variable (e.g., by the frequency of conflict episodes), conflict potential is by definition a continuous variable in managerial literature. The additive feature that is discussed by Cadotte & Stern (1979) makes the construct a candidate for a flexibly, still universally applicable estimator for predicting conflicts effects on major constructs in the international management literature.

Conflict potential as a direct, complex antecedent of conflict may bring up similar beneficial effects on organizational performance than conflict itself. Therefore, this study investigates such effects by analyzing different levels of both conflict and conflict potential.

2.2. INTERNATIONAL JOINT VENTURES

In the context of international joint ventures, Parkhe (1993 and 1996) and Cavusgil (1998) provided the most comprehensive overview of research directions. The first of such directions is the motivation behind joint venture formation (e.g., Tomlinson, 1970; Harrigan, 1985). A basic question about international joint ventures is their pure existence. Why do firms choose this organizational form to cooperate? The explanations are categorized into (a) resource-driven, (b) market-driven, and (c) risk-reduction-driven joint ventures (Contractor & Lorange 1988). Parkhe (1996) argues for the study of multiple or multi-level motivations joint venture formation, including other ways of categorization. One of those methods is distinguishing among internal, external, and strategic motivations (Harrigan, 1985). Examples of external motivations include political tensions and global competitiveness. Culture is part of the external environment thus it simply cannot be ignored at this research domain. Kogut's categorization focused on organizational learning and transaction costs (1988). Location is another motivation mentioned by Parkhe (1996). The role of culture may also influence location choices for international joint ventures. From the point of view of the current study the findings of this research direction have implications for the future studies.

The second research direction is concerned with partner selection and partner characteristics. In this stream the current study may provide some contribution. A key strategic question for future joint venture managers is: who we want to cooperate with (Root, 1994, or Woodside & Pitts, 1996)? Starting with

the seminal works of Geringer (1988 and 1991) a whole domain of joint venture literature is focusing on partner selection issues. Geringer emphasized partner-related dimensions of partner selections. National culture was found to be a contributor to the efficiency and effectiveness of cooperation. That is a primary reason why the current study also considers culture as an influencing factor at international joint venture performance.

The third major direction is concerned with control and **conflict** in international joint ventures. Constructs are transferred from interorganizational relations theory as it will be discussed below. The desire for control is one of the most important problems about international joint venture management (Killing 1983; or Park, 1993). Thus, any culture-driven reduction in the level of desire for control may be a significant performance enhancer in joint ventures. Conflicts and the management of conflicts are influenced by the partner's national and corporate culture. Conflicts are natural in a relationship and they tend to arise from numerous reasons. Partner differences and opportunism (Parkhe, 1996) are emphasized in the literature as factors that lead to joint venture conflicts the most frequently. Differences between two foreign partners can create Type I or II diversities (Parkhe 1996). Type I diversity improves joint venture effectiveness (e.g., reciprocal strengths or complementary resources), while Type II diversity hinders joint venture effectiveness and performance (Parkhe 1991). Culture-based differences are included in Type II diversity.

The fourth research direction improves our understanding the problem of joint venture stability and performance. The literature of international joint

venture performance assessment is probably the richest within the domain (Parkhe 1993). From the point of view of this study, important findings are the culture-driven differences in perceptions about international joint venture performance (Osland & Cavusgil 1998). Expectations about and criteria of performance vary according to cultural dimensions. Thus, cultural dimensions help understanding the complexity of joint venture performance.

International joint venture stability also is an extensively researched construct. Instability is generally regarded as a negative factor in joint venture performance estimations. However, as we may conclude from other literature streams, instability does not necessarily indicate automatic joint venture failure. This conclusion is supported by Gomes-Casseres (1987 and 1996).

Parkhe also recommends several approaches in order to accelerate international joint venture theory development (1996). Focus should be placed on the constructs of trust, opportunism, and forbearance as the key concepts in the literature. As he writes (1996, p.440): "Forbearance becomes possible only when there is reciprocal behavior and mutual trust, which, in turn, only come about given an absence of opportunism."

The characteristics, the presence or absence of such constructs in a relationship are definitely influenced by cultural factors. Parkhe's (1996, p.440) other observation, that international joint venture life cycles are not "sequential and linear, but rather iterative and circular" also calls for further investigations into the role of culture in shaping those life cycles.

Conflict certainly has played an important role in subsequent streams of international joint venture literature. Even if conflict may only have a marginal role in performance enhancing, the investigation is necessary. Beamish and Delios (1997) serve with an example as further motivation for the current study. They found in their meta-analysis of 12 international research publications that between 32% and 61% of international joint ventures had unsatisfactory performance. Madhok (1995, p.117) made a similar statement: "in spite of the increasing popularity of international joint ventures, managers express a high level of dissatisfaction with them."

Theoretically, performance enhancing dimensions should be exhibited at certain level of perceived conflict. Given the quite diverse general research directions listed above, we focus directly on the key constructs of the current study.

2.2.1. THE ROLE OF CONFLICT

International joint venture scholars have traditionally suggested that conflict has a negative effect on joint venture performance (Killing, 1983; Harrigan, 1985). Kogut (1988) stated that conflict was found to be a key factor behind joint venture failures and instability in the research domain. This perspective has not changed much according to a series of recent studies. Lin and Germain (1998) presented conceptual frameworks to connect the context of international joint ventures to satisfaction with the relationship and performance. The authors' focus is primarily on conflict management. A study by Shoham et

al., (1997) about international distribution channels found that the lower is the quality of the channel system the higher is the degree of perceived conflict between exporters and their relevant channels of distribution. The authors, like the current study, investigated the role of cultural distance as well. Lau et al., discussed conflict in the context of supply chain relations in China (1999). That study also concerned with the management styles toward conflict. Their work represents the typical perception of conflict in international joint venture studies.

Until recently, (Fey & Beamish, 2000) there has been no thorough literature review available about the complex effects of the construct of conflict in this specific research domain. The study by Fey & Beamish investigated joint ventures in Russia. The authors analyzed manifest conflict situations. According to their definition conflict is the interaction between parties involved in an international joint venture, where the actions of one party prevent or compel some outcome against the resistance of another party (Fey & Beamish, 2000, p. 142).

Again, conflict is considered as negative construct in joint venture performance models. Empirical support is quoted from Tillman (1990) who found in a study of Japanese-Thai joint ventures that conflict was negatively associated with joint venture performance. The perspective of conflict investigation by Fey & Beamish is perfectly legitimate, and their findings are being further developed by subsequent studies (e.g., Pothukuchi et al., 2002). However, based on the advances of organizational behavior literature, this approach utilizes Pondy's pre-1992 views.

Fey & Beamish also make a note, however, on the potential positive effects of conflict on joint venture performance (2000). They refer to the study by Cosier & Dalton (1990). Furthermore, they categorized the potential causes of conflict in international joint venture. Their findings are directly relevant for measure development in the current study. Fey & Beamish identified four major categories of conflict sources:

- Cultural differences between the partners may lead to perceptual incongruencies;
- The desire for control and autonomy may lead to conflict situations;
- The needs of parent companies may generate conflicts within a joint venture; and
- The differences in goals may also create conflicts.

Based on the premise of this study, and with the exception of the fourth source, the findings are incorporated in the survey instrument. High degrees of the desire for control and autonomy may antagonize perceptual conflict situations, and we need to control for that factor. The degree of pressure from parent firms on joint venture managers will also be included in the instrument, since such pressures may easily antagonize conflicts as well. Cultural differences are to be approached from the point of major cultural dimensions.

As discussed above, interfirm diversity and opportunism were identified as the primary sources of conflict in joint ventures (by Parkhe, 1996). Based on these propositions, investigations were directed toward safeguarding against the occurrence of conflicts in general. Obviously, when managers are exclusively concerned with the prevention of any potential for conflict or any conflict

situation, both the research domain and managerial practice may fail utilizing the advances of organizational behavior and interorganizational relations research.

However, as Parkhe states (1996, p. 438): *“the costs of [conflict] safeguards can be lowered, and perception of opportunism can be lowered, if trust develops between joint venture partners.”*

The current study may support the statement above by including certain levels of conflict as a trust-building factor in joint ventures. There is a high degree of observable overlap between international joint venture literature and organizational behavior or interorganizational relations theories (Fey & Beamish, 2000). The current study however, adds new dimensions to the research stream by incorporating the advances of new product development theory and by placing the focus of its investigation to the perception-based measures of conflict and conflict potential.

2.2.2. PERFORMANCE

Traditional performance measures for international joint ventures were often found to be inadequate. A major reason behind this fact is the variety of reasons even behind the formation of joint ventures. Another important issue is the great variation in managerial expectations toward international joint ventures. Even within the same firm, managers from different parent companies may have highly differing expectations about what success means for the given joint venture (Osland & Cavusgil, 1996 and 1998). The number of potential performance measures and also the number of independent, explanatory

variables is higher in international joint ventures than in any other business entity (Geringer & Hebert, 1989 and 1991, Inkpen & Birkenshaw, 1994, Osland & Cavusgil, 1996). Various sources or antecedents of conflict have also been considered (Ding, 1997) as predictors of joint venture performance.

The so-called objective performance measures include financial indicators (such as return-on-investment), market share and market share growth data, and joint venture survival, longevity, or duration, in terms of calendar years.

These measures were criticized because of their narrowness. Other problems with such objective measures are that they do not account for the wide variety in managerial performance expectations. For instance, international joint ventures may serve as sources of learning for the parent company. In such cases the profitability of the joint venture may not be a key issue, at least in the short-run. Therefore, several perception-based measures of performance have emerged in the literature.

Perceived satisfaction with the joint venture itself is widely applied as a performance indicator (Inkpen & Birkenshaw, 1994). Hatfield et al., (1998) analyzed the use of partner's goal achievement as a performance measure in joint ventures. Perceived fulfillment of strategic needs by the joint venture, relative joint venture profitability (for instance, compared to industry averages), or perceptions on joint venture performance were simultaneously employed in the literature as performance measures. Application of reliable, perception-based performance measures is recommended in order to overcome the difficulties with traditional, "objective" types of measures (Parkhe, 1996).

The role of conflict is assumed to be similar on international joint venture performance to that of in multifunctional new product development teams. The challenges and the diversity of the management teams are highly similar in the two contexts. Both contexts present non-routine activities and high degree of uncertainty in the environment. Perceived conflicts serve as filters of incoming information and conflicts also serve the creation of alternative solutions to unexpected managerial situations (Xie et al., 1998).

Conflict's helpful effects on innovativeness (Coser, 1956) may also serve similar performance enhancement in case of both contexts. Conflict motivates information mobilization by the partners (Gray & Starke, 1984), and thus helps internal adjustments in joint ventures and may extend the survival, the longevity of such business entities. Assael's study about conflict situations between General Motors and its dealers showed that relatively "small amount" of conflict may be beneficial for channel performance (1973). Pondy's propositions (1992) assume that some degree of perceived conflict is necessary for joint venture survival, while the propositions by Coser (1956) assume that certain degree of conflict has performance enhancing benefits for joint ventures. Cosier and Dalton suggested that a "small amount" of structured conflict may be constructive and have positive correlation with the effectiveness of strategic decision making (1990).

On the other hand, the several studies that measured conflict's overall impact on joint venture performance, have found that there is a negative correlation within the holistic models (e.g., Tillman, 1990; Cullen et al., 1995).

Also, conflict may turn task-related problems into emotional issues, and thus reduce performance in general (Pelled, 1996). Conflict between joint venture partners may involve more parent firm management time and effort, thus even reducing parent firm performance.

As an incorporated hypothesis of the multidimensional effects above, we expect that **there is an optimal, non-zero level of conflict and conflict potential that optimizes perceived performance in international joint ventures. That is, conflict exhibits a concave relationship with the perceived performance of joint ventures.**

2.2.3. TRUST

Research projects utilizing the theory of trust and commitment provided significant contributions to international joint venture research. Trust was found to exhibit strong positive correlation with joint venture performance (e.g., Sarkar, et al., 1997). The positive correlation between trust and performance is also universally supported by management literature. Ross and LaCroix provided an exhaustive overview of research approaches toward the construct in negotiation and organizational relations literature (1996). Their summary proves the richness of trust-related models in managerial literature. The variety of the models partly originated in the variety of psychological approaches toward trust.

For the current study we primarily considered the relationship between trust and international joint venture performance.

In their comprehensive work about trust by Das and Teng (2001) stated that the definition of the multidimensional trust construct is unresolved. Within the domain of international business alliance research they provide a perception-based definition that is adapted by the current study: **trust is the degree of positive expectations regarding the other party.**

Doney & Cannon (1997) provided a similar definition, to reinforce our choice of the perception based approach: trust is the perceived credibility and benevolence of the target of trust.

In that frame, it is easy to see that too much conflict may erode all trust between joint venture partners. According to Das & Teng (2001), the two major dimensions of trust are goodwill and competence based. Goodwill trust is defined as a construct about one's good faith, good intentions, and integrity. Competence trust is based on the resources and capabilities of the firm and its managers. Such type of trust may directly benefit from the potential effects of conflict situations and conflict management, in particular through the increased competency through dealing with managerial problems (Coser, 1956). Goodwill trust may benefit from the presence of conflict through the perception of the other party as a sincere, straightforward partner in the relationship.

Trust was found to play three interrelated roles in partnerships such as international joint ventures (by Aulakh et al., 1996):

1. Trust is a deterrent of opportunistic behavior in partnerships;
2. It may be a substitute for hierarchical governance systems in partnerships;
3. Finally, trust is a significant predictor of performance in partnerships.

The study by Aulakh et al., (1996) found that performance and trust were strongly and positively correlated in cross-border partnerships. The authors also noted that trust was culture-dependent, or more specifically they found significant differences in the role of trust across the investigated geographic regions. This is a very interesting finding and provides further ammunition for future research.

Madhok distinguished between structural (resource compatibility) and social (qualitative) components of trust in international joint ventures (1995). He found that the two components reinforce each other over time therefore any potential beneficial effect of conflict would enhance the holistic construct of trust. More importantly, Madhok found that trust clearly exhibits performance and efficiency improving, value enhancing properties, thus it is positively correlates with performance.

The relationship between conflict and trust-based commitment was investigated by Cullen et al., (1995). They provided partial support to the hypothesis that increased level of conflicts implies reduced levels of commitment by the partners in an international joint venture. Again, they found significant support that trust and commitment positively correlates with performance. Their research method was similar to the dyadic analysis of the current study as well.

Finally, there is a relevant finding from the research domain of interdependency and trust in social organizations. According to Kumar & van Dissel (1996), conflict potential and repeated conflict situations may create

reciprocal interdependencies within a system, and therefore reinforce trust among the participants.

Based on previous research, trust seemingly strongly and positively correlates with performance (e.g., Lorange and Roos 1991 or 1992). On the other hand, the presence of some level of trust is necessary to benefit from conflict situations. Trust may be the key construct in preventing conflict situations from escalation (Dyck et al., 1996). Therefore, the construct of trust is suggested to be present in all theoretical models that estimate positive impacts of conflict on performance.

Also, we expect to find similar effects of conflict on trust such as the effects of conflict on performance, that is **the level of conflict and conflict potential is expected to exhibit a concave effect on the level of trust between joint venture partners.**

Furthermore, conflict is expected to correlate positively with trust in joint ventures characterized with the highest level of perceived performance and conflict is expected to correlate positively with performance in joint ventures with the highest level of perceived trust.

2.2.4. LONGEVITY AND STABILITY

As we have seen, joint venture longevity or duration has often been employed as a measure of international joint venture performance (Geringer & Hebert, 1991; or Inkpen & Birkenshaw, 1994). Therefore, the longevity of joint ventures is used in the current study as an alternative measure of performance. Although it must be noted that joint venture duration might be associated with high barriers to exit as well. With that side note, and with the existence of some degree of trust between the partners, we expect to find **a concave relationship between the perceived level of conflict and conflict potential, and the longevity of the joint venture.**

Joint venture stability is a bit more complex issue in terms of research objectives. Stability and performance assessment have been traditionally linked together in international business research as well (Parkhe, 1996). However, the evaluation of joint venture stability is not uniform in the literature (e.g., Gomes-Casseres, 1987; Parkhe, 1996; Inkpen & Beamish, 1997).

