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ANTECEDENTS AND CONSEQUENCES OF MARKET ORIENTATION

An examination in the joint ventures' relational context

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Doctor of Philosophy

ASTON UNIVERSITY

October 2007

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Aston University

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Summary:

Market oriented behaviors have been found to be important predictors of business success across a wide array of studies. Despite their potential importance, research into market oriented behaviors in the joint venture (JV) context is very scarce. The dearth of research, especially into the antecedent conditions and processes embedded in the JVs' relational context, is a serious omission in the development of market orientation theory. This study represents a novel attempt to address this gap by examining a set of antecedent factors which arises from sources outside a traditional firm's boundary.

An extensive review and synthesis of the market orientation and JV literature yielded a set of context-specific antecedent factors relevant to the JV's relational context. In accordance with the perspective offered by the transaction cost theory, a system of hypotheses about the effects of these antecedent factors on JV's market oriented behaviors was developed. In order to test these hypotheses, empirical evidence was collected by means of a mail survey to international joint ventures operating in the coastal regions of mainland China. A sample of 191 JV firms was collected as a result. Following well established procedures for scale development and purification as recommended in the methodology literature, the scales were critically trimmed and reviewed for their psychometric properties.

The conceptual model was tested with a structural equation model. Results suggested that a number of context-specific antecedents are in fact important determinants of JVs' level of market oriented behaviors. In addition, the linkage between market oriented behaviors and market performance was also successfully established. The findings, theoretical and managerial implications, limitations as well as directions for future research were also discussed.

Key words: international business, transaction cost theory

ACKNOWLEDGMENTS

I wish to express my deepest gratitude to my supervisor, Professor John W. Cadogan. He has been very generous and extremely patient to provide me with help and guidance whenever they were needed. He has been so reassuring that hope is always there. I am truly indebted to his great help. My thanks are also extended to Professor Gordon Greenley, who has been so kind to help me through with my studies at Aston Business School.

I would also like to thank the Macau Foundation for awarding me a scholarship which made my studies possible. Sincere thanks are also due to my friends and colleagues at the University of Macau, who have given me constant support and encouragement. Finally, I owe much to Patrick who has been such a great listener and supporter throughout my work.

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CHAPTER 1

INTRODUCTION

1.1 INTRODUCTION OF RESEARCH BACKGROUND

Joint ventures (JVs) are increasingly important vehicles for companies operating in the contemporary business environment characterized with increasing speed, pluralization and a unique pressure towards globalization (Büchel, Prange, Probst et al., 1998). A number of advantages accrue to the mode of JV operations, including pooling of capital, knowledge and expertise, and sharing of risks. Hennart (1988, p.363) has proposed four main objectives that could be best achieved through the establishment of joint ventures: (1) taking advantage of economies of scale and diversifying risk; (2) overcoming entry barriers into new markets; (3) pooling complementary bits of knowledge; and (4) allaying xenophobic reactions when entering a foreign market. At other times, joint ventures might be the only form available for direct foreign investment.

Despite the many benefits that JVs offer, data show that entering into a JV is a risky decision because the reported failure rate¹ of this type of operations has been high (e.g., Cullen, Johnson and Sakano, 1995; Lane and Beamish, 1990; Killing, 1982; Park and Ungson, 1997; Parkhe, 1993b; Steensma and Lyles, 2000) over the last two decades. Specifically, dissolution rates of joint ventures have been found to be as high as 30% to 70% (e.g., Park and Ungson, 1997; Parkhe, 2001; Pearce, 1997; Steensma and Lyles, 2000). In light of these risks and challenges in implementing JVs, academics and practitioners alike have exerted much effort into identifying and examining the factors determining JV performance and survival (e.g., Beamish and Banks, 1987; Cullen, Johnson and Sakano, 1995; Geringer, 1991; Gulati, Khanna and Nohria, 1994). Much of this research has focused either on the partner selection issue (e.g., Geringer, 1991; Tallman and Shenkar, 1994; Wong and Ellis, 2002) or the

¹ Failure rate has been operationalized in a number of different ways. One of the most widely used operational definitions is dissolution due to liquidation or sell-offs to a third party (Park and Ungson, 1997).

relationship management issues (e.g., Ring and Van de Ven, 1992). In fact, many of these studies have been conceptualized around three central, interrelated concepts of mutual forbearance, reciprocity and opportunism (e.g., Aulakh, Kotabe and Sahay, 1996; Beamish and Banks, 1987; Larson, 1992; Madhok, 1995) that are inherent in any relationship. Variables that have been commonly examined as determinants of JV performance or survival include partner match (e.g., Hill and Hellriegel, 1994; Park and Ungson, 1997; Saxton, 1997) control (Beamish, 1993; Killing, 1982; 1983; Mjoen and Tallman, 1997; Schaan, 1983; Yan and Gray, 1994), commitment (e.g., Mohr and Spekman, 1994; Gulati, Khanna and Nohria, 1994; Isobe, Makino and Montgomery, 2000), trust (e.g., Aulakh, Kotabe and Sahay, 1996; Lane, Salk and Lyles, 2001) and conflict (e.g., Ding, 1997; Habib, 1987; Steensma and Lyles, 2000).

One potential antecedent to JV success is the extent to which JVs exhibit market oriented behaviors in their business operations. Market oriented behaviors are activities undertaken by an organization in relation to the generation of market intelligence pertaining to its served market(s), the dissemination of the intelligence across departments, and the design and implementation of responses that create value for its customers (Kohli and Jaworski, 1990; Jaworski and Kohli, 1993).

Market oriented behaviors have been found to be important predictors of business success across a wide array of studies. In fact, evidence as provided by a number of recent meta-analysis studies (e.g., Cano, Carrillat, and Jaramillo, 2004; Kirca, Jayachandran, and Bearden, 2005; Shoham, Rose and Kropp, 2005) has unambiguously lent support to the predictive power of market oriented behaviors on performance. For example, Cano Carrillat, and Jaramillo (2004) undertook a meta-analysis of studies conducted in 23 countries across five continents and came to the conclusion that the relationship between market oriented behaviors and performance is positive and consistent worldwide. Similarly, Shoham, Rose and Kropp's (2005) meta-analytic review also provided evidence that the direct, indirect and total impacts of market oriented behaviors on performance were all significant. Concurrently, Kirca, Jayachandran, and Bearden (2005) also found that market oriented behaviors are significant predictors of both cost-based performance (such as profits) and revenue-based performance (such as sales and market share). Overall, although to some researchers (e.g., Langerak, 2003) the predictive power of market

oriented behaviors is still open to question, the meta-analyses conducted recently have provided useful insights into the generalizability of the positive impact of market oriented behaviors on performance.

Despite their potential importance, research into market oriented behaviors in the JV context is very scarce. This is unfortunate on two fronts. First, the performance enhancing benefits of market oriented behaviors have yet to be determined for JVs. While there is little evidence to suggest that market oriented behaviors will not lead to enhanced performance for JVs, evidence to this effect would be informative both theoretically and practically.

More importantly, assuming that the market oriented behaviors of JVs represent a key deterministic factor to JV success, researchers have yet to examine their antecedents. One consequence of this dearth of research (Morgan and Strong, 1998) is that managers have little by way of context-specific information on how market oriented behaviors develop and are shaped in JVs. Yet it is entirely feasible to assume that factors specific to JV systems may play a role in determining the market oriented behaviors of those JVs. If so, this may have important implications for the partner identification and selection process, and for the subsequent relationship development and maintenance process.

Essentially, the establishment of a JV involves resources contributed by two or more partners. The potential for opportunism is high in such settings as partners may have divergent goals or even hidden agendas. The quality of the cooperative relationship thus determines the operational ambience inside a JV. For example, if partners have a high level of commitment towards each other and/or towards the JV, their incentives to commit requisite resources (both transaction-specific human and other assets) to enhance the JV's capacity to develop a high level of market oriented behaviors would be increased. Similarly, a higher communication frequency between the partner firms and the JV may also affect the JV's market oriented behaviors. More frequent communication between these parties provides a concrete basis for the parents to monitor the JV's activities, which may effectively reduce their concern for possible opportunism. Requisite resources in the form of idiosyncratic investments may be more readily supplied by the partners to the benefits of reinforcing the JV's market oriented behaviors. On another front, the composition of the JV management team

and hence its dynamics may also have significant implications to the JV's market oriented behaviors. As the JV managers are essentially representing the presence of different parent firms, problems such as loyalty, commitment and organizational identity (Gong, Shenkar, Luo et al., 2005; Hambrick, Li, Xin et al., 2001; Shenkar and Zeira, 1987) may arise that frequently mask their effective functioning. Therefore, the dynamics of the JV management team which are largely shaped by the partners' explicit cultivation may represent other forms of deterministic factors for the JV's market oriented behaviors.

The rest of this chapter is organized so as to give a brief overview of: the extant market orientation literature; the gap in the literature that needs to be filled; and the specific research objective of this study.

1.2 MARKET ORIENTATION: AN OVERVIEW

The proliferation of empirical studies on the market orientation concept is largely attributable to the two influential works published by Kohli and Jaworski (1990) and Narver and Slater (1990) in the *Journal of Marketing*. After development of nearly two decades, a number of key issues including its conceptualization, measurement, antecedents and consequences have been examined rigorously. The volume of work thus accumulated has indeed contributed to a much better understanding of the concept and its associated issues. However, the debate about its domain (mainly in terms of philosophical or behavioral) that needs to be tapped has still remained inconclusive to date.

Among some researchers, market orientation is believed to be a philosophical concept that has its roots from the organizational culture (Cadogan, 2003). It is conceived as the guiding philosophy that nurtures organizational behavior for value creation for customers (e.g., Day, 1990; Deshpande, Farley and Webster, 1993; Narver and Slater, 1990). Typically, Narver and Slater (1990) contend that market orientation is the organizational culture that most effectively and efficiently creates the necessary behaviors for the creation of superior value for buyers. On the other hand, the behavioral proponents focus less on the cultural underpinnings of market orientation, but place more emphasis on its behavioral manifestations, especially that set of

information processing activities which underpins market orientation (Cadogan, 2003, p.101). Specifically, market oriented firms are argued to be those that proactively engage their operations in generating intelligence pertaining to the different aspects of their market environments, disseminating this intelligence to the relevant users internally, and devising and implementing timely responses to serve the needs of their customers (e.g., Jaworski and Kohli, 1996; Matsuno and Mentzer, 2000).

Clearly, the two approaches to the conceptualization of market orientation (market orientation as a guiding philosophy versus market oriented behaviors) are complementary. Thus, while prior market orientation researchers have tended to opt for one approach or the other to study market orientation's system of relationships with other important constructs, it is also possible to establish a model accommodating both perspectives (e.g., Homburg and Pflesser, 2000). More is said on this issue in the literature review (Chapter 2), and when the conceptual model is presented (Chapter 3).

1.2.1 Benefits of Being Market Oriented

The positive association between market orientation and superior business performance has had a good tradition of support theoretically (e.g., Felton, 1959; Levitt, 1960; Webster, 1988), albeit variation in empirical results is not uncommon. Over decades, marketing scholars have continuously argued that market orientation is a source of sustainable competitive advantage (e.g., Day, 1994; Narver and Slater, 1990). Through continuous monitoring of the critical aspects of the market forces in the forms of competition, customers, and legislative, societal and macro-economic forces, timely and relevant intelligence is collected. When this intelligence is effectively disseminated to the appropriate decision makers (who then design and implement responses reflecting the substance of this intelligence), a business creates value for its customers and realizes sustainable superior performance. Over the years, positive consequences (e.g., sales growth, product and service quality, customer satisfaction, and new product success, to name a few) of market oriented behaviors have been reported in various settings (e.g., manufacturing and service firms, hospitals, government settings, charities). Moreover, it has been argued that firms should develop a high level of market oriented behaviors regardless of market

conditions (e.g., Jaworski and Kohli, 1993; Slater and Narver, 1994a), although empirical evidence collected thus far still provides mixed results on this front.

1.2.2 Market Orientation and Its Antecedents

In recognition of the importance of being market oriented, a considerable number of studies have been conducted to identify factors that can foster/inhibit the development of market oriented behaviors (e.g., Avlonitis and Gounaris, 1999; Cadogan, Paul, Salminen et al., 2001; Cadogan, Cui, Morgan et al., 2006; Kohli and Jaworski 1990; Jaworski and Kohli 1993; Mavondo and Farrel, 2003; Ruekert, 1992). Specifically, Jaworski and Kohli's (1993) work was the first to develop a systematic framework to examine antecedent factors. In this widely-cited work, the authors acknowledge that there is a wide array of different factors that influence the degree of adopting market oriented behaviors. These factors range from internal factors arising from corporate culture, norms, and organizational systems to external or exogenous factors such as intensity of competition and business practices. In particular, the set of internal factors such as top management factors, interfunctional dynamics and organizational systems has been widely examined as antecedents to a market orientation across a number of different settings (e.g., Bhuian, 1998; Cadogan, Paul, Salminen et al., 2001; Selnes, Jaworski and Kohli, 1996; Van Egeren and O'Connor, 1998). After all, although significant progress has been made to understanding the forces that affect the development and adoption of a market orientation, the scope of the extant studies has still been confined within a unitary firm's perspective.

1.3 THE RESEARCH GAP

Since its publication, the framework (Kohli and Jaworski, 1990; Jaworski and Kohli, 1993) as proposed by Professor Bernard Jaworski and Professor Ajay Kohli for examining the antecedent factors to market orientation has been widely adopted in subsequent market orientation studies (e.g., Avlonitis and Gounaris, 1999; Bhuian, 1998; Cadogan, Paul, Salminen et al., 2001; Cadogan, Cui, Morgan et al., 2006; Cervera, Molla and Manuel, 2001; Pelham and Wilson, 1996; Selnes, Jaworski and Kohli, 1996). During the course of theory development and empirical testing in terms of the examination of antecedent factors over the past decade or so, researchers have

failed to extend the scope beyond a unitary organization's boundary. Within the narrow scope of operation characterized with a single and well defined line of accountability, antecedents studies are oftentimes framed within six general categories of top management factors (characteristics, team dynamics, attitudes and behavior), dynamics across different functions/departments, organizational structures and systems (coordination systems, and control systems, recruitment and compensation systems), strategy types, organizational culture, and the turbulence of the task environment.

In fact, more recent research has suggested the existence of context-specific antecedents. For example, Cadogan and colleagues (e.g., Cadogan, Diamantopoulos and Siguaw, 2002; Cadogan, Paul, Salminen et al., 2001; Cadogan, Cui, Morgan et al., 2006) have established that factors specific to the export setting have significant impact on the market oriented behaviors firms exhibit in their export marketing operations (e.g., export commitment, export coordination, and export experience are important determinants of firms' market oriented behaviors in their export operations). Studies of this kind indicate that the model of market orientation's antecedents originally proposed by Kohli and Jaworski (1990) may need to be extended to take into consideration some specific firm characteristics and levels of analysis (e.g., when trying to predict firms' market oriented behaviors in their export operations, one needs to model export-specific factors). On consideration, in the specific case of JV firms being considered in this study, it is apparent that existing models of antecedents to market orientation fail to address the unique relational context in which JVs are embedded. That is, JVs are by definition, cooperative arrangements between at least three entities: the equity-based JV itself, and at least two parent companies.

Thus, despite the fact that entering into JVs has become an increasingly important strategy for multinational enterprises (MNEs) to grow and prosper, the market orientation research has largely neglected the relational aspects that may affect the JVs' operational activities. The lack of attention to antecedent conditions and processes embedded in this relational context of the JVs is a serious omission in the development of market orientation theory. For firms considering entering into JV partnerships, it is important that they understand the various factors determining JV market orientation (e.g., identifying and choosing the right partners) in order that the

potential opportunities afforded by the development of a high level of market oriented behavior can be reaped. This is a fundamental requirement if businesses are to purposefully manipulate the market oriented behavior of their JVs.

For example, it is highly probable that interrelations among the different interest groups in these operations (that is, horizontally between the partners and vertically between the partners and the JV) will have significant implications for the adoption of market oriented behaviors with the JV. To the extent that opportunism remains a major concern as suggested by transaction cost (TC) theory, the JV's capacity to adopt a high level of market oriented behaviors will likely be a function of the partner firms' willingness to make investments of an idiosyncratic nature. All in all, the unique relational context in which JVs are embedded poses different challenges for managers to develop market oriented behaviors. The dearth of research in this direction is unfortunate and has deprived practitioners (both JV managers and MNE executives who are involved in JV management) of valuable information about how market oriented behaviors develop and are shaped in the JVs.

1.4 THE RESEARCH OBJECTIVE

Addressing the gap as discussed in the foregoing section, the primary objective of the current study is to exert a special effort to examine the relevant antecedents to market oriented behaviors from the relational context where the increasingly important JVs are embedded in. Hence, this objective as stated in more specific terms is:

- To identify context-specific antecedent factors that affect a JV's level of market oriented behaviors from a relational perspective

First and foremost, by addressing the specific context of a JV, this study extends the scope of antecedents to market oriented behaviors beyond a unitary firm's operational boundary. More specifically, this study introduces antecedents to market oriented behaviors that represent neither internal nor external environmental factors (c.f., Matsuno, Mentzer and Rentz, 2005) arising from the nontraditional context of JVs. In light of the increasingly important role played by the JVs and other forms of bilateral or multilateral cooperative arrangements in contemporary business, this extension is

imperative to synchronize the development of theory with practice. Therefore, the attainment of this objective contributes to theory advancement in the market orientation literature.

Furthermore, the fulfillment of this objective also has important implications for practice. Given that being market oriented is important to JVs' performance, the identification of antecedent factors specific to a relational context should be of paramount importance to the different groups of managers involved in a JV system. Essentially, practical implications can accrue at two levels: for the MNE executives and for the JV managers. First, the conduction of this study informs the partner search and selection process undertaken by the MNE executives at the early stage of a JV's conception. Searching for the right partner is extremely costly in terms of executive's time and efforts (e.g., Lane and Beamish, 1990). If precise information about the potential impact that the different relational factors may have on the JV's market oriented behaviors is available, the executives can formulate more effective strategies to suffice the needs of partner search and selection. Such information may include specific qualifying attribute(s) that they should look for in a potential partner. For example, if a market oriented firm wants to establish a market oriented JV, then it may need to find a partner that is of comparable or even a higher level of market orientation. By so doing, the odds of jointly forming a market oriented JV could be increased. Issues such as this will be explored in this thesis. On this front, the findings of this study will benefit MNE executives by providing them with information which assists their partner search and selection process. A careful examination of the desirable partner characteristics and criteria will be invaluable to help them in identifying the "right" kind of partners.

Moreover, given that it is important to know antecedent conditions/factors that affect the level of market oriented behaviors in the JV, then identifying such antecedents within the context-specific relational environment of JVs may also help encourage MNE executives (representing parent firms) to proactively manage the relational dynamics within the JV system. For example, MNE executives may allocate more of their time and efforts to build up such relational capital as trust and commitment in the system. Additionally, these executives may also gain insights that help them shape the JV management in favor of promoting market oriented behaviors inside the JV.

Specifically, by studying these antecedent factors, executives of the parent firms can plan ahead for some critical JV decisions such as: human and other resources allocation; the design of the evaluation and reward systems for the JV managers; and even the amount of decision discretion to be granted to the JV managers.

Within the JV's operational boundary, the introduction of a new system of context-specific antecedents benefits the JV managers by providing them with valuable information about the mechanism by which market oriented behaviors are nurtured. Since JV managers represent a key interest group that is most actively involved in different levels of interactions within the JV system, their cognizance of the potential impact of such relational antecedents may motivate them to engage in proactive and constructive relationship building activities that contribute to developing an amiable working relationship within the system. This is because the maneuvering of the interrelations among the different parties inside the system effectively opens an alternative avenue for these JV managers to attaining the JV's marketing objectives.

Methodologically, this study differs from others in the literature in the way information is sought. By soliciting information pertaining to different interest groups, the current study assesses the relational dynamics horizontally between the partners as well as vertically between the partners and the JV. Such an approach represents a constructive attempt to introduce a 360-degree perspective to understanding the antecedents to market orientation.

1.5 ORGANIZATION OF THE THESIS

This thesis is organized into seven chapters. Chapter 1 gives a brief overview of the current development of the key constructs as explored in this study. Alongside the identification of the gaps in the literature, the research objectives in more details are also introduced. It also serves as a site-map to guide the readers through the remaining seven chapters.

Chapter 2 provides a systematic synthesis of the two bodies of literature, namely the joint venture and related literature as well as the market orientation literature. Firstly, the importance of JVs as vehicles for value creation for the modern multinational

enterprises is reviewed. Following which, a detailed account of the determinants to JV performance which has been examined in the literature, is presented. In the second part, relevant studies pertaining to the examination of the various themes of market orientation such as its conceptualization and operationalization as well as its antecedents and consequences are reviewed and analyzed. This is followed by a synthesis of the two bodies of literature. From which, rationales are culled to justify the proposed investigation of antecedent factors outside the unitary firm's boundary. Specifically, the analytical review suggests that the extant market orientation studies have neglected the context-specific antecedent conditions that may critically affect the adoption of market oriented behaviors in the JVs.

Chapter 3 portrays a general picture of the conceptual framework as adopted to guide the formulation of hypotheses. Specifically, hypotheses in terms of the multifaceted model of market oriented culture; the relations of each of these facets to performance as well as how those antecedent factors arising from the relational context of a JV affect the JV's market oriented behaviors are argued. To serve the end of identifying relevant antecedents, a classification schema for an exhaustive list of all the sources of influence on the level of market oriented behavior in a JV context is presented. Besides, in order to frame the choice of antecedents to fit into this schema, the tenets of the transaction cost analysis are borrowed to shed light on this operationalization. As a result, the hypotheses capturing the interrelations of the various constructs are developed in accordance with the theoretical and empirical findings.

In Chapter 4, the design of this research is detailed and the methodology as adopted for data collection is also described. The decision to use a cross-sectional design is justified and the rationale for the employment of a mailed questionnaire survey method is presented. The process for developing the questionnaire to use in this study is reported. Finally, an account that describes the sampling procedure, data collection method, response rate and non-response analysis of the pre-test and full-scale survey respectively is provided.

Chapter 5 presents a comprehensive picture of the descriptive statistics and the corresponding analysis of the responses of the main survey. The response pattern of each measure as used in this study is also portrayed. Next, the scale development and purification strategies are outlined. The psychometric properties of the scales are

evaluated following standard procedures as suggested in the methodology literature. Accordingly, each of the scales is purified and then analyzed with respect to its dimensionality, reliability and validity.

Chapter 6 gives a report of the analytical strategy and the techniques that are adopted to test the system of hypotheses as developed in Chapter 3. The assumptions underlying the use of structural equation modeling and other related issues are discussed in relation to the actual dataset. The overall model fit is assessed and the parameter estimates are reported.

Finally, the last chapter, Chapter 7 gives a summary of the key findings relative to the research objectives as stated in the beginning of the thesis. Besides, the theoretical contribution and managerial implications are also presented. This chapter concludes with a discussion of the limitations of this study and highlights several useful directions for future research.

CHAPTER 2

DETERMINANTS OF JOINT VENTURE SUCCESS AND MARKET ORIENTATION: A LITERATURE-BASED REVIEW

2.1 INTRODUCTION

Joint ventures, defined as independently incorporated entities that are separate from, but jointly run by, parent firms (Das and Teng, 1998b) have become an increasingly important vehicle for effecting interfirm collaboration (e.g., Hennart, 1988; Luo and Park, 2004; Powell, Koput and Smith-Doerr, 1996). As their ownership structure prescribes the need of coordinating two or more parents (partners) for the exploitation of common benefits, the issue of relationship management has drawn wide academic and practitioner attention.

Over the last few decades, the process of securing venture performance has been contemplated as a series of activities or endeavors undertaken to promote such mitigating effects (either explicitly or implicitly) like boosting inter-partner cooperation, engendering knowledge diffusion via different learning objectives, or even merely suppressing the opportunistic behavior of partner firms. In this very quest of venture success, different frameworks have been proposed and followed in the joint venture (JV) and related literature. Recognizing the rapid proliferation of JVs in contemporary business, a good number of different themes and propositions have been drawn to offer alternative perspectives or explanations to understanding how the dynamic processes of partner interactions affect JV success. Yet, research opportunities are still plentifully abundant for the integration of different theoretical perspectives (for example, the market orientation perspective) into the JV framework.