Gomes-Casseres (1987) noted that joint venture instability has alternative outcomes. An international joint venture might be liquidated completely; it may be sold to outsiders, but keeps its operation going under a new ownership structure; or a parent company may buy out the other partner's interest creating a wholly owned subsidiary this way. It is clear, that the alternative outcomes might not have any reflections on the performance of the joint venture, i.e., the

joint venture might exhibit a good or satisfactory performance, and still its ownership structure will be changed.

In their review of the relevant literature, instability is defined by Inkpen & Beamish (1997) as a degree to which unplanned and premature major changes occur in the partner relationship status. The prematurity of such changes is evaluated from at least one partner's perspective. The concept is static and problematic as it was stated by Yan (1998). The definition ignores the potential for joint venture development, since practically all structural changes are considered as signs of instability. Yan & Zeng (1999) proposed a new definition, and this is what is transferred to the current study.

Instability is the extent to which an international joint venture alters its strategic direction, renegotiates its contracts, reconfigures its ownership structure, or changes its relationship with its parent companies.

Following the spirit of the process-oriented approach of the definition, the use of secondary data is not recommended by the authors. Therefore, this current study will employ perception based primary measures as well. The definition of stability will be narrowed, referring to major strategic changes in the joint ventures life. In that narrow sense, conflict may exhibit its change initiator character (Coser, 1956). Thus, whether or not the partners trust each other, **the perceived level of conflict and conflict potential is expected to exhibit a negative association with the level of perceived stability in international joint ventures.**

2.3. INTEGRATION OF LITERATURE STREAMS

A very important implication of this review is that the measurement of conflict is somewhat ambiguous in the literature. Etgar (1979) provided the first overview of potential conflict measures. His categorization is highly important for the current study, since the different sources of conflict may serve as building blocks for the construct of conflict potential (Cadotte & Stern, 1979).

- Manifest conflicts may be measured by the frequency of their occurrence;
- Affective sources of conflicts may be measured through the level of harmoniousness of a relationship, the level of satisfaction with a relationship, and the relative willingness to change a relationship;
- Attitudinal conflict sources are the lack of clarity in roles within a relationship, the divergence in perceptions, and communication problems;
- Finally, structural, or “antagonistic” sources of conflict are represented by the partners’ goal divergence, the drive for autonomy by individual channel members, and the competition over scarce resources within a relationship.

Rosenbloom (1978) summarized conflict measures similarly to Etgar (1979); the only significant difference is the lack of general categories at Rosenbloom’s work. Wall (1985), on the other hand, presents a simplified, and perhaps more manageable system of conflict sources, focusing on (a) the interdependence of the partners; (b) the differences in goals; and (c) the differences in perceptions.

Wall’s summary represents a consensus among channel researchers. Interdependence automatically leads to conflicts, goal differences typically lead

to conflict escalation situations, while perceptual differences are always present, and the level of such differences seems to be the key dimension in determining the force of the resultant conflicts (Cadotte & Stern, 1979).

Brown and Day (1981) focused on the outcomes of individual conflict situations. They recorded a series of conflict episodes. However, their approach leads us to a direction where each relationship should be analyzed individually. The general validity of their findings might be questioned by some researchers.

Rinehart and Page (1992) compared the concession levels by the negotiating parties. Their approach is certainly valid in the given environment however, it cannot be applied to the context of international joint venture managers due to the difficulties of estimating the concessions they make during their regular, everyday negotiations.

The question is how to maintain the external validity of the research while the measures applied exhibit a high level of internal validity and reliability as well (Hair et al. 1995)?

For the purpose of this study the repeatedly used conflict dimensions are the most interesting ones. However, antecedents that typically lead to antagonistic conflicts have no value in detecting potential positive effects of conflicts. As we have seen the various conflict measures have consistently included the perceptual differences between partners, and such differences may be the key dimensions of the mentioned “constructive,” “operating,” “healthy,” or in general positive conflicts within a relationship. Therefore the measures applied in this study are primarily based on managerial perceptions.

Based on the propositions by Coser (1956), Pondy (1992), and the detailed analysis of conflict potential by Cadotte and Stern (1979), and within the context of international joint ventures antagonistic conflicts directly tend to lead to the liquidation of a joint venture due to the non-resolvable differences between partner firms and partner managers. The insight by Serapio and Cascio (1996) is considered very important for this study. The authors analyzed the reasons behind the termination of international alliances. Joint ventures are narrowly defined forms of alliances, and successful alliances often terminate after meeting the partner companies' goals. Thus, major goal differences will not be included in the recommended measures of conflict and conflict potential in this study.

The lack of focus on major conflict situations may be explained by the theories of escalation as well (Janssen & van de Vliert, 1996). Rapidly escalating conflicts would likely rapidly dissolve an instable organization such as a joint venture. Also, several conflict measures based on perceptual incongruencies were found to provide significant results by the exploratory study by Rosenberg & Stern (1971). Thus:

Non-antagonistic conflicts are conflict situations, which are recognized by joint venture partners, and are based on interdependency, task-related, or domain-related perceptual incongruencies.

Non-antagonistic conflict potential is a continuous, antecedent construct to non-antagonistic conflict. In terms of measurement, non-antagonistic conflict potential estimates managerial expectations about the

future occurrence of non-antagonistic conflict situations, when some level of trust is present between the partners, so conflicts tend not to escalate.

Measures developed by Cadotte and Stern (1979) are to be modified according to this definition to test the research hypotheses. As a control mechanism, measures developed by Habib (1987) are also to be employed like an alternative to purely perception-based measures. Manifest conflict measures may not lead to the same results as the use of measures based on perceptions, but they serve as a control for the current theory development. Habib's composite measure consists of the frequency of disagreements over key managerial issues multiplied by the intensity of disagreements over the same set of issues.

In the domain of international joint ventures, Beamish and Banks (1987) have emphasized the importance of our understanding of synergies in the most successful joint ventures. Without a drive for understanding the elements of such highly complex organizations, the real factors of success might remain hidden from researchers. Insights provided by this study help identifying conflict's role in creating such synergy.

In this study the first set of hypotheses is concerned with the estimation and measurement of the effects of conflict and conflict potential on performance, trust, stability, and longevity in international joint ventures. Based on the literature review, it is a reasonable to argue that the ambiguity about conflict's effects is mostly due to the differences in conflict categorization methods and measurement approaches. If we were able to measure and evaluate the

potentials in conflict situations for beneficial effects, then we would be able to turn full attention to fine-tuning management approaches. The new product development literature stream provides a universally applicable approach for management and marketing scholars. Summarizing the hypotheses discussed above: **the level of conflict in international joint ventures is expected to exhibit a concave relationship with both joint venture performance and trust between the partners.**

Robinson's (1995) research and Yarbrough and Wilmot's book (1995) highlighted the long-term advantages of recognizing conflict situations within an organization. Experience with conflict situations itself may prolong an organization's life expectancy (Simon, 1963) by continuously creating survival alternatives in crisis situations and by preventing deep crisis situations altogether. **Again, the level of conflict is expected to exhibit a concave relationship with international joint venture longevity.**

Following the recent revision in the definition of stability by Yan and Zeng (1999), **the level of conflict and conflict potential is expected to correlate negatively with perceived levels of international joint venture stability.**

2.4. PROPOSITIONS ON THE HOLISTIC EFFECTS OF CONFLICT

It has been transparent from the literature review that the overall effect of conflict is expected to be negative (e.g., Gaski, 1984). Therefore a simple, holistic model is developed to assess such effects within the framework of

international joint ventures. The model is intended to investigate the assumption that coarse-grained research, which often ignores the impact of important variables, such as different levels of non-antagonistic, perceived conflict, or variables of culture, may consistently ignore potential benefits that are due to the presence of conflict. Dart (1988) also notes that socioeconomic factors seemingly played little role in our understanding of channel relations.

The major constructs of the model have been identified by the works of Gaski (1984) and Gaski & Nevin (1985). Power, control, conflict, satisfaction, and various measures of performance are the most often used constructs in interorganizational relations or channel literature.

Based on Gaski's (1984) findings, and considering the similarity of channel research to joint venture research (Fey & Beamish, 2000), we assume that conflict correlates negatively with both trust between the partners, and the perceived performance of international joint ventures.

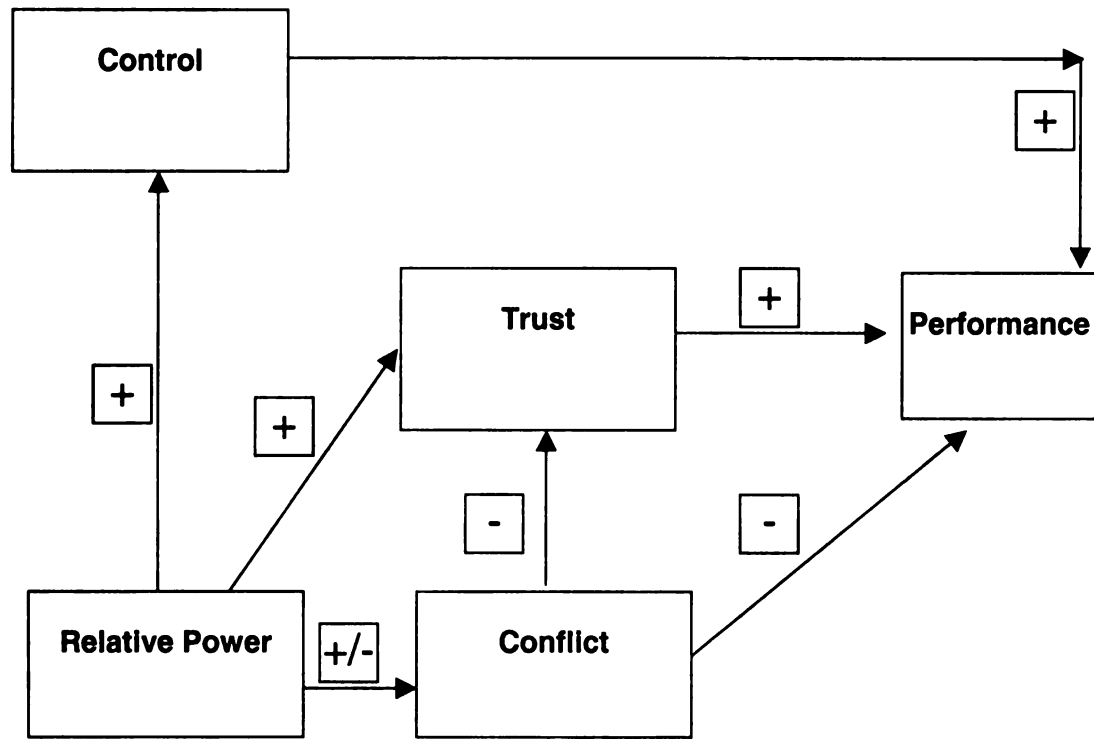
According to Lin & Germain's study (1998), relative power is often linked to performance and satisfaction in both supply channels and joint ventures. The main reason behind that similarity is that perceived control over decisions correlates with greater levels of satisfaction of channel members (Dwyer, 1980). Joint venture partners may be more satisfied with the business entity's performance when they perceive themselves to be in a position of control. Therefore we expect to observe similar relationship between the constructs, i.e., perceived level of power exhibits positive association with joint venture performance and also a positive association with perceived control. There is also

an indication in the literature that the presence of different control systems has some measurable, positive impact on channel performance (Bello & Gilliland, 1997), and this finding is being adapted to the context of joint ventures.

Gaski also noted that power has a two-dimensional impact on perceived conflict, that is coercive sources and use of power generate higher levels of conflict while non-coercive sources and uses of power generate lower level of conflict. Since the various sources of power are not investigated by the current study, and this relationship remains ambiguous in the simplified model (Figure 1).

Finally, the positive association between trust and performance has been proven in a great number of various theoretical models (Ross & LaCroix, 1996), thus, we assume that within the context of joint ventures the level of trust between the partners exhibits a positive correlation with the level of perceived performance. In the current study, the relationships explained above are included as research propositions. With an appropriate sample size these relationships may be tested within the framework of a structural equation model.

Figure 1: Propositions on Conflict's Overall Impact on Performance and Trust



2.5. THE ROLE OF CULTURE IN MANAGERIAL THEORIES

It is extremely difficult to attempt measurement or even definition of conflict without accounting for the contextual circumstances (Kolb & Putnam, 1992). Culture is a key dimension of the context of this study.

The potential interaction between conflict, conflict management and cultural variables was already discussed by Lewin (1948). Lewin's book primarily had a sociological interest, but it certainly created research interest toward a joint investigation of conflict and culture. The role of culture in managing ambiguity also received attention by Pondy (1973) and Thomas (1992), however, the focus of selected articles was placed on organizational cultures instead of national ones.

The practical side of business research has always been concerned with culture's impact on international joint venture management (Lynch, 1993; Park, 1993; Barkema et al., 1997; or Buchel et al., 1998). In international business research various interpretations of the construct of culture have always been in the focus (e.g., Johanson & Vahlne, 1977). Interestingly, a great percentage of recent publications is concerned with joint ventures in the economic regions of the People's Republic of China, including Hong Kong (a non-exhaustive list includes important studies by Beamish & Wang, 1989; Beamish, 1993; Pan et al., 1995; Yan & Gray, 1995; Baran et al., 1996; Child & Lu, 1996; Osland & Cavusgil, 1996; Xuan & Graf, 1996; Ding, 1997; Luo & Chen, 1997; Lin & Germain, 1998 and 1999; Yang et al., 1999; Pan & Li, 2000; Calantone & Zhao, 2001; Johnson et al., 2001; Tsang, 2001; Shi, 2001; or Wong & Ellis, 2002).

The research findings from these studies are incorporated into our current knowledge about joint ventures. Without a doubt, the region of the Pacific Rim and China is an exciting field for research and offers a high degree of richness in terms of practical research of joint ventures. Another significant stream of literature focused on the transitional economies, like China, but also including such countries in Europe (e.g., Lyles & Salk; 1996, Lyles, Carter, and Baird, 1996; Si & Bruton, 1999; Steensma & Lyles, 2000; or Griffith et al., 2001). Seemingly, transitional economies provide the most promising background for enhancing our understanding of the management issues regarding international joint ventures.

This study attempts to provide a complete picture on the interaction of conflict and the major dimensions of culture, based on a survey of joint ventures in one of those transitional economies, Hungary. The location is justified in the methodology section. Here we just make a note about the cultural richness of joint venture partners available in Hungary. The variety of cultures present in that country's set of international joint ventures makes us able to test all major hypotheses there.

In 1997, Shoham, Rose, and Kopp have estimated conflict's role within the context of international distributions channels. One of their significant contributions to international business research is the introduction of the relationship between perceived conflict and the construct of cultural distance. Their hypothesis that cultural distance of the business partners is positively associated with the perceived level of channel conflict was supported by the

findings. In the current study, we attempt to measure the interaction between conflict and the major cultural dimensions (Hofstede, 2001), and also cultural distance (Kogut & Singh, 1988). According to previous research, cultural distance is expected to be negatively associated with any positive effects of perceived conflict.

As Hofstede warns us (1994), managers and management scientists are human. Yes, the role of culture matters in even narrow subfields of marketing, such as electronic communications (Ross, 2001).

We need to account for the soft side of management in our measurement models as well. Geert H. Hofstede, a Dutch social psychologist had outlined and extended his theory a several times about the role of culture in international business and culture's influence on management practices (originally published in 1980, then followed by subsequent studies in 1985, 1993, 1994, 1996, 1999 and 2001). Based on the definition of the dimensions, each has inherent relations toward conflict and conflict management. Thus, the four major dimensions of culture are expected to exhibit the following modifying effects on the conflict versus joint venture performance relationships. The major dimensions of national culture according to Hofstede are as follows:

Power distance is the difference between the extent to which a boss (B) can determine the behavior of a subordinate (S) and the extent to which (S) can determine the behavior of (B). In general terms, it is the extent to which less powerful members of organizations in a country expect and accept that power is distributed unequally. In relation to conflict, Hofstede's definition suggests that

cultures where the respect toward power is greater will tolerate lower levels of conflict than cultures where the respect for power is relatively low. Thus, the lower the power distance, the greater is the positive effect of conflict on performance.

Hofstede's second dimension is **uncertainty avoidance**, and it is defined as the extent to which the members of a culture feel threatened by unknown or uncertain situations. In general terms, it is the relative willingness (unwillingness) of members of a society to take risks. Similarly, uncertainty avoidance represents the degree to which a society protects conformity to counter ambiguity. Risk avoidance implicitly reduces any effects of conflict, let alone its potential positive impacts. Thus, the lower is the uncertainty avoidance the greater is the perceived positive effect of conflict on performance.

The dimension of **individualism** is tied together with its opposing construct, collectivism. In individualistic societies the social ties between individuals are loose. People are expected to look after themselves and their immediate families only. In collectivist societies people are integrated in strong cohesive groups, which tend to protect them throughout their lifetime in exchange for certain degree of loyalty. Individualistic cultures have a higher tolerance for conflict than socialistic cultures, therefore, the higher is the degree of individualism, the greater is the perceived positive effect of conflict on performance.

Masculinity stands for a society where social gender roles are clearly distinct, and primarily men are supposed to be concerned with the quality

of life. In feminine societies gender roles tend to overlap, both men and women are supposed to be concerned with the quality of life. The problem with the masculinity dimension is similar to the major goal differences at the construct of conflict potential. There is an inherent risk in cultures characterized with high masculinity that conflicts will rapidly escalate (Janssen & DeVliet, 1996). Therefore, the lower the level of masculinity, the greater is the perceived positive effect of conflict on performance.

In 1991, a fifth dimension was introduced. **Long-term orientation** refers to cultures which are characterized by persistence, ordering relationships by status, and also observing this order, respecting tradition, and having a sense of shame. It leads to a strong work ethic where long-term rewards are expected for today's hard work. Cultures that tend to be short-term oriented are characterized by personal steadiness. Changes can occur more rapidly in these cultures because traditions and long-term commitment do not become impediments to change. The relative speed of changes is a key dimension of conflict's beneficial effects in this study. Therefore, we expect that the perceived positive effects of conflict will be greater in cultures characterized with short-term orientation, than it will be in long-term oriented cultures. However, in an extended model, considering the effects of conflict management methods, long-term oriented cultures might utilize conflict's beneficial effects more than short-term oriented cultures. We need to accept this limitation of the current study.

Hofstede's dimensions often interact with each other. Thus a number of different combinations should be tested in order to understand their complexity.

An example is presented in Table 1, based on the set of conflict management models presented by Kozan (1997).

Table 1: Interactions of Cultural Dimensions and Conflict

(by Hofstede, 2001, and Kozan, 1997)

Dimensions	Low Power Distance	High Power Distance
Low Uncertainty Avoidance	<i>Confrontational Model:</i> The role of conflict may be an important factor of maintaining relationships and enhancing performance	<i>Harmony Model:</i> The role of conflict might be very limited in maintaining or improving relationships
High Uncertainty Avoidance	<i>Regulative or Confrontational Model:</i> The role of conflict may be important when other conditions are present	<i>Regulative Model:</i> The role of conflict may be highly limited or non-significant

Kozan's problem-approaching models serve our future research interests, since such models implicitly account for the impact of cultural dimensions. Such models may also serve us in categorizing countries according to their cultural relatedness to different conflict management approaches. Similar models may be developed along the works of Blake & Mouton (1964) or Tjosvold (1991). However, to test a multidimensional model such as the one above calls for a

large-scale, multinational research project. In the context of this study, the analysis along single-dimension is arguably appropriate, given that one partner is always going to be from the same country, as it is discussed in the methodology and research design section (Chapter 3).

Also, with the increasing complexity of culture-related hypotheses, we might lose out on the strength of the expected correlations. For instance, Makino and Neupert (2000) have not found any support to the investigated culture – entry mode selection relationship. Similarly, Brannen & Salk (2000) found that cultural variables may be explanatory variables only to the extent that they serve as conceptual anchors to other constructs. Thus, the analysis of single-dimensions would contribute significantly to current research.

The use of Hofstede's dimensions has been criticized by international business researchers, mainly because of issues about the measures internal validity. An alternative approach, assessing the psychic distance of countries was presented by the Uppsala school of international business research. Johanson and Vahlne (1977) used the construct to explain foreign entry strategies within the general framework of internationalization process. However, the use of the construct in measurement models has been criticized by O'Grady and Lane (1996). They found that management and operation of firms in psychically close countries was not necessarily easier to do than in countries with large psychic distances from the home country. Use of the measure in market entry models was also called as "sporadic and flawed" (Dow, 2000).

The concept of cultural distance has been also introduced. This construct is based on Hofstede's scores, and at the same time provided an alternative to Hofstede's system of cultural dimensions (Kogut & Singh, 1988). Cultural distance is a composite index incorporating country scores along the four dimensions of Hofstede's study. The construct of cultural distance has also been criticized, for instance, for not exhibiting significant relationship with entry mode choices (Brouthers & Brouthers, 2001). According to Shenkar, the construct of cultural distance needs to be revised (2001).

Therefore, due to the contradictory research findings, in this study both Hofstede's original cultural dimensions (Appendix 1) and the measure of cultural distance will be employed alternatively. Cultural distance may be estimated with the perception-based measurement approach of Boyacigiller (1990). Another alternative cultural measure was developed by Maznewski, DiStefano, Gomez, Noorderhaven, and Wu (1997), as it was referred by Kirkman & Shapiro (2001), however, this measure is not accessible by the author.

Cultural distance is very likely to exhibit significant interaction effects with conflict, whatever is the chosen measurement approach. Conflicts may serve as cultural practice situations (Weisinger & Salipante, 2000), and all parties may learn through conflict processes. Conflicts, again, by definition, may be tolerated better by partners who are culturally (psychically) close. Thus, as an alternative attempt to incorporate culture's impact on the conflict – performance relationship, the role of cultural distance is incorporated into the current study as follows: **the positive effects of conflict / conflict potential on performance are greater in**

International joint ventures where the cultural distance between the partners is relatively lower.

2.6. SUMMARY AND RESEARCH HYPOTHESES

In today's management practice multi-departmental project teams create new products. Labor and management groups negotiate on a daily basis to improve productivity and work conditions. Culturally diverse manager teams work together to accomplish similar or common goals. Such practices run contrary to traditional organizational philosophies that avoid conflict (Tjosvold, 1988).

Indeed, these practices implicitly prove that conflict can be constructive, productive, operating, and positive in relation to the survival, and performance of an organization.

Based on the literature review, three major groups of hypotheses are to be tested. The basic premise of the study is to investigate conflict's beneficial effects, and to introduce the perceived conflict potential as an alternative measure to conflict levels. In addition, the context specificity makes it possible to investigate the interactions between cultural dimensions and conflict or conflict potential. Propositions for a holistic model are also developed to support future model development involving both conflict and conflict potential within the more complex framework of power, control, trust and organizational performance.

Overview of the Hypotheses:

(1) Conflict-related hypotheses

- H1: The level of conflict has a concave effect on the perceived performance of international joint ventures
- H2: The level of conflict has a concave effect on trust between international joint venture partners
- H3: The level of conflict has a concave effect on the longevity of international joint ventures
- H4: The level of conflict has a negative association with the level of perceived stability of international joint ventures

Note: Hypotheses 1a through 4a are identical to Hypotheses 1 through 4 above, employing a different measure of conflict.

(2) Conflict Potential-related hypotheses:

- H5: The level of conflict potential has a concave effect on the perceived performance of international joint ventures
- H6: The level of conflict potential has a concave effect on trust between international joint venture partners
- H7: The level of conflict potential has a concave effect on the longevity of international joint ventures
- H8: The level of conflict potential has a negative association with the level of perceived stability of international joint ventures

(3) Trust-related hypotheses:

- H9: Conflict is expected to correlate positively with trust in joint ventures characterized with the highest level of perceived performance
- H10: Conflict potential is expected to correlate positively with trust in joint ventures characterized with the highest level of perceived performance
- H11: Conflict is expected to correlate positively with performance in joint ventures with the highest level of perceived trust
- H12: Conflict potential is expected to correlate positively with performance in joint ventures with the highest level of perceived trust

Note: Hypotheses 10a and 12a are identical to Hypotheses 10 and 12, respectively, employing a different measure of conflict.

Culture-related research propositions:

- P1: The perceived positive effect of conflict on performance is greater in cultures with relatively low level of uncertainty avoidance than it is in cultures with relatively high level of uncertainty avoidance
- P2: The perceived positive effect of conflict on performance is greater in cultures with relatively low level of power distance than it is in cultures with relatively high level of power distance
- P3: The perceived positive effect of conflict on performance is greater in cultures with relatively low level of masculinity than it is in cultures with relatively high level of masculinity
- P4: The perceived positive effect of conflict on performance is greater in cultures with relatively high level of individualism than it is in cultures with relatively high level of individualism
- P5: The perceived positive effect of conflict on performance is greater in cultures with relative short-term orientation than in cultures with relative long-term orientation
- P6: The perceived positive effect of conflict potential on performance is greater in cultures with relatively low level of uncertainty avoidance than it is in cultures with relatively high level of uncertainty avoidance

- P7: The perceived positive effect of conflict potential on performance is greater in cultures with relatively low level of power distance than it is in cultures with relatively high level of power distance
- P8: The perceived positive effect of conflict potential on performance is greater in cultures with relatively low level of masculinity than it is in cultures with relatively high level of masculinity
- P9: The perceived positive effect of conflict potential on performance is greater in cultures with relatively high level of individualism than it is in cultures with relatively low level of individualism
- P10: The perceived positive effect of conflict potential on performance is greater in cultures with relative short-term orientation than in cultures with relative long-term orientation
- P11: The positive effect of conflict on performance is greater in international joint ventures where the cultural distance between the partners is relatively low, than in international joint ventures where the cultural distance is relatively high
- P12: The positive effect of conflict potential on performance is greater in international joint ventures where the cultural distance between the partners is relatively low, than in international joint ventures where the cultural distance is relatively high

Research Propositions for a Holistic Model

- P13: Perceived relative power is positively associated with control in international joint ventures
- P14: Perceived relative power is positively associated with trust in international joint ventures
- P15: Perceived control is positively associated with international joint venture performance
- P16: The level of conflict is negatively associated with trust between joint venture partners
- P17: The level of conflict is negatively associated with international joint venture performance
- P18: Trust between the joint venture partners is positively associated with international joint venture performance

Chapter 3

RESEARCH DESIGN AND EXECUTION

3.1. DESCRIPTION OF THE THEORETICAL MODEL

3.1.1. ASSUMPTIONS AND THE MAJOR CONSTRUCTS

Several researchers, including Habib (1987); Shoham et al., (1997); and Xie et al., (1998) recommended changes in the theoretical and measurement models of conflict in international business contexts.

We assume that international joint ventures, by definition, should not exhibit high levels of goal incongruencies (Cadotte & Stern, 1979) because it would eliminate the business entity itself, i.e., it would lead to antagonistic types of conflicts within the organization. Based on the review of conflict models by Lewicki, Weiss, and Lewin (1992), and the propositions by Tjosvold (1991) the following assumptions about joint venture conflicts are implicitly included in the theoretical model and the survey instrument:

- Non-antagonistic conflicts do not result in the elimination of the joint venture itself
- Non-antagonistic conflicts are primarily based on managerial perceptions
- Conflict situations are not zero sum games, win-win resolutions are possible
- All types of the investigated conflict situations are negotiable
- Joint venture managers are willing and able to negotiate conflict situations

These assumptions clarify potential misunderstandings during data collection.

The major constructs of the model include the perception-based conflict and conflict potential, the perception-based and the financial performance of the joint ventures, trust between joint venture partners, the longevity of the joint ventures, the perceived stability of the joint ventures, the original four constructs of cultural dimensions by Hofstede (2001), and the construct of cultural distance (Kogut & Singh, 1988).

3.1.2. OVERVIEW OF THE MODEL

This study's primary focus is on the estimation of potential positive effects of conflict and conflict potential. Thus the main set of hypotheses attempts to estimate such effects.

First, the associations between various levels of conflict and conflict potential, and international joint venture performance will be tested.

Then the effect of conflict and conflict potential on the main constructs of international joint venture research will be estimated, including trust, longevity, and stability of the joint ventures.

Finally, in accordance with the survey responses, an estimation of culture's impact on the association between the main constructs of the study by employing both Hofstede's model of cultural dimensions (2001) and the construct of cultural distance as outlaid by Kogut and Singh (1988).

The analytical steps are going to employ Pearson correlation coefficients and multiple OLS regression models.

3.2. OPERATIONALIZATION OF THE VARIABLES

With the only exception of Conflict Potential, all the measures have been previously developed, tested, and used in international management or interorganizational relations studies. Conflict is measured in two ways in this study. First, with the approach developed in this study, based primarily in managerial perceptions on conflict and slightly modifying the measures of Dyer & Song (1997). Second, as a control method, a measure from the traditional views on conflict is included in the survey instrument, according to the measures developed by Habib (1987).

The construct of Conflict Potential is reexamined and defined for the purpose of this study, although these are the only new measures to be developed for this study. The measures have been tested in a classroom environment with the help of second and third year marketing students at the University of Lethbridge, in Alberta, Canada. They have been credited for their time and participation.

A summary of the measures and their sources is presented in Table 2, while the instrument items are summarized in Appendix B.

Table 2: Construct Measures and References:

Conflict	Measures developed by Habib, 1987, and by Dyer & Song, 1997
Conflict Potential	Developed for the current study based on the work of Cadotte & Stern, 1979; Dyck et al., 1996; and Dyer & Song, 1997. Pilot questionnaires have been conducted. The measure has a reliability of Alpha = .76
Control	By Ding, 1997
Cultural Distance	Shoham et al., 1997
Dimensions of Culture	The country scores serve as proxies, by Hofstede, 2001
Longevity	Survey-based variable: the length of the joint venture's operation, in years
Performance	Lin & Germain, 1998 (following the guidelines of Geringer & Hebert, 1991; and Anderson, 1990)
Power	Lin & Germain, 1998
Stability	Yan & Zeng, 1999
Trust	Aulakh, Kotabe, & Sahay, 1996

3.3. METHOD

In addition to the principal steps of marketing research (Bagozzi, 1994); there are several key issues to pay close attention to when conducting cross-cultural research. Cavusgil & Das (1997a and 1997b) provide extremely useful summaries of such issues. First, the sampling design should ensure that the targeted cultural or country variety can be achieved. In this study that would mean an appropriate sample frame for all eight blocks of cultural dimensions. However, given the accessibility and the characteristics of the sample frame, there are only four blocks represented in the current study: high and low levels of the dimensions of individualism and masculinity.

Cost factors are also highly important in the sampling procedure. This is the point to thank the support of the Research Excellence Envelope grant at the University of Lethbridge, since they generously supported the sampling and data collection costs of the study. Equivalency of the administration will be ensured by equivalency in timing and in the structure of the questionnaires as well.

There will not be a need to train local administrators, since the survey is exclusively administered by the primary researcher by telephone. Internal validity of the construct measures will follow the guidelines of Mintu et al., (1994). Factor analysis and Cronbach's alpha are employed in the evaluation of internal validity and reliability of the measures of the survey (Cavusgil & Das, 1997a; Cohen and Cohen, 1983, and Hair et al., 1995).

External validity of the study is based on the experts' opinion before administering the survey. Here a large number of studies in previous literature will serve as proxies for experts. The external validity of most measures has been thoroughly investigated by a series of studies (Rosenberg & Stern, 1971; Cadotte & Stern, 1979; Rinehart et al., 1988; and Rinehart & Handfield, 1998). Conflict potential is developed based on the tested model of Cadotte & Stern (1979). However, external validity will be re-tested by in-depth interviews after the data collection stage is ended. In terms of univariate and multivariate analysis, international data should be managed with similar methodological requirements such as a single country database.

3.3.1. LOCATION AND SAMPLING

The location of data collection is the European country of Hungary. Hungary was a communist country for forty years. The country's economy is in a constant transition since the political system changed in 1989. Hungary provides a rich base of international joint ventures, since thousands of such ventures have been started there beginning even before the political changes.

Another methodology-based reason for selecting Hungary is that the researcher's nationality is Hungarian. Therefore the translation and back-translation of the instrument may be managed and administered by the primary researcher. In addition the commonly used language of business in Hungary is English. Therefore, a bilingual survey instrument should sufficiently serve the

purpose of the study. This method is widely accepted in joint venture research (e.g., Si & Bruton, 1999).

Hungary was also selected by Meschi (1997) as the location of international joint venture research because of the large selection of partners from culturally diverse backgrounds. This study tests the hypotheses from a similar point of view to Meschi's approach of surveying international joint venture managers.