The extension of market orientation into JVs' relational context is indeed of utmost importance for the advancement of market orientation theory. This is because many of the JV arrangements are formed to exploring marketing objectives (c.f., Lane and

Beamish, 1990; Hennart, 1988), including tapping an untouched market, developing new products, gaining access to local distribution networks, and so forth. The attainment of such objectives apparently poses a heavy demand on the efficacy of information sharing and processing within the JV system. In fact, as Park and Ungson (2001) point out, the exchange of proper information within partnerships is crucial to effective cooperation. While tremendous efforts have been made to investigate the various factors (from a wide array of perspectives including those from transaction cost economics, organizational behavior, strategic management, and so forth) that might contribute to venture success (both directly and indirectly), surprisingly few inputs have been sought from the marketing discipline (in particular its information processing perspective such as a market orientation).

The scarcity of academic efforts in integrating market orientation into the framework of JV is unfortunate, especially in light of the many benefits that market oriented firms enjoy relative to their less market oriented counterparts in a number of different contexts. In practice, the lack of systematic integration of the two subjects represents a considerable deprivation of rights of the JV managers. In the first place, these managers have no solid and reliable reference for the beneficial effect of developing a market orientation with a JV. Next, even if they recognize such positive consequences, they have little context-specific information on how market oriented behaviors develop and are shaped in the JVs. Theoretically, a void also exists in terms of the antecedents and consequences of market orientation because by no means one can ascertain that such antecedents and consequences in a JV system mirror those within a traditional firm's context.

This loophole in the market orientation literature has offered an excellent opportunity for research. As such, this study is conceived with the express intention of examining the antecedents to market oriented behaviors following a relational perspective, and the mitigating effect of such market oriented behaviors on JV performance, especially the marketing aspect of JV performance. Given the research gap, carefully collected empirical evidence can inform both marketing theory and practice.

Organization of this Chapter

This chapter is organized into five main parts, integrating two bodies of literature: the alliance (typically the joint venture) literature; and the market orientation literature. The first part (this introduction) gives a general introduction of the research gap that is going to be filled in this study. The second part begins with a discussion of the important role played by JVs in contemporary business. It then continues to report the determinants of JV success. Variables included for this discussion are categorized into structural and relational variables. The contribution of these factors to JV success is reviewed. This part concludes with an account of the different perspectives adopted in evaluating JV success.

The third part reviews what has been achieved insofar in the growing body of market orientation literature. This part consists of four main sections, including a general overview of the evolution of the market orientation construct; a discussion of the two major perspectives for its conceptualization; a review of the benefits of being market oriented; and finally an account of the antecedent factors that have been contemplated to determine the adoption of market oriented behaviors within a traditional firm's perspective. Following which is a synthesis of the two bodies of literature and the implications thus derived for the current study. Finally, a summary is provided to end this chapter.

2.2 THE JV LITERATURE-BASED REVIEW

2.2.1 JVs and their Importance

Joint ventures are increasingly important vehicles for companies operating in the modern dynamic environment characterized with increasing speed, pluralization and a unique pressure towards globalization (Büchel, Prange, Probst et al., 1998). In response to the call for the development of core competencies and networking for the sake of safeguarding resources and exploring new market opportunities (e.g., Doz and Hamel, 1998), companies have often opted for the formation of joint ventures. In fact, joint ventures are increasingly being perceived as strategic

weapons for competing within a firm's core markets and technologies (Harrigan, 1988).

A number of advantages accrue to the mode of joint venture operations, including pooling of capital, knowledge and expertise, and sharing of risks. Hennart (1988, p.363) has proposed four main objectives that could be best achieved through the establishment of joint ventures: (1) taking advantage of economies of scale and diversifying risk; (2) overcoming entry barriers into new markets; (3) pooling complementary bits of knowledge; and (4) allaying xenophobic reactions when entering a foreign market. At other times, joint ventures could be the only form where direct foreign investment is possible.

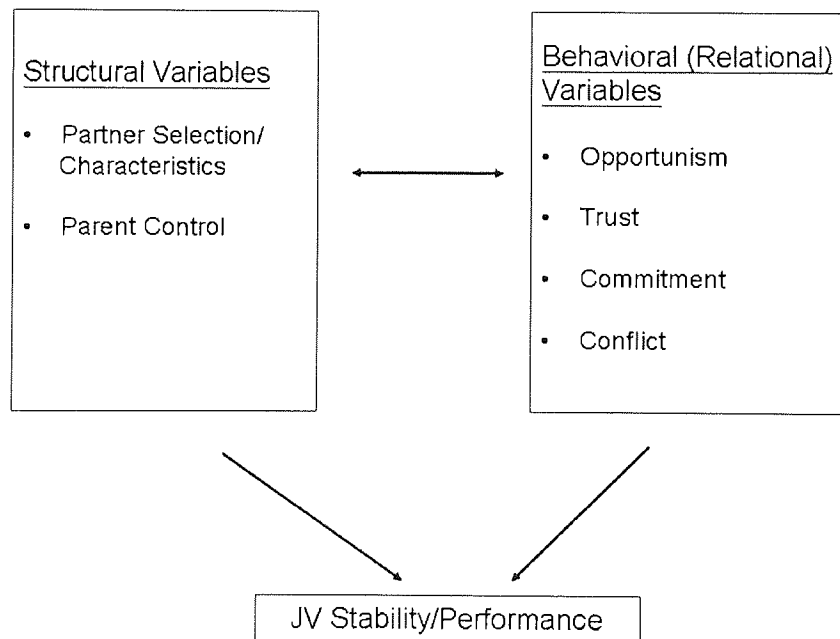
Joint ventures have a definite advantage over simple contractual agreements and direct capital investments. Their value lies in the fact that partners are bounded together through mutual hostages of assets with the flexibility and openness of a legally independent entity (Büchel, Prange, Probst et al., 1998). The formation of such an entity aligns partners' commitment and at the same time shields each partner from "the full force of any difficulties experienced by the other, and distancing both from any troubles in the joint venture" (Büchel, Prange, Probst et al., 1998, p.9).

Despite the many benefits that joint ventures offer, data show that the decision to enter into a JV remains risky given the high dissolution rates reported in different studies (e.g., Cullen, Johnson and Sakano, 1995; Lane and Beamish, 1990; Killing, 1982; Park and Ungson, 1997; Parkhe, 2001; Steensma and Lyles, 2000) over the last two decades. In light of these risks and challenges in implementing JVs, academics and practitioners alike have exerted much effort into identifying and examining the factors determining JV performance and survival (e.g., Cullen, Johnson and Sakano, 1995; Beamish and Banks, 1987; Geringer, 1991; Gulati, Khanna and Nohria, 1994; Madhok, 1995). Consequently, a growing body of literature has been accumulated which prescribes different antidotes and suggestions for improving JV performance. Nonetheless, the quest to better JV management is still under way and many issues have been left unattended. The following sections collectively paint a picture of the determinants of JV performance from a literature based review of the joint venture and related literature.

2.2.2 Determinants of JV Success

The objective of this part is to produce an in-depth portrayal of the key determinants of JV success. Although research into predictors of JV performance has been fragmented like many other research themes in the JV literature (Parkhe, 1993a), many of these predictors can still be categorized into two interrelated types, namely behavioral/relational and structural variables that can explain JV effectiveness (Aulakh, Kotabe and Sahay, 1996; Luo and Park, 2004). These two types and their associated variables are presented in Figure 2.1. In the following subsections, the domains of these key variables are reviewed and their associations with JV performance are also discussed.

Figure 2.1: Determinants of JV Performance



2.2.2.1 Structural Variables

The *ex ante* structural variables in principle are derived from efforts of partner selection and their associated bargaining activities. The rationales behind include (1) choosing the right partner; (2) aligning each other's strategic and economic incentives; and (3) applying ownership control. Over the years, JV scholars have exerted much of their effort to examine how each of these structural variables alone or in combination acts on the different aspects of JV success.

2.2.2.1.1 Partner Selection and Characteristics

It is generally argued in the literature that partner selection is an important variable explaining JV performance, because it influences the mix of skills and resources available to the venture and thus its ability to achieve its strategic objectives (e.g., Fey and Beamish, 2001; Geringer, 1991; Harrigan, 1988; Killing, 1983), not to mention the relational risk involved (Das and Teng, 1998b). Over the last three decades of JV proliferations, a large inventory of partner selection criteria has been examined in the literature. To this, Parkhe (1991) offers a typology accommodating the different criteria, namely Type I and Type II firm diversity. According to Parkhe, Type I diversity refers to the reciprocal strengths and complementary resources furnished by the alliance partners. On the other hand, Type II diversity refers to the differences in partner characteristics that often negatively affect the longevity and effective functioning of an alliance.

With reference to this proposed typology, some key variables are identified, including partners' complementary capabilities, their compatibility in culture (both national and corporate), their strategic directions and operational norms, their needs and interdependence (Lane and Beamish, 1990), their past association and reputation (Saxton, 1997), and even their organizational size or structure. Despite the large number, few studies have attempted to investigate the systematic relationship between partner selection criteria and JV performance (c.f., Luo, 1997). Nonetheless, a concise review based on a handful number of studies that have related the different characteristics of partners to JV performance is given below.

Resource Complementarity

In order to survive and succeed in the contemporary business world, firms both small and large have been involved in varying degrees of interfirm collaboration (Doz and Hamel, 1998). The locus of innovation is the direct result of the pooling up of complementary assets within the network of inter-organizational relationships (Powell, Koput and Smith-Doerr, 1996). In fact, Hughes, Ireland and Morgan's (2007) recent empirical work lent support to this notion by showing that extensive network interaction, based on resource-seeking and knowledge-seeking behaviors, results in value creation.

JVs are thus formed by taking advantage of the complementary resources of the partners. The concept of partner complementarity is mainly examined in terms of the resources/capabilities that partners possess and bring into the partnership (e.g., Chung, Singh and Lee, 2000; Harrigan, 1988; Geringer, 1991; Luo, 2002b; Sarkar, Echambadi, Cavusgil et al., 2001). These resources include technological know-how, human resources management/expertise, market knowledge, access to human and/or materials supply, established distribution channels, and even such subtle aspect as connection to the local government authorities (c.f., Beamish, 1987).

Resource complementarity is therefore conceptualized as the extent to which each partner brings in unique strengths and resources of value to the collaboration (Johnson, Cullen, Sakano et al., 1996). For example, Beamish's (1987) empirical findings suggest that MNE executives that are involved in high-performing ventures considered that their partners made contributions of long-term importance in four unique areas (local business knowledge, general managers, knowledge of local economy, politics and customers and functional managers), while those involved in the low-performing ventures did not consider any of their partners' contributions of long-term importance. Other studies that lent support to the link between resource complementarity between partners and partnership performance include those of Luo (2002a; 2002b) and Sarkar, Echambadi, Cavusgil et al. (2001).

Need and Resource Dependence

While the availability of potential partners sets the stage for forming a JV, it is their need of a partner that brings and keeps the partners together (e.g., Harrigan, 1987; Mohr and Spekman, 1994; Van de Ven, 1976). Beamish (1987) envisages that mutual long-term need between partners is the major force binding the partners together. He argues that firms will not form a JV when they do not need a partner for the various reasons of efficiency and effectiveness. This view is shared by Harrigan (1988) who contends that partners will stay together as long as they need each other and their venture remains successful. In his early work, Beamish (1987) classifies partner needs into five groups, namely *items readily capitalized, human resource needs, market-access needs, government/political needs, and knowledge needs*.

Beamish and Banks' (1987) analysis highlights the fact that in successful JVs the foreign partners attach more value to the importance of local partners' contributions in different aspects including human resources, government/political as well as local knowledge. Lee and Beamish's (1995) empirical finding also support proposition of the positive association between partner need and JV performance.

Compatibility

Compatibility refers to the similarity in outlook and objectives (Madhok, 1995) such that coordination costs in a collaborative relationship are reduced. It encompasses two dimensions, namely goal congruity and cultural compatibility. The compatibility concept closely reflects Parkhe's (1991) Type II diversity which comprises a set of dimensions including differences in societal culture, national context, corporate culture, strategic direction, and management practices and organization. In fact, at the more strategic level, the objectives and directions of the partner firms should be aligned (Yan and Child, 2002) such that the base for cooperation can be built. It is only when this condition is met that the potential for partner tensions and conflicts is reduced and a collaborative relationship is sustained. Empirical findings (e.g., Luo, 2002a; Saxton, 1997) that suggest the positive role of strategic compatibility between partners on JV performance are readily available.

Cultural compatibility, on the other hand, is crucial in the dynamic process of partner interactions and integration of resources typical in a collaborative relationship. Similar value sets and frames of reference reduce suspicions and misunderstandings. It contributes to the building up of a harmonious working relationship such that the process of decision making can be made more efficient and timely. On the other hand, cultural clash has been attributed with many incidences of relationship failure. Das and Teng (1998a) found that incompatible values, norms, and capabilities that are blended in a partnership would essentially result in high levels of stress.

Furthermore, cultural compatibility can be discussed at two levels in an international business context. According to Parkhe (1991) and Weber, Shenkar and Raveh (1996), culture at an international business setting can at least include societal (national) culture and corporate culture. While national culture is the set of common values prevailing over a nation or a set of nations, corporate culture refers to the set of organizational values that is specific to an independent firm. Both levels have bearing on the operational norms and collaborative working relationship and their intensity of impact on performance can vary to a large extent. This is evidential in Harrigan's (1988) early work. Her empirical evidence gathered from interviewing a sample of venture managers suggests that homogeneity in organizational culture among sponsors (parent firms) is more important to venture success than symmetry in their national origins (national cultural homogeneity). More recently, Sarkar, Echambadi, Cavusgil et al.'s (2001) empirical findings also suggest that similar cultural norms between partners are important to achieve strategic benefits. Other works such as those of Aulakh and Madhok (2002) and Fey and Beamish (2001) also offered support to the positive relationship between corporate cultural congruence and alliance performance.

2.2.2.1.2 Parent Control

Control represents a single theme that has received the most abundant attention in the existing studies of JV success (e.g., Beamish, 1993; Killing, 1983; Lecraw, 1984; Makino and Beamish, 1998; Mjoen and Tallman, 1997; Schaan, 1988; Yan and Gray, 1994). According to Geringer and Hebert (1989, p.236), "control refers to the process by which one entity influences, to varying degrees, the behavior and output

of another entity through the use of power, authority and a wide range of bureaucratic, cultural and informal mechanisms.” They propose a three-dimension typology to accommodate the different aspects of control, including: (1) the mechanisms by which the parents would exercise control; (2) the extent by which the parents could exercise control; and (3) the focus of control or the scope of activities over which the parents exercise control (Geringer and Hebert, 1989).

Mechanisms of Control

The most popular mechanism by which control is exercised is via the attainment of a majority of ownership or voting control in the JV. This is largely equivalent to obtaining a majority of equity ownership by the focal firm. Other than this, Schaan (1988) suggests a variety of mechanisms available to parent firms for exercising control over their IJVs (international joint ventures). They include: influencing the JV board meetings, spelling out provisions in formal agreements, appointing key personnel, participating in the JV planning process, specifying reporting relationships as well as a variety of other informal mechanisms.

As most of these *ex ante* control mechanisms are largely embedded in the initial JV contract, how well they can be implemented is thus a function of parent firms’ effective management of their secondees to the JV. Over the years, research (e.g., Geringer and Frayne, 1990; Gong, Shenkar, Luo et al., 2005; Lane and Beamish, 1990; Pucik, 2002; Shenkar and Zeira, 1987) has tapped the different HR (human resources) issues in the JV context in the hope to provide clues for securing effective JV control. For example, Shenkar and Zeira (1987) have identified several key personnel issues in JVs that might have contributed to problems in JV management and their high failure rates. These issues include conflict of loyalty, difficulty in performance appraisal/compensation, decision making complexity, and communication blockage. From a different perspective, Lane and Beamish (1990) highlight the importance of the HR recruitment and training processes in an international collaborative context. Nonetheless, JV scholars have acknowledged the complexity of HR management and their implications to JV control and performance. In a more recent research, Gong, Shenkar, Luo et al. (2005) distinguished two related yet distinct sets of HR processes that might have different performance implications to the international JVs, namely the HR processes within

the IJV and those at the interface between the venture and the parents. They found that both sets of HR processes have significant impact on JV performance.

Extent of Control

The extent of control exercised by the parent firms is another control dimension largely studied in the JV literature. This control dimension is operationalized as the degree of centralization of the decision making or the locus of decision making in a JV (c.f., Geringer and Hebert, 1989). Studies focusing on this dimension include those investigating into which party (a foreign partner, a local partner, the JV alone, or a combination of inputs from different parties) influences the decision of a particular area of activities on a list (Killing, 1983). As such, a dominant partner JV, a shared management JV, and an independent JV are differentiated from one another (Killing, 1983).

Focus of Control

Apart from examining the mechanisms and extent of control, scholars have suggested that control over some “strategically important activities” rather than the overall JV (Schaan, 1988) is oftentimes sufficiently effective. This constitutes the theme of the third dimension of control. In fact, how large the scope of activities that is needed to be “controlled” is contingent on how the parent firms perceive to be appropriate in view of utilizing their resources for controlling the JVs. Stated differently, a focal parent firm tends to exercise effective control only over those areas that it perceives as critical rather than to seek recourse to control the entire range of JV activities. By this, Geringer and Hebert (1989) propose a form of JV control very different from Killing’s (1983) dominant control. They termed this alternate form as “split control” JV wherein dominant control by a partner is exercised only over a selected number of critical areas of the venture.

Empirical Evidence Relating Parent Control and JV Performance

Over the decades, a number of influential works on the theme of control have been produced. The works of Killing (1983), Schaan (1988), Lecraw (1984), Geringer and Hebert (1989), Beamish (1988; 1993), Yan and Gray (1994), Mjoen and

Tallman (1997), among others, are the most widely referenced. Some of their important findings are reviewed in this section.

In Killing's work (1983), how control is exercised across a range of key operational decision makings was examined. Accordingly, his findings lent support to the notion that a dominant partner JV outperforms its counterparts. Meanwhile, Schaan (1988) cautions about the implicit assumption that parents would tend to seek effective control over the JV's whole range of activities. Based on his interviews of managers in 23 JVs, he came up with the argument that parent firms would only select a handful number of activities that it considers to be strategically important and exercises control over them. Put differently, "who controls what makes a difference" (Schaan, 1988, p.43).

Beamish's research undertakings in examining the control aspect of JVs in less developed countries further challenge the relationship between dominant control and superior JV performance. For example, his findings suggest that a shared/split control JV attains greater success (Beamish, 1993). Earlier, Lecraw's (1984) study also found that control of critical operational variables is associated with high level of success. In his study of the relationships between bargaining power, control and performance in a sample of transnational corporations (TNCs) which operated subsidiaries in developing countries, Lecraw also showed that effective control can be exercised by a TNC over factors of operation in its subsidiary that are important to it, even though it has a low level of equity participation.

Yan and Gray's (1994) work represents another important piece in the study of parent control. They examined the relationships of bargaining power, management control and IJV performance in a comparative case study of four international JVs in China. Their findings are consistent with those of Beamish (1993) that a shared management structure is recommendable in the context of a less developed country like China. The reason they propose is that in developing countries, the management control exercised by the foreign and the local partners may be more differentiated and complementary in nature. Additionally, their findings also suggest that when moderated by variables such as mutual trust, shared objectives, or highly institutionalized goals, the presence of a dominant foreign partner would still satisfy both partners' needs.

As JV research advances, researchers start to caution about the bias that is posted by adopting a single-parent perspective, typically that of the foreign partner. For example, Luo, Shenkar and Nyaw's (2001) more recent work contributes to fill the void of a dual parent perspective by examining the relationship between control and performance. They argue that because of the differences in parents' culture as well as their contributions to and expectations from the JVs, the control-performance relationship perceived by each of the parents would likely be very different. As such, Luo and his colleagues examined how the extent and scope of control exercised by parents affect their respective satisfaction level. Empirical evidence which they collected in China showed inconsistent results between the foreign and local partners with respect to the control-performance relationship. Foreign parents are satisfied with performance when they can exercise overall and specific controls. On the other hand, Chinese parents are satisfied while they can exercise specific, but not overall control. Moreover, they also found support that under goal incongruity, Chinese parent control is associated with foreign parent dissatisfaction with venture performance, but not vice versa.

2.2.2.2 Behavioral (Relational) Variables

The essence of entering into a JV is to exploit an opportunity that is not readily available to any firm in question. As such, the success of the relationship hinges on the effective interfirm cooperation (Das and Teng, 1998b; Ring and Van de Ven, 1992) between the partners. Specifically, the set of behavioral or relational variables is conceptualized to tap the dynamics and quality of the partnership relationship.

As the relational variables are geared to capture the partnership relationship dynamics, they must be process-based (Gulati, Khanna and Nohria, 1994; Mohr and Spekman, 1994; Ring and Van de Ven, 1994). In addition to this nature, they are qualified both as input and output variables (e.g., Johnson, Cullen, Sakano et al., 1996). When viewed as input variables, they are associated with JV performance and when viewed as output, they could be the direct outputs of some antecedent variables as discussed earlier, such as partner compatibility, control, conflict, and even the very motives for the JV formation. For the purpose of a review of factors contributing to JV performance, only their roles as input variables are discussed. As

such, their relationships to JV performance constitute the major focus of the discussion in this section. Before proceeding to developing an account of these relational variables, the core concepts of forbearance and reciprocity are discussed.

Forbearance and Reciprocity: the Bedrock of Relational Capital

The core dimension of relational capital rests on the two concepts of forbearance and reciprocity (c.f., Buckley and Casson, 1988; Parkhe, 1993a), which are manifested in such relational variables as trust, commitment and the suppression of opportunistic behavior. As illustrated by Buckley and Casson (1988), an inalienable *de facto* right to pursue one's own interests at the expense of others is endowed to each partner via the formation of a venture. All parties involved therefore can choose either one or both of the ways to cheat in the relationship: committing a damaging act; and/or simply omitting to perform a beneficial one. It is only when a party refrains from cheating in either way that s/he is said to forbear.

The discussion of forbearance often comes hand in hand with the concept of reciprocity. The notion of reciprocity persists in all successful relationship. In most of the JV and related literature, reciprocity is identified as a key variable that every collaborative relationship is striving to build (e.g., Buckley and Glaister, 2002; Larson, 1992; Parkhe, 1993b). Among others, Larson (1992) has conceptualized reciprocity as the importance of good personal relations, and trust-based cooperation that provides control and coordination and enhances the effectiveness of network forms. Reciprocity is analogous to a balance on which a balanced state is maintained when both parties involved continuously participate in a series of mutually beneficiary actions and reactions. For a cooperative relationship to work, it is therefore critical for a partner to forbear at the outset and to continue forbearing as long as others do. This reciprocal basis of forbearance is termed mutual forbearance (Buckley and Casson, 1988). And it is through the establishment of mutual forbearance that a JV grows and prospers.

Despite the many references of the concepts of forbearance and reciprocity, these two concepts in their own right are not readily operationalized in the literature. This is believed to be attributable to their elusive nature. Throughout the literature, manifest constructs such as mutual trust and commitment (e.g., Beamish and Banks,

1987) are extensively discussed. On the other hand, constructs such as opportunistic behavior and relational risk are also conceptualized with an implicit reference to forbearance and reciprocity. Recently, procedural justice (e.g., Johnson, 1997; Luo, 2005) which is defined as the fairness of an alliance's strategic decision-making process and the procedures that influence each party's gains and interests, as perceived by the boundary spanners who represent each party (Luo, 2005, p.696), has also been regarded as a performance-enhancing mechanism. In fact, Luo (2005) found that shared procedural justice has a stronger effect on profitability than unilateral procedural justice does. That is, performance is enhanced when both parties in a partnership perceive that they receive fair treatments in terms of their participation in decision makings and the appropriation of benefits.