Language and translation problems are one of the primary difficulties with cross-national surveys (Cavusgil & Das, 1997a and 1997b; and Mintu et al., 1994). In this case, all the selected joint ventures all have Hungarian managers and all managers use English in their everyday business practices. Therefore a bilingual, Hungarian and English survey instrument will be developed. The instrument will be translated and back-translated by bilingual Hungarian professionals at the University of Lethbridge, Alberta, Canada.

Sampling is based on a stratified random selection approach. The list of managers and international joint ventures are selected by a private, Hungarian market research company, Kopint-Datorg. The firm previously was owned by the state, and it has access to all major statistical data bases and business address lists of the country. A list of a sample frame will be purchased from Kopint-Datorg, and then the selection of respondents will be administered randomly.

3.3.2. DATA COLLECTION: THE SURVEY METHOD

The study involves primary data collection by telephone to test the proposed set of hypotheses. Campbell (1955) stated that informants should be knowledgeable about the phenomena under study and should be willing to share their experiences, i.e., communicating with the researcher. These guidelines will be followed during the selection of respondents. Surveys are widely used in international management research. Their application has several setbacks however; they are also accepted by all major international scientific publications.

In order to maximize the pace and effectiveness of data collection, a telephone survey method will be employed. In this study the survey may not be based on the Internet because a great number of joint ventures do not have Internet access, while other firms do not use the Internet extensively or at all.

One of the major disadvantages of telephone surveys is their relatively high costs. However, in this case, thanks to the reduced overseas telephone rates and the generous support by various research grants from University of Lethbridge, the overall costs per response was matched very favorably to that of a mail survey.

Another important requirement for the researcher is to ensure consistency across the answers and constructs. In this study, when it's appropriate, all measures will be presented in uniform, 7-point Likert scales. Likert scales tend to provide a level of variation in the responses that is sufficient for correlation analysis and multivariate analytical methods (Hair et al., 1995).

In an additional effort to improve response rates and participation, the surveys are supported by the Budapest University of Economic Sciences, the most respected academic institution in the fields of business and economics in Hungary. The surveys will also include official supporting statements from both the Department of Marketing & Supply Chain Management at the Michigan State University and School of Management at the University of Lethbridge.

3.3.3. METHODS OF ANALYSIS

The analytical section begins with the widely applied methods of univariate analysis (Hair et al., 1995). Cross-tabulation generates a snapshot of the survey participants and the involved international joint ventures. Pearson correlation coefficients are used to test the interdependence of the main variables in the study.

The relationships among the main constructs of the study are analyzed by multiple OLS regression models. In order to capture the non-monotonic curve of the conflict-related hypotheses, these regression models follow the design and recommendations by the study of Xie, Song and Stringfellow (1998) and by Cohen & Cohen (1983). If the sample allows, interaction effects of cultural dimensions are to be investigated with the help of dummy variables. To reduce the potential problem with multicollinearity, all independent and dependent variables are mean-centered (Jaccard et al., 1990).

Chapter 4

SURVEY RESPONSES AND PROFILES

4.1. SURVEY RESPONSES

4.1.1. TELEPHONE SURVEY METHOD

Telephone surveys are considered as valuable sources in exploratory research, and quite frequently used in international business research projects (Cavusgil & Das, 1997). **Telephone surveys have numerous advantages over alternative survey methods** (Frey, 1983, Fowler, 2002).

In terms of administration of the survey, the sample size, the length of the questionnaire, and the geographic dispersion of the sample help determine the best method. In this study a sample size of about a hundred respondents was targeted, and that number may be reasonably managed on the phone. The questionnaire itself consists of thirty-eight questions however, some of those questions may be answered by the data available within the joint venture information set from the sample frame. Therefore, a 15 to 20 minute interview seemed to be the average time necessary to complete a questionnaire. Again, although there are certain cost factors to consider, telephone is a viable method.

In addition, the sample is quite dispersed geographically. Although the joint ventures are all located in Hungary, a great many of them are in distant, rural areas. Organization of personal interviews wouldn't be impossible however, it would call for a geographic stratification in the sample.

That would also be a quite costly approach. The telephone survey is a more appropriate method in that sense as well.

In terms of the personnel requirements, even for a relatively small sample size there would be a need for several trained interviewer. On the other hand, the phone survey, as it has happened indeed, can be administered by the primary researcher, and thus eliminate potential interviewer bias.

Considering the **implementation time**, telephone interviews are again, more flexible than personal interviews, not even considering the time needed for recruiting and training interviewers. In international research it is advisable to complete a round of data collection within a time frame of 4 to 6 weeks (Frey, 1983). Mail surveys may take 2 to 4 months to be completed, that is to obtain an acceptable response rate.

Telephone surveys also provide an opportunity to select the most adequate sample coverage. In Hungary, and in general in Eastern Europe, accessibility to the respondents would have been a serious challenge to researchers in 10-15 years ago. However, thanks to the technological advances, practically everyone is accessible by call phone in that region. Overall the telephone networks have been improved dramatically, due to the privatization of those networks and the liberalization of telecommunication markets. There is no such technological challenge anymore.

An additional advantage of telephone surveys is the opportunity to follow-up calls, and the improvement of response rates. With an appropriate timing of the calls, response rates can be optimized within a certain sample frame. Even

refusals can be handled relatively easily, since the reasons behind a refusal can be explained very quickly on the phone.

There are several concerns over the use of telephone surveys as well. First, there is the issue of confidentiality. The assurance of confidentiality is a key factor in successfully gathering information on the phone. In the actual survey the guidelines of the University Committee on Research involving human Subjects at both Michigan State University and at the University of Lethbridge were strictly followed. In addition, chairpersons and deans of academic departments in both universities have endorsed the study. As a third level of support, the Budapest University of Economic Sciences provided valuable support in convincing respondents about the academic nature of the study, and the confidentiality of the survey results.

Every respondent was also offered a **summary of the study**, comparing the overall sample means to their confidentially handled individual responses. This offer has been mentioned at the beginning of the interviews, and it has been received very favorably. Practically all respondents, with the exception of five of them would like to and will receive that summary by either e-mail or snail-mail.

Timing and structuring of open-ended questions may run out of hands, especially if the rest of the questionnaire is still to be completed when such questions are asked. Here the key issue is the experience of the administrator, and the consistency of the administering procedures.

Practically all items in the questionnaires are close-ended too. Again, the length of the questionnaire should not represent a major concern because it

should be completed within approximately 20 minutes, thus it does not take away too much time from the respondent managers.

Overall the telephone survey should provide an appropriate method for this study, considering all the related costs and benefits.

4.1.2. SAMPLING PROCEDURE

During the design and administration process of the surveys, the “total design method” was followed, as recommended by Dillman (1978). Obtaining, screening (clarifying), and selecting a sample from a list may be a very challenging task for researchers, even with all the above-listed advantages of telephone surveys.

The actual sample frame consists of 903 international joint ventures. The source of the sample frame is a formally state-owned statistical service provider and consulting firm, Kopint-Datorg in Hungary. Their list includes all joint ventures that have had a mandatory report on their foreign trade activities in the year 2001-2002, and other joint ventures that reported their contact information or economic activities in a voluntary manner.

Here, I need to express my personal gratitude to Ilona Nemeth at Kopint-Datorg for her help in the compilation of this list. Omissions usually represent a significant problem in sample frames in foreign countries. The only problem that we have identified with this particular list was the relatively low number of Chinese-Hungarian joint ventures. Many Chinese businesspeople have established effective joint ventures in Hungary, however their statistical reporting

is often either inadequate or nonexistent. Also, China and Chinese-foreign joint ventures have been extensively researched in international business literature.

This study also attempts to focus on the relatively under-researched area of Eastern Europe. So, with admitting this potential omission problem, the sample frame may still serve the purpose of the current study adequately.

To maximize variance within the sample, and also to help testing some of the culture-related propositions, a stratified census method was employed. First, the available foreign partners' nationality was matched to the most characteristic countries along Hofstede's (2001) dimensions of culture. Countries with either extremely low or extremely high scores were considered.

Within the actual sample frame, an appropriate number of foreign partner firms ($n > 30$) exist only in the extremes of two cultural dimensions: high level of individualism, and high level of masculinity. Therefore the sampling process focused on a census within these "cultural extremes" of the sample frame. It means that a census was attempted among joint ventures where the foreign partner countries score high on either individualism or masculinity.

Screening or clarification of the sample frame was a necessary task as well. In a transitory economy like the one of Hungary, firms often change their ownership structure, name, or location, or all of the above. Altogether 42 addresses had to be cancelled from the list due to either multiple listings or non-existent firms.

4.1.3. ADMINISTERING THE DATA COLLECTION

Within the broad sample frame of the 903 companies, joint ventures were categorized according to the nationality of the foreign partner firms. Assuming potentially similar response rates from the strata, and focusing on the two cultural dimensions represented in a significant number of firms within the sample frame, the following four partner countries were selected primarily for a census-type survey:

- **Stratum A:** Highest scores on Individualism: **USA** (n=52), **United Kingdom** (n=37), and **Canada** (n=8). All three countries have been consistently within the five highest scoring countries on individuality in subsequent, updated publications of Hofstede's original study (Hofstede, 2001).
- **Stratum B:** Highest score on Masculinity: **Austria** (n= 146). Austria is consistently the highest scoring country on masculinity in subsequent, updated publications of Hofstede's original study (Hofstede, 2001).

Accordingly, a census was performed for joint ventures in the sample frame, where the partner country is one of the four countries selected. The following response rates have been achieved:

- **Stratum A** (joint ventures, where the partner firm's country is characterized as relatively high on the individuality dimension): the total number of 45 respondents out of the contacted 100 provided an overall response rate of 45.0% within the stratum.

- USA: Twenty-five respondents out of the contacted fifty-two addresses that is a 48.0% response rate. Due to a sample frame error, one of the respondents represented an Australian-Hungarian joint venture.
- United Kingdom: Thirteen respondents out of the contacted thirty-seven addresses that is a 35.1% response rate. Due to a sample frame error, one of the respondents represented a Swiss-Hungarian joint venture, and another one represented a Portuguese-Hungarian firm.
- Canada: Seven respondents out of the contacted eight addresses that is an 87.5% response rate.
- **Stratum B** (joint ventures, where the partner firm's country is characterized as relatively high on the masculinity dimension):
 - Austria: Sixty-five respondents out of the contacted hundred and forty-six, that is a 44.5% response rate for the stratum. Two respondent firms were German-Hungarian, while one firm was a Belgian-Hungarian venture, due to sample frame error.

These partial rates resulted in an overall response rate of 44.7%. That is a remarkable rate in Eastern European studies, and considered as a generally highly acceptable rate in international survey research (Fowler, 2002). Although there have been several errors within the sample frame, overall it has to be judged as a reliable list of firms, in particular in the rapidly changing economic environment of Hungary. Also, the response rate could have even been higher

than that (47.2%), but six responses did not include complete answers to several key constructs, therefore those six responses had to be cut off.

The relatively high response rate often demanded multiple contacts with the joint ventures. As part of the protocol, each firm had to be contacted at three different business days. If it was impossible to contact anybody within the firm, then it was listed as a non-respondent. This rule helped a uniform treatment of each joint venture, and thus the consistency of data collection rules. Actually, it might have taken more than three different days and different calls to obtain a survey because of the follow-up calls. However, the three days rule was uniformly applied for the initial contacts.

In all cases, the requirement of key respondent theory (Campbell, 1955) was fulfilled. It refers to the fact that all respondents were highly involved with key areas of the survey, and they all had extensive and thorough knowledge about working and dealing with foreign partners or owners of the joint ventures.

In order to ensure a high level consistency across the responses, a strict administration **protocol** was followed at each phone call. As required by the University Committee on Research Involving Human Subjects, respondents were always read their survey-related rights and potential contact information in case of any concern. Names of institutions that sponsor the study were also given to the respondents. Some respondents also required a hardcopy of the study, and they were automatically provided by a copy through either e-mail or fax.

Importantly, the consistency of questioning was also maintained throughout the data collection process. In case of any uncertainty about the

meaning of an item in the questionnaire, each respondent received the same examples. This way there were no variations in the interpretation of the single items. Similarly, the time frame, which is often a concern for bias in international studies, should not represent any problem here. The total administration of the surveys took about four weeks, and there had been no significant international event occurring during that period that could have influenced the respondents.

The equivalence of constructs and scales is a serious issue in international research (Cavusgil & Das, 1997a), however it did not affect the current study, given that all respondents were Hungarian managers.

4.2. RESPONDENT PROFILES

In terms of respondent characteristics, all respondents hold some kind of a managerial position in the firm. It is also given by the data collection approach that all respondents were of Hungarian nationality.

Seventy respondents were male that represents 63.6% of the total, and 40 respondents were female that is 36.4% of the total. In terms of the responses to the main constructs, there were no significant differences found according to the gender of the respondents.

The relatively high share (77% in Table 3) of CEOs, they are also called as General Managers at these firms, might be surprising at the first sight. However, the majority of the joint ventures are relatively small firms, where one or a handful of managers performs most of their duties. Their personal attitude was quite pleasant, given the relatively short version of the telephone survey

questionnaire. They seemed to be eager to share their thoughts and observations, even beyond the range of items within the survey. Again, their knowledge completely satisfied the requirements of key respondent theory (Campbell, 1955). Often they were able to relate macroeconomic issues to the challenges of everyday business conduct, and it will be helpful in further model development. It has been certainly an honor of talking with so many highly qualified individual business leaders. They also provided several ideas for improving the study design in the future.

Table 3: Summary of Respondent Characteristics: Position in the Joint Venture

Position	Frequency	Percent
General Manager or CEO	85	77.3
Sales Manager	6	5.5
Accounting Manager	5	4.5
Marketing Manager	5	4.5
Human Resource Manager	3	2.7
Financial Manager	2	1.8
Operation Manager	1	.9
Business Lawyer	1	.9
Logistics Manager	1	.9
R & D Manager	1	.9
Total	110	100.0

4.3. PROFILES OF THE INTERNATIONAL JOINT VENTURES

As was discussed in the description of the sampling process, most firms have Austrian partner companies. The sample frame consists of a high number of Austrian and German partner firms, which may be partly explained by historic traditions. In case of Hungary and Austria the Monarchy had been created very strong economic ties during several centuries. Germany is also a historic and significant trading partner of Hungary, partly because of the two countries

geographic proximity. The distribution of partner's nationality (Table 4) is mostly determined by the stratified sampling method, with several single respondents who were included in the sample frame by accidents, but they were willing to answer the questionnaire.

Table 4: Joint Venture Partners by Nationality

Country of Partner Firm	Frequency	Percent
Austria	62	56.4
USA	24	21.8
United Kingdom	11	10.0
Canada	7	6.4
Germany	2	1.8
Australia	1	.9
Belgium	1	.9
Portugal	1	.9
Switzerland	1	.9
Total	110	100.0

The mean value of the years of operation is 11 years at the joint ventures included in the sample, as it is shown in Table 5. This is again a highly important and characteristic value in the region.

The transition from a socialist economy into a market-oriented one began approximately 12 years ago, in the early 1990s. Those were the years when

liberalization of the economy was very intense, and Eastern European countries have experienced a boom in inward foreign direct investment activities (Hunya, 2002).

There were a few joint ventures where the ownership share of the Hungarian partners could be considered as meaningless, in several cases less than one percent. There were sixteen such firms in the sample. Obviously, in these firms the joint venture as a market entry mode was selected only for taxation benefits. Even though the longevity of such joint ventures is strongly dependent on government policies, the respondents have been accumulating a wealth of experience about dealing with the foreign owners and managers. In the international arena it is a commonly observable phenomenon that the choice of joint venture as a market entry mode is closely intertwined with changes in economic policies by the host nation (e.g., Yang & Lee, 2002). Thus, this specific finding should not be considered as a unique phenomenon in Eastern Europe.

Also, there were cases when the Hungarian partner had the vast majority of shares. In nine firms had the Hungarian firm an ownership of 90 percent or above. In that sense the sample is not perfectly balanced, but pretty evenly spread.

Table 5: Descriptive Statistics of the Joint Ventures

Variables	N	Minimum	Maximum	Mean	Standard Deviation
Years in Operation (Duration of JV, years)	110	2.000	30.000	11.082	3.744
Share of Hungarian Partner (%)	110	1.000	99.000	39.991	30.001
Number of Partners	110	2.000	3.000	2.082	.275
Valid Sample Size (Listwise deletion)	110				

The mean value of Hungarian partners' ownership share was about 40%, and that value better represents the majority of the firms in the sample, than the extreme value of 1%. As a final review, Table 6 provides a complete list of distribution of joint ventures according to the ownership share data.

A final note is about the number of foreign partner firms in a joint venture. It is an accepted fact that the complexity of managing such ventures is significantly increasing with partners from multiple countries (Parkhe, 1996). In this area, the sampled joint ventures seem to prefer the simplest, two-partner countries formula. In the long-run this fact may help to preserve the stability of the joint ventures as well.

Table 6: Joint Venture Characteristics: Ownership Share of Hungarian Partner Firms

Hungarian Share (%)	Frequency	Percent	Cumulative Percent
1	16	14.5	14.5
2	3	2.7	17.3
3	2	1.8	19.1
4	1	.9	20.0
5	3	2.7	22.7
8	2	1.8	24.5
10	4	3.6	28.2
15	1	.9	29.1
20	6	5.5	34.5
24	1	.9	35.5
25	6	5.5	40.9
31	2	1.8	42.7
33	1	.9	43.6
35	1	.9	44.5
36	1	.9	45.5
40	7	6.4	51.8
48	2	1.8	53.6
49	2	1.8	55.5
50	13	11.8	67.3
51	2	1.8	69.1
53	1	.9	70.0
62	1	.9	70.9
64	1	.9	71.8
65	2	1.8	73.6
66	1	.9	74.5
67	2	1.8	76.4
68	2	1.8	78.2
70	5	4.5	82.7
71	1	.9	83.6
73	1	.9	84.5
74	1	.9	85.5
75	2	1.8	87.3
76	1	.9	88.2
78	1	.9	89.1
80	3	2.7	91.8
90	4	3.6	95.5
93	2	1.8	97.3
95	1	.9	98.2
98	1	.9	99.1
99	1	.9	100.0
Total	110	100.0	100.0

4.4. SUMMARY

In retrospect, the sample frame provided a quite reliable list of international joint ventures in Hungary. The respondent firms are representative of the current economic situation in the country and to the population of international joint ventures operating there. The highly knowledgeable respondents were extremely helpful in achieving the targeted response rate and to ensure that, with the exception of six of them, all respondents who were included in the final sample provided a completely answered questionnaire. They also helped in identifying potential pitfalls in this survey, and gave several reasonable recommendations for future studies.

In terms of the cost-benefit analysis, the choice of telephone survey was extremely effective as well. Total costs have been managed to stay well below the costs of an alternatively planned mail survey, and a mail survey might not even have produced similar response rates.

Selecting Hungarian managers as subjects has been proven a very effective way of collecting the current data set. The managers were generally very cooperative and helpful. If there is any concern that is to be discussed in Chapter 6 is the well-known fact of the Hungarians tendency to be pessimistic. It is hard to quantify, but several respondents were very careful when selecting their answers, like they were saying: "we need to select answers that are politically correct." This kind of attitude is inherited from the communist-socialist economic systems, and, hopefully, slowly is going to disappear.

Chapter 5

RESULTS AND FINDINGS

5.1. ASSUMPTIONS AND THE RELIABILITY OF MEASURES

5.1.1. THE ASSUMPTIONS OF MULTIPLE REGRESSION

At a very basic level a researcher has to be sure that the measures use in the survey provided a sound measurement (e.g., Hair et al., 1995). The survey was administered exclusively by the primary researcher. This fact called for multiple check-ups in the consistency of data collection, but also ensured a data base that is free of coding errors. It means we can be confident that all data are generally as expected in terms of means and standard deviations. A summary of descriptive statistics of all dependent variables is provided in Table 7.

Among the key assumptions of the multiple regression model, multicollinearity has been the major concern for this study, given the interrelated nature of the main constructs. However, multicollinearity has been implicitly reduced by transforming all variables into mean-centered ones. It means that the variable mean was deducted from all individual case and the variables centered on the value of zero (Jaccard, 1990).

A commonly used approach to test the normality assumptions is a visual one. In the Q-Q normal probability plots each observed value of the standardized residuals is paired with an expected value from a theoretical normal distribution,

which is based on the rank of the observed value. We expect to find that the observations fall more or less on a straight diagonal line (Figures 2 through 7).