Another widely examined construct pertaining to reciprocity is information exchange. Information asymmetry sets the stage for opportunism (e.g., Bucklin and Sengupta, 1993; Williamson, 1985). This is echoed by Mohr and Spekam (1994) who assert that information sharing enables partners to be knowledgeable about each other's business and in turn facilitates relationship maintenance. Larson's (1992) empirical findings also shed light on reciprocity in terms of information exchange. He showed that the norm of reciprocity gradually evolves to govern the increasing number of communications and exchanges which extend beyond the partnership's primary activities. Therefore, reciprocal information exchanges provide partners in the system with meaningful and timely information that create transparency in the relationship (Sarkar, Echambadi, Cavusgil et al., 2001).

In fact, Gulati, Khanna and Nohria's (1994) findings as derived from their field interviews showed that a regular and comprehensible stream of information about the partnership's progress is a prerequisite to its success. Similarly, Sarkar, Echambadi, Cavusgil et al.'s (2001) empirical finding showed that bilateral information exchange enhances the strategic aspect of partnership performance. However, other studies including those of Aulakh, Kotabe and Sahay (1996) and Büchel and Killing (2002) failed to establish a relationship between partner information exchange and JV performance.

The inconsistency of empirical findings in the relationship between partner information exchange and JV performance provides little guidance for JV managers

and other strategists in understanding the effect of information flow within the JV system. Therefore, how information is shared and utilized in these JV settings needs a lot more research.

2.2.2.2.1 Opportunism

Opportunism is closely linked to the constructs of forbearance, reciprocity, trust and commitment. The latter three constructs collectively contribute to a cooperative working relationship by deterring the effect of the former. The risk of opportunism is inherent in many transactions (Hill, 1990). Opportunism is defined as "self-interest seeking with guile" (Williamson, 1985, p.47). When considered in a more general form, opportunism refers to a partner's calculated efforts to disclose incomplete or distorted information so as to confuse or mislead others (Williamson, 1985). Opportunism is a central tenet of institutional theories and in particular, transaction cost economics. Propelled by such assumptions that firms participating in joint tasks tend to pursue self-interests even at the expense of their partners or the collaborative task itself (Das and Teng, 1998a; Gulati, 1995b; Parkhe, 1993b), opportunism is an integral part in the JV and alliance literature. Despite its importance, prior works in the literature have scarcely operationalized this concept. Some of the exceptions are discussed below.

In an influential study, Parkhe (1993b) has operationalized opportunism as the partner's perception of opportunistic behavior undertaken by its counterpart. A game theoretic and transaction cost approach was thus adopted to test the relationships between perception of partner opportunism and alliance performance on a sample of 111 interfirm alliances. Parkhe's findings lent support to the negative relationship between the perception of opportunistic behavior and alliance performance. This is one of the exceptions in the alliance literature that has exclusively treated partner opportunism as a focal variable of concern. A recent study conducted by Luo (2007) has also provided empirical evidence on the negative impact of partner opportunistic behavior on JV performance. In sum, despite the theoretical appeal of the negative association of partner opportunistic behavior and JV performance, the dearth of empirical evidence has provided little practical guidance.

2.2.2.2.2 Trust

Other than parent control, trust is another widely researched concept within the JV and related literature. In Madhok's (1995, p.126) words, trust is "both an input and output of a relationship and infuses the relationship with value." Trust is defined as a willingness to rely on an exchange partner in whom one has confidence (Moorman, Zaltman and Deshpande, 1992, p.315). Such kind of willingness is in turn a function of top management involvement in the relationship and a history of cooperation prior to the formation of the JV (Inkpen, 1997). Trust is therefore a product of repeated interactions among the participants observing the norms of equity and reciprocity (Ring and Van de Ven, 1994).

A greater ability to rely on trust generally lowers the transaction costs (time and effort) associated with negotiation and execution of a cooperative arrangement. In fact, the benefits of nurturing trust in the JV context have been well documented in the literature (e.g., Aulakh, Kotabe and Sahay, 1996; Heide, 1994; Hill, 1990; Madhok, 1995; Parkhe, 1998; Ring and Van de Ven, 1992; 1994). Moreover, many authors (e.g., Dwyer, Schurr and Oh, 1987) suggest that trust is a substitute for hierarchical governance or other formal mechanisms to safeguarding against opportunism. A relationship built on trust is more effective in checking partners' opportunism than contracts are (Makino and Beamish, 1999). Trust is viewed as a special form of psychological commitment between JV partners that facilitates their mutual resource-access incentive (Makino and Beamish, 1999, p.23). According to Parkhe (1998), trust improves alliance performance by acting as a lubricant. In this sense, trust can enhance JV performance by improving cooperation (Das and Teng, 1998b) and at the same time reducing the costs of monitoring.

Despite the fact that trust has been so widely considered as a lubricant to a relationship (Madhok, 1995), empirical findings that relate it directly to performance are sparsely available. Among the few empirical studies, trust for example is found to enhance market performance when asset specificity is high (Aulakh, Kotabe and Sahay, 1996). Other empirical findings supporting the direct positive relationship between trust and partnership performance include Mohr and Spekman (1994), Lane, Salk and Lyles (2001) and Sakar, Echambadi, Cavusgil et al. (2001). Other than a direct positive relationship between trust and performance, Krishnan, Martin and

Noorderhaven (2006) in a recent study also found that the positive impact of trust on alliance performance is moderated by both behavioral and environmental uncertainty.

2.2.2.2.3 Commitment

The concept of organizational commitment has its roots from studies of individual's desire to maintaining organizational membership. Early studies on commitment focused on examining individual's attributions and acceptance of organizational goals and values (e.g., Reichers, 1985).

The concept of commitment has since then been extended to the organizational context where commitment is viewed as something that binds organizations together. Research at the organizational level examines commitment primarily as part of the organization-to-organization relationship. This new application, as it stands, is especially relevant in partnership arrangements such as JVs. Such an application is found in Cullen, Johnson and Sakano's (1995) work which operationalized organizational commitment to an IJV relationship. According to Cullen, Johnson and Sakano (1995), commitment at the organization level reflects the *actions* and *values* of key decision-makers in terms of some fundamental issues such as the continuation of the relationship, acceptance of the joint goals and values of the partnership, and the willingness to invest resources in the relationship. In this regard, commitment refers to the willingness of exchange partners to exert effort on behalf of the relationship (Mohr and Spekman, 1994). There are two facets and hence two definitions of commitment. One as suggested by authors such as Sarkar, Echambadi, Cavusgil et al. (2001) is the commitment of resources (both skills and other key resources) by partners. The other is a future orientation in which partners attempt to build a relationship that can weather unanticipated problems (Mohr and Spekman, 1994, p.137).

Despite the strong theoretical appeal to a multidimensional conceptualization of commitment, authors engaged in JV studies generally favor a global measure and investigate inter-organizational commitment on either one of the two dimensions (Beamish and Banks, 1987): commitment to a course of action (subdivided into commitment to international business and commitment to the joint-venture structure)

and commitment to a particular project (subdivided into commitment to a particular venture and commitment to a particular partner). As it stands, commitment therefore can practically exist between any organizational players/units in a system of cooperative relationship. For example, Lane and Beamish (1990) mention two primary levels of commitment in a JV arrangement: that exists horizontally among the partners themselves (partner-partner commitment) and that vertically from the partners to the JV as a separate entity (partner-JV). Specifically, they state that “a sense of duty to the venture and partner is the basis on which problems are addressed and solved, changes made, and help provided” (Lane and Beamish, 1990, p.99). Therefore, when commitment is examined in the JV context, it is important for a researcher to explicitly distinguish the level s/he intends to examine.

In addition to the above discussion, the different facets of commitment could demonstrate considerable variations in relation to these two levels in a JV arrangement. First and foremost, at the horizontal level of partner-partner commitment, the future orientation that can bind the partners together is more relevant. Therefore, their willingness and determination to make the cooperative relationship work out is paramount. This is translated to their capacity to tolerate conflictual situations, to be more willing to sit down and re-negotiate, and to be more ready to support one another at bad times.

Given the partners are committed to the relationship; the vertical level of commitment from the partners to the JV should be more focused at the willingness and readiness of partners to commit resources to the JV. Commitment at this level includes financial and human resources commitment; commitment to customer and product support; or even to the building of trust and sharing of information, to name a few. With the availability of resources, the JV's efficiency and effectiveness could be enhanced.

Overall, researchers have made many attempts to establish a relationship between commitment and some desirable outcomes. When considered as an independent or input variable, commitment has the power to reduce opportunism (Beamish and Banks, 1987) and overcome some potential problems attributable to the running of a JV (Lane and Beamish, 1990; Makino and Beamish, 1999). For example, Beamish and Banks (1987) propose a negative relationship between commitment and

opportunistic behavior, and a positive relationship between commitment and IJV performance. A good deal of empirical evidence (e.g., Gulati, Khanna and Nohria, 1994; Isobe, Makino and Montgomery, 2000; Mohr and Spekman, 1994; Sakar, Echambadi, Cavusgil et al., 2001; Skarneas, Katsikeas and Schlegelmilch, 2002) is available that supports the notion that relationship commitment and resource commitment positively enhance JV performance.

2.2.2.2.4 Conflict

A major cause for the unsatisfactory performance or failure of JVs stems from the presence of two or more parent firms (Killing, 1982). This is the origin of conflicts that surface in virtually all aspects of the venture. In fact, conflict is a variable that is most frequently associated with parent control. A well-conceived control mechanism is antidote to a conflictual situation. Basically conflict can arise from two sources, namely, conflict of interests or conflict due to misunderstandings (arising from both organizational and national cultural differences) or different ideologies (e.g., Makino and Beamish, 1999; Xie, Song and Stringfellow, 1998). Examples of these sources of conflicts include divergent objectives, power struggles, task-interdependence, perceived inequality in distribution of costs and benefits, incompatible management styles and approaches, and differences in organizational as well as national culture of the partners (Ding, 1997).

Some authors further distinguish sources of conflict from manifest conflict in order to examine its impact on performance. For example, Dyer and Song (1997, p.476) define conflict as the “task-related disagreements arising whenever the goals of a person or group are perceived to be incompatible with those of another person or group – and one person or group interferes with the other person or group with the express intention of denying the other’s goals.” This definition highlights two salient characteristics: perceived differences in goals (sources of conflict), and interferences with express intention of denying the other’s goals (manifest conflict). While the former refers to perceived differences in goals and ideologies (Xie, Song and Stringfellow, 1998) between partners, the latter refers to their unhealthy behaviors such as information gate-keeping and distortion, hostility and distrust during partner interactions and the creation of obstacles which impede the decision making process within the JV (Morris and Cadogan, 2001). In the literature, JV success in terms of

the likelihood of survival (Steensma and Lyles, 2000) and other aspects of JV performance (Ding, 1997; Lane and Beamish, 1990; Lyles and Salk, 1996) has been found to be linked negatively with parental conflicts. Most of these studies examining the relationship between parental conflicts and venture performance have suggested that cultural differences which in turn reflected in management styles and approaches have been the major sources of conflicts.

In another line of reasoning, Ding (1997) has taken a task-related approach to examining conflict. He examined conflicts or disagreements with respect to those activities and decisions controlled by the American partner in a Sino-American JV. His findings suggest a negative relationship between parental conflicts over critical venture activities and JV performance. In another study, Steensma and Lyles (2000) examined the mediation effect of parental conflict on JV survival. They operationalize parental conflict as mistrust among parent firms, conflicting goals of parents and conflict over the original agreement. In their sample of IJVs in Hungary, they also found support for the hypothesized negative relationship.

2.2.2.3 Summary

The above review of the determinants of JV success, while not exhaustive, conveys the two basic directions in which research to date has progressed, namely in terms of the structural variables and the relational variables.

With respect to the *ex ante* set of structural variables, the factors of resource complementarity, cultural, strategic and operational compatibility as well as partner needs and dependence have received the widest attention among partner selection criteria. For example, the work of Harrigan (1988) in examining how partner asymmetries in terms of national culture similarity, relative asset sizes and venturing experience levels affect venture success exemplifies a typical study on relating the various partner characteristics to JV success.

Aside from the partner selection criteria, parent control on the JV activities is another research stream of vigor. Specifically, researchers have looked at the different facets of control and related each of them to JV performance. In fact, the relationship between parent control and JV effectiveness has been a principal

research topic spanning across different disciplines including the JV and related partnership literature, international business and strategic management. Empirical evidence collected thus far appears to suggest that a universally applicable equation of how control should be exercised and/or how much control should be exercised is basically nonexistent (c.f., Beamish, 1993; Killing, 1983; Schaan, 1988; Yan and Gray, 1994).

On the other hand, the salient role of those relational variables in prescribing the directions of the JV research efforts could be summarized in Parkhe's (1993a, p.227-228) comment that, "[f]orbearance becomes possible only when there is reciprocal behavior and mutual trust, which in turn only come about given an absence of opportunism". Hence, the many cooperative partnership studies are largely framed within the domains of these key, interrelated concepts (e.g., Aulakh, Kotabe and Sahay, 1996; Beamish and Banks, 1987; Larson, 1992; Madhok, 1995). While the association of this set of relational variables to JV success is theoretical appealing, academic efforts in extricating how they contribute to such success are unfortunately unproportionate to the huge volume that discusses their conceptualizations. Among the handful number of studies that have explicitly examined a direct relationship between these variables and JV performance, inconclusive results are often found (see Table 2.1 for a review of some important studies on the topic). As the proliferation of ventures is still gaining momentum, it is of paramount importance that academics and practitioners alike should initiate more efforts to studying the mechanisms that underlie the relationship of the set of relational variables and JV performance.

One promising avenue to bridge this gap is via the introduction of a market orientation in the JV context. Building on the premise of information processing and utilization, the role of market oriented behaviors has been frequently attributable to firm success in the contemporary business setting. As the value of an alliance lies in the exploitation of synergistic value-creating opportunities (Sarkar, Echambadi, Cavusgil et al., 2001), the process of information exchange in the JV system is of utmost importance. In this regard, developing a high level of market information processing activities is apparently instrumental to exploiting such synergistic opportunities. However, it is unfortunate that such scarcity in research efforts is

found in the extant literature and it represents a considerable deprivation of JV managers' rights in the practical sense. On the theoretical stance, it leaves a promising research opportunity unattended.

Having reviewed the set of determinants (in the form of structural and relational variables) of JV performance, it is time to take a closer look at the construct of JV performance *per se*. The assessment of JV performance has indeed represented a topic of much heated debates comparable to the volume of controversies that has been placed on its predictors. The next section provides a brief overview of the different opinions and perspectives that have been offered to evaluate JV performance.

Table 2.1: Selected Studies Relating the Structural and Relational Variables to JV Performance

Variables	Author(s)	Main effect		
		Supporting evidence	Opposite evidence	Nonsignificant evidence
Structural Variables				
Resource Complementarity	Hill and Hellriegel (1994)			Partner complementarity on performance
	Sarkar, Echambadj, Cavusgil et al. (2001)	Complementarity on project performance (note 1)		Complementarity on strategic performance (note 1)
	Luo (2002a)	Resource complementarity on IJV performance (IJV managers' subjective evaluation)		
	Luo (2002b)	Strategic and operational competences of foreign partners with local partners' satisfaction of performance		
Compatibility (strategic and operational)	Park and Ungson (1997)			Dissimilarity of strategic scope has no effect on JV dissolution rate.
	Saxton (1997)	Strategic similarities between partners enhance alliance outcomes.	Operational processes similarities between partners impede alliance outcomes.	

Table 2.1: Selected Studies Relating the Structural and Relational Variables to JV Performance (continued)

Variables	Author(s)	Main effect		
		Supporting evidence	Opposite evidence	Nonsignificant evidence
	Sarkar, Echambadi, Cavusgil et al. (2001)	Cultural compatibility on strategic performance (note 1)		Cultural compatibility on project performance (note 1)
	Luo (2002a)	Goal congruity on IJV performance (IJV managers' subjective evaluation)		
Compatibility (cultural)	Park and Ungson (1997)		Cultural distances are related to lower JV dissolution rate.	
	Fey and Beamish (2001)	Organizational climate similarity between partners on JV performance		
	Sarkar, Echambadi, Cavusgil et al. (2001)		Operational compatibility on strategic performance (-)	Operational compatibility on project performance
	Aulakh and Madhok (2002)	Corporate cultural congruence is positively associated with performance.		
Need and dependence	Mohr and Spekman (1994)			Interdependence on partnership success
	Lee and Beamish (1995)	Positive relationship between partner need and performance.		
	Beamish (1987)	Need of partners' long-term contributions		
Control	Killing (1983)	Dominant control by one partner is associated with superior performance.		
	Lecraw (1984)	Control of critical operational variables relates directly to success from the TNC's viewpoint.		
	Beamish (1993)	JVs with split control have stronger performance in PRC.		
	Hill and Hellriegel (1994)	Shared influence JVs have higher operational/technical performance.		Ownership/control has no influence on relational performance, financial performance and future performance potential.
	Yan and Gray (1994)	Shared control JVs demonstrate superior performance in developing country JVs.		

Table 2.1: Selected Studies Relating the Structural and Relational Variables to JV Performance (continued)

Variables	Author(s)	Main effect		
		Supporting evidence	Opposite evidence	Nonsignificant evidence
	Lee and Beamish (1995)	Positive relationship between control and performance.		
	Ding (1997)	Dominant managerial control by foreign partner enhances performance.		
	Mjoen and Tallman (1997)	Control has positive impact on performance.		
	Saxton (1997)	Shared decision making has positive impact on alliance performance.		
	Makino and Beamish (1998)	Majority-owned/ domestic JVs have better performance and survival consequences.		
	Luo, Shenkar and Nyaw (2001)	Both overall and specific controls are associated with performance for foreign parents. Only specific control is associated with performance for Chinese parents.		
	Yan and Gray (2001)	The partner that exercises more operational control can better achieve its strategic objectives		Achieving strategic or structural control does not predict a partner's attainment of its strategic objectives.
	Aulakh and Madhok (2002)	Alliances of shared decision making have better performance.		
	Child and Yan (2003)			Dominant foreign parent control does not predict JV performance.
	Choi and Beamish (2004)	Split control ventures perform better than any other type of ventures.		
Relational Variables				
Commitment	Mohr and Spekman (1994)	Satisfaction with manufacturer support, dyadic sales		
	Gulati, Khanna and Nohria (1994)	Unilateral commitment on alliance success (field interviews)		
	Lee and Beamish (1995)			No relationship between commitment and performance

Table 2.1: Selected Studies Relating the Structural and Relational Variables to JV Performance (continued)

Variables	Author(s)	Main effect		
		Supporting evidence	Opposite evidence	Nonsignificant evidence
	Isobe, Makino and Montgomery (2000)	Parent's resource commitment with JV performance.		
	Sarkar, Echambadi, Cavusgil et al. (2001)	Project and strategic performance (note 1)		
	Skarmas, Katsikeas and Schlegelmilch (2002)	Relationship commitment has strong effect on performance.		
Conflict	Habib (1987)	Parent conflict is negatively associated with satisfaction of partner's performance as well as satisfaction with aspects of JV performance.		
	Ding (1997)	Inter-partner conflicts has negative impact on performance.		
	Steensma and Lyles (2000)	Parental conflict has negative impact on IJV survival.		
	Yan and Gray (2001)			Inter-partner conflicts does not impede partners' attainment of strategic objectives.
Opportunism	Parkhe (1993b)	Perception of opportunistic behavior has negative effect on alliance performance.		
	Luo (2007)	Opportunism on JV performance.		
Trust	Mohr and Spekman (1994)	Satisfaction with profit		
	Aulakh, Kotabe and Sahay (1996)			Trust is not related to market performance.
	Lane, Salk and Lyles (2001)	Positive association between inter-partner trust and JV performance.		
	Sarkar, Echambadi, Cavusgil et al. (2001)	Project performance (note 1)		Strategic performance (note 1)

Note 1: Project performance is measured in terms of the partnership's profitability, efficiency, client satisfaction, and product quality, whereas strategic performance is in terms of partners' strategic and learning objectives.

2.2.3 Evaluation of JV success

The hybrid nature of a JV renders the evaluation of its performance highly controversial. Different perspectives have been offered among the practitioners and academics alike to assess its performance. These diverging opinions have in turn contributed to the proliferation of an even larger inventory of measures, which further complicates the matter of performance assessment. Among others, early studies on the topic have used a variety of indicators as proxies, including profitability and return on equity (Tomlinson, 1970 in Geringer and Hebert, 1989), the survival of the JV (Harrigan, 1988; Steensma and Lyles, 2000), its duration (Harrigan, 1988; Kogut, 1988) and instability (significant changes in ownership) (Harrigan, 1988; Kogut, 1989), and even the perception of parents in terms of their goals attainments or their overall satisfaction with the venture (Harrigan, 1988; Killing, 1983; Schaan, 1988). Child and Yan (2003) in their recent work, however, have opined that goal attainments of parents (goal perspective) and the soundness of the joint venture as a separate legal entity (system perspective) are the two major pillars of discussion. A good part of the literature on JV performance (or in essence, alliance performance) has been centered on either one or both of these two tracks.

As per the goal attainment perspective, academics (e.g., Child and Yan, 2003; Hill and Hellriegel, 1994) argue that in the context of a JV, the traditional metrics of performance are not readily applicable. Along this vein, authors have proposed to investigate how well the parents' strategic objectives (goals) have been fulfilled or how satisfied the parents are with respect to the JV's overall performance. When assessed against these parental goals, the emphases have been placed on: the fulfillment of the partners' learning objectives; entering a new market; capitalizing on economies of scale [as in the case of scale alliances (Dussauge, Garrette and Mitchell, 2000)]; or making use of the partners' technological skills and know-how [as in the case of link alliances (Dussauge, Garrette and Mitchell, 2000)]. An example of this view is evidenced from Mohr and Spekman's (1994) adoption of two indicators, one subjective (the partner's evaluation of how well the partnership performs against its expectation) and one objective (the sales volume between the dyadic partners) to evaluate the goal attainment of the partners in a dyadic relationship. Although these are commonly applied criteria, they could be

problematic in their own right as they involve questions such as from whose perspective the goals should be evaluated (e.g., Luo, Shenkar and Nyaw, 2001).

A second widely adopted perspective originates from the fact that JVs alone represent separate legal entities, albeit that they frequently are controlled closely by their sponsors (parents). The appropriate evaluation criteria should thus be set against the soundness of the entity as a separate system. Yet in reality, the evaluation of venture success is oftentimes performed in a way similar to what firms have to do with one of their own divisions, that is, much weight is being placed on the conventional financial reports (Anderson, 1990). Although placing too much emphasis on the performance of the JVs alone is problematic, Anderson (1990) still considers that JVs should be evaluated independent of their parents' objectives as she argues that "joint ventures should be evaluated primarily as stand-alone entities seeking to maximize their own performance, not the parents" (p.23). The rationale she offered is that parents do not always have compatible goals, by encouraging the JV to find its own way can best promote the venture's harmony among parents. This view is largely shared by authors who contend that the basis for JVs to satisfy parent goals is built upon their initiatives to formulating strategies in response to their own environmental forces (Child and Yan, 2003).

When the JV is evaluated as a stand-alone unit, a number of aspects pertaining to its success have been used, including the more traditional indicators of its survival/stability, and its sales level and profitability. Additionally, authors of the learning school have proposed some knowledge-based indicators like the accumulation of know-how and capabilities (Kogut, 1988) and the competency-based development of workforce and management expertise within the JV (Lyles and Salk, 1996) as evaluation criteria. Other subjective measures have also been used, including but not restricted to the whole bunch of measures such as the overall satisfaction level of the JV managers in terms of profitability, customer satisfaction, sales volume, employees' satisfaction level, and the like (c.f., Anderson, 1990). Lyles and Salk's (1996) operationalization of the construct of IJV performance exemplifies this view by actively blending the traditional metrics of performance with the competency-based criterion in evaluating the JV performance. A typical example is found in Luo's (2002c) work that operationalized JV performance as the level of satisfaction

pertaining to four areas of the venture itself, namely, profitability, sales level, competitive position, and overall performance.