Figure 2: Q-Q Normality Plot of Multi-Item Performance

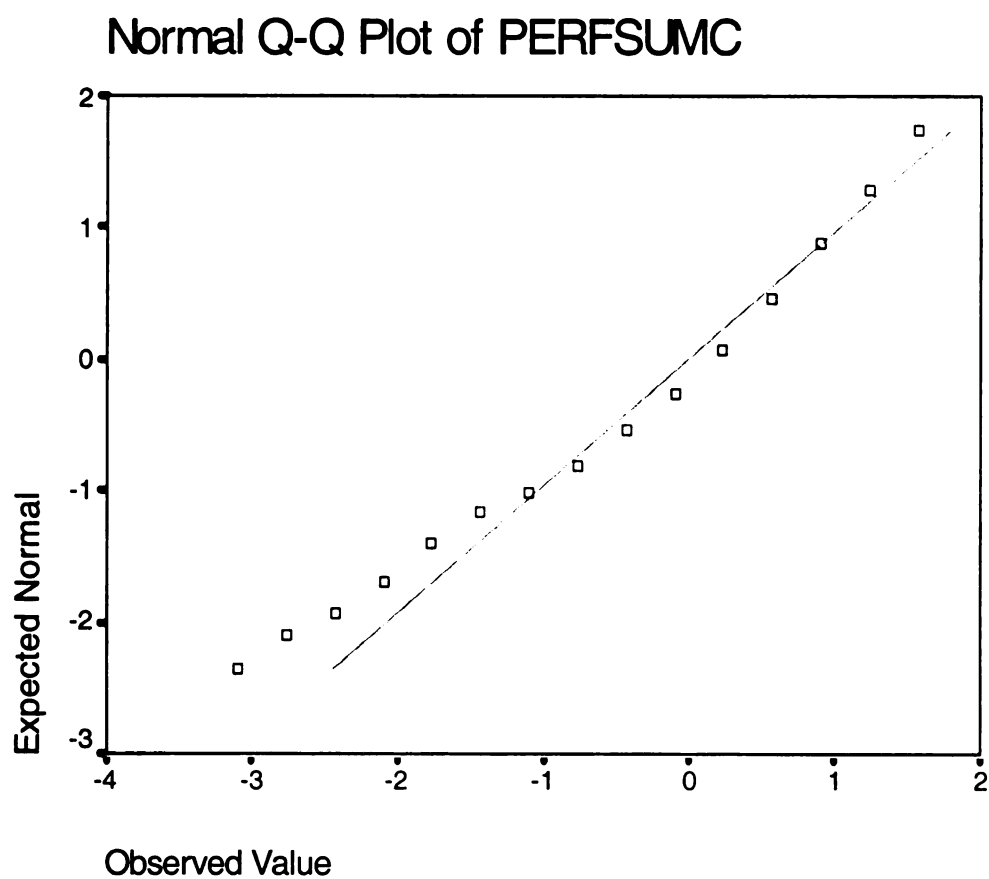


Figure 3: Q-Q Normality Plot of Total Performance

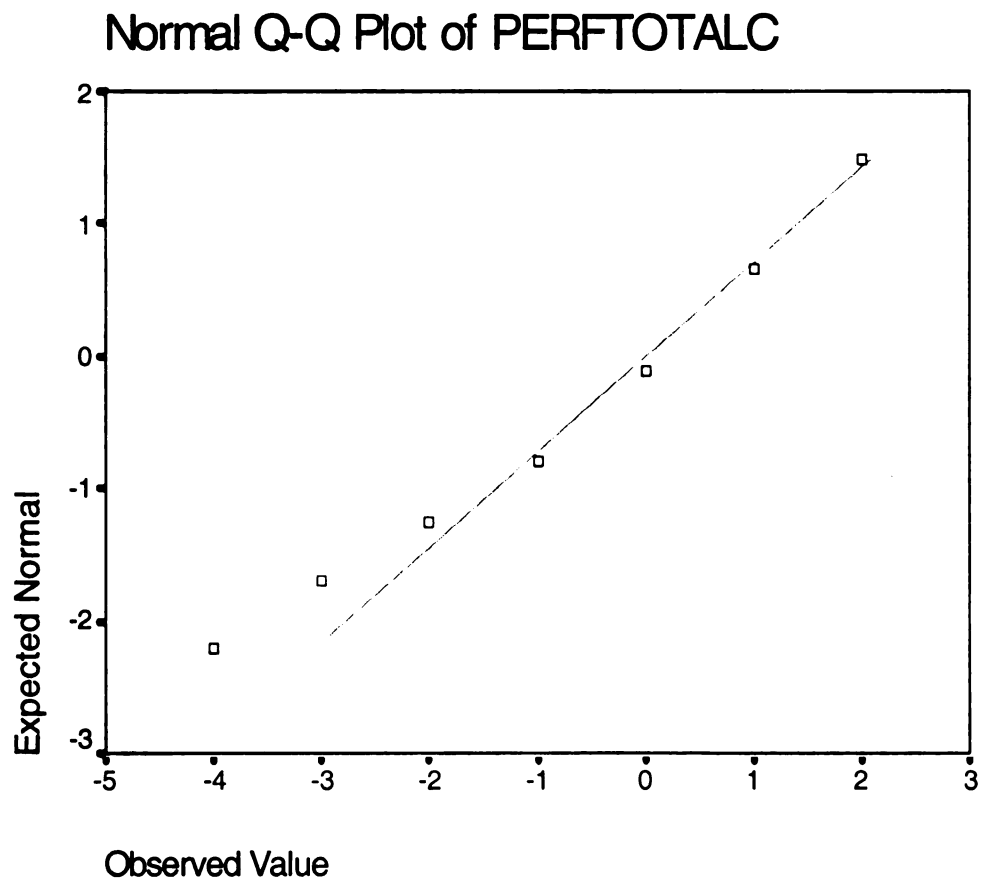


Figure 4: Q-Q Normality Plot of Strategic Performance

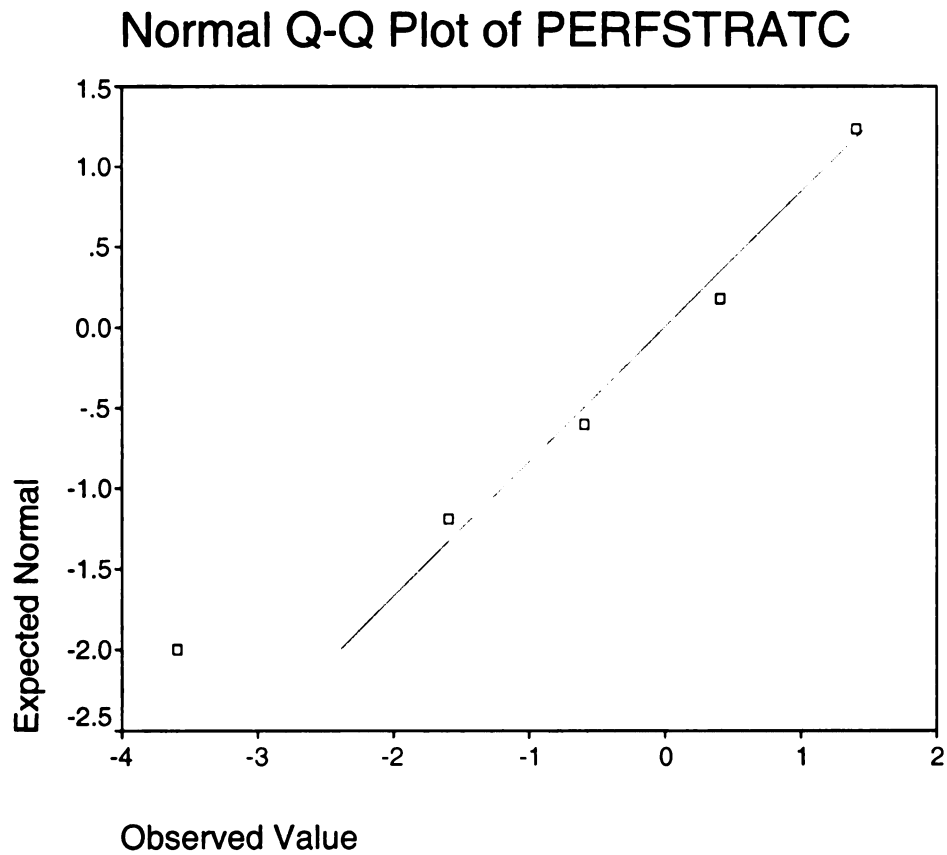


Figure 5: Q-Q Normality Plot of Trust

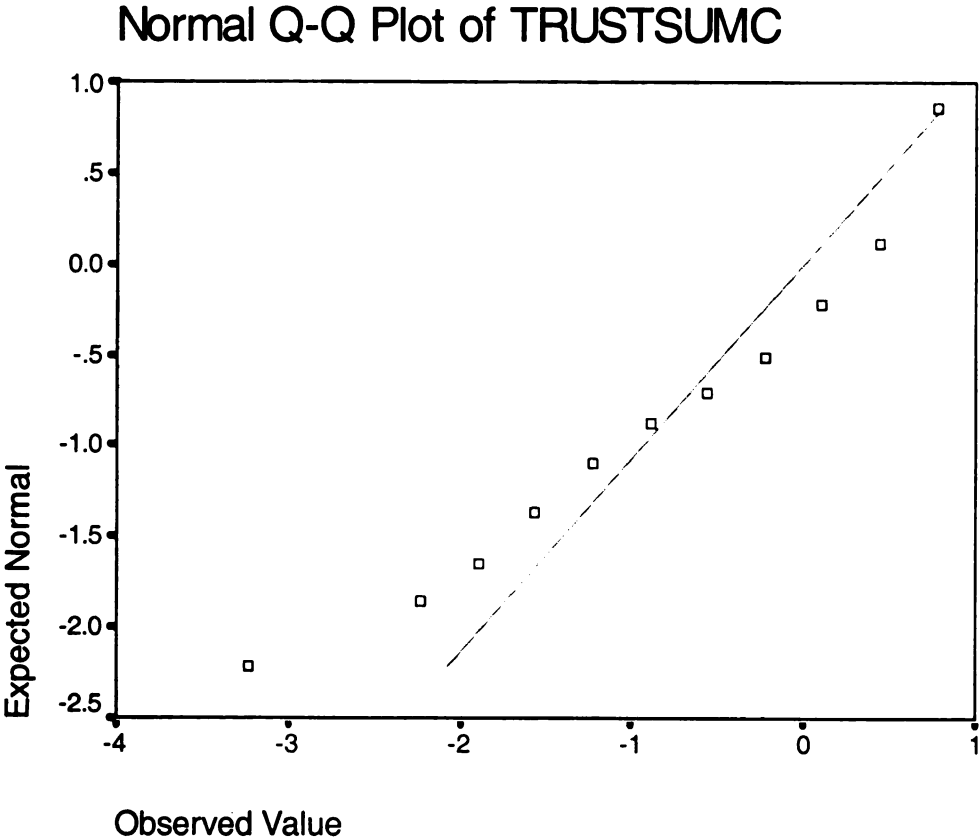


Figure 6: Q-Q Normality Plot of Joint Venture Longevity

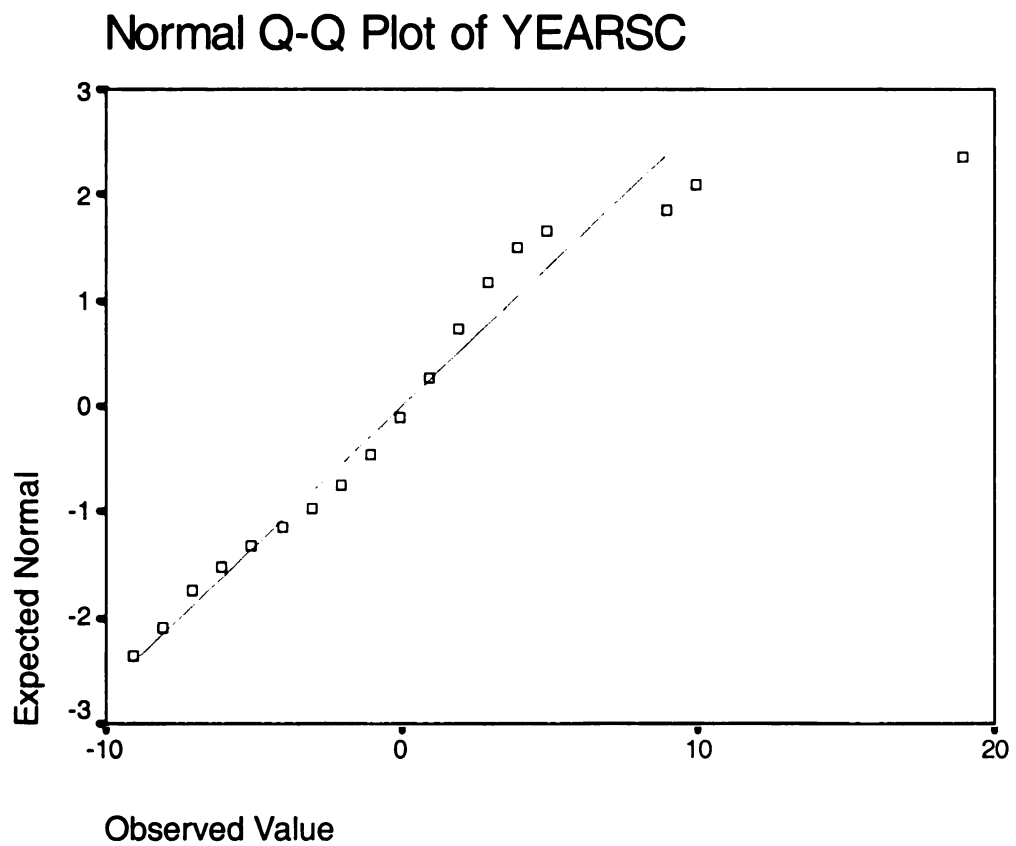
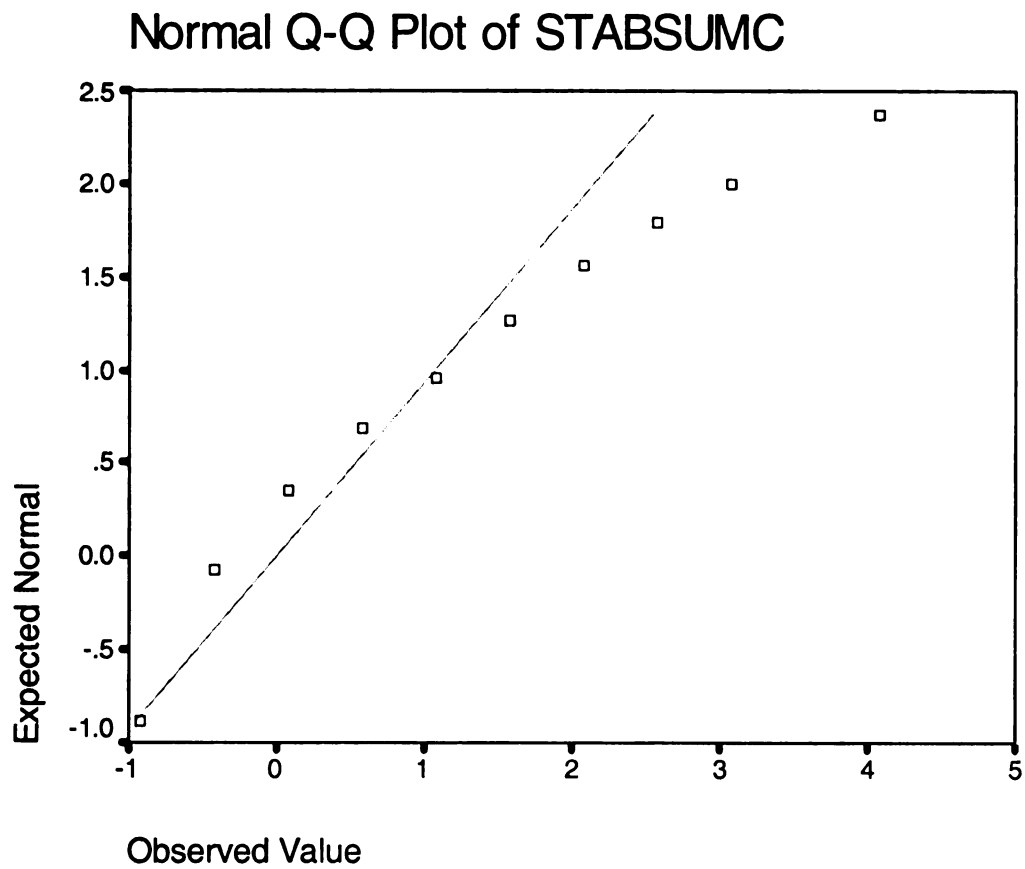


Figure 7: Q-Q Normality Plot of Joint Venture Stability



The Q-Q **normality plots** show that, with the exception of the joint venture longevity variable (YEARSC), there are no major violations present in the data set. Longevity has several extreme outliers, however, the rest of the dependent variables are adequate candidates for regression models.

Kolmogorov-Smirnov tests were computed for all dependent variables to test for kurtosis and skewness in the distribution. These tests are generally recommended when performing multiple regression analyses (e.g., Hair et al., 1995), in order to test the normality assumptions (Tables 8 and 9). In explaining the results we partly utilize the analytical rules provided by the SPSS 10.0 (1999) software package. The dependent variables in the series of multiple regression analyses are: strategic performance of the joint venture (PERFSTRATC), satisfaction with the overall performance of the joint venture (PERFTOTALC), a three-item summated scale measuring the long-term satisfaction with the joint venture (PERFSUMC), trust between the partners (TRUSTSUMC), the longevity or duration of the joint venture as an alternative measure of success (YEARSC), and finally, the perceived stability of the joint venture (STABSUMC).

Table 7: Descriptive Statistics of Dependent Variables

Variables	N	Minimum	Maximum	Mean	Standard Deviation
Strategic Performance (PERFSTRATC)	110	-3.59	1.41	.001	1.191
Total Performance (PERFTOTALC)	110	-4.00	2.00	.000	1.388
Multi-item Performance (PERFSUMC)	110	-3.10	1.57	.000	1.034
Trust (TRUSTSUMC)	110	-3.23	.77	.002	.937
Duration or Longevity (YEARSC)	110	-9.08	18.92	.001	3.744
Stability (STABSUMC)	110	-.92	4.08	.002	1.076

Table 8: Kolmogorov-Smirnov Test for Dependent Variables

Variables	N	Most Extreme Absolute Differences	Kolmogorov- Smirnov Z	Significance (2-tailed)
Strategic Performance (PERFSTRATC)	110	.280	2.935	.000
Total Performance (PERFTOTALC)	110	.209	2.193	.000
Multi-item Performance (PERFSUMC)	110	.145	1.520	.020
Trust (TRUSTSUMC)	110	.208	2.178	.000
Duration or Longevity (YEARSC)	110	.145	1.522	.019
Stability (STABSUMC)	110	.215	2.253	.000

Table 9: Kurtosis and Skewness Tests for Dependent Variables

Variables	N	Skewness		Kurtosis	
		Statistic	Standard Error	Statistic	Standard Error
Strategic Performance (PERFSTRATC)	110	-1.050	.230	1.100	.457
Total Performance (PERFTOTALC)	110	-.713	.230	.347	.457
Multi-item Performance (PERFSUMC)	110	-.730	.230	.207	.457
Trust (TRUSTSUMC)	110	-1.362	.230	1.428	.457
Duration or Longevity (YEARSC)	110	1.034	.230	5.823	.457
Stability (STABSUMC)	110	1.374	.230	1.670	.457

The results of the Kolmogorov-Smirnov tests show that the normal distribution assumption is violated, and we can reject the null hypotheses that the variables are distributed normally. Subsequent Kolmogorov-Smirnov tests proved that the variables follow a Poisson distribution that is characteristic in variables where the items consists positive integer values.

Kurtosis signals the peakedness of the distribution (Table 9). A commonly used rule-of-thumb test is that the test statistic divided by the standard error should be within the range of -3 and +3 (Hutchison & Sofroniou, 1999). In the current sample only joint venture longevity (YEARSC) violates this assumption significantly, which means too few cases in the tails of distribution.

Skewness represents the tilt or the lack of tilt in a distribution. Again it can be tested by dividing the test statistic by the standard error. Their values are usually judged a bit more strictly, their acceptable range is between -2 and +2. In terms of skewness, all dependent variables violate the rules of normal distribution. Negative skewness represents a left-leaning curve, while positive skewness represents a right-leaning curve.

The violated normality assumptions of multiple regression equation may also be corrected by transforming the respective variables. Either various forms of square-root transformations or logarithmic transformations are recommended to correct skewness and kurtosis. Kolmogorov-Smirnov tests for other distributions showed that the variables follow a Poisson distribution. Such distributions may be usually transformed into normal distributions by square root transformations (Hutchison & Sofroniou, 1999). However, second degree

square-root transformation of dependent variables have still not produced normal distribution in the actual, centralized, dependent variables. Due to the **robustness** of multiple linear regression models, in particular the F-tests (Hair et al., 1995) the significance of partial regression coefficients tends not to be influenced by such transformations.

Also, multicollinearity might represent a greater problem in this study, given that independent variables are included as the first and second degree form of the same variable. Therefore, any decisions about any necessary transformation of the variables may be made after performing regression analyses in all theoretical models.

5.1.2. CONFIRMATORY FACTOR ANALYSIS

Factor analysis is frequently used to uncover or highlight the latent structure of a set of variables. The latent dimensions of a data set tend to refer to the most important theoretical factors (latent constructs) behind the answers to single items. In this study, a confirmatory factor analysis helps demonstrating that constituent items load on the same factor. The analysis also indicates which items tend to cross-load on more than one factor.

Table 10 presents a summary of the factor loadings among all items. The table presents only eight extracted components, where the relevant Eigen-value was greater than one.

Table 10. Summary of Factor Analysis: Component Score Coefficient Matrix

ITEMS	Components							
	1	2	3	4	5	6	7	8
C Potential 1	-.040	-.068	.242	-.026	-.044	-.007	-.059	.295*
C Potential 2	-.020	.002	.344	.049	.064	-.071	-.074	.068
C Potential 3	-.014	.020	.328	-.018	.039	-.083	-.030	-.079
C Potential 4	.002	-.002	.098	-.052	.061	-.186	.378*	-.142
C Potential 5	.095	.001	.209	-.001	-.013	.086	-.130	-.374*
Conflict A1	.004	.029	-.019	.037	.008	.011	.491	-.007
Conflict A2	.050	.019	.067	.071	-.044	.136	.155	-.003
Conflict B1	-.066	.033	.002	.087	.049	.129	.191	.211*
Conflict B2	.108	-.036	-.003	.400	.046	-.025	.059	.120
Conflict B3	.072	-.036	-.006	.397	.035	-.078	.008	.107
Conflict B4	.066	.044	.014	.286	-.019	-.060	-.133	-.145
Conflict B5	-.072	.076	.170	.187	.091	.002	-.451*	-.162
Control	.036	.266*	-.076	.016	-.074	-.080	.112	-.029
Power 1	.002	.325	.031	-.028	.029	.070	-.028	-.053
Power 2	.038	.339	.003	-.013	-.005	.108	-.035	-.042
Power 3	-.020	.186	.037	.056	-.011	-.034	-.115	.397*
Stability 1	-.027	.072	-.067	-.095	.020	.508	-.146	-.116
Stability 2	.113	-.023	-.045	-.050	-.060	.517	-.059	.033
Trust 1	.290	.052	.045	.081	-.010	-.029	.012	-.035
Trust 2	.347	.028	-.028	.107	-.039	.097	-.022	-.238
Trust 3	.305	.010	-.090	.047	-.086	.016	.169	-.037
Perf. 1	.215	.021	.121	.047	-.039	.044	-.221*	.226
Perf. 2	.184	-.049	.046	.030	.021	.118	-.069	.324
Perf. 3	-.075	.012	.035	.037	.368*	-.041	-.028	.035
Strategic Perf.	-.037	-.022	.027	.062	.382	-.012	-.031	-.071
Total Perf.	-.076	-.015	.043	.017	.413	-.011	.075	-.006

Notes:

* = potential cross-loadings on a given component

Extraction method: Principal Component analysis

Rotation Method: Varimax with Kaiser Normalization

In a strictly followed theoretical approach, only the two items of one factor (Stability) might be considered as perfectly loading on the single component (factor number 6). About the relationship between different sample sizes and significant factor loadings Hair, Anderson, Tatham and Black provided a general rule of thumb (1995, p. 385). In this study, with the sample size of 110 respondents, at least a factor load of .5 is recommended, in order to get significant results. However, within the framework of this preliminary analysis, we only seek support to the above detailed theoretical model building. Thus, the requirement of a factor loading of .5 is not applied here, if the factors (the components make theoretical sense.

Furthermore, this study has several characteristics that may loosen such a restriction on the outcome of factor analysis. The study is an exploratory investigation in a sense that a new construct (Conflict Potential) and its effects on different dependent variables are to be estimated. Tjosvold and Lai (1989) recommended that the first step to understand the multidimensional nature of conflict should be the use of a multidimensional approach in managerial perceptions about conflict. In terms of academic research, it refers to the preferred application of multidimensional scales.

Also, the study, given the relative sample size, is not going to employ a structural equation model. There is a series of measurement models to be estimated separately.

Consequently, the independent variables of conflict potential, and the two conflict measures are to be employed in separate measurement models.

Similarly, the dependent variables are going to be applied in separate measurement models as well, thus the cross-loading between two performance measures does not impact the separate measurements, and such cross-loading may even be supported by the theories reviewed.

According to the component score coefficients, component 1 refers to the construct of trust. Component 2 refers to the construct of power. Here a cross-loading with the one-item measure of control may be detected. This finding makes theoretical sense, since control is usually strongly correlates with power. (Gaski, 1984). Control is also frequently called as exercised power. Component number 3 refers to conflict potential, with one questionable item (CP4). However, as we are going to show, the five-item multidimensional scale exhibits a relatively high reliability. Thus, we are going to keep the five-item scale for the analytical section, with the condition that a four-item scale is also going to be used and tested for major hypotheses. Components number 4 and 7 refer to the two, separately applied conflict constructs. The cross-loading between these two factors is noticeable however, it was also expected by theory. These are measures that have been previously validated, both externally and internally.

The dependent measures, again, considering the sample size show an acceptable pattern of factor loading. An interesting finding is the cross-loading of a conflict potential item on the multi-item performance scale. Theoretically this finding may refer to the potential positive correlation between conflict potential

and some aspects of joint venture performance, and that is exactly one of the premises of this study. The cross-loading item asks about managerial preference of working with partners who have different perceptions about business decision making situations than the respondent. This item seems to be a key theoretical aspect behind the analysis of conflict potential, thus it is going to be kept for the analytical section (e.g., Dyck et al., 1996). Again, this decision is supported by the reliability analysis in the next section.

5.1.3. THE RELIABILITY OF MULTI – ITEM MEASURES

The next task for researchers is to estimate the **reliability** of multi-item measures. Cronbach's alpha measures how well a set of items represents a single, uni-dimensional latent construct. Practically all major constructs in this study are characterized as latent constructs, based on managerial perceptions, and estimated with multi-item measures. Two of the measures employ five-items. Therefore it is extremely important that each of the constructs really measure a single managerial concept. Cronbach's alpha is a function of the number of items, and the average inter-correlation among the items.

As summarized in Table 11, four of the five Cronbach's alphas show a value of higher than .7.

It is considered a satisfactory theoretical background behind measure development, and an appropriate level of external validity of the new measure for conflict potential. Performance items correlate less than the average measures

in the study however, the level of around .6 is still a reasonably acceptable value (Hair et al., 1995).

Also, performance is alternatively measured with two other single-item measures, thus there appears to be no conceptual problem with the construct within the framework of this study.

Table 11: Reliability (Coefficient-Alpha) of Multi-item Measures

Name	Variable	Number of Items	Alpha
Conflict Potential	CPSUMC	5	.7525
Conflict	CXSUMC	5	.7491
Performance	PERFSUMC	3	.6091
Power	POWERSUMC	3	.8089
Trust	TRUSTSUMC	3	.8040

There were two, two-item measure in the study, stability and a traditional measure of conflict levels in joint ventures. The two items of stability exhibited a strongly significant (.00 level) correlation coefficient of $r = .456$.

Similarly, the two items estimating the construct of conflict exhibited a strongly significant (.00 level) correlation coefficient of $r = .538$.

In summary, the reliability of all multi-item measures can be considered satisfactory for the purpose of this study.

5.2. PEARSON CORRELATION COEFFICIENTS

The assumptions of the hypotheses and the propositions of the holistic models can be tested against the correlation coefficients as well. Table 12 provides a summary of the correlation coefficients among all major constructs employed in this study.

Some of the correlation coefficients are used in testing several hypotheses, and the study discusses those coefficients at that point. Here we only focus on the significance level of these coefficients as they have important consequences for the regression models too.

Table 12: Pearson Correlation Coefficients among the Main Constructs

Construct	CP	C1	C2	YRS	PSUM	PSTR	PTOT	STAB	TRS
CP Conflict Potential	1.000								
C1 Conflict 1	.031	1.000							
C2 Conflict 2	.417**	.417**	1.000						
Years (Longevity)	-.096	-.098	-.115	1.000					
PSUM Multi-item Perf.	-.069	-.465**	-.365**	-.021	1.000				
PSTRAT Strategic Perf.	-.212**	.228*	-.248**	.043	.487**	1.000			
PTOTAL Total Perf.	-.105	-.259*	-.102	-.078	.569**	.722**	1.000		
STAB Stability	.124	.261**	.337**	-.108	-.136	-.051	.015	1.000	
TRS Trust	-.057	-.458**	-.264**	.116	.555**	.314**	.313**	-.247**	1.000

The most interesting purpose of this study is the analysis of correlations among the three major independent variables, the two measures of conflict (CXSUMC and CSUMC) and conflict potential (CPSUMC), and the six dependent variables under consideration.

The new construct of conflict potential exhibits a significant positive correlation with the two-item traditional conflict, and a significant negative relationship with the strategic performance.

These relationships seem to indicate that the new construct might not be discriminated significantly from the traditional conflict measure according to the responses of the actual sample. Also, the two, traditional conflict measures seem to correlate negatively with most performance measures, with the notable exception of stability. The strong significance of these negative correlations (for instance: CXSUMC vs. PERFSUMC, $r = -.465$, significant at the .01 level) indicates that the hypothesized regression equations might not produce the predicted concave relationships, at least not in the case of the traditional conflict measures.

Based on the correlation statistics, we might argue for more complex regression models. Possibly other independent constructs are going to be needed in the regression models in order to estimate fine-grained impacts of conflict on joint venture performance. Further analysis of correlation coefficients is likely to provide more insights into future model building steps, however, at this point of the study we focus on testing the hypotheses, then we may return to the correlation coefficients at the future model development section.

An interesting finding is how the quadratic terms of the independent variables correlate with selected dependent variables. The quadratic term of conflict potential exhibits significant (.05 level) **positive** correlations with both trust ($r = .264$) and strategic performance ($r = .189$). On the other hand, the quadratic term of conflict (5-item) exhibits significant **negative** correlation with trust ($r = -.246$ at the .01 significance level). Similarly, the quadratic term of conflict (two-item) exhibits a significant **negative** correlation with the summated

measure of performance. These findings support the assumption that post-hoc analysis of conflict situations tend to produce consistent negative perceived relationships between the construct and performance or trust.

5.3. MULTIPLE REGRESSION MODELS AND THE HYPOTHESES

To test the series of main hypotheses, the following general OLS model is applied in this study:

$$(Y_i - \bar{Y}) = a_0 + a_1(X_{1i} - \bar{X}_1) + a_2(X_{1i} - \bar{X}_1)^2 + a_3(X_{2i} - \bar{X}_2) + e_i$$

Where:

- Y_{ij} represents the dependent variables, namely multi-item performance, strategic performance, total performance, trust, longevity, and stability of the international joint ventures.
- X_{ij} represents the respective independent variables. In the different equations there are two separately employed measures of conflict, the construct of conflict potential, and a quadratic term included in each equation in order to detect and estimate any potential concave effects. The construct of trust (X_2) is included in all equations where trust is not a dependent variable itself, because its presence is assumed to gain any benefits from conflict situations;
- The "i" index runs from 1 to 110.

As it was mentioned above, all variables have been mean-centered in order to minimize the impact of multicollinearity (Jaccard et al., 1990).

It was reasonably expected from the high number of insignificant results in the correlation analyses that hypotheses related to the positive effects of conflict may also produce insignificant regression coefficients.

Table 13 provides a summary report on the different regression equations and their overall fit statistics. Conflict (1) is a perception-based, 5-item measure, while Conflict (2) is a traditional, ex post type, 2-item measure. Independent variables were separately tested against three different performance measures, such as Strategic Performance (PERFSTRAT), Total Performance (PERFTOTAL), and a summated scale on performance (PERFSUM).

Table 13: Summary of Regression Equations

Hs	Dependent Variable Y	Standardized Coefficients			Model Fit			
		a ₁ Conflict	a ₂ Conflict ²	a ₃ Trust	F-stat	Sign.	R ²	Adj. R ²
H1	PERFSTRAT	-.222*	.259	.265*	6.875	.000	.163	.139
	PERFTOTAL	-.224**	.177	.254*	5.729	.001	.140	.115
	PERFSUM	-.303**	.082	.436**	20.669	.000	.369	.351
H2	TRUST	-.437**	-.047	N/A	14.365	.000	.212	.197
H3	LONGEVITY	-.094	.085	.093	.782	.507	.022	.006
H4	STABILITY	.258*	-.163	-.169	4.339	.006	.109	.084
		Conflict	Conflict ²	Trust				
H1a	PERFSTRAT	-.156	-.045	.266**	5.265	.002	.130	.105
	PERFTOTAL	-.012	-.019	.307**	3.857	.012	.098	.073
	PERFSUM	-.199*	-.075	.490**	20.158	.000	.363	.345
H2a	TRUST	-.245*	-.037	N/A	4.064	.020	.071	.053
H3a	LONGEVITY	-.048	-.089	.089	.983	.404	.027	.001
H4a	STABILITY	.360**	-.139	-.174	6.479	.000	.155	.131
		Conflict Potential	Conflict Potential ²	Trust				
H5	PERFSTRAT	-.177	.061	.288**	5.723	.001	.139	.115
	PERFTOTAL	-.084	.012	.305**	4.166	.008	.105	.080
	PERFSUM	-.033	.015	.549**	15.806	.000	.309	.290
H6	TRUST	.023	.270**	N/A	4.029	.021	.070	.053
H7	LONGEVITY	-.092	-.008	.113	.776	.510	.021	.006
H8	STABILITY	.121	.038	-.250*	2.831	.042	.074	.048

Notes: X₂ is Trust in each model

** = significant at the .01 level;

* = significant at the .05 level

Table 13 shows that only selected partial correlation coefficients are found to be significant. However, most of the specific hypotheses cannot be evaluated based on this analysis because of the **insignificant results in the partial coefficients of the quadratic terms**. These are not listed in the table.

In terms of the regression models, **Hypothesis 1 and H1a; H2 and H2a; H4 and H4a; and H5, H6 and H8 are partially supported** because the regression line explains a significant amount of variation in the respective dependent variables. This fact supports the logic of theory development, since the independent variables seem to have a consistent impact on either performance or trust. These relationships are the major propositions of this study. Thus the theory, at least partly, is correct, and the model development of this study may serve well as a basis for subsequent analyses.

However, due to the lack of significant partial coefficients for the quadratic terms, we did not find the expected concave relationships of most hypotheses, and a reverse relationship was found at H4 and H4a. What may this mean? Based on the theory, all independent variables are supposed to have a significant effect on the respective dependent variables. As a consequence, it is very likely that more complex models are necessary to verify such effects. In the forthcoming sections we will detail the possible revisions of model development.

We found partial directional support for Hypotheses 1 and 1a (negative relationship between Conflict vs. Performance), H2 and H2a (negative relationship between Conflict vs. Trust), H3 and H3a (negative relationship

between Conflict vs. Longevity), and H6 (positive relationship between Conflict Potential and Trust).

The quadratic term of Conflict Potential is proved to be significant and exhibited a positive relationship with trust in the regression model for H6 (standardized beta = .270, significant at the .007 level). Here, the positive sign for the quadratic term do not refer to a concave relationship, so H6 needs to be rejected. However, the positive relationship between conflict potential and trust was one of the presumptions derived from the literature review. These directional links can provide guidance, ideas and encouragement for future model development.

Hypotheses 2 and H2a predicted a concave relationship between different levels of conflict and the level of trust between the partner firms. The findings support a significant negative relationship between each conflict measure and trust. This finding is not unexpected though, because that negative relationship has been a main reason behind the development of a conflict potential measure. These findings simply prove that traditional measures of conflict seem to be inadequate to detect any potential positive impact of conflict on trust, and thus joint venture performance.

Hypotheses 4 and H4a investigated the relationship between conflict and stability of the joint venture. Interestingly, both conflict measures found to exhibit positive association with the stability of joint ventures. This finding should be taken with a grain of salt, since the stability measure is exclusively based on managerial perceptions, and it was an exploratory investigation into a new

method of estimating stability. However, this finding adds another motivation to encourage further, fine-grained investigations into the two-faced nature of conflict. It suggests, in an indirect way, that conflict, by adding some stability to the joint venture itself, may be in effect helpful in the performance of the business entity as well.

None of the models explained a significant variance in the construct of Longevity. As was suspected from the visual tests for normality (Q-Q plot), Longevity is probably better explained by another set of independent variables. In case of further research into the issue, the relevant macroeconomic changes might be incorporated in a regression model explaining the duration or longevity of joint ventures, perhaps as dummy variables.

Due to the insignificant partial regression coefficients for the quadratic terms within the regression models, we cannot make any reliable comparisons about conflict's positive impacts across the different cultural dimensions, even within the range of available cultural dimensions in this sample (Propositions 13 through 24).

Subsequent runs of the regression equations have been also performed, including the use of groups (a) high on individualism, (b) high on masculinity, (c) the inclusion of cultural distance, (d) the inclusion of interaction terms between cultural distance and conflict potential, (e) the inclusion of interaction terms between trust and conflict potential, and (f) finally, the use of a four-item scale for conflict potential following up the results of the factor analysis.

However, these subsequent tests did not provide either significant partial coefficients for hypotheses testing; or any significant improvement in the fit statistic (F-test); or in the explanatory power of the models (R-squared). These findings, including the relatively low level of R-squared values suggest that these models omitted variables.

We have to return to the assumption of normality and the actual distribution of variables according to the patterns of Poisson-distribution. The theory suggested transformations of variables showing a Poisson distribution was not fruitful in the context of this specific research. The transformations had neither positive nor negative effects on the partial coefficients significance level. Also, a repeated Kolmogorov-Smirnov test found the transformed variables still distributed according to the patterns of Poisson distribution.

What can be the explanation behind the insignificant results? There are several possibilities. In simple terms, the theory may be weak, the sample size or sample selection may be inappropriate, and the variance within the current sample may be inadequate as well. The most likely explanation, though, seems to be the issue of omitted variables.

Table 14: Hypotheses 9-12: Pearson Correlation Coefficients

Correlations	Trust at High Performing JVs	Performance At High Trust JVs	Conflict 1	Conflict 2	Conflict Potential
Trust at High Performing JVs	1.000				
Performance at High Trust JVs	.319*	1.000			
Conflict 1 (5-item)	-.429**	-.242*	1.000		
Conflict 2 (2-item)	-.166	-.138	.417**	1.000	
Conflict Potential	.107	-.031	.031	.417**	1.000

** = significant at the .01 level

* = significant at the .05 level

Table 14 provides a summary of the second set of hypotheses, related to the constructs of trusts and performance. Based on the sample size, the responses on the two constructs were divided below-average and above average groups, thus distinguishing between joint ventures with relatively high and relatively low performance values, and, similarly joint ventures with relatively high and relatively low level of trust between the partner managers. Splitting the sample right at the average might seem to be somewhat arbitrary. However, such divisions within a sample always carry some weight of subjectivity, and

approaching the data this way we employed our database the most economical, most effective way possible.

Again, we have found only directional support for one of these hypotheses: Hypothesis 10 states that conflict potential is expected to correlate positively with trust in joint ventures characterized with relatively high level of performance. With a cell-size of $n=42$, we found that there is a positive correlation, however it did not prove to be significant at the .05 level.

Similarly, Hypothesis 12 states that conflict potential correlates positively with performance at joint ventures characterized by relatively high level of trust. Here, with a cell-size of $n = 72$, we found that there is a negative correlation coefficient, but the coefficient is insignificant at the .05 level.

A reverse relationship was found for Hypotheses 9 and 11, where conflict was expected to correlate positively with trust at the best performing and performance at the firms with relatively high level of trust. Significant **negative** correlations were found in both cases (five-item Conflict measure).

Once more, these findings suggests that traditional conflict measures tend to hide any positive effects of conflict, and either a new measure or new analytical approaches need to be introduced for that purpose. In the next chapter we attempt to review what variables might be the most appropriate to be included in an updated theoretical model.

Chapter 6

SUMMARY AND CONCLUSION

6.1. RESEARCH OVERVIEW

The current study has been built on a vast amount of findings in a multitude of fields in social sciences. The review and analysis of accessible literature consistently pointed toward a multi-disciplinary stream of research projects, where the focus is on the potential benefits of conflicts within organizations and the quantifiable measurement of such positive effects. New product development literature has produced a reasonable and well-designed quantitative approach, where the benefits of conflict were estimated through their relationship to new product success. The current study attempted to test some of these multi-disciplinary propositions within the specific context of international joint venture managers. Managerial perceptions provided a great support to the theoretical propositions.

The most important findings can be summarized as follows:

- **Traditionally employed, ex-post conflict measures tend to exhibit negative relationships with key constructs of joint venture success, such as perceived performance and trust between joint venture partners**
- **The introduction of conflict potential was successful in terms of reliability of the measure, although the findings were inconclusive in most of the hypotheses.**

- **Conflict potential, indirectly, through a quadratic form of the variable, was found to have a significant, positive relationship with trust. This kind of relationship is certainly an important addition to the existing research stream on the construct.**
- **Conflict potential, after a reinforcing verification of the constructs external validity, appears to be a feasible measure to consistently estimate beneficial effects of conflict on performance and trust**

The main concave effects of the primary hypotheses could not be verified by the employed OLS regression models. However, this fact does not take away the research contributions listed above. As an additional research note, Table 15 refers to the findings in the current sample regarding the propositions of a holistic model.

Table 15: Pearson Correlation Coefficients Referring to the Holistic Model

Constructs	Power	Control	Trust	Conflict 1	Conflict 2	PStrat	Ptotal
Power	1.000						
Control	.611**	1.000					
Trust	.035	.056	1.000				
Conflict 1 (5-Item)	-.017	.031	-.458**	1.000			
Conflict 2 (2-Item)	.042	-.025	-.264**	.417**	1.000		
PSTRAT Strategic Performance	.009	-.139	.314**	-.228*	-.248**	1.000	
PTOTAL Total Performance	.041	-.065	.313**	-.259**	-.102	.722**	1.000

****** = significant at the .01 level

***** = significant at the .05 level

Proposition 13 refers to a positive association between power and control in joint ventures. The correlation coefficient significantly and strongly supports this assertion ($r = .611$). The assumed positive relationship between trust and power (Proposition 14) finds only directional support in the correlation analysis. For Proposition 15, the correlation coefficient shows directional support only to the assertions that trust and control would correlate positively.

Both conflict measures were found to be negatively correlated with trust, and with performance (Proposition 16 and 17). The positive correlation between trust and perceived performance has been proven again in this study.

6.2. RESEARCH CONTRIBUTIONS AND LIMITATIONS

The current study has introduced a new measurement approach to estimate the potential positive impact of conflict in business organizations. The specific research field of international joint ventures did not provide significant results to support the main hypotheses. However, the construct and the verified measure of conflict potential might have important consequences for subsequent research projects. It is justified even within the limitations of this study, because of the significant negative relationships among traditional conflict measures and constructs of perceived joint venture success.

6.2.1. THEORETICAL IMPLICATIONS

Theoretically, the significant differences between the two, traditional measures of conflict, and the newly introduced measure of conflict potential may call for a parallel application of these measures in forthcoming studies. In spite of the insignificance of most of the partial regression coefficients in this study, the measurement of conflict potential may be a step ahead in understanding the highly complex system of explanatory, moderating, and mediating variables behind satisfactory joint venture performance (Parkhe, 1996). Parkhe's call is definitely justified. The current study might advance the theory of conflict by

showing that new measures need to be developed if we ever want to understand the beneficial effects of conflict within organizations and to map the underlying conditions of such effects (Pondy, 1992).