Despite Anderson's (1990) early effort in attempting to offer a frame of reference for the assessment of JV performance, the debate still goes on. However, more recent works have favored a dual perspective (e.g., Child and Yan, 2003; Hill and Hellriegel, 1994; Parkhe, 1993c) in evaluating JV or partnership performance. Proponents contend that the evaluation exercise, if intended to be valid at all, should be based on how well the parents achieve their respective goals and how healthy the JV is as a separate legal entity (Child and Yan, 2003). In line with this view, Parkhe (1993c) has operationalized the performance construct as comprising three dimensions, namely, how well the *very important* strategic needs of the parents are fulfilled; how much is the net "spillover" effect obtained by the parent firms; and how well the strategic alliance has performed relative to parents' expectations. Similarly, Sarkar, Echambadi, Cavusgil et al. (2001) used two measures to serve as proxies for performance. The first one probes the economic performance of the venture, or project performance (common benefits available to both partners) and the second is related to the strategic aspects of the relationship, or strategic performance (private benefits accrued to the focal partner firm).

While this track is taking shape, it is far from a consensus is being reached. As Parkhe (1993c, p.312) makes the point, "[t]here is much disagreement among business scholars on a valid measure of performance, and the disagreement is likely to persist for some time." And the controversy will remain so long as the different perspectives are relevant theoretically and practically. However, on the principle that the formation of a JV involves the creation of an independent unit, a JV should therefore be judged as though it were an autonomous company (Büchel, Prange, Probst et al., 1998, p.200). Managers should be recognized as how well they have taken advantage of opportunities, and/or systematically reduce costs, etc. in the course of running the JV. These metrics provide evidence about how well the JV is being run as an enterprise in its own right (Anderson, 1990; Isobe, Makino and Montgomery, 2000; Lane, Salk and Lyles, 2001; Luo, 2002a; 2002c; 2007).

2.2.4 Conclusion and Comments

The above review has produced a succinct account of the key determinants of JV in the extant literature. Since most of the existing studies have followed a contingency approach (Luo and Park, 2004), the underlying mechanism which relates the different contingency variables to JV performance is hardly certain. As such, the extant literature has produced inconsistent results pertaining to the direct relationship between this set of variables and JV performance. As JVs are often formed in the hope to jointly exploit synergistic opportunities (Sarkar, Echambadi, Cavusgil et al., 2001), especially those from the open market, their capability to collect and process market information is key to their success. This study thus attempts to add back the missing link by seeking recourse to the marketing discipline. Specifically, the set of market oriented activities gearing at market sensing and market information utilization is introduced as a mediating variable that hook up the contingency variables and JV performance. The next part is thus dedicated to a thorough review of the existing market orientation literature.

2.3 MARKET-ORIENTATION LITERATURE REVIEW

2.3.1 General Overview of Market Orientation

This part provides a detailed synthesis of the basic constructs as investigated in the current study. Firstly, a brief overview of the evolution of the marketing concept on which the tenets of market orientation develop (e.g., Kohli and Jaworksi, 1990; Narver and Slater, 1990) is given. Next, an elaboration of the two major conceptualizations: philosophical versus behavioral views, together with a discussion of their subsequent measurement of the market orientation construct is presented. Following which, empirical evidence lending support to the notion that being market oriented is important, especially to the market-related aspect of a firm's performance, is presented and discussed. The fourth section is dedicated to a review of the different factors which have been proposed as antecedents to market oriented behaviors. To end this part, a summary of the facts as identified in the market orientation literature is rendered.

2.3.2 Market Orientation and the Marketing Concept

Baker (1983) considers that the renewed interest in creating a satisfied customer as driven by the mass production and an era of abundance in the 1950s is merely a reappraisal of the marketing concept. He contends that marketing could be as old as exchange relationships themselves given the early definition of marketing as 'a process of exchange between individuals and/or organizations which are concluded to the mutual benefit and satisfaction of the parties' (Baker, 1983, pp. 10-11). This view that marketing is nothing more than a process of value creation for the exchange parties is reinforced by Drucker (1954, quoted in Webster, 1992, p.2) who asserts that the main purpose of any business is to create a satisfied customer at a profit. At this early stage of development, the marketing concept is all about facilitating sales or creating value for the exchange parties.

The second phase of development for the marketing concept dates back to the 1970s and 1980s. The quality movement at that time triggered the notion of continuous improvement through a redefinition of innovation, which initiated the quest for new and better solutions to tackle customer problems (Webster, 1994). This quest in turn also constitutes the major hallmarks of the new marketing concept. As continuous improvement applies more to processes than products (Webster, 1994), this new focus has shifted the marketing discipline to processes rather than products themselves. This drastic shift in the content and focus of the marketing concept was reinforced by the market environment in the 1990s, when the third phase of development began. The excess productive capacity and stagnation of demand at that time rendered the sales orientation that was embraced by the old marketing concept largely noncompetitive. It is from this time onward that the new marketing concept has been fueled. Shapiro's (1988) definition of three critical characteristics of a market driven firm exemplifies the new direction: a dual focus on market intelligence generation and an organization-wide processing of such intelligence. These characteristics include: (1) information on all important buying influences permeates every corporate function; (2) strategic and tactical decisions are made interfunctionally and interdivisionally; and (3) divisions and functions make well-coordinated decisions and execute them with a sense of commitment. Under the new marketing concept, the objective is thus shifted to developing a customer

relationship in which the sale is only the beginning and the concept of customer value is at its core and becomes the central element of all business strategy (Webster, 1994).

The definition of the new marketing concept posits that the knowledge, understanding, and commitment to creating customer value are not the special province of the marketing department, but shared throughout the organization. As marketing becomes part of the organization's culture as well as the knowledge systems that guide decision making at all levels (Webster, 1994), everyone in the firm must be charged with responsibility for understanding customers and contributing to developing value for them (Webster, 1992, p.14). Furthermore, before firms can implement the new marketing concept, they must actively manage the organizational culture, strategy, and organization structure (Webster, 1994) so that both the soft and hard parts of these firms are aligned to support such a new orientation.

As such, in the early 1990s, a new wave of research burgeoned and focused on the various issues of operationalizing the marketing concept (e.g. Kohli and Jaworski, 1990; Narver and Slater, 1990). Kohli and Jaworski (1990), and Narver and Slater (1990) are among those who have been especially keen on advancing the theory based on the marketing concept. Believing that the marketing concept has been too idealistic and thus has limited practical value (e.g., Day, 1994b; Kohli and Jaworski, 1990), Kohli and Jaworski (1990) propose to look for operational definitions. Based on an extensive review of the extant literature, they have come to identifying customer focus, coordinated marketing as well as profitability as the operational manifests of the concept, which they articulate as "market orientation".

2.3.3 Market Orientation: Philosophy versus Behavior

Since the resurgence of interest in the concept of market orientation about two decades ago, a considerably huge volume of literature centering on the various aspects of the construct has been accumulated. Yet interestingly, despite market orientation has been widely attributed in the marketing literature as though it is a well defined and understood concept, what it exactly is has still remained a subject of heated discussion.

The proliferation of empirical studies on the market orientation concept is largely attributable to the two influential works published by Kohli and Jaworski (1990) and Narver and Slater (1990) in the *Journal of Marketing*. Although these two research groups differ in their definitions as well as operationalizations of the market orientation concept, they do agree that market orientation is embedded in a cultural or philosophical base. They also concur that a market orientation is important for businesses in such a way that it aligns the focus and efforts of all organizational members in creating values for target customers (Morgan, 2003). Apart from the strong theoretical underpinnings that inspire many later studies, their differing views on the conceptualization of the market orientation construct have triggered a prolonged debate about the philosophical or behavioral perspectives for conceptualizing the construct. In fact, as Cadogan (2003, p.101) points out, “influential marketing scholars have disagreed in terms of the extent of market orientation’s cultural content.” As such, a research agenda especially geared to integrate the extant literature on the two views is thus paramount.

The following provides a revisit of the domain of the two mainstream views, namely the philosophical and behavioral perspectives, in defining a market orientation. At the end of this review, a synthesis of the literature and the position in terms of conceptualization to be adopted for the execution of this study is offered.

2.3.3.1 Philosophical Perspective

Among some researchers, market orientation is believed to be a philosophical concept that has its roots from the organizational culture (Cadogan, 2003). It is conceived as the guiding philosophy that nurtures organizational behavior for creating value for customers (e.g, Day, 1990; Deshpande, Farley and Webster, 1993; Narver and Slater, 1990). Day’s (1994a) account of shared mental models among managers for information processing represents a typical viewpoint among these scholars. More elaborately, Dreher (1994, p.155) argues that firms’ market orientation is “embedded in the cognitive sphere and influenced by personal factors, leading to a certain view of reality and forming organizational characteristics such as goals, strategies, structures, systems and activities”. To this line of thought, Cadogan (2003, p.101) remarks that market orientation as viewed from the philosophical perspective “is an organization cognition – an intangible organizational state-of-

mind – which emphasizes philosophical notions such as customer-oriented values, norms, and beliefs, market and customer focus and customer commitment.” Under this perspective, the marketing concept and market orientation are interwoven (Shapiro, 1988; Narver and Slater, 1990).

Narver and Slater’s (1990) view on market orientation is among the most widely referenced ones. They argue that a market orientation should be understood as the underlying beliefs system (Narver and Slater, 1998) of an organization such that its processes and activities are aligned to creating values for its customers (Narver and Slater, 1990). They further elaborate that the market oriented culture provides a solid foundation for the value-creating capabilities to thrive, which in turn enable a business to consistently deliver superior value to its customers. This culture, being articulated as an intangible resource (Webster, 1992), is capable of providing an organization with impetus for developing competitive advantages (Slater and Narver, 1994b) over time. Interestingly, although Narver and Slater have adhered to a philosophical approach in defining market orientation, they follow largely a behavioral approach to operationalize the concept at the outset. As pointed out by Deshpande and Farley (1998a), only one out of 15 items in their measurement scale deals specifically with cultural values. The inconsistency between the definition and measurement scale of Narver and Slater’s approach to the market orientation construct is hence extensively queried by the behavioral camp.

Day (1994b) appears to be another supporter to the philosophy-based conceptualization as he advocates the prevalence of shared mental models among managers for value creation. In his view, the mental models of managers for information processing are central to the market sensing capability because decisions such as which piece of information to act on; how it is interpreted and subsequently utilized, all reflect the underlying decision rules carried by these managers. As a matter of fact, the theme of Day’s conceptualization is to get committed to the processes, beliefs, and values that reflect the underlying philosophy which stipulates that creating a satisfied customer is the *raison d’être* of any organizations (Felton, 1959). Deshpande, Farley and Webster (1993) also share this view in conceptualizing customer orientation (they do not distinguish between a customer orientation and market orientation). Based on the organizational cognition

paradigm, they envisage organizations as knowledge systems such that customer orientation is commensurate with “a set of beliefs that puts the customer’s interest first, while not excluding those of all other stakeholders such as owners, managers, and employees, in order to develop a long-term profitable enterprise” (Deshpande, Farley and Webster, 1993, p.27).

The philosophical view is also shared by Hooley, Lynch and Shepherd (1990) who propose that the marketing concept should be considered a guiding philosophy for the whole organization. Hooley and colleagues suggest that by placing emphasis on the philosophy of marketing, the values and attitudes, and in turn activities of the whole organization would be fostered accordingly. Ultimately, performance would be improved.

Built on the philosophical perspective, Homburg and Pflesser (2000) conceptualize market orientation as a component of a multiple-layer organizational culture which they name “market oriented organizational culture”. This particular form of organizational culture consists of four components, including values supporting market orientation, norms for market orientation, and artifacts of market orientation and market oriented behaviors. They propose that market oriented behaviors and the associated artifacts are respectively shaped by the norms for market orientation and the set of shared basic values that are prevalent in an organization. Within their cultural framework, market orientation is treated as overt behaviors while values, norms and artifacts are antecedent to such behaviors.

Homburg and Pflesser’s (2000) multiple-layer approach indeed finds numerous supports from the philosophical school. For example, Slater and Narver (1995) describe market orientation as an overall organizational value system that provides strong norms for information sharing and interpretation, and even assert that (Narver and Slater, 1998) the consistency in behavior and performance is based on a strong underlying culture. Their contemplation of market orientation unambiguously suggests the existence of an underlying value system that is manifested through the overt market oriented behaviors. Similarly, Harris (1996; 1998) has also asserted that the market oriented culture is multiple-layered: consisting of assumptions, values and artifacts. In Harris’s (1998) view, the information processing behaviors contemplated by Jaworski and Kohli (1990) are in essence information artifacts.

In summary, many philosophical advocates have suggested, explicitly or implicitly that the concept of market orientation is in fact multifaceted. They generally argue that market orientation is an organization-wide culture or value/belief system that navigates the firm and drives the corresponding behaviors of organizational members for the attainment of superior performance. Harris's (1998, p.360) definition of a market oriented culture as "the dominant, dynamic segment of an organization whose orientation, attitudes and actions are geared towards the markets" vividly portrays such a scenario.

2.3.3.2 Behavioral Perspective

In spite of the fact that the philosophy-based perspective has shown particular relevance on the definition of the market orientation construct (Homburg and Pflesser, 2000), advocates of the behavior-based perspective are more preoccupied with the behavioral traits of a market orientation. The perspective of the behavioral proponents in principle focuses on the set of information processing activities which underpins market orientation (Cadogan, 2003, p.101). This group of authors contends that managers who oftentimes being constrained by organizational resources may not take corresponding actions or behave in ways consistent with what they believe. For instances, although Jaworski and Kohli (1996) agree that beliefs and values have significant impact on behavior, they argue that merely believing in something may not lead to the corresponding actions/behavior. The belief that being market oriented can yield positive consequences is perceived as a necessary but not sufficient condition for value creation. In fact, many behavior-based proponents (e.g., Bhuain, 1998; Cadogan, Dimanatopoulos and Siguaw, 2002; Deng and Dart, 1994; Homburg and Pflesser, 2000; Hunt and Morgan, 1995; Jaworski and Kohli, 1993; Kohli and Jaworski, 1990; Matsuno and Mentzer, 2000; Ruekert, 1992; Shapiro, 1988 among others) view market orientation as the implementation of the marketing concept and support Kohli and Jaworski's (1990) proposition that a business is market oriented to the degree that it gathers market intelligence, disseminates that intelligence, and analyzes and responds to that intelligence (Cadogan, 2003).

Kohli and Jaworski (1990; Jaworski and Kohli, 1993) conceptualize market orientation as three behavioral components including generation of market

intelligence pertaining to current and future needs of customers, dissemination of the intelligence across departments, and responsiveness to it. Blending the literature and field interviews, they conclude that the central tenets of the market orientation construct should contain three features: (1) the breadth of intelligence to extend to the market instead of purely on customers, (2) an emphasis on interfunctional coordination of all organizational resources pertaining to intelligence use, and (3) a focus on intelligence processing rather than the effects of these activities (Kohli, Jaworski and Kumar, 1993, p.468). The content of the three behavioral components are reviewed as follows.

Intelligence Generation

Several key features subsumed under this component are discussed here. Firstly, market intelligence is a broad concept that includes attending to customers' expressed needs as well as their latent needs, or other factors that would influence their needs. Secondly, intelligence may be generated through formal as well as informal channels. It does not rely solely on formal market surveys or reports. Thirdly, intelligence generation is not the exclusive responsibility of the marketing function. It is an organization-wide commitment. And fourthly, generation of market intelligence does not stop at obtaining customer opinions, but also involves careful analysis and subsequent interpretation of the forces that impinge on customer needs and preferences.

Intelligence generation involves two dimensions (Jaworski and Kohli, 1996): the breadth or scope of market forces to be monitored, and the quality of intelligence being generated. A wide array of market forces (Jaworski and Kohli, 1996; Matsuno, Mentzer and Rentz, 2000) including customers, competitors, regulatory and societal factors among others, should be constantly monitored. However, dictated by the nature of the products/services of the focal firm, these factors might receive a varying degree of emphasis. On the other hand, quality of the intelligence refers to the quality of the analysis and interpretation process done prior to the transmission of the intelligence having been generated (Jaworski and Kohli, 1996). In fact, research findings show that perceived intelligence quality bears positive impacts on intelligence use in a firm (Maltz and Kohli, 1996).

Intelligence Dissemination

Intelligence dissemination refers to the diffusion of market intelligence across the functional boundaries within an organization. In order to respond to customers' needs, an organization must in the first place put up well conceived communication mechanisms so that market intelligence could be disseminated across the different functions. To signify the importance of intelligence dissemination, Kohli and Jaworski (1990, p.5) suggest that "market intelligence must be communicated, disseminated, and perhaps even sold to relevant departments and individuals in the organization." On the other hand, market intelligence need not always be disseminated by the marketing to other functions. In fact, it could flow otherwise, depending on where it is generated such that relevant and timely intelligence pertaining to customer needs are readily available for decision making. One example demonstrating the importance of bidirectional communication is offered by Zeithaml, Parasuraman and Berry (1990), who have depicted the importance of horizontal communication in service organizations. Moreover, in order to facilitate efficient dissemination, the corresponding mechanisms must be set up both formally and informally. While formal procedures are apparently important, informal channels are invaluable for intelligence dissemination among employees. Overall, effective dissemination of market intelligence is important because it provides a shared basis for concerted actions by different departments (Kohli and Jaworski, 1990).

Responsiveness

Intelligence is valueless until it is acted on and utilized. As such, responsiveness refers to those actions taken in response to the market intelligence that has been generated and disseminated (Kohli and Jaworski, 1990, p.6). Specifically, it "takes the form of selecting target markets, designing and offering products/services that cater to their current and anticipated needs, and producing, distributing, and promoting the products in a way that elicits favorable end-customer response" (Kohli and Jaworski, 1990, p.6).

Responsiveness involves two components of response design and response implementation (Jaworski and Kohli, 1996). The former is about using market intelligence to develop plans and marketing programs to satisfy customers' current

and latent needs and the latter is about executing such plans in a timely fashion (Jaworski and Kohli, 1993).

2.3.3.3 Market Orientation: A Multifaceted Concept

From the above review, it appears that market orientation is a general descriptive term that conjures up several specific situations where a firm may be market oriented. As such, Cadogan (2003, p.105) comments that “a firm cannot be described simply as having a certain level of market orientation, because a firm may have differing degrees of market orientation depending on the facet of market orientation one is describing.” This opinion is best illustrated by a couple of examples. In the first case, a highly market oriented organization could be analogous to one whose members share a strong set of values that emphasizes a customer and market focus, but fail to translate such beliefs into corresponding actions. Alternatively, an organization that demonstrates behavior in accordance with a set of underlying values that emphasizes attending to customers’ current and anticipated needs could also be described as being market oriented (c.f., Kohli and Jaworski, 1990). Under the second scenario, the organization’s degree of market orientation would thus be contemplated as the extent to which it successfully gathers information about competitors and customers, disseminates this information to relevant users, and takes corresponding actions.

In sum, there is a variety of situations where a firm can be market oriented. To these different occasions, Cadogan (2003) proposes a conceptualization that fully recognizes the multifaceted domain of a market orientation. His theoretical framework of market orientation integrates the key concepts of market oriented values, norms, artifacts and behavior. Different from Homburg and Pflesser’s (2000) attempt to treat the set of basic values in support of market orientation as external to a market orientation, Cadogan (2003) asserts that market oriented values should be placed at the heart of the market orientation concept. Along this line of reasoning, lying next to the core of values is the level of norms for market oriented behaviors. Finally, the set of behaviors reflecting the underlying values system and norms set is at the most superficial and overt level. It is also at this last level that many scholars including Kohli and Jaworski (1990) refer to as market orientation which manifests

itself as the generation of market intelligence, dissemination of this intelligence and responsiveness to it.

Interestingly, despite the arguments and confusion in the definition of market orientation, the measurement issue has aroused much less controversy. In spite of the different academic efforts in operationalizing market orientation across different industries and contexts, only a handful number of scales are available and most of them have focused on the behavioral domain of market orientation. To this point, Homburg and Pflesser (2000, p.449) offer a plausible explanation: “the cultural perspective has had a stronger impact on the definition than on the conceptualization and development of measures of market orientation.” However, the market oriented behavior cannot occur at a vacuum. Many market orientation scholars have suggested that an underlying beliefs system in fact serve as the bedrock for the market oriented behavior to thrive. It appears that even the behavior-based proponents also agree that there must be a shared values/beliefs system with a dedicated focus on customers and competitors in support of the more overt behaviors which are duly measurable. As a result, even though Homburg and Pflesser (2000) have proposed a multiple-layer approach to investigate market orientation, they hypothesize that only market oriented behaviors have direct impact on business performance. This approach is in line with the arguments presented in numerous studies in the last two decades. Specifically, many of these studies (e.g., Greenley, 1995; Jaworski and Kohli, 1993; Narver and Slater, 1990; Pelham and Wilson, 1996; Ruekert, 1992; Selnes, Jaworski and Kohli, 1996) conducted to investigate the linkage between market orientation and business performance have mostly tapped the behavioral manifests of market orientation. In accordance with all these earlier efforts, it might be easier for Homburg and Pflesser (2000) to justify a focus on behavior when the objective is to establish a direct link between market orientation and business performance.

In fact, Deshpande and Webster (1989, p.4) also offer a definition that illustrates the hierarchical nature of the multifaceted concept of market orientation, “the pattern of shared values and beliefs that help individuals understand organizational functioning and thus provide them norms for behavior in the organization”. Their definition suggests the existence of three conceptually distinct layers of culture, including

values, norms and behavior. Following this line of logic, Deshpande and Farley (1998b) call for more research to investigate how the beliefs and rituals of companies relate to specific market orientation behaviors. This is echoed by Avlonitis and Gounaris (1999) who suggest that market orientation should be conceptualized in a manner that integrates the culture and behavior components. In response to this call and in consideration that market oriented behaviors have been the focal concept of interest in a large part of the extant market orientation literature, values and norms would thus be integrated into the framework following a “values-drive-behaviors” approach (Hult, Hurley and Knight, 2004; Hurley and Hult, 1998).

2.3.4 The Market-Orientation and Performance Linkage

As discussed, the operationalization of the construct of market orientation in principle has fallen on either the philosophical or behavioral paradigm. Despite the controversy, it is widely shared that the more market oriented firms generally outperform their less market oriented counterparts. In fact, over a wide array of contexts, market orientation has been found to bear positive consequences. This largely justifies managers’ efforts in fostering a higher level of market orientation in their business settings.

The following section focuses on a discussion of the empirical evidence that has been gathered over the past two decades in an effort to establish or refute the theoretically sound association between market orientation and business performance.

2.3.4.1 Benefits of Market Orientation: Empirical Evidence

The positive association of market orientation with superior business performance has had a good tradition of support theoretically (e.g., Felton, 1959; Levitt, 1960; Webster, 1988). Over decades, marketing scholars have continuously argued that market orientation is a source of sustainable competitive advantage (e.g., Narver and Slater, 1990). The rationale provided by Day (1994b, p.45) on the account of this association is precisely illustrative, “a pervasive commitment to a set of processes, beliefs, and values, reflecting the philosophy that all decisions start with the customer and are guided by a deep and shared understanding of the customer’s

needs and behavior and competitors' capabilities and intentions, for the purpose of realizing superior performance by satisfying customers better than competitors.” Through continuous monitoring of the different sources of competitive advantage over time, a business creates sustainable superior value for its customers and realizes superior performance.

Since the resurgence of interest in the marketing concept in the 1980s and 1990s, academics have been very keen on investigating the various benefits of adopting a market orientation. Market orientation has been found to be associated with a great number of positive consequences. Among others, it is found to be positively associated with financial consequences like return on assets (ROA) and profitability (e.g., Matsuno, Mentzer and Rentz, 2000; Pelham and Wilson, 1996; Narver and Slater, 1990; Ruekert, 1992; Slater and Narver, 1994a); market-related consequences such as sales growth (e.g., Gray, Greenley, Matear et al., 1999; Slater and Narver, 1994a), product and service quality (e.g., Atuahene-Gima, 1996; Castro, Armario and del Rio, 2005; Ruekert, 1992) customer satisfaction [e.g., Gray, Greenley, Matear et al., 1999) and new product success (e.g., Atuahene-Gima, 1995; Pelham and Wilson, 1996; Slater and Narver, 1994a), employee benefits including enhancing *esprit de corps* and organizational commitment (e.g., Castro, Armario and del Rio, 2005; Horng and Chen, 1998; Jaworski and Kohli, 1993; Ruekert, 1992), job satisfaction (e.g., Hampton and Hampton, 2004; Jones, Busch and Dacin, 2003), as well as enhancing salespeople' behavior and attitudes (e.g., Siguaw, Brown and Widing, 1994). In fact, when the scope is extended to the export performance as indicated by more recent research efforts (e.g., Akyol and Akehurst, 2003; Cadogan, Diamantopoulos and Siguaw, 2002), being market-oriented is also found to bear positive consequences.

Interestingly, despite the controversy in conceptualization, very few (if any) researchers, when come to actually operationalize market orientation in an effort to examine its linkage with organizational performance, have purely measured it as values. For example, even such ardent advocates of treating market orientation as the business culture or “overall organizational value system” (Slater and Narver, 1995, p.67) like Professors Narver and Slater, they have not tapped the construct's domain entirely from the cultural approach. In fact, Slater and Narver (1995) assert

that they “measure the extent of market orientation through the behaviors that are the manifestations of those values” (p.67). As such, the majority of items comprising their measuring instrument carry behavioral overtones. Similarly, although Deshpande, Farley and Webster’s (1993) measure of customer orientation (they use customer orientation and market orientation interchangeably) anchors largely at the level of values and beliefs, some behavioral items are also found. In conclusion, many researchers do not make an effort to explicitly differentiate behaviors from values when defining and hence measuring the market orientation construct. This could be problematic since market oriented values/beliefs are fundamentally different concepts from activities/behaviors (Cadogan, 2003, p.102). Therefore, for the sake of theory construction and testing, it is paramount for researchers to be cognizant of which level(s) within a theoretical model that they “should place the key concepts, and how these concepts should relate to other concepts” (Cadogan, 2003, p.102).

As discussed above, numerous scholars have opted to measure the behavioral manifestations of a market orientation. In particular, among the available market orientation scales, most of them are measuring either the behavioral traits (Cadogan, Diamantopoulos and de Mortanges, 1999; Jaworski and Kohli, 1993; Ruekert, 1992; Matsuno, Mentzer and Rentz, 2000) or the behavioral overtones (e.g., Deng and Dart, 1994; Deshpande, Farley and Webster, 1993; Narver and Slater, 1990) of a market orientation. From an extensive review of the empirical studies (summarized in Table 2.2) spanning across nearly three decades, it appears that many researchers have favored either Narver and Slater’s (1990) or Kohli and Jaworski’s (1993) measuring instrument in their attempts to establish the proposed linkage between market orientation and business performance in a number of different contexts. Therefore, it is rather safe to suggest that many of the empirical studies examining the association between market orientation and business performance are indeed measuring the relationship between the degree of a firm’s market oriented behaviors and its performance.

Since the renewed interest in the operationalization of the marketing concept at the turn of the 1980s and 1990s (e.g., Day, 1990; Kohli and Jaworski, 1990; Narver and Slater, 1990; Shapiro, 1988), the pursuit of theory construction and testing in the

subject has spread from the U.S. to many other national contexts. Over nearly three decades of development, the various theoretical and operational issues pertaining to market orientation have been examined across a number of different national, regional and cultural settings including Africa (Appiah-Adu, 1998; Mavondo and Farrell, 2003), Australia (Atuahene-Gima, 1996; Farrell, 2000; Pulendran, Speed and Widing, 2000), Asian Pacific region (e.g., Abd-Aziz and Mohd-Yasin, 2004; Aggarwal and Singh, 2004; Horng and Chen, 1998; Deng and Dart, 1999; Deshpande, Farley and Webster, 1993; Ellis, 2005; Ngai and Ellis, 1998), Europe (e.g., Cadogan, Diamantopoulos and de Mortanges, 1999; Hooley, Lynch and Shepherd, 1990; Hooley, Cox, Fahy et al., 2000) and the Middle East (e.g., Bhuian, 1998).

The relationship between market oriented behaviors and performance has also been examined in different industries. For example, Balakrishnan (1996) examined the proposed association among firms producing industrial products (machine tool industry); Homburg and Pflesser (2000) and Ngai and Ellis (1998) among firms in the manufacturing industry; Caruana, Pitt and Berthon (1999), Van Egeren and O'Connor (1998), and Sigauw, Brown and Widing (1994) among service firms. Similarly, among non-business settings Bhuian (1998) has examined the consequences of market oriented behaviors in a government setting, Bhuian, Menguc and Bell (2005) in hospitals, and Caruana, Ramaseshan and Ewing (1998) in universities. More recently, researchers have extended their efforts to examine the impacts of market oriented behaviors at the functional level. For example, Akyol and Akehurst (2003), Cadogan, Damantopoulos and Sigauw (2002), Cadogan, Sundqvist, Salminen et al. (2002), Kwon and Hu (2000) and Rose and Shoham (2002) have engaged in a series of studies exploring the consequences of market oriented behaviors in the export setting and Deshpande, Farley and Webster (2000), and Jones, Busch and Dacin (2003) in the business to business markets. Among these studies, empirical evidence has generally suggested the positive impact of market oriented behaviors on organizational performance.

Other than the empirical evidence as collected thus far, several meta analyses (e.g., Cano, Carrillat and Jaramillo, 2004; Kica, Jayachandran and Bearden, 2005; Shoham, Rose and Kropp, 2005) conducted recently have also shed new light on the linkage

between market oriented behaviors and performance. For example, Cano, Carrillat and Jaramillo's (2004) meta analysis of studies conducted in 23 countries across five continents indicated that the relationship between market oriented behaviors and performance is positive and consistent worldwide. Similarly, Shoham, Rose and Kropp's (2005) meta-analytic review also provided evidence that the direct, indirect and total impacts of market oriented behaviors on performance were all significant. Concurrently, Kirca, Jayachandran and Bearden (2005) also found that market oriented behaviors are significant predictors of both cost-based performance (such as profits) and revenue-based performance (such as sales and market share). Overall, although to some researchers (e.g., Langerak, 2003) the predictive power of market oriented behaviors is still open to question, the meta-analyses conducted recently have provided useful insights into the generalizability of the positive impact of market oriented behaviors on performance.

2.3.4.2 Moderators of the Market Oriented Behaviors and Performance

Linkage

Apart from attempts to establishing the main effect of market oriented behaviors on business performance, many marketing scholars have also tested whether this direct linkage is universal across different conditions and environmental contexts. In the market orientation literature, therefore, a good number of moderator variables on the relationship between market oriented behaviors and business performance have been hypothesized and tested. Many of these studies have investigated the moderating role of a focal firm's immediate environment (e.g., Bhuian, 1998; Cadogan, Diamantopoulos and Siguaw, 2002; Diamantopoulos and Hart, 1993; Greenley, 1995; Homburg and Pflesser, 2000; Jaworski and Kohli, 1993; Pulendran, Speed and Widing, 2000; Slater and Narver, 1994a). Others have examined such moderators as types of strategy (e.g., Matsuno and Mentzer, 2000; Pelham, 1997), entrepreneurship (e.g., Bhuian, Menguc and Bell, 2005), learning orientation (Baker and Sinkula, 1999a), firm size (e.g., Pelham, 2000) and even the internet technology (Abd-Aziz and Mohd- Yasin, 2004).

The influence of environmental moderators on the linkage of market oriented behaviors and performance has been subject to much empirical scrutiny. In view of the relevance of such environment impacts on the effectiveness of market oriented

behaviors, Jaworski and Kohli (1993) have pioneered to systematically investigate these moderator effects. Moderating factors which they have been examined include market turbulence, competitive intensity and technological turbulence. However, in this early study, they failed to find any empirical evidence to support their propositions and hence suspected that the linkage between market oriented behaviors and performance is robust across different environmental contexts.

Later studies incorporating such environmental moderators into the market oriented behaviors and performance linkage have produced mixed results. For example, while Diamantopoulos and Hart's (1993) findings suggest a weak association between market oriented behaviors and performance, their results indicate that the three moderator variables, market turbulence, competitive environment and demand conditions, significantly influence the linkage between market orientation and performance. Other studies that have identified such moderating effects include Atuahene-Gima (1995), Bhuian (1998), Homburg and Pflesser (2000), Pelham (1997; 2000) and Pulendran, Speed and Widing (2000). On the other hand, the literature is also replete with studies that have not shown any moderating effects of such environmental factors, including Cadogan, Diamantopoulos and Siguaw (2002) and Slater and Narver (1994a).

In summary, the existing studies on market orientation have yielded inconsistent results pertaining to the moderating effects of the different environmental factors. As shown in Table 2.2, out of the 32 studies that have examined moderator factors, some contradictory results were reported. It appears that more attention is still warranted for the sake of developing a comprehensive understanding of the effectiveness of adopting a market orientation, both culturally and behaviorally. One avenue to this is to theorize and test its core tenets in a wider variety of contexts (c.f., Cadogan, Diamantopoulos and de Mortanges, 1999; Selnes, Jaworski and Kohli, 1996).

Table 2.2: Empirical Link of Market Orientation (MO) and Performance in Selected MO Studies

Author(s)/Year	MO scale used	MO-performance link (main effect)	Moderator variable(s) identified	Remarks
Abd-Aziz and Mohd-Yasin (2004)	NS	Positive (partial support)	Moderating effect not found	MO components of competitor orientation and management commitment influence marketing competence. No moderator effect of Internet marketing integration found.
Akyol and Akehurst (2003)	CDD	Positive	Not tested	Export MO is related positively to different dimensions of export performance.
Appiah-Adu (1998)	NS	No direct effect identified	Competitive intensity with sales growth.	At high levels of competitive intensity, the relationship between MO and sales growth is stronger.
			Market dynamism with ROI.	At low levels of market dynamism, the relationship between MO and sales growth is stronger.
Atuahene-Gima (1995)	Ruekert (1992)	Positive	Competitive intensity with new product performance.	The higher the competitive intensity, the stronger the relationship between MO and new product performance.
			Hostility in the industry with new product performance.	The higher the competitive intensity, the stronger the relationship between MO and new product performance.
			The stage of product life cycle with new product performance	At the early rather than the late stage, the relationship between MO and new product performance is stronger.
Atuahene-Gima (1996)	Ruekert (1992)	Positive (partial support)	Not tested	MO has significant impacts on project performance but not market success.
Avlonitis and Gounaris (1997)	AG, JK	Positive	Not tested	MO measured as attitude or behavior has positive impact on company performance.
Baker and Sinkula (1999a)	KJK	Positive	Learning orientation with change in relative market share.	The greater the learning orientation, the stronger is the relationship between MO and change in relative market share.
			Learning orientation with new product success.	The greater the learning orientation, the weaker is the relationship between MO and new product success.
Baker and Sinkula (1999b)	KJK	No main effect identified	Not tested	Although the MO-organizational performance relationship is not significant, the MO-product innovation relationship is significant.
Balakrishnan (1996)	NS	Positive	Not tested	Basic aspects of market orientation have positive effect on business performance.

Table 2.2: Empirical Link of Market Orientation (MO) and Performance in Selected MO Studies (continued)

Author(s)/Year	MO scale used	MO-performance link (main effect)	Moderator variable(s) identified	Remarks
Bhuian (1998)	JK	Positive	Competitive intensity	MO-performance relationship is only significant when competitive intensity is strong.
Bhuian, Menguc and Bell (2005)	JK, NS	Positive	Entrepreneurship orientation	MO is most effective at a moderate level of entrepreneurship orientation.
Cadogan and Cui (2004)	CDD	Positive	Not tested	An inverted U-shape MO-performance linkage was found.
Cadogan, Sundqvist, Salminen et al. (2002)	CDD	Positive	Environmental turbulence	At high levels of environmental turbulence, the MO-export efficiency link is negative for both service and product exports.
			Environmental turbulence	At low levels of environmental turbulence, the MO-profit performance link is negative for service exporters.
			Environmental turbulence	At high levels of environmental turbulence, the MO-profit performance link is negative for exporters of physical products.
Cadogan, Diamantopoulos and Siguaw (2002)	CDD	Positive	Moderating effect not found	Export market-oriented behavior is significant regardless of environmental conditions.
Cadogan, Cui and Li (2003)	CDD	Positive (partial support)	Competitive intensity	MO-efficiency performance link becomes positive as competitive intensity increases.
			Technological intensity	The MO-efficiency performance link is positive at low levels of technological intensity and is negative at high levels of technological intensity.
			Technological intensity	The MO-export growth performance link is negative at low levels of technological intensity and is positive at high levels of technological intensity.
Caruana, Ramaseshan and Ewing (1998)	KJK	Positive	Not tested	A positive linkage between MO-overall performance in universities.
Caruana, Pitt and Berthon (1999)	JK	No direct effect identified	Not tested	Although MO is not directly linked to business performance, it has an indirect effect on performance via the construct of service reliability.
Castro, Armario and Rio (2005)	NS	Positive	Not tested	MO is positively related to organizational commitment and perceived service quality.
Cervera, Molla and Sanchez (2001)	KJK	Positive	Not tested	A positive relationship between MO and performance in the public sector.
Dawes (2000)	DD,DFW, KJK, NS	Positive (partial support)	Not tested	Only competitor orientation has a strong association with company performance.
Deng and Dart (1994)	DD	Positive	Not tested	MO positively related to performance.

Table 2.2: Empirical Link of Market Orientation (MO) and Performance in Selected MO Studies (continued)

Author(s)/Year	MO scale used	MO-performance link (main effect)	Moderator variable(s) identified	Remarks
Deshpande and Farley (1998a)	DFW, KJK, NS	Positive	Not tested	MO as measured by all three scales is related positively with performance.
Deshpande and Farley (1999)	DFW	Positive	Not tested	Higher level of MO is associated with higher level of performance.
Deshpande, Farley and Webster (1993)	DFW	Positive (partial support)	Not tested	Marketer's customer orientation as reported by customers is related positively to performance. The relationship between marketer's self-reported customer orientation and performance is not significant.
Diamantopoulos and Hart (1993)	JK	Weak association	Market turbulence	At low levels of market turbulence, the MO-performance association is stronger.
			Competitive intensity	The stronger the competitive intensity, the stronger the MO-performance relationship.
			Demand uncertainty	The weaker the demand uncertainty, the weaker the MO-performance relationship.
Ellis (2005)	NS	Positive (partial support)	Not tested	MO is linked positively to performance relative to major competitors.
Farrell (2000)	NS	Positive	Not tested	MO positively affects business performance.
Gainer and Padanyi (2005)	JK, NS	Positive	Not tested	MO-performance linkage is positive.
Gray, Matear, Boshoff et al. (1998)	GMBM	Positive	Not tested	A positive relationship between MO and performance.
Gray, Greenley, Matear et al. (1999)	GMBM	Positive	Competitive intensity with pretax profits.	The MO-performance link is stronger with increased intensity.
			Market growth with customer awareness.	At higher levels of market growth, the MO-performance linkage is positive. At low levels, the linkage is negative.
			Entry barriers with sales growth.	Entry barriers positively influence the MO-sales growth relationship.
			Buyer power with ROI.	At low levels of buyer power, the MO-ROI linkage is positive. At extremely high levels, the linkage is negative.

Table 2.2: Empirical Link of Market Orientation (MO) and Performance in Selected MO Studies (continued)

Author(s)/Year	MO scale used	MO-performance link (main effect)	Moderator variable(s) identified	Remarks
Greenley (1995)	NS	No direct effect identified	Market turbulence with ROI.	For high levels of market turbulence MO is negatively associated with ROI, while for medium and low market turbulence MO is positively associated with ROI.
			Technological change with new product success rate.	For medium to high levels of technological change, MO is negatively associated with new product success rate, while for lower levels of technological change MO is positively associated with new product success rate.
Grewal and Tansuhaj (2001)	JK	Negative (condition: after crisis)	Competitive intensity	The negative MO-performance relationship is aggravated with high competitive intensity.
			Demand uncertainty	With high demand uncertainty, the negative MO-performance relationship becomes weaker.
			Technological uncertainty	With high technological uncertainty, the negative MO-performance relationship becomes weaker.
Hampton and Hampton (2004)	KJK	Positive	Not tested	MO is positively related to job satisfaction among midwives.
Han, Kim and Srivastava (1998)	NS	Not tested	Not tested	The MO-performance linkage is mediated by innovations.
Harris (2001)	NS	No direct effect identified	Market turbulence with ROI.	At high levels of market turbulence, the MO-performance linkage is negative. At low to medium levels, the linkage is positive.
			Competitive hostility with sales growth.	At medium to high levels of competitive hostility, the MO-performance linkage is positive. At low levels, the linkage is negative.
Homburg, Krohmer and Workman (2004)	KJK	Positive	Not tested	Only the associations between the responsiveness component and organizational effectiveness and efficiency are tested and found significantly positive.
Homburg and Pflesser (2000)	KJK	Positive	Market dynamism	The greater the market dynamism, the greater is the positive impact of MOB on market performance.
Hooley, Cox, Fahy et al. (2000)	NS	NA	Not tested separately	The MO-performance relationship is positive in the turbulent markets of central Europe.
Hooley, Fahy, Greenley et al. (2003)	NS	Positive	Not tested separately	The MO-performance relationship is positive in the turbulent markets of central Europe.
Hooley, Lynch and Shepherd (1990)	HLS	NA	Not tested	The marketing philosophers performed better than their counterparts.

Table 2.2: Empirical Link of Market Orientation (MO) and Performance in Selected MO Studies (continued)

Author(s)/Year	MO scale used	MO-performance link (main effect)	Moderator variable(s) identified	Remarks
Horng & Chen (1998)	JK, NS	Positive	Not tested	MO has a significant impact on overall business performance, organizational commitment and <i>esprit de corps</i> .
Hult, Hurley and Knight (2004)	NS	Positive	Not tested	MO has a significant and strong effect on business performance.
Im & Workman (2004)	NS	Positive (weak support)	Not tested	The MO-new product performance linkage is mediated by creativity.
Jaworski and Kohli (1993)	JK	Positive	Moderating effect not found	MO is robust across contexts characterized by varying levels of market turbulence, competitive intensity, and technological turbulence.
Jones, Busch and Dacin (2003)	NS	Positive	Not tested	MO enhances salespeople's job satisfaction and organizational commitment and reduces their role conflict and role ambiguity.
Kumar, Subramaniam and Yauger (1998)	NS	Positive	Competitive hostility	As competitive hostility intensifies, the MO-performance relationship becomes stronger.
			Market turbulence	The MO-performance relationship is stronger in the presence of market turbulence.
			Supplier's power	The MO-performance relationship is strengthened when the supplier power is less.
Kwon and Hu (2000)	JK	Positive	Moderating effect not found	MO has a strong relationship with export performance across market conditions.
Kyriakopoulos and Moorman (2004)	JK	Not tested	Not tested	MO has an indirect relationship to performance by facilitating a complementarity for marketing exploration and exploitation strategies.
Langerak (2001)	Langarak (1997)	Positive	Not tested	MO positively influences salespersons' customer-oriented behaviors.
Liu, Luo and Shi (2003)	DF	Positive	Not tested	The MO-performance relationship is positive.
Matear, Gray and Garrett (2004)	GMBM	Positive	Not tested	When MO is examined in isolation, has a positive and significant effect on performance.
Matsuno and Mentzer (2000)	MM	Not tested	Strategy types	MO-economic performance relationship varies across the strategy types.
Matsuno, Mentzer and Ozsomer (2002)	MM	Positive	Not tested	The MO-performance linkage is positive.
Mavondo and Farrell (2003)	NA	Positive	Not tested	The MO-performance relationship is positive.
Ngai and Ellis (1998)	NS	Positive	Not tested	MO-performance relationship is positive in HK's textiles and garments industry.

Table 2.2: Empirical Link of Market Orientation (MO) and Performance in Selected MO Studies (continued)

Author(s)/Year	MO scale used	MO-performance link (main effect)	Moderator variable(s) identified	Remarks
Narver and Slater (1990)	NS	Mixed results	Not tested	The MO-performance linkage is positive for noncommodity products and negative for commodity products.
Padanyi and Gainer (2004)	NS, KJK	Positive	Not tested	MO is related to nonfinancial performance measures in the nonprofit sector.
Pelham (1997)	NS, JK	Not tested	Customer differentiation with firm effectiveness	Product differentiation's moderating effect is not found.
Pelham (1999)	JK, NS	Positive	Not tested	MO has a significant influence on performance in small manufacturing firms.
Pelham (2000)	NS, JK	Positive	Competitive intensity	MO-performance relationship is stronger when competitive intensity is high for commodity products.
			Firm size	MO-performance linkage is stronger in small firms than in larger firms.
Pelham and Wilson (1996)	NS, JK	Positive	Not tested	The MO-performance linkage is positive.
Piercy, Harris and Lane (2002)	NS, KJK	NA	Not tested	MO is related to shopfloor operative belief in service quality and the need for customer focus.
Pitt, Caruana and Berthon (1996)	KJK	Positive	Not tested	The MO-performance linkage is positive.
Powpaka (2006)	NS	Partial support	Not tested	Customer orientation and interfunctional coordination has a direct, marginally: negative impact on role ambiguity; and positive impact on organizational commitment.
Pulendran, Speed and Widing (2000)	KJK	Positive	Market turbulence	MO-performance relationship is significantly stronger with high market turbulence.
Raju, Lonial and Gupta (1995)	KJK	Positive	Not tested	The MO-performance relationship is significant in hospitals.
Rose and Shoham (2002)	KJK	Positive	Technological turbulence with export profits and change in export profits	With increased technological change, MO's impact on profits and change in profits becomes greater.
Ruekert (1992)	Ruekert (1992)	Positive	Not tested	MO is significantly related to business unit's long run performance.
Sandvik and Sandvik (2003)	JK	Not tested	Not tested	The MO-performance is indirect via the path of new-to-market innovativeness.
Selnes, Jaworski and Kohli (1996)	KJK	Positive	Not tested	MO is significantly correlated with subjective performance but not market share in both the Scandinavian and US samples.

Table 2.2: Empirical Link of Market Orientation (MO) and Performance in Selected MO Studies (continued)

Author(s)/Year	MO scale used	MO-performance link (main effect)	Moderator variable(s) identified	Remarks
Siguaw, Brown and Widing (1994)	NS	Positive	Not tested	MO enhances salespersons' customer orientation and, job attitudes and satisfaction.
Siguaw, Simpson and Baker (1998)	KJK	No direct effect identified	Not tested	Distributor's MO has no direct effect on its performance.
Subramanian and Gopalakrishna (2001)	NS	Positive	Moderating effect not found	The MO-performance linkage is robust across different environmental conditions.
Slater and Narver (1994a)	NS	Positive	Limited support	None of the coefficients for the multiplicative interaction terms is significant. Subgroups analyses returned significant differences in the magnitude of three partial correlation coefficients.
Tang and Tang (2003)	NS	NA	Not tested	Competitor-focused oriented firms outperform firms with underdeveloped MO or comprehensive MO in terms of some marketing aspects of performance.
Tse, Sin, Yau et al. (2003)	NS	Positive	Not tested	The MO-performance relationship is positive.
Van Egeren and O'Connor (1998)	NS	Positive	Not tested	A positive, significant relationship between MO and performance in service firms.
Wood, Bhuian and Kiecker (2000)	WBK	Positive	Not tested	The MO-hospital performance relationship is positive.
Zhou, Im and Tse (2005)	NS	Not tested	Not tested	MO facilitates tech-based innovation but hinders market-based innovation. Both types of innovations have a positive effect on organizational performance.

AG: Avlonitis and Gounaris (1997).

CDD: Cadogan, Diamantopoulos and de Mortanges (1999).

CMS: Scale developed by Kennedy, Lassk and Goolsy (2002)

DFW: Deshpande, Farley and Webster (1993).

DF: Deshpande and Farley (1998a)

GMBM: Gray, Matear, Boshoff et al. (1998).

HLS: Hooley, Lynch and Shepherd (1990).

JK: Jaworski and Kohli (1993).

KJK: Kohli, Jaworski and Kumar (1993).

MM: Matsuno and Mentzer (2000).

NA: Not applicable.

NS: Narver and Slater (1990; 1994).

WBK: Wood, Bhuian & Kiecker (2000).

Table 2.2 provides a summary of selected market orientation (MO) studies across nearly three decades of theory development and empirical testing. Interestingly, despite the rapid proliferation of JVs in both the international as well as domestic

contexts, none of these studies have explicitly attempted to explore the linkage of market oriented behaviors and JV performance. One possible speculation is that scholars have taken for granted that the association holds universally in all different contexts. However, several researchers (including Cadogan, Diamantopoulos and de Mortanges, 1999; Selnes, Jaworski and Kohli, 1996) have suggested otherwise. For example, they have found that national contexts could play a significant role in influencing the robustness of generalization (Selnes, Jaworski and Kohli, 1996). In line with this reasoning, questions arise whether the robustness of generalization can be extended to nontraditional contexts such as in a joint venture. Specifically, these questions include: (1) to what extent does the linkage between market oriented behaviors and business performance hold in a JV; and (2) to what degree the environmental moderators affect the linkage in the JV's context. Clearly, answering these questions represents rich grounds for theory advancement in the field.

The empirical evidence collected insofar has generally shown that being market oriented results in superior performance. In particular, authors like Slater and Narver (1994a) have suggested that being market oriented enables businesses to identify more opportunities in any environment than their less market oriented counterparts. Thus, the managerial commitment to continuously developing a market orientation and the academic efforts in continuously exploring the market orientation construct and the set of antecedent factors that drive such behaviors are of paramount importance. In the next section, a review of the antecedent factors or drivers for market oriented behaviors is rendered. Following which is a review of the antecedent factors that have special relevance to the export context. In recent years, a novel research stream undertaken by some marketing scholars (e.g., Akyol and Akehurst, 2003; Cadogan, Diamantopoulos and Siguaw, 2002; Cadogan, Sundqvist, Salminen et al., 2002; Kwon and Hu, 2000 and Rose and Shoham, 2002) in an effort to explore specifically the export context has started to burgeon. A discussion of such context-specific antecedent factors in the export settings is thus provided.

2.3.5 Key Antecedents to Market Oriented Behaviors

This section provides a detailed discussion of the key drivers of market oriented behaviors. In consideration of the many positive consequences of being market oriented, it is imperative for firms to find ways that can nurture such behaviors.

Acknowledging this need, Kohli and Jaworski (1990; Jaworski and Kohli 1993) have provided much guidance to inspire later theory development in the subject. Specifically, they are the first to develop a systematic framework to identify factors that can foster/inhibit the development of market oriented behaviors. They acknowledge that there is a wide array of different factors impinging on the degree of market orientation including external or exogenous factors such as intensity of competition, business practice as well as a bunch of internal factors arising from corporate culture, norms, and organizational systems. Since managers have more control over internal antecedents compared to external ones, they contend that the focus of an internal perspective would embody a more applicable orientation. In their seminal work (Kohli and Jaworski, 1990), they proposed a number of top management factors which could nurture an organization-wide ambience for the adoption of market oriented behaviors. These factors include top management's communication-action gap, their risk aversion, their upward mobility and education, and their attitude towards change. Additionally, they have also included two other sets of factors, namely interfunctional dynamics and organizational systems into their framework of antecedent factors. In fact, the organization of the rest of this section is largely based on their framework, except with the addition of two other categories that have been introduced by later scholars in this field. In sum, there are altogether seven groups of antecedent factors that are discussed in the following sections. These seven groups, although not meant to be exhaustive, have represented a reasonably comprehensive review of the academic endeavors in this area.

2.3.5.1 Top Management Factors

The group of antecedent factors that has been most extensively studied is about factors pertaining to the senior or top management team. Senior management has been held responsible for the initiation of an organization's strategic direction, value systems and beliefs. Early studies in organizational behavior and organizational culture (e.g., Allen, 1985; Schein, 1985) have unanimously highlighted this fact. In the studies of market orientation, especially those concerning factors that nurture/inhibit the development of market oriented behaviors, management's attitudes and expressed signals have been contemplated to have pervasive impact on fostering such behaviors (e.g., Kohli and Jaworski, 1990; Jaworski and Kohli, 1993).

The role played by top management factors in determining the level of market oriented behaviors can be traced back to Felton's (1959) work. Other scholars that have taken a similar position include Levitt (1960), Webster (1988), to name a few. In fact, under the umbrella concept of top management factors, two of them, namely management emphasis, and risk aversion have been examined across a number of different contexts and occasions (e.g., Avlonitis and Gounaris, 1999; Bhuian, 1998; Cadogan, Paul, Salminen et al., 2001; Cadogan, Cui, Morgan et al., 2006; Jaworski and Kohli, 1993; Pulendran, Speed and Widing, 2000; Selnes, Jaworski and Kohli, 1996).

2.3.5.1.1 Top Management Emphasis

Senior management's emphasis has been found to be one of the most important determinants of market oriented behaviors. A number of empirical studies (including Bhuian, 1998; Cadogan Paul, Salminen et al., 2001; Jaworski and Kohli, 1993; Pulendran, Speed and Widing, 2000; Selnes, Jaworski and Kohli, 1996) aiming to examine this linkage have returned affirmative support. In fact, the important role played by senior managers in nurturing the values, beliefs and behaviors within an organization has been explicated at different time spans among marketing scholars (e.g., Felton, 1959; Kohli and Jaworski, 1990; Narver and Slater, 1990; Webster, 1988). The central tenet of this line of thought is that managers' attitudes are deterministic in the firm's orientation. Unless managers give unambiguous signals to their subordinates with respect to the importance of serving the market, the firm can never be market oriented to any significant extent. In order to mobilize organizational members to be truly market oriented, senior managers' deeds and behaviors should be compatible with their espousals. Top management emphasis on market oriented behavior thus refers to a state when managers' beliefs and behaviors are in congruence, which then delivers an unambiguous message to individuals and directs them to allocate resources and design tasks to serve the current and potential customers' needs.

In addition to studies conducted in more general contexts, the relationship of top management emphasis and market oriented behaviors has also been examined in the export operations (Cadogan, Paul, Salminen et al., 2001; Cadogan, Cui, Morgan et al., 2006) or in the public sector (Bhuian, 1998). For example, Cadogan, Paul,

Salminen and associates' (2001) recent study in exploring the deterministic effect of managers' commitment to exporting also demonstrates how manager's behavior can affect the level of market oriented activities in an export setting. These findings lent support to Kohli and Jaworski's (1990, p.7) view that "the commitment of top managers is an essential prerequisite to a market orientation".

Furthermore, a number of other studies have even pondered on some variations of this predictor. For example, Harris and Piercy (1999) found that managers' political, conflictual and formalized behaviors are negatively correlated with market oriented behaviors. Likewise, both participative and supportive leadership styles are respectively found to be capable of enhancing the level of market oriented behaviors (Harris and Ogbonna, 2001). In summary, the continuous enforcement and support of top management with respect to a market orientation play an ultimately important role in shaping the organization-wide engagement in market oriented activities in terms of intelligence generation, dissemination and subsequent responsiveness to such intelligence.

2.3.5.1.2 Risk Aversion

A second factor in this group pertains to managers' disposition towards risk-taking, namely risk aversion. Unlike management emphasis, managers' risk aversion has been hypothesized to have a negative impact on the level of a firm's market oriented behaviors (e.g., Avlonitis and Gounaris, 1999; Jaworski and Kohli, 1993; Pulendran, Speed and Widing, 2000; Selnes, Jaworski and Kohli, 1996). Responsiveness to ever changing market needs often involves the introduction of innovative products and creative means that are risky in nature. When managers are risk averse, that is, they are unwilling to accept occasional failures, subordinates are less likely to formulate or propose innovative programs to respond to the changing customer needs (Kohli and Jaworski, 1990). This risk posture in the long run stifles any proactive efforts geared to respond to market trends. The negative association between managers' risk aversion and the level of market orientation was supported in Avlonitis and Gounaris's (1999) study.

In fact, authors proposing the negative impact of top managers' risk aversion on market orientation have referenced largely to their tendencies to accept risk and

encourage developing products from innovative ideas (e.g., Kohli and Jaworski, 1990; Jaworski and Kohli, 1993). However, this notion is not supported very well empirically in the literature. In Jaworski and Kohli's (1993) seminal work, for example, only partial support was found for the hypothesized association between managers' risk aversion and the level of market oriented activities. Specifically, top managers' risk aversion was only found to negatively affect the responsiveness component of market orientation. The association in general lacks empirical support in a number of other studies (e.g., Pulendren, Speed and Widing, 2000; Selnes, Jaworski and Kohli, 1996).

Contrary to risk aversion, entrepreneurship (e.g., Cervera, Molla and Manuel, 2001; Matsuno, Mentzer and Ozsomer, 2002), a concept which emphasizes the importance of risk-taking, has more recently been introduced as a predictor of market oriented behaviors. Consisting of the three dimensions of innovativeness, risk-taking and proactiveness, entrepreneurship [or in Matsuno, Mentzer and Ozsomer's (2002) term, entrepreneurial proclivity] has been found to have positive and direct effect on the level of market oriented activities. These findings supported the notion that the level of market oriented behaviors is associated with the extent to which managers reinforce innovative, risk-seeking and proactive behavior throughout the organization (c.f., Harris and Piercy, 1999; Kohli and Jaworski, 1990).

Over the years, the top management team's different quality attributes have been repeatedly cited as important determinants of market oriented behaviors. Aside from management emphasis and their risk posture, other factors such as the weight they assign to success factors (Avlonitis and Gounaris, 1999) and even such team dynamics as cohesiveness, heterogeneity, and communications patterns (Van Egeren and O'Connor, 1998) have also been articulated as predictors. All these findings collectively suggest the integral role played by senior managers in fostering a firm's market oriented behaviors.

2.3.5.2 Interdepartmental Dynamics

Since the full benefits of promoting a market orientation are reaped only when organization-wide engagement is sustained, the dynamics among the different functions or departments within an organization are proposed by a number of

researchers (e.g., Bhuian, 1998; Cadogan, Diamantopoulos and Siguaw, 2002; Cadogan, Cui, Morgan et al., 2006; Jaworski and Kohli, 1993; Selnes, Jaworski and Kohli, 1996) as critical factors influencing the level of market oriented behaviors. Specifically, the three interdepartmental factors, namely the level of interdepartmental conflict, connectedness and coordinating mechanisms are contemplated as some key determinants of the level of an organization's market oriented activities.

2.3.5.2.1 Conflict

Interdepartmental conflict is the “tension between two or more departments that arises from incompatibility of actual or desired responses” (Kohli and Jaworski, 1990, p.9). Due to the human nature of self-interest seeking, a tendency exists for each of the different departments to struggle for more power and resources. The different ideologies and world views held by the variety of professions further complicate the matter by reducing communication effectiveness (c.f., Ruckert and Walker, 1987). These different sources of conflict contribute to interdepartmental incompatibility, resulting in augmented tension. Throughout the marketing literature, interdepartmental conflict has been argued to be detrimental to the implementation of the marketing concept (e.g., Felton, 1959; Kohli and Jaworski, 1990; Levitt, 1960; Ruckert and Walker, 1987). Its positive association with communication difficulty across departments (Ruckert and Walker, 1987) acts as the major impediment to the market oriented behaviors. For example, communication difficulties or breakdowns would hinder any effective dissemination of market intelligence. Besides, the intensified tension could also act further to suppress concerted responses to market needs. In fact, the negative association between interdepartmental conflict and the level of market oriented behaviors is well supported in the literature (e.g., Bhuian, 1998; Jaworski and Kohli, 1993; Pulendran, Speed and Widing, 2000; Selnes, Jaworski and Kohli, 1996). Specifically, it appears that interdepartmental conflict inhibits mostly the two components of intelligence dissemination and responsiveness of a market orientation (Jaworski and Kohli, 1993).

2.3.5.2.2 Connectedness

Interdepartmental connectedness, being “the degree of formal and informal direct contact among employees across departments” (Kohli and Jaworski, 1990, p.9), is another antecedent variable to market oriented behaviors. It represents the open up of communication channels to facilitate information flow (Harris, 2000; Kohli and Jaworski, 1990). Frequent, direct interactions among members across the functional boundaries encourage exchange of ideas, dissemination of market intelligence and subsequently enhance the timeliness and effectiveness of responses made on the shared market intelligence. Jaworski and Kohli’s (1993) findings lent support to the positive association between connectedness among departments and a general level of market oriented behaviors. Similar results were reported by Selnes, Jaworski and Kohli (1996) with respect to their US and Scandinavian samples. Pulendran, Speed and Widing’s (2000) research results, on the other hand, only suggest conditioned support to the association.

2.3.5.2.3 Coordination

A mechanism of coordination is defined as any administrative tool for achieving integration among different units within an organization (Martinez and Jarillo, 1989). It is the synchronization of personnel and other resources throughout the company to create value for buyers (Wooldridge and Minsky, 2002). Alternatively, in Narver and Slater’s (1990) view, coordinating mechanisms are a part of the organization culture which glues the different units/functions together, thus setting the stage for the three generic market oriented behaviors to take place. Kohli and Jaworski (1990; Jaworski and Kohli, 1993) implicitly consider this factor an antecedent to market orientation from the behavioral approach. Apart from intelligence generation, which could be carried out independent of other functions’ interference, the degree of dissemination and responsiveness to market intelligence is contingent on a number of factors such as the source and the very nature of intelligence (Kohli and Jaworski, 1990). It is only when a well designed mechanism of coordination is in place that interfunctional interactions are facilitated and behaviors genuinely geared to respond to customer needs are possible. This view is explicitly or implicitly shared by many authors (e.g., Cadogan, Diamantopoulos and Siguaw, 2002; Cadogan, Cui, Morgan

et al., 2006; Diamantopoulos and Cadogan, 1996; Kohli and Jaworski, 1990; Pelham and Wilson, 1996; Shapiro, 1988) in the market orientation literature.

The association of coordinating mechanisms and market oriented behaviors has been investigated in a number of empirical endeavors. Specifically, Pelham and Wilson (1996) found that the preceding year's level of coordination has influence on the level of market orientation. In a closely related attempt, the relationship between the marketing function coordination and market orientation was supported in Harris' (2000) study. More recently, Cadogan and associates (Cadogan, Paul, Salminen et al., 2001; Cadogan, Diamantopoulos and Siguaw, 2002; Cadogan, Cui, Morgan et al., 2006) have extended such efforts and found that export coordination has strong influence on a firm's export market oriented behaviors. These findings collectively support Diamantopoulos and Cadogan's (1996, p.44) statement that coordination "plays an important role in steering market orientation within companies".

2.3.5.3 Organizational Structure and Systems

The third set of antecedent factors that Jaworski and Kohli (1993) have proposed pertains to organizational structure and systems. In their work, four such factors are proposed to foster/inhibit the magnitude of market oriented behaviors including: formalization, centralization, departmentalization and reward systems. Likewise, Ruekert (1992) has argued that the three organization processes including recruitment and selection, training, and reward/compensation practices are positively associated with the level of market orientation in a business unit. These authors contend that properly organized and structured organizational systems/processes are instrumental to the adoption of market oriented behaviors.

2.3.5.3.1 Formalization

Formalization is defined as "the degree to which rules define roles, authority relations, communications, norms and sanctions, and procedures" (Kohli and Jaworski, 1990, p.10). Formalized structures, processes and systems often create tensions among different functions, impair effective communications and increase the level of interfunctional conflicts. Formalization tends to inhibit the speed of decision makings and actions taken at any hierarchical level, leading to delayed

responses to *ad hoc* situations (c.f., Matsuno, Mentzer and Ozsomer, 2002). The role of formalization on the different stages of information use, and hence the different components of a market orientation, is mixed. For example, Jaworski and Kohli (1993) assert that while formalization may hinder activities pertaining to intelligence generation, dissemination and even response design, it may reinforce response implementation. This is in line with Menon and Varadarajan's (1992) view of information utilization. It is contended that while increased formalization in organizational systems may facilitate instrumental utilization of information, it slows down the various processes pertaining to information acquisition, information dissemination and conceptual utilization (Menon and Varadarajan, 1992; Moorman, 1995).

Empirical evidence in relation to the negative association between the degree of formalization and the level of market oriented behaviors is inconclusive. In general, non-significant association between formalization and a firm's level of market oriented behaviors has been reported (e.g., Cadogan, Cui, Morgan et al., 2006; Jaworski and Kohli, 1993; Matsuno, Mentzer and Ozsomer, 2002; Pulendran, Speed and Widing, 2000; Selnes, Jaworski and Kohli, 1996). Nevertheless, exceptions (e.g., Avlonitis and Gounaris, 1999; Pelham and Wilson, 1996) are also found. For example, contrary to the common expectation of a negative relationship, a positive association was reported by Pelham and Wilson (1996) in a sample of small businesses. Their findings suggest that in small businesses where formalization is usually limited, an increased level of formalization is desirable to enhance the market oriented behaviors. On another occasion, a negative one was evidenced in Avlonitis and Gounaris's (1999) study.

The moderating effect of the environment on the relationship between formalization and a firm's level of market oriented behaviors has also received considerable attention in the literature (e.g., Cadogan, Paul Salminen et al., 2001; Cadogan, Cui, Morgan et al., 2006). The basic argument is that while formalization can bring about increased efficiency in handling simple, routine, and repetitive tasks in a stable environment, it checks a firm's ability to cope with the volatility and multiplicity of demands and constraints that characterize a heterogeneous one (Dwyer and Welsh, 1985). As such, when a firm adopts a highly formalized approach to implement the

market oriented behaviors, the efficiency and effectiveness of these activities would be reduced (Cadogan, Paul, Salminen et al., 2001). Specifically, Cadogan and associates' (Cadogan, Paul, Salminen et al., 2001; Cadogan, Cui, Morgan et al., 2006) studies have attempted to shed light on the relationship in view of a set of environmental factors. In the Cadogan, Paul, Salminen et al. (2001) study, it was found that the formalization and export market orientation relationship is moderated by market dynamism. On the other hand, partial support was found with respect of the moderating effect of regulatory turbulence on the said relationship (only in the Finnish sample that they spotted this moderating effective). More recently, findings suggesting the moderating effect of environmental turbulence were also reported (Cadogan, Cui, Morgan et al., 2006).

2.3.5.3.2 Centralization

Centralization is an antecedent factor which is often examined in conjunction with formalization. It refers to “the locus of the authority and decision making in the organization” (Matsuno, Mentzer and Ozsomer, 2002, p.19) or “the lack of organization-wide delegation of decision-making authority and the lack of decision-making participation by members of the organization” (Menon, Jaworski and Kohli, 1997, p.191). It is argued that increased centralization acts negatively to the level of market oriented behaviors. Specifically, centralization is inversely related to information utilization (c.f., Deshpande and Zaltman, 1982). Research has suggested the detrimental effects of centralization on information processing via reducing communications (Pelham and Wilson, 1996), breeding hostile feelings and distrust, as well as stifling exchange of ideas and arousing conflicts and frictions. Reduced autonomy and highly centralized decision-making processes discourage employee involvement in generating market intelligence or proposing new ideas (c.f., Menon and Varadarjan, 1992). All these are analogous to a reduced level of information generation and utilization.

The aforementioned proposition has been largely examined in the existing literature (e.g., Avlonitis and Gounaris, 1999; Bhuiyan, 1998; Harris, 2000; Jaworski and Kohli, 1993). Interestingly, although only partial support was found in regard to the proposed negative association in Jaworski and Kohli's pioneering work, later studies based on their work did provide supportive evidence (e.g., Avlonitis and Gounaris,

1999; Bhuian, 1998; Harris, 2000). In a number of other studies including those of Matsuno, Mentzer and Ozsomer (2002), Pelham and Wilson (1996) and Pulendran, Speed and Widing (2000), however, nonsignificant results were reported.

Other than the main effect as examined in the above discussed studies, Cadogan and his associates (e.g., Cadogan, Paul, Salminen et al., 2001; Cadogan, Cui, Morgan et al., 2006) further investigated the effect of environmental factors on the association between centralization and market oriented behaviors. Some of their findings supported the hypothesis that regulatory turbulence moderates the association between centralization and the level of market oriented behaviors (Cadogan, Paul, Salminen et al., 2001). Interestingly though, a positive relationship between centralization and market oriented behaviors in the export setting was reported in one of their recent studies (Cadogan, Cui, Morgan et al., 2006).

2.3.5.3.3 Departmentalization

Departmentalization refers to the number of departments into which organizational activities are segregated and compartmentalized (Jaworski and Kohli, 1993, p.56). As the number of departments increases, effective communication and coordination become increasingly difficult. Organizational members are confined to their designated duties and functions. In due course, differences among groups are accentuated that result in the building up of “territorial viewpoints” (Menon, Jaworski and Kohli, 1997). The communication difficulty and the more subtle territorial boundaries create barriers for intelligence dissemination and design and implementation of effective responses that attend to the changing market needs. However, this proposition did not receive support empirically as Jaworski and Kohli (1993) found that departmentalization is not significantly related with the level of market oriented behaviors. In a similar vein, Pelham and Wilson’s (1996) examination into whether a firm’s structure supporting product differentiation (another way to operationalize departmentalization) would enhance the level of market oriented behaviors also returned nonsignificant results.

Contrary to Jaworski and Kohli’s (1993) definition of departmentalization from the physical stance, Matsuno, Mentzer and Ozsomer’s (2002) view to this construct is purely of a psychological one. They define it as “the extent to which members of

departments are isolated from interdepartmental interactions” (p.20). In this sense, what Matsuno and colleagues name “departmentalization” resembles the inverse of the “connectedness” concept in Jaworski and Kohli’s (1993; Kohli and Jaworski, 1990) original framework. Not surprisingly, the research findings of Matsuno, Mentzer and Ozsomer’s (2002) suggest a negative relationship.

2.3.5.3.4 Reward Systems

In marketing, the importance of structuring reward systems in enhancing performance has been recognized in different research streams like distribution channels, sales force management, and organizational buying behavior (Sarin and Mahajan, 2001). In his influential article, Webster (1988) has unambiguously suggested the importance of the role played by the reward systems in shaping the desired level of market oriented behaviors. It is argued that when managers’ appraisal and rewards are tilted to meet short-term profitability and sales levels, they are tempted to perform in such a way as putting the long-run objectives like long-term profitability and market position at stake. Therefore, it is proposed that if individuals in organizations are evaluated and rewarded with an emphasis on customer satisfaction and market oriented behaviors, they are more motivated to undertake activities in relation to market intelligence generation, dissemination of such intelligence internally across the different functions and respond to it in a concerted fashion.

Throughout the market orientation literature, strong empirical evidence is available which lends support to the importance of reward systems with an emphasis placed on recognizing employees’ efforts in serving customers’ needs. For example, Jaworski and Kohli (1993) found that organizations that reward employees based on more long-term and non-financial indicators such as enhancing customer satisfaction and building customer relationships tend to be more market oriented. Similarly, Pulendran, Speed and Widing (2000), Reukert (1992) and Selnes, Jaworski and Kohli (1996) also reported a strong relationship between market-based reward systems and market oriented behaviors. In fact, as noted by Jaworski and Kohli (1993), the design of the reward systems has the strongest impact on market orientation among the three sets of antecedents that they have proposed and examined. In fact, in an export setting, the positive association between market-

based reward systems and export market oriented behaviors is also evidential (Cadogan, Paul, Salminen et al., 2001).

2.3.5.3.5 Recruitment and Selection

Culture scholars (e.g., Schneider, 1988; Sathe, 1985) assert that hiring and socializing people to “fit in” with the organizational culture is one crucial way to effect a desired cultural change. New recruits who carry values and beliefs that are compatible to those of the organization are invaluable in two ways: resources for training and socializing them can be saved to serve the customers instead; they are more ready of carrying out job assignments with a strong sense of customer focus (c.f., Ruekert, 1992). Recruiting those people who have a worldview of serving customers, or who have the right skills to process market intelligence would possibly enhance a firm’s pursuance of activities pertaining to a market orientation. In Ruekert’s (1992) study, a market oriented system of recruitment and selection was found positively associated with the level of a firm’s market oriented behaviors. As such, during the selection and recruitment process, individuals with prior education and work experience in line with a market orientation should be preferred.

2.3.5.3.6 Market Oriented Training Systems

Being a specific organizational process, market oriented training systems can also “vary in the degree to which they are organized and structured to support market oriented behaviors” (Ruekert, 1992, p.230). Training, which “sets the stage, direction, and foundation of a market orientation and facilitates the clarity of focus and vision in an organization’s strategy” (Mohr-Jackson, 1991, p.462), is critically important in preparing the employees to adopt market oriented behaviors. Carefully designed training programs can help employees develop the specialized skills and sensitivity to customer needs (Cadogan, Paul, Salminen et al., 2001; Conduit and Mavondo, 2001; Ruekert, 1992), and master new methods (Mohr-Jackson, 1991) that are necessary for the execution of market oriented tasks.

Other than contributing to staff’s skills development, market oriented training systems are equally important in educating employees of the importance of being customer-focused across the functional boundaries (Cadogan, Sundqvist, Salminen

et al., 2005). In particular, such kind of training helps facilitate acceptance of doing things in new ways, improves interfunctional communication and cooperation skills, fosters the development of shared beliefs and values, and decreases dysfunctional conflict (Cadogan, Sundqvist, Salminen et al., 2005, p.522). Finally, training can cultivate employees' ability to recognize the importance of, and interpret, export market information (Cadogan, Paul, Salminen et al., 2001). Research findings (e.g., Cadogan, Paul, Salminen et al., 2001; Horng and Chen, 1998; Ruekert, 1992) suggest that with appropriate training given to employees, the level of market oriented behaviors within a firm is effectively enhanced.

2.3.5.4 Environmental Turbulence

The effects of environmental factors on a focal firm's level of market oriented behaviors have been examined across a number of studies in different contexts (e.g., Avlonitis and Gounaris, 1999; Cadogan, Paul, Salminen et al., 2001; Cadogan, Cui, Morgan et al., 2006; Mavondo and Farrel, 2003; Pelham and Wilson, 1996; Van Egeren and O'Connor, 1998). Among others, the most widely examined environmental factors are market dynamism, technological turbulence, and competitive intensity.

The basic argument for proposing the associations of environmental factors with a firm's level of market oriented behaviors rests on the perceived information need for value creation. Turbulence in a served market intensifies the extent of uncertainty in decision making, which in turn elevates managers' perceived information need in order to make more informed decisions. Thus, studies conducted to examine the association in this regard have largely shaped their arguments in terms of information needs. Specifically, scholars contend that the ever changing market needs pressure firms to innovate and respond which in turn, encourage their information generation and processing activities (e.g., Avlonitis and Gounaris, 1999; Cadogan, Cui, Morgan et al., 2006; Van Egeren and O'Connor, 1998). In the following, reviews of the three most widely studied environmental factors are delivered.

2.3.5.4.1 Market Dynamism

Market dynamism refers to the rate of change in the composition of customers and their preferences (Jaworski and Kohli, 1993, p.57). Firms that operate in a dynamic market are exposed to greater needs of adjusting their products or services in response to their customers' rapidly changing needs and preferences. In this sense, they are pressured to gather and process an increasing amount of market intelligence so as to keep track of the ever evolving customer needs. On the other hand, Kohli and Jaworski (1990) have argued that under a stable environment with a set of customers with stable preferences, few adjustments to the marketing mix are necessary, thus requiring a lower level of market orientation. In this way, the immediate market conditions cast a direct impact on the level of a firm's market oriented behaviors. The empirical evidence collected thus far is still inconclusive. For example, while Pelham and Wilson (1996) found no support for such direct association, Van Egeren and O'Connor (1998) found a positive and significant association.

2.3.5.4.2 Technological Turbulence

Technological turbulence is the rate of technological change as evident in a firm's served market. The technological environment pertains to the rate of development of new production techniques and methods, innovation in materials and products (Daft, Sormunen and Parks, 1988), or even new logistics in materials handling, which lead to cost advantage or innovative products. It is argued that when the rate of technological change is high, the focal firm's tendency to collect and process market intelligence so as to run ahead of the competitors is high. Research results provided by Avlonitis and Gournaris (1999) and Cadogan, Paul, Salminen et al. (2001) supported this proposition.

2.3.5.4.3 Competitive Intensity

Competitive intensity refers to the number of firms and products (or substitutes) that directly compete with a focal firm's products in its immediate task environment (c.f., Daft, Sormunen and Parks, 1988). Lusch and Laczniak (1987) suggest that organizations in more competitive environments may be forced to be more

responsive to the changing needs of the marketplace, and thus be more market oriented. This contradicts Kohli and Jaworski's (1990) assertion that a firm can live with a low level of market orientation so long as its products are strongly demanded, even in a highly competitive marketplace. Despite these controversial opinions, strong empirical evidence (e.g., Avlonitis and Gounaris, 1999; Cadogan, Paul, Salminen et al., 2001) exists that lend support to a positive relationship between competitive intensity and the level of market oriented behaviors. Moreover, although Pelham and Wilson's (1996) finding on small firms did not support this relationship in the short-term, they found that the preceding year's level of competitive intensity does significantly and positively influence the level of market orientation.

Other than the foregoing discussed factors, the market growth's rate, or munificence (Van Egeren and O'Connor, 1998) has also been proposed to predict a firm's market oriented behaviors. In fact, the findings of Avlonitis and Gounaris's (1999) study appeared that the predicted market growth's rate is positively associated with the firm's market oriented behaviors. This runs counter to Van Egeren and O'Connor's (1998) results which suggest that the perceived growth rate of the market has a negative impact on the level of market oriented behaviors.

In addition to the focused conceptualization of the various sources of environmental factors being examined in the literature, some marketing scholars advocate the use of a more general term. For example, Cadogan, Cui, Morgan et al. (2006), when measuring the environmental impact on export market oriented behaviors, use a global concept incorporating indicators pertaining to the different aspects of environmental factors. Mavondo and Farrel (2000) similarly, also use this more general measure (perceived environmental turbulence) when they refer to the environmental turbulence. Applied in a public sector, Cervera, Molla and Manuel's (2001) findings also supported the positive association between the perceived local environmental turbulence and the different behavioral components of a market orientation.

2.3.5.5 Market Oriented Organizational Culture

The conventional wisdom suggests that beliefs and values influence behavior (Sathe, 1985). In the marketing discipline, organizational culture has been argued to have deterministic impact on the degree of emphasis on the various market information processes (e.g., Moorman, 1995). In fact, support to this notion is abundantly evidential in the market orientation literature (e.g., Day, 1994b; Deshpande and Webster, 1989; Homburg and Pflesser, 2000; Narver and Slater, 1990; Webster, 1988). Day's (1994, p.43) argument illustrates this assertion, "[a] market-driven culture supports the value of thorough market intelligence and the necessity of functionally coordinated actions directed at gaining a competitive advantage. An absence of these shared beliefs and values would surely compromise the activity patterns advocated by the behavioral perspective."

Referencing from works in the field of organizational culture (e.g., Hofstede, Neuijen, Ohayv et al., 1990; Kotter and Heskett, 1992), marketing scholars contend that market oriented culture consists of two levels: one deep-lying level of core values and one more overt level of behavior patterns and practices. The deeper and less visible values give the context and drive the more superficial layer of market oriented behaviors. Market oriented values thus play a deterministic role in dictating and bolstering the corresponding behaviors (e.g., Cadogan, 2003; Deshpande, Farley and Webster, 1993; Homburg and Pflesser, 2000; Jaworski and Kohli, 1996; Narver and Slater, 1990). For example, Narver, Slater and Tietje (1998) maintain that only in an organization whose core value is the continuous creation of superior value for customers can requisite capacity be developed to enable the continuous upholding of the most profitable customers in each target market.

Against this background, Homburg and Pflesser (2000) develop a multiple-layer model to examine the causal chain of the components comprising the market oriented culture at different levels. They argue that a distinction among the different layers of market oriented organizational culture is crucial for the analysis of their interrelations, which can ultimately lead to a better understanding of the forces driving market oriented behaviors (Homburg and Pflesser, 2000, p.450). According to them, market oriented organizational culture is conceptualized as comprising of four components (each preceding and acting on the next): (1) organizational-wide

shared basic values supporting market orientation, (2) organization-wide norms for market orientation, (3) perceptible artifacts of market orientation, and (4) market oriented behaviors.

Shared basic values prevail over the entire organization and tend to persist over time even when organizational membership changes (Heskett and Kotter, 1992, p.4). One typical definition of values is "...values are the evaluations people make of situations, acts, object, and people" Dyer (1985, p.203). From the perspective of market oriented organizational culture, values of particular relevance are categorized into two groups, namely job-related values and those values enhancing social network and coordination (c.f., Homburg and Pflesser, 2000). According to Homburg and Pflesser (2000), these values include *success, innovativeness and flexibility, openness of communication, quality and competence, speed, interfunctional cooperation, responsibility of the employees, and appreciations of the employees.*

Norms are the unwritten rules of the game (Kilmann, 1985, p. 360), which encompass all behavior that is expected, accepted, or supported by the group (Allen, 1985, p.334). As norms are the elements of culture which are least abstract, most readily recognizable, and most general in their applications, they are readily understandable (Allen, 1985). In the multiple-layer model of culture, norms are products of shared basic values. Shared basic values prescribe norms for behaviors such that standards and expectations are in place to encourage the desirable behaviors and penalize those that are not, given an occasion. Artifacts, lying at the most superficial level of culture, are symbolic in nature (Dyer, 1985; Schein, 1992) and they could be verbal, behavioral, or physical in nature. By means of such artifacts including stories, rites, rituals, and sanctions, norms are transmitted from one generation to another (Kilmann, Saxton and Serpa, 1985, p.6).

In the literature, despite many authors have asserted the impact of culture on market oriented behaviors, few studies have attempted to examine this well grounded proposition; an exception is found with respect to Homburg and Pflesser's (2000) work. However, they did not succeed in finding supports to the direct effects of shared values and norms on market oriented behaviors. Instead, their results suggest the strong association between market oriented artifacts and market oriented

behaviors. Based on empirical facts that values act on norms and which in turn on artifacts, values and norms are contemplated as affecting market oriented behaviors only via artifacts (Homburg and Pflesser, 2000). However, since the Homburg and Pflesser (2000) study is the only available study that has explicitly modeled a multiple-layer market oriented culture, additional studies are needed in order to gain further insights on the topic.

2.3.5.6 Business Strategy

The value of being market oriented lies in the vigor it provides for an organization to continuously generating market intelligence and utilizing such intelligence for value creation (Slater and Narver, 1995). However, how much information is needed and hence processed and utilized is argued to be associated with the strategic direction of a focal firm (c.f., Homburg, Krohmer and Workman, 2004; Morgan and Strong, 1998; Narver and Slater, 2000). For example, the two typical strategic types of low cost and differentiation each requires a different level of information processing demand. According to Narver and Slater (1990), a differentiation strategy adopts a relatively more external focus and hence poses higher demand on information pertaining to the market, whereas a low cost strategy is more internally oriented and requires a lesser amount of market information for product development. Their assertion is supported empirically by Homburg, Krohmer and Workman's (2004) findings. Likewise, the three strategy-types of being a prospector, analyzer and defender (Slater and Narver, 1993) also represent different levels of information needs. A firm pursuing a defender type strategy is characterized with a low level of proactiveness, a concentration on low-cost strategy and a broad market focus. The amount of information it needs is hence relatively lesser than that of its more proactive counterpart (Slater and Narver, 1993). Interestingly, Harris's (2000) study revealed that both a service-differentiation and a low-cost strategy are both strongly linked to augmented levels of market oriented behaviors in the retailing sector in the UK.

Although the association between strategy types and the level of market oriented behaviors is theoretically sound, empirical evidence collected insofar is still far from conclusive. Contrary to some findings (e.g., Appiah-Adu and Blankson, 1998; Harris, 2000; Homburg, Workman and Krohmer, 2004) that provided support to the

direct impact of strategy types on the level of a firm's market oriented activities, Pelham and Wilson's (1996) study on small businesses did not lead to the same conclusion. Their findings showed that neither an innovation/differentiation strategy nor a low cost strategy has significant impact on the firm's level of market oriented activities.

2.3.6 Antecedent to Export Market Oriented Behaviors

Aside from the foregoing categories of antecedent factors that have been widely discussed and examined in the literature, marketing scholars (such as Cadogan, Paul, Salminen et al., 2001; Cadogan, Diamatopoulos and Siguaw, 2002; Cadogan, Cui, Morgan et al., 2006) have initiated a new wave of research addressing the levels issue when examining market orientation. Accordingly, some context-specific factors (specifically in the export operations) have been introduced into the framework of studying antecedent factors to the level of market oriented behaviors. In particular, the two factors of export experience and export dependence have been hypothesized and tested in the export contexts and found to be of particular importance to the firm's export market oriented behaviors.

2.3.6.1 Export Experience

Export experience is argued to have significant impact on the three behavioral components of a firm's level of export market orientation (Cadogan, Paul, Salminen et al., 2001; Cadogan, Diamantopoulos and Siguaw, 2002; Cadogan, Cui, Morgan et al., 2006). Typically, more experienced exporters are more familiar with existing sources of information so that the focal firm's ability to generate timely and relevant market intelligence is significantly enhanced. Moreover, since knowledge is a function of experience, experience makes exporters more knowledgeable and hence more likely to identify valuable information generated from the international market. Intelligence of higher quality in turn speeds up the entire dissemination process. Finally, with sufficient experience, export managers are more likely to be able to clarify ambiguous information with the sources and hence come up with enhanced responses design and implementation.

Despite the soundness of the theoretical arguments, empirical findings are still mixed. While Cadogan, Diamantopoulos and Siguaw (2002) found evidence to support that export experience does have an impact on a firm's export market oriented activities, the association is yet to be confirmed. In their study, for example, a positive relationship was found when export experience is measured in terms or number of countries, and a negative relationship when experience is measured in terms of number of years. On the other hand, when export experience (Cadogan, Paul, Salminen et al., 2001; Cadogan. Cui, Morgan et al., 2006) is measured in terms of some qualitative indicators such as "the ability to identify sources of export market information" and the like, the relationship is strong and positive.

2.3.6.2 Export Dependence

Export dependence refers to the degree the "units/members within the organization see their success tied to the success of the firm's export operations" (Cadogan, Diamantopoulos and Siguaw, 2002, p.618). It is well received that when a firm's stake is closely tied to certain operations/activities, its resources would most likely be tilted to develop an edge for such operations. In an attempt to find support for this proposition, Cadogan, Diamantopoulos and Siguaw (2002) showed that export dependence has a major impact on a firm's export market oriented behaviors. Empirical findings supported the proposition that when a firm's success is dependent on the performance of the export operations, greater investment would be made to gather information, disseminate it and utilize it in order to increase the odds of success for these operations.

2.3.7 Summary and Comments

In summary, the seminal work of Kohli and Jaworski (1990; Jaworski and Kohli, 1993) has been instrumental to help frame the various drivers that nurture market oriented behaviors within a modern organization. Their framework has been largely referenced in a number of subsequent studies (e.g., Avlonitis and Gounaris, 1999; Bhuian, 1998; Cadogan, Paul, Salminen et al., 2001; Cervera, Molla and Manuel, 2001; Van Egeren and O'Connor, 1998; Hooley, Lynch and Shepherd, 1990; Mavondo and Farrell, 2003; Pehlham and Wilson, 1996; Ruckert, 1992; Selnes,

Jaworski and Kohli, 1996) that were geared to investigate the antecedent factors to market oriented behaviors on different occasions and in different contexts. Despite the contributions of the abovementioned authors, both theoretical and empirical studies on the examination of antecedent factors are still limited relative to the large number of studies for investigating the consequences of a market orientation. Such inadequacy, coupled with the inconclusive findings pertaining to the effects of some antecedent factors (see Table 2.3 for a summary), unambiguously calls for much more attention from the academic world in order to develop a more applicable framework of antecedent factors for practice.

Given that these studies have basically adopted an internal perspective for identifying possible candidates to explain the diverging degree of market oriented behaviors, a void apparently needs to be addressed. In fact, during the course of theory development and empirical testing over the last two decades, researchers have confined their work within the scope of an organization's boundary: they have only attempted to look at issues at levels such as a SBU, a corporate or even a small firm. Since the research emphasis has been primarily laid on factors internal to an organization, studies are generally designed around the six categories of top management factors (characteristics, team dynamics, attitudes and behavior); dynamics across different functions/departments; organizational structures and systems (coordination systems, and control systems, recruitment and compensation systems); strategy types; organizational culture; and the task environment turbulence. Although Cadogan and colleagues (e.g., Cadogan, Diamantopoulos and Siguaw, 2002; Cadogan, Paul, Salminen et al., 2001; Cadogan, Cui, Morgan et al., 2006) have more recently added vigor to the research stream by introducing other factors culled from some context-specific export settings, the existing body of research into the drivers of market oriented behaviors nevertheless is still far from complete.

Table 2.3: A Summary of Antecedent Factors as Investigated in a Selected Number of MO Studies

Antecedent variables	Avlonitis & Gounaris (1999)	Bhuiyan (1998)	Cadogan Diamatopoulos & Siguaw (2002)**	Cadogan, Cui, Morgan et al. (2006)**	Cadogan, Paul, Salminen et al. (2001)	Harris (2000)	Harris & Ogbonna (2001)	Homburg & Pflesser (2000)	Jaworski & Kohli (1993)	Matsuno, Mentzer and Ozsomer (2002)	Mavondo & Farrell (2003)	Pelham & Wilson (1996)	Pulendran, Speed & Widing (2000)	Ruekert (1992)	Selnes, Jaworski & Kohli (1996)	Van Egeren & O'Connor (1998)
Management factors																
Management emphasis	sig. (+) ^a	sig. (+)		n.s.	sig. (+)				sig. (+)				sig. (+)		sig. (+)	
Risk aversion	sig. (-)								n.s.				n.s.		n.s.	
Management commitment				n.s.	sig. (+)											
Entrepreneurship										sig. (+) ^k						sig. (+)
TMT cohesiveness																n.s.
TMT communications																n.s.
TMT heterogeneity																
Participative leadership							sig. (+)									
Supportive leadership							sig. (+)									
Instrumental leadership							sig. (-)									
Inter-departmental dynamics																
Conflict									sig. (-)				sig. (-)		sig. (-)	
Connectedness						n.s.			sig. (+)				partial support ^l		sig. (+)	
Coordination				sig. (+)	sig. (+)	sig. (+) ^f						n.s. ^p				
Structures/systems																
Formalization	sig. (-)		n.s. ^b	sig. (+)	sig. (+) ^e	n.s.			n.s.			sig. (+)			n.s.	
Centralization	sig. (-)	sig. (-)	sig. (+)	sig. (+)	sig. (-) ^d	sig. (-)			sig. (-) ^m	n.s.		n.s. ⁿ			sig. (-) ^p	
Departmentalization									n.s.	sig. (-)		n.s. ^r				

Table 2.3: A Summary of Antecedent Factors as Investigated in a Selected Number of MO Studies (continued)

Antecedent variables	Avlonitis & Gounaris (1999)	Bhuian (1998)	Cadogan Diamatopoulos & Siguaw (2002)**	Cadogan, Cui, Morgan et al. (2006)**	Cadogan, Paul, Salminen et al. (2001)	Harris (2000)	Harris & Ogbonna (2001)	Homburg & Pflesser (2000)	Jaworski & Kohli (1993)	Matsuno, Mentzer and Ozsomer (2002)	Mavondo & Farrell (2003)	Pelham & Wilson (1996)	Pulendran, Speed & Widing (2000)	Ruekert (1992)	Selnes, Jaworski & Kohli (1996)	Van Egeren & O'Connor (1998)
Reward systems		n.s.		n.s.	sig. (+) ^e				sig. (+)					sig. (+)		
Recruitment and selection					sig. (+)									sig. (+)		
Training				n.s.	sig. (+)									sig. (+)		
Environmental factors																
Environmental turbulence				sig. (+)							sig. (+) ^e					sig. (+)
Market dynamism	sig. (+) ^f				sig. (+)							n.s.				
Technological turbulence	sig. (+)				sig. (+)											
Regulatory turbulence					sig. (+) ^h											
Competitive intensity	sig. (+)				sig. (+)											sig. (-)
Munificence	sig. (+) ⁱ															
Organizational culture																
Organizational/marketing culture/philosophy											sig. (+)					
Norms								n.s.								
Artifacts								sig. (+)								
Business strategies																
General organizational strategy											n.s.					
Innovation/differentiation strategy												n.s.				
Low cost strategy												n.s.				
Service focused strategy																
Cost focused strategy																

Table 2.3: A Summary of Antecedent Factors as Investigated in a Selected Number of MO Studies (continued)

Antecedent variables					
	Van Egeren & O'Connor (1998)				
	Selnes, Jaworski & Kohli (1996)				
	Ruekert (1992)				
	Pulendran, Speed & Widing (2000)				
	Pelham & Wilson (1996)				
	Mavondo & Farrell (2003)				
	Matsuno, Mentzer and Ozsomer (2002)				
	Jaworski & Kohli (1993)				
	Homburg & Pflesser (2000)				
	Harris & Ogbonna (2001)				
	Harris (2000)				
	Cadogan, Paul, Salminen et al. (2001)			sig. (+)	sig. (+)
	Cadogan, Cui, Morgan et al. (2006)**			sig. (+)	sig. (+)
	Cadogan Diamatopoulos & Siguaw (2002)**		sig. (+/-)		sig. (+)
	Bhuian (1998)				
	Avlonitis & Gounaris (1999)				
Other context-specific factors					
Export experience					
Export dependence					

* empty cells indicate that the independent variable is not included in the respective study.

** studying export-specific context.

^a importance assigned to certain key success factors is measured.

^b the relationship between formalization and export market orientation is moderated by environmental turbulence.

^c the relationship is moderated by market dynamism, and by regulatory turbulence in the Finnish sample.

^d the relationship is moderated by regulatory turbulence, and direct effect is only found in the Finnish sample.

^e the relationship is significant only in the NZ sample.

^f marketing function coordination systems is measured.

^g increased buyers' power is measured.

^h the relationship is significant only in the Finnish sample.

ⁱ "predicted market's growth rate in the next five years" is measured.

^j the relationship is positive when experience is measured in terms of number of countries, and is negative when experience is measured in terms of number of years.

^k entrepreneurial proclivity makes up of the three dimensions of innovativeness, risk-taking and proactiveness is measured.

^l significant only upon removing formalization and centralization from the regression models.

^m significant only in sample 1.

ⁿ decentralization.

^o the relationship is significant only in the U.S. sample.

^p significant only in lagged model, i.e., previous year's level of coordination does influence the level of market orientation.

^q significant only in lagged model, i.e., previous year's level of competitive intensity does influence the level of market orientation.

^r particular type of firm structure supporting product differentiation.

^s general business environment is measured.

2.4 A SYNTHESIS OF THE TWO BODIES OF LITERATURE

In response to the rapid globalization process and the acute erosion of the different kinds of competitive edge, developing new competence and know-how through alliances has been the principal means for businesses to keep themselves afloat in the modern competitive race. Driven by this force, organizations frequently resort to form alliances (or specifically joint ventures) to strengthen their competitive position. So triggered, scholars from different disciplines in social science have collectively produced an enormous amount of research into the phenomenon and as a result of which, different theoretical models based on different perspectives have been proposed and tested in order to identify ways that can enhance JV success. Although these studies have contributed much to the understanding of the process and determinants of JV effectiveness, there is still much room for theory construction and falsification, especially when new insights could be borrowed from different theoretical grounds. For example, one possible avenue to enhance performance as suggested by the marketing discipline is for these JVs to develop a market orientation which is valuable, and difficult to imitate (c.f., Slater, 2001). As discussed in the preceding part, the many benefits of fostering market oriented behaviors have been extensively investigated in the market orientation literature. Although some researchers still hesitate to make a definite conclusion, it is generally agreed that being market oriented is the basis for sustaining competitive advantage (e.g., Shapiro, 1988; Slater and Narver, 1994a; Webster, 1988). Following this line of logic, an argument contending that the differences in magnitude of market oriented behaviors undertaken within these nontraditional forms of organizations would contribute to the varying degree of venture success is hence warranted. Despite the soundness of this argument, carefully designed research into the subject is scarce [an exception touching on a closely related topic is found in Liu and Park's (1999) study which examined the marketing role in a sample of Sino-foreign JVs].

Furthermore, despite the fact that the widely recognized importance of being market oriented has triggered a growing body of research into the drivers of such behaviors over the past two decades, the investigation of these factors has been mainly confined within an internal management perspective (or its immediate task environmental forces). The lack of research into the context-specific operational

environment of JVs apparently needs remedial attention and actions. Specifically, the dearth of research in this direction is suspected to have arisen from researchers' implicit assumption that drivers that have been probed generally within a traditional organizational context work equally well in a nontraditional context of a JV. With this myopic view, hardly any empirical research has attempted to verify this assumption insofar. This is unfortunate because JVs are formed and often run jointly by two or more parent organizations. Differences in goals, values and even company routines between the parents frequently create conflicts which make management and coordination difficult (Geringer and Frayne, 1990; Hennart, Kim and Zeng, 1998; Park and Ungson, 2001). As Killing (1982) comments, partner disagreement is so common that partners can virtually disagree on every aspects pertaining to the JV management. Furthermore, the coexistence of multiple organizational cultures or systems in a single entity poses other challenges for managers, not to mention the possible confrontation of multiple national cultures in the case of international joint ventures. Indeed, as asserted by Büchel, Prange, Probst et al. (1998), it is the processes between the partners and the JV; and within the JV itself that are especially important for JV management. One handy example for illustrative purposes is the process by which organizational culture and climate is being formed within such ventures. Subject to the influences of different cultural and operational systems, the formation process of such organizational culture, or the set of market oriented values of interest here, could hardly mirror that in a unitary organization (c.f., Borys and Jemison, 1989). Certainly, while market oriented values are formed from scratch within a unitary firm context, it is logical to expect that such values would be much affected by whatever is carried by the sponsors or parents at the outset: parents' values would be readily transmitted or communicated to the JV management via the boundary managers. The "appropriately" cultured JV management team in turn is more likely to develop market oriented values and norms and, hence behave in a more market oriented way.

In fact, such context-specific complication has been partially addressed by Selnes, Jaworski and Kohli (1996) who acknowledge the inherent differences and explicitly examined how national context affects, among other things, the magnitudes of organizational antecedents to a market orientation; and the strength of linkages between market orientation and its antecedents and consequences. Unfortunately,

their study was still conceived within a conventionally unitary firm's perspective. As argued, it is highly probable that a different set of drivers shaping market oriented behaviors within JVs does exist. Due attention from academics and practitioners alike to identifying this set of context-specific factors that may influence the degree of market oriented behaviors in JVs is thus imperative, should alliances and JVs be pursued any further.

2.5 CHAPTER SUMMARY

This chapter has provided a concise review of the various factors that have been examined as determinants of JV success in the existing JV and related literature. The review shows that the role of market orientation has scarcely been conceived to have any significant bearing on JV performance. Given the various benefits of being market oriented, both theoretically and empirically, the role of market orientation, therefore, has yet to be determined within the operational context of JVs.

Next, the literature review discusses the substance of market orientation, its benefits and its determinants. Based on the existing market orientation literature, two facts are evidential. In the first place, being market oriented is important because it helps the focal firm pull things together via the adoption of a set of behaviors that is geared to create superior customer value. Next, the direction of the existing academic efforts in examining the determinants of market oriented behaviors should be tilted to probe the possibility of the presence of a set of antecedent factors that arises as a result of the union of two or more sponsors within a single entity, namely a JV.

The review of the two bodies of literature in this chapter has shown that a gap in common can be bridged simultaneously. In the next chapter, a theoretical model in relation to this gap is presented. The theoretical associations between the antecedent variables and the JV's level of market oriented behaviors are discussed and formally hypothesized. Finally, a hypothesis pertaining to the level of market oriented behaviors and JV performance is provided and a global moderating variable, namely environmental turbulence is also argued.

CHAPTER 3

CONCEPTUAL FRAMEWORK

3.1 INTRODUCTION

This chapter serves to give a detailed report on the development of a conceptual model of the relational factors that will play a role in determining the market oriented behaviors of joint ventures (JVs). It is organized into five parts. The first part introduces the transaction costs theory and discusses its relevance to the current study. The second part presents a classification schema of the antecedents to market oriented behaviors in a JV system. Framed by this schema, the hypotheses pertaining to the drivers of market oriented behaviors in a JV system are developed. In the third part, the consequences of being market oriented are discussed and a formal hypothesis for the relationship between market oriented behaviors and JV performance is developed. In the fourth part, the moderating effect of environmental turbulence on the proposed relationship between the level of market oriented behaviors and JV performance is also described. Finally, the discussions in this chapter are summarized.

3.2 THEORETICAL UNDERPINNINGS

To the extent that opportunism remains a concern within the JV system, transaction cost analysis (TCA) (Williamson, 1985; 1991) offers a perspective to the understanding of the drivers of JV's market oriented behaviors. Given the strategy to form a joint venture, the transaction cost (TC) theory is useful in analyzing problems in bilateral bargaining (Kogut, 1988, p.322) and hence offers insights to the alignment of incentives for the fostering of desirable behaviors such as market oriented behaviors among the triadic parties involved in the JV system. Thus, the TC theory is examined and borrowed to frame the current study.

In deed, much of the rationale for the setting up of a JV can be explained in terms of TCA's tenets (see Hennart, 1988; Kogut, 1988). JVs offer a viable alternative (a hybrid form of governance) to the classical discrete choice of market versus firm structures under the TCA paradigm. With the formation of a JV, a governance

mechanism can be designed to minimize transaction costs and align incentives of information and knowledge sharing within the JV system (Hennart, 1988; Kogut, 1988). In the following sections, TCA's basic tenets and their relevance to the current study are discussed.

3.2.1 Assumptions, Dimensions and Governance Decisions within the TCA Framework

Over its history of evolution spanning across several decades, TCA's principal premise has centered on the proposition that firms (otherwise referred to as hierarchies or non-market governance) and markets are alternative governance structures that differ in their transaction costs (Coase, 1937). Building upon this premise, other TCA scholars (e.g., Williamson, 1985) have added practical inputs to operationalize the framework and its central constructs. For example, Williamson (1991) has extended the TCA framework to incorporate Macneil's (1981) notion of the possible existence of unilateral and bilateral relations (or the hybrid forms of governance) as variations of non-market governance structures.

In fact, the TCA premise rests on two basic assumptions of human behavior (opportunism and bounded rationality) and two dimensions (asset specificity and uncertainty) (Rindfleisch and Heide, 1997). Within the TCA realm, the development of transaction-specific (idiosyncratic) assets¹ is posited to give rise to the safeguarding problem in view of opportunism, while bounded rationality is hypothesized to breed respectively the adaptation problem under the condition of environmental uncertainty; and performance evaluation problem under the condition of behavioral uncertainty of an exchange partner. These problems are thus sources of transaction costs, which in term can be classified as either direct costs for managing the relationships or opportunity costs of making inferior governance decisions. The existence of transaction costs thus dictates the choice between "market" and "hierarchy" governance: the more efficient means of structuring mechanisms for supporting economic transactions should prevail. In fact, the trends of favoring choices of different variations of non-market governance structures have become

¹ Idiosyncratic investments (assets) are investments made specific to a relationship and are difficult to redeploy elsewhere if the relationship is terminated and thus create a holdup potential that can be exploited opportunistically by a partner (Jap and Ganesan, 2000, p.227).

increasingly apparent in the contemporary business environment and this phenomenon is a concrete piece of evidence for the efficiency of the hybrid forms.

The fundamental distinction between market and non-market forms of governance lies in the execution of the three processes of relationship management, namely initiation, maintenance and termination. For a pure form of market governance, all exchanges are discrete such that these three processes begin and end in a virtually instantaneous manner, and relationship maintenance is usually immaterial. On the contrary, these three processes exhibit systematic variations across the different non-market forms of governance. In fact, under such governance structures these relationship management processes are instrumental and are crafted in such a way as one of the major control mechanisms for coping with the asset specificity and uncertainty dimensions of the TC theory. Depending on the nature of the relation, the initiation phase could extend for a certain amount of time and involve considerable setup efforts (Heide, 1994). Similarly, the nature of the maintenance process would also vary systematically among different forms of hierarchies. In addition, the relationship maintenance process usually manifests itself as an important, ongoing socialization process. Because of the pervasiveness of the impacts these two processes (initiation and maintenance) have in molding the relational dynamics in non-market forms of governance, they have constituted a number of research themes. Finally, in such hierarchical or bilateral structures, termination might be spelled out explicitly in the relational contracts *ex ante* or be open to the exchange partners.

3.2.2 Substituting Relational Capital for Hierarchical Control

Within the marketing discipline, TCA has been adopted to investigate how the choice of governance mechanisms is related to the fundamental dimensions of asset specificity and uncertainty across a wide range of research interests such as distribution channel management, foreign market entry strategy, and vertical integration decisions (e.g., Anderson, 1985; Anderson and Weitz, 1992; Bucklin and Sengupta, 1993; Noordewier, John and Nevin, 1990). Insofar, the empirical applications of the TCA framework generally support the notion that non-market structures in a variety of hybrid governance mechanisms are good solutions to the TCA-related problems of safeguarding transaction-specific assets, adaptation and performance evaluation. This is because relative to pure market exchanges, hybrid

organizations can offer more powerful control and monitoring mechanisms; reduce the payoff from opportunistic behavior by promoting different forms of incentives; and create convergent goals by means of nurturing the organizational culture and socialization processes [see Rindfleisch and Heide (1997) for a more thorough review of the related literature]. Such benefits thus help to explain, to a large extent, the blooming of the various interfirm governance structures at the turn of the 21st century.

On the other hand, although joint ventures offer MNEs a viable alternative to the discrete choice between market and hierarchical structures, the minimization of transaction costs is not the sole reason to justify these decisions (c.f., Hennart, 1988). In fact, the joint commitment of certain resources (especially in the form of idiosyncratic investments) that are required to set up a joint venture still exposes an MNE to its partners' possible opportunism (hence the accrual of transaction costs). Such investments typically include training and/or dedicating personnel to servicing the boundary functions; and building operating procedures as well as systems that are tailored for use with specific joint actions (Anderson and Weitz, 1992; Heide and John, 1990). Thus, critical for the success of these joint ventures are the safeguards or control mechanisms that can be put in place to inhibit the inherent opportunistic behavior or induce desirable behaviors in such joint venture systems.

Within the TC framework, two broad categories of control mechanisms have been traditionally examined in JV studies, including "mutual hostages" of important resources contributed by each partner, and the creation of a superior monitoring (control) mechanism (Kogut, 1988). More recently, a set of relational capital (e.g., Kale, Singh and Perlmutter, 2000), mainly in the form of mutual trust, and the practice of qualification procedures (or strategically selecting partners) have been proposed to have the effect of reducing the dependence on hierarchical structures for control and monitoring (Das and Teng, 1998b; Gulati, 1995b). In fact, it is suggested that relational capital (governance) can develop or exist that can be superordinate even when hard contracts exist (Lusch and Brown, 1996, p.19). While some JV scholars (e.g., Makino and Beamish, 1999; Luo, 1997) have acknowledged the important impact of partner selection on JV performance, others (e.g., Beamish and Banks, 1987; Madhok, 1995) have concurred that a spirit of mutual trust and commitment that resides between a JV's partner firms can effectively inhibit partner

opportunistic behavior and allow greater transparency within the JV system, and thus promote the sharing of information and know-how (Kale, Singh and Perlmutter, 2000). Geyskens, Steenkamp and Kumar's (2006) recent meta-analysis on how the governance choice affects performance lent support to this view. Their results suggest that relational governance is superior to hierarchical governance in terms of enhancing performance because it can successfully minimize transaction costs and at the same time create value through superior information sharing in the exchange relationship. It is, therefore, highly probable that the relational dynamics among the triadic parties in a JV system affect the incentives of the partners to make idiosyncratic investments and the choice of monitoring mechanisms to safeguard such investments.

3.3 CONCEPTUAL MODEL AND HYPOTHESES DEVELOPMENT

The current section describes the development of a conceptual model that relates a specific form of control mechanisms, namely relational capital to the nurturing of JV's market-oriented behaviors.

The premise of market orientation lies in implementing the three sets of generic activities of market intelligence, intelligence dissemination and responsiveness to such intelligence (Kohli and Jaworski, 1990). In the JV system, these activities are implemented at two levels: at one level (level 1) where the partner firms carry out these activities on the JV's behalf; and the other (level 2) where these activities are implemented within the JV firm's boundary. At level 1, the implementation of these activities typically involves the partners' explicit adjustments of their existing organizational systems that are prompt to detect market intelligence relevant to the JV. Additionally, the training and dedicating of personnel, whether to generate intelligence under the modified systems or to serve in the boundary functions to disseminate the intelligence, represent other idiosyncratic investments that are of little value outside the relationship. Therefore, at this level, the extent of the market oriented activities undertaken is a function of the partners' perception of how important the JV is to them and/or how well the control mechanisms (e.g., the set of relational capital) can be put in place to safeguard their investments against possible opportunism. For example, if the partners consider that the possibility of partners' opportunistic behavior is remote and/or the JV is of utmost important to their own

organizational success, they might be more willing to invest in collecting and processing intelligence on behalf of the JV.

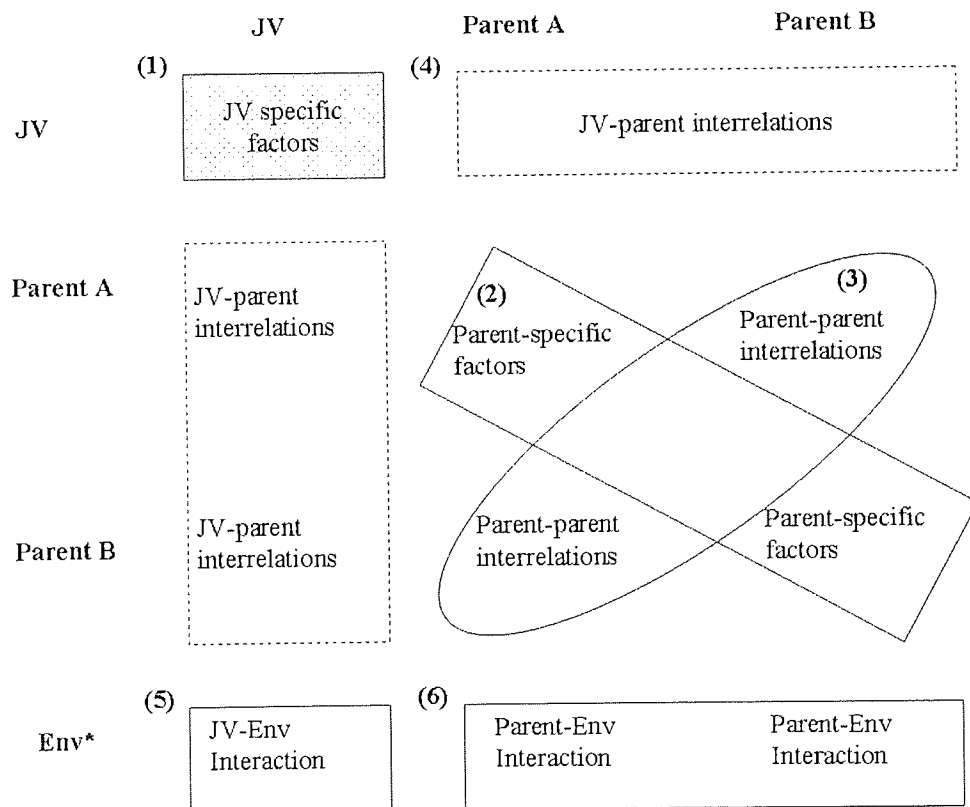
At level 2, the extent of market oriented behaviors within the JV's boundary are enhanced with requisite resources and a best team of personnel being transferred from the partner firms. Since human resources represent a key aspect of strategic resources (Lorange, 1996) commanded by any firms, conventional wisdom suggests that the best personnel should be kept at home. By assigning such human resources to the JV, a partner firm risks the release of them to its counterparts, especially those competing ones. Besides, the remaining career of these people might end up in the JV, producing little value to the home organization directly. In this sense, the assignments of key personnel represent idiosyncratic investments of the partners. It is logical to expect that partners are willing to make such investments only when they have developed a close tie with one another. Additionally, as representatives of the respective partners, the relational dynamics among the triadic parties also play a role in affecting the process of coordinating decisions and other activities with the JV. In sum, aside from other strategic resources, the proficiency of the management team and its dynamics are key to engendering the market oriented behaviors in an organization (e.g., Jaworski and Kohli, 1993) because they are those people who have the responsibilities, capabilities, and capacities to carry out the development of such strategic moves (Lorange, 1996) within the JV. In fact, as evident in Morgan and Strong's (1998) study, "market oriented activities and behaviors are related to: a proactive search for marketplace opportunities; a problem solving, analytical approach to organizational learning; and long term planning and future positioning considerations" (p.1067). These "capabilities" indeed rest on a highly caliber workforce.

In order to frame the selection of antecedent variables to JV's market oriented behaviors, a classification schema of the antecedents that are specific to a JV context is presented in the following section. The analysis of this schema reveals that three main sources of drivers for market oriented behaviors with special relevance to the set of relational capital as discussed in the TCA framework should be examined.

3.3.1 Antecedents to Market Oriented Behaviors in a JV Context: A Classification Schema

In consideration of the relational process within a JV system, a classification schema of antecedent factors (sources of influence) to market oriented behaviors is proposed here (Figure 3.1). As illustrated, the interaction of at least three players² within this system results in different sources of influence on the venture's level of market oriented behaviors (MOB). This is in line with Loess and Yavas's (2003) findings that the different levels of interactions within a JV system have important impact on the formation of collaborative attitudes (or behaviors). Inside this system, four sources of influence are evidential, including (1) JV-specific factors, (2) parent-specific factors, (3) factors resulting from parent-parent interrelations and (4) factors resulting from parent-JV interrelations.

Figure 3.1: Sources of Influence on JVs' MOB Levels



* Env = Environment: includes all factors external to the JV and its parents. These factors would include competition, industry norms, government regulations, economic conditions, etc. (please see Chapter 2 for a review).

² Within any given JV system, the number of parents can exceed two. For illustrative purpose, however, a simplified case of two parents is presented here. In such cases, the inter-relations of three players (two parents and the child-firm, the JV organization) are considered.

Antecedent factors arising from source 2, parent-specific factors, are largely analogous to those firm-specific factors. In fact, the market orientation literature is replete with studies examining such factors (please see Section 2.3.5 of Chapter 2 for more details). Given that the objective of this study is to examine context-specific antecedent factors that are relevant to the relational context in which the JVs are embedded in, only those factors that are especially relevant in such context are examined.

As reviewed earlier, the TCA framework has its base built on the two dimensions of asset specificity and uncertainty. The challenges are therefore derived from problems of safeguarding these assets and at the same time building in flexibility in the system to cope with uncertainty. To these problems, the extant TCA literature proposes the use of stringent partner selection criteria (qualification procedures) and other relational capital as viable and cost-effective mechanisms to substitute explicit contractual provisions *ex ante*. With reference to such suggestions of practicing qualifications procedures in the channel literature (see Stump and Heide, 1996) or partner selection criteria in the JV and related literature, two factors are thus proposed to be included in the model: magnitude of parents' market oriented values and the average extent of parents' cultural sensitivity. More importantly, another concrete justification for the inclusion of these two factors is derived from Homburg and Pflesser's (2000) operationalizations of market orientation (please see sections 2.3.3.1 and 2.3.3.3 of Chapter 2 for more discussion). Therefore, while other factors evolving around parent firms' operational mechanisms are of lesser interest to this study, these two culture-laden factors are considered requisite for studying the dynamics by which market-oriented behaviors are nurtured in the JV.

The set of relational factors as identified from the review of the JV and related literature (see Section 2.2.2.2 of Chapter 2), aside from shielding the venture from undesirable partner opportunism, has also the benefits of enhancing flexibility and alignment of incentives in the venture. In this sense, the current study takes the full array of the relational factors arising from sources 3 and 4 into the model and keeps their original classifications as inter-partner factors (resulting from parent-parent interactions) and parent-JV factors (due from parent-JV interactions).

Finally, sources 5 and 6 consist of those factors that are external to the JV system as a whole. They include all factors arising from the system's task environment as well as its macro environment. Factors falling in these two categories specifically affect the JV as a separate entity or each of its parent firms alone. Although the JV itself or either one of its parent firms might be exposed to a unique set of environmental factors, such factors would not be examined in the current setting as they have been widely studied in the literature (please refer to Section 2.3.5.4 of Chapter 2 for a detailed review). However, it is noteworthy to caution that although they are not treated as antecedents to market orientation, one particular variation (namely market dynamism) would be conceptualized as having moderating effects on the link between market oriented behaviors and JV's market performance.

Having explicitly presented a formal classification schema of the sources of influence on the market oriented behaviors of a JV, the next section is dedicated to develop formal hypotheses for the system of variables in the conceptual model. Following the schema presented earlier, the variables are organized into four groups, including partner-specific (parent-specific) factors, JV-specific factors, inter-partner (parent-parent) factors, and partner-JV (JV-partner) factors. A conceptual model thus developed is summarized in Figure 3.2 and a more elaborated operating model is depicted in Figure 3.3.

Figure 3.2: Conceptual Model

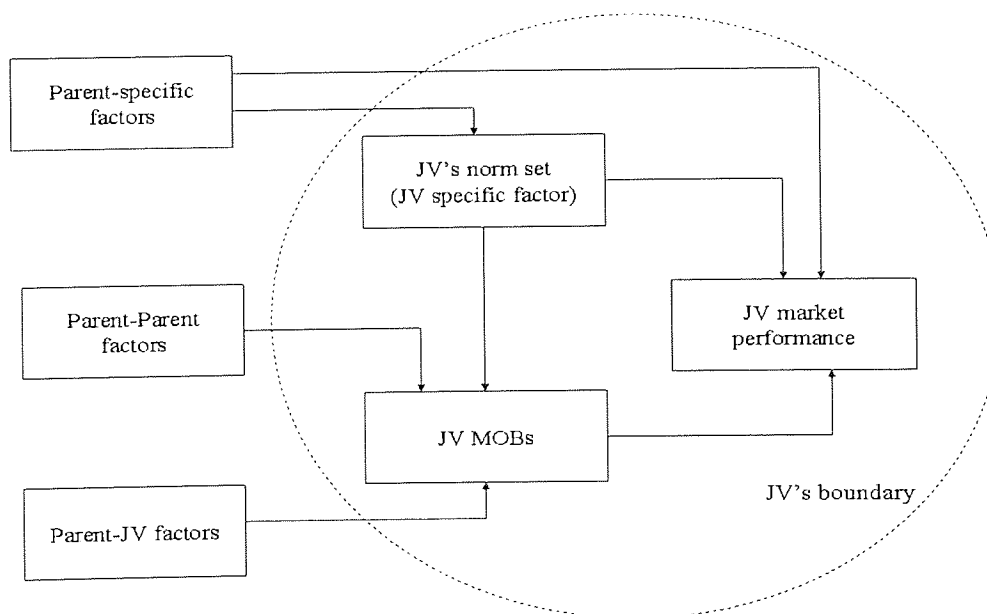