Some of the insignificant findings of this study may reassure Dean Tjosvold's (1996) gradual research approach toward understanding conflict situations. Perhaps the most appropriate construct that was omitted from this project is that of conflict management.

In terms of **sociology** and social-psychology theories, the findings are encouraging. Sociological concepts always have found their justified place in all social sciences. Marketing and management, in general, are no exceptions. The constructs of conflict and the newly introduced term of conflict potential have exhibited a high degree of reliability. The explanatory power of conflict and conflict potential has been transparent as well, given the R^2 results of the multiple regression models. We may say with confidence that sociological concepts will continue to enrich the science of management and to improve our understanding of managerial concepts. This current study proved that there exists a great potential of cross-fertilization between management and sociology. We may make similar conclusions about the **new product development** theory stream. Although explaining the performance of a joint venture and the successful commercialization of a new product may not exactly require the same set of independent variables, still there are numerous similarities between the two constructs.

Organizational behavior and interorganizational relations theories have been enriched by many international business findings in the past (Parkhe, 1996). In this study, these literature streams provided strong support for our hypothesis development. The study, again, not conclusively, but seemed to support Pondy's note (1992) that the continuous presence of conflict and the antecedents of conflict are inherent in organizations. The next big question is how we may estimate their impacts on organizational performance. The first stage of our journey to understand the benefits of conflict is very likely to be finished. The comprehensive set of major constructs and modifier variables described in this study may only be tested in subsequent studies, employing a similarly comprehensive set of structural equations.

The study has several findings that reinforce the current state of **International joint venture** literature. As it has been shown in subsequent studies, the level of trust and perceived performance is strongly interconnected. The presence of trust is also a necessary condition to understand the potential role of conflicts in joint ventures.

The strong significance of the regression models seems to indicate that further investigations onto the role of conflict in joint ventures always need to consider the interaction effects between trust and conflict or conflict potential. Durability or longevity of joint ventures doesn't appear to be strongly influenced by the new construct of conflict potential. However, this finding tends to be somewhat inconclusive, and, of course, limited to the current data set. The construct of stability was estimated by using a relatively simple, new measure.

Measurement of stability is likely to be the subject of further discussions in the international management literature (e.g., Yan & Zeng, 1999).

The role of **culture** has remained untested in this study. However, the research proposals have been developed on a solid theoretical background, and they are going to be testable whenever the question of significance of partial regression coefficients is resolved.

Altogether, the findings call for an even more thorough theoretical review of the literature, in order to identify all potential independent variables that might have been omitted from this study.

6.2.2. MANAGERIAL IMPLICATIONS

Given the exploratory nature of the study, at least in terms of the new measure of conflict potential, numerous, valuable managerial insights have been gained from the telephone interviews.

The importance and the future of international joint ventures are still debated by researchers and managers. International joint ventures offer multinational companies the ability of using their partner's capabilities in generating profits. As long as this opportunity is present, the popularity of joint venture creation seems to be maintained. Very often, as it has been the case at some of the Hungarian - foreign joint ventures, these organizations are created to satisfy demands from the host country's government or simply to take advantage of taxation benefits. However, such benefits are always temporary. The real benefits of joint ventures may be in improved learning capabilities thus

an increased level of competitiveness in global markets. Even if these benefits might be counterbalanced with the disadvantages of split ownership over the firms' assets, still the promise of long-term business benefits through improved competitive capabilities seem to be the key motivating factor for multinational or global firms to choose joint ventures as a market entry mode.

The current study highlighted the complexity of economic, business, and psychological factors behind such ventures. We have, indeed, reached a stage in international business research, where only fine-grained research methods, and repeatedly tested and improved measures may bring further advancement.

Managers, justifiably, will not be satisfied with a research project that establishes that conflict may be beneficial for performance and trust under specific circumstances. It is the researcher's task to clearly identify those circumstances, and provide some form of practical guidance how to achieve or how to create them.

Again, based on the recommendations of the respondents, we need to refer to Pondy's insights (1992). Everybody seems to accept the necessary existence of conflict in the investigated managerial relationships. The majority of the managers also realize that they may even use such conflict for finding the best solutions to business problems. There are numerous challenges for international joint ventures both in their everyday operations and their strategic management.

The majority of managers were seeking diversity of opinions, diversity of managerial attitudes. **There was a subset of respondents who openly**

admitted that they personally did not like to work within a diverse decision making team. However, even these people seemed to acknowledge the potential long-term benefits of such diversity. Thus the measure of conflict potential has been, at least partially, validated by their responses. It is obvious from the study, that future improvements in the measurement model may be necessary to validate the complex theoretical model. During the administration of the survey, respondents naturally did not know the purpose of the study. However, the respondents, who really intended to discuss the individual questions in some detail, expressed their agreement to the general direction of the research. The study may provide some guidelines for future measurement attempts within the framework of a seemingly appropriate integration of different theory streams.

6.2.3. LIMITATIONS OF THE STUDY

Omitted variables appear to be the major limitation of this study as it was shown through the limited explanatory power of multiple regression models. That seems to be the most urgent research issue to be addressed by future research projects.

External validity of the new, perception-based measures of stability and conflict potential needs to be verified by managerial expertise. This limitation may be easily corrected by conducting even a small-scale qualitative survey among joint venture managers. This type of extension of the current research is also the intention of the author of this study.

An obvious shortcoming of the study is the relative one-sidedness of the responses. In future studies this shortcoming can be resolved. Following the dyadic research approach (Bonoma et al., 1978), the respondent joint ventures are to be provided with two questionnaires, and to be specifically asked that both a Hungarian and a foreign manager should complete the respective English or Hungarian surveys. On one hand this approach improves the requirement for appropriate sample sizes, and also helps enriching the research stream by the parallel analysis of answers (Cullen et al., 1995). Habib & Burnett also supports the **dyadic** approach in the field of international joint ventures, since they found significantly different levels of perceived conflicts and perceived satisfaction at partner managers (1989).

Other **analytical** approaches are available, and might be employed when detecting the relatively weak impact of conflict on performance. For instance, with the application of alternative analytical methods, such as MANOVA, a different set of joint venture specific hypotheses may be developed along the ideas outlined by Song et al., (2000) in the context of new product development.

Due to its further limitations, this study cannot review the different **conflict management** approaches and their interactions with the observed effects of conflict. Incorporating the dimensions of conflict management is the task of future research (Tjosvold, 1996; Tjosvold & Morishima, 1998; and Tjosvold et al., 1999).

6.2.4. SUGGESTIONS FOR FUTURE RESEARCH

A step toward improving the current study would be the collection of a greater, more comprehensive data set, preferably from countries representing a greater variety in terms of cultural diversity. Increased variance in the variables might itself improve the significance of predictions however, **the main issue about improving the design of the current study seems to be the omitted variables.**

A reappearing comment from respondents was the inherent necessity of incorporating conflict management approaches into the study. There have been a variety of approaches that introduced alternative, categorical variables to estimate the role of the different styles of **communication** within organizations (e.g., Mohr, et al., 1996; Salk & Brannen, 2000).

At the practical level, **two alternatives** are presenting themselves. **First**, there are the three major conflict management approach as developed by Tjosvold (1986). Although Tjosvold's managerial approaches refer to a superior-subordinate relationship, joint venture managers may often find themselves in such a situation, and the estimation of power and control constructs helps us evaluating the respective roles they play in such situations. Managers may approach conflict situations by three, broadly defined ways. First, they can be **cooperative** conflict managers. It refers to their willingness to accept and develop other people's ideas or arguments. These type of managers are the most likely to create win-win situations in a firm. On the other hand, a **competitive** conflict management approach means the openly conducted

debate and looking for not only arguments to defend one's own ideas, but also to find weaknesses in that of other managers. We may find many parallel characteristics between the competitive approach and the approach of high scoring managers Hofstede's (2002) dimension of individualism. The third approach is conflict **avoidance**, and it may have some relevance to the current study as well. Hungarians are traditionally individualistic people, however, 40 years of communism have changed the attitudes of several subsequent generations. A relatively high level of conflict avoidance might have been a factor behind the insignificant regression coefficients as well.

Incorporating the three conflict management approaches into questionnaires may be the segmentation that is needed for significant measurement of positive impacts of conflict in international joint ventures. These three approaches might even be used as alternatives to Hofstede's cultural dimensions or cultural distance, since these approaches may be easily measured asking several questions directly from the respondents. Also, the three major approaches provide an outstanding opportunity for dyadic research. It would involve a matching the joint venture partners according to their respective approaches toward conflict situations. It would be very interesting to see that a **cooperative – competitive or a competitive – competitive match of partner managers** would be more effective in terms of joint venture performance.

Secondly, the conflict handling strategies developed by Thomas (1992) and Xie et al., (1998) might be employed in subsequent studies. The strategies have been developed on a similar basis to that of Tjosvold, however these

strategies have already been tested and measured in several studies. The six major strategies (avoidance, accommodation, collaboration, competition, compromising, and hierarchical conflict resolution behavior are referred to by Xie et al., 1998).

Several related literature streams might be incorporated in the theoretical background of the current study. Future research should certainly consider expanding the narrowly defined concept of conflict potential, along the recommendations about the additive nature of the construct by Cadotte & Stern (1979). A qualitative, exploratory study should verify the external validity of the five-item measure employed in this study. Similarly, the relationship between conflict and **learning** should be incorporated in future models, after a review of joint venture learning theory (Barkema et al., 1997, Hult et al., 2000; Inkpen, 2000).

Besides the perceptions toward conflict, other constructs in the study may be culture-dependent as well. For instance, trust is proven to be culture-dependent by Aulakh et al., (1996). Such differences should be incorporated in a more complex model on conflict with multiple interaction terms. It is a somewhat distant project from the current state of this study, but the consideration of the mechanisms of cross-cultural ethical conflicts and the role of institutions in resolving conflicts are logical extensions of the current conflict model (Easterly, 2001; and Hamilton & Knouse, 2001). In case of joint ventures the most important micro-level institutions are the partner firms, while a macro-level

analysis might incorporate the effects of host government actions through an event-analysis or dummy variables.

As a closing thought, the study may certainly be developed in multiple ways. In order to introduce higher variation in the sample, it may include managers from more than just a few countries (Appendix A). However, the most promising and feasible way seems to be to include conflict management approaches as mediator variables. It is the author's hope that the study has contributed to the long-standing debate over the beneficial role of conflict and also to the variety of measurement approaches available for future studies.

Hungary's transitional economy may not have had enough time to make most of its managers aware of the potential advantages of organizational conflicts. However, in a more experienced, more competitive market economy, managers may be more open to admit and utilize such advantages. That fact encourages further extension of this study as well. **Conflict potential might be an important dimension of diversity in business organizations. Thus, certain degree of conflict potential might improve the long-term performance of organizations.**

Appendix A: Country Scores on Hofstede's Dimensions of Culture

Country	PDI	IDV	MAS	UAI	LTO
Arab World**	80	38	52	68	
Argentina	49	46	56	86	
Australia	36	90	61	51	31
Austria	11	55	79	70	
Belgium	65	75	54	94	
Brazil	69	38	49	76	65
Canada	39	80	52	48	23
Chile	63	23	28	86	
China	80'	15'	55'	40'	114
Colombia	67	13	64	80	
Costa Rica	35	15	21	86	
Czech Republic	35'	60'	45'	60'	
Denmark	18	74	16	23	
East Africa**	64	27	41	52	25
Ecuador	78	8	63	67	
El Salvador	66	19	40	94	
Finland	33	63	26	59	
France	68	71	43	86	
Germany	35	67	66	65	31
Greece	60	35	57	112	
Guatemala	95	6	37	101	
Hong Kong	68	25	57	29	96
Hungary	45'	55'	79'	83'	50'
India	77	48	56	40	61
Indonesia	78	14	46	48	
Iran	58	41	43	59	
Ireland	28	70	68	35	
Israel	13	54	47	81	
Italy	50	76	70	75	
Jamaica	45	39	68	13	
Japan	54	46	95	92	80
Malaysia	104	26	50	36	
Mexico	81	30	69	82	
Netherlands	38	80	14	53	44
New Zealand	22	79	58	49	30
Norway	31	69	8	50	

<i>Country Scores on Hofstede's Dimensions of Culture (cont.)</i>					
Country	PDI	IDV	MAS	UAI	LTO
Pakistan	55	14	50	70	0
Panama	95	11	44	86	
Peru	64	16	42	87	
Philippines	94	32	64	44	19
Poland	55'	60'	65'	78'	37'
Portugal	63	27	31	104	
Singapore	74	20	48	8	48
South Africa	49	65	63	49	
South Korea	60	18	39	85	75
Spain	57	51	42	86	
Sweden	31	71	5	29	33
Switzerland	34	68	70	58	
Taiwan	58	17	45	69	87
Thailand	64	20	34	64	56
Turkey	66	37	45	85	
United Kingdom	35	89	66	35	25
United States	40	91	62	46	29
Uruguay	61	36	38	100	
Venezuela	81	12	73	76	
West Africa**	77	20	46	54	16

****Regions; these are estimated values:**

Arab World = Egypt, Iraq, Kuwait, Lebanon, Libya, Saudi Arabia, United Arab Emirates

East Africa = Ethiopia, Kenya, Tanzania, Zambia

West Africa = Ghana, Nigeria, Sierra Leone

Abbreviations: PDI: Power Distance; IDV: Individualism; MAS: Masculinity;

UAI: Uncertainty Avoidance; and LTO: Long-Term Orientation

Source: ITIM, www.itim.org, December, 2002

Appendix B: Survey Instrument Items

(All items are 7-point Likert scales. R = Reversed scale)

Constructs	Items
Conflict <i>by Habib, 1987</i> Two-item	- The partners frequently argue over operational issues in the joint venture - We feel that the disagreements between the partners over operational issues in the joint venture are highly intense
Conflict <i>by Dyer & Song 1997</i> Five-item $\alpha = .74$	- There is little or no conflict between the partners (R) - People representing the two parent firms rate the importance of the decisions the same way (R) - People representing the two parent firms share the same values (R) - People representing the two parent firms feel that the objectives of their respective companies are in harmony with each other (R) - People representing the two parent firm differ on the goals of the joint venture itself

Constructs	Items
Conflict Potential Five-item $\alpha = .76$	- I prefer working with a foreign partner who has different perceptions about business decision situations than I do - Different perceptions of the partner managers about business problems may help find the best solution to such problems - Having different perceptions about business problems is helpful for the joint venture in dealing with the challenges of a continuously changing environment - Conflicts between partner managers may generate trust in the long-run - Some degree of conflict between partner managers is preferable to no conflict at all in the joint venture
Control	We have more control over joint venture decisions than our foreign partner does
Cultural Dimensions Proxies	Hofstede's country scores serve as proxies for different levels of the major dimensions: High Individualism: USA, Australia, UK, Canada, Netherlands High Uncertainty Avoidance: Greece, Portugal, Latin-America High Power Distance: Malaysia, Mexico, Arab countries, Latin-America High Masculinity: Japan, Austria, Italy, Switzerland, Mexico

Constructs	Items
Cultural Distance Four-item $\alpha = .81$	Please indicate on the scales how different is your home country from the country of your partner in terms of - The overall cultural distance - Differences in terms of values - Differences in terms of traditions - Differences in terms of everyday lives
Longevity	How long has been the joint venture in operation, in years?
Performance Three-item $\alpha = .85$	In terms of the performance of the international joint venture, please evaluate these statements: - We are satisfied with our personal relationship with our foreign partner - We are satisfied with our overall relationship with our foreign partner - Performance of the joint venture is financially satisfactory
Power Three-item $\alpha = .80$	- We possess more power in the joint venture relationship than our foreign partner - Compared to our foreign partner we have a stronger influence on joint venture decisions - We are dependent on our foreign partner
Stability Two-item	- Joint venture frequently changes its strategic objectives - The joint venture frequently changes its ownership and / or management structure

Constructs	Items
Trust Three-item $\alpha = .77$	- Our business relationship with our foreign partner is characterized by high levels of trust - Our parent firm and the partner firm generally trust that each will stay within the terms of the joint venture contract - We and our partner firm are generally skeptical of the information provided to each other (R)

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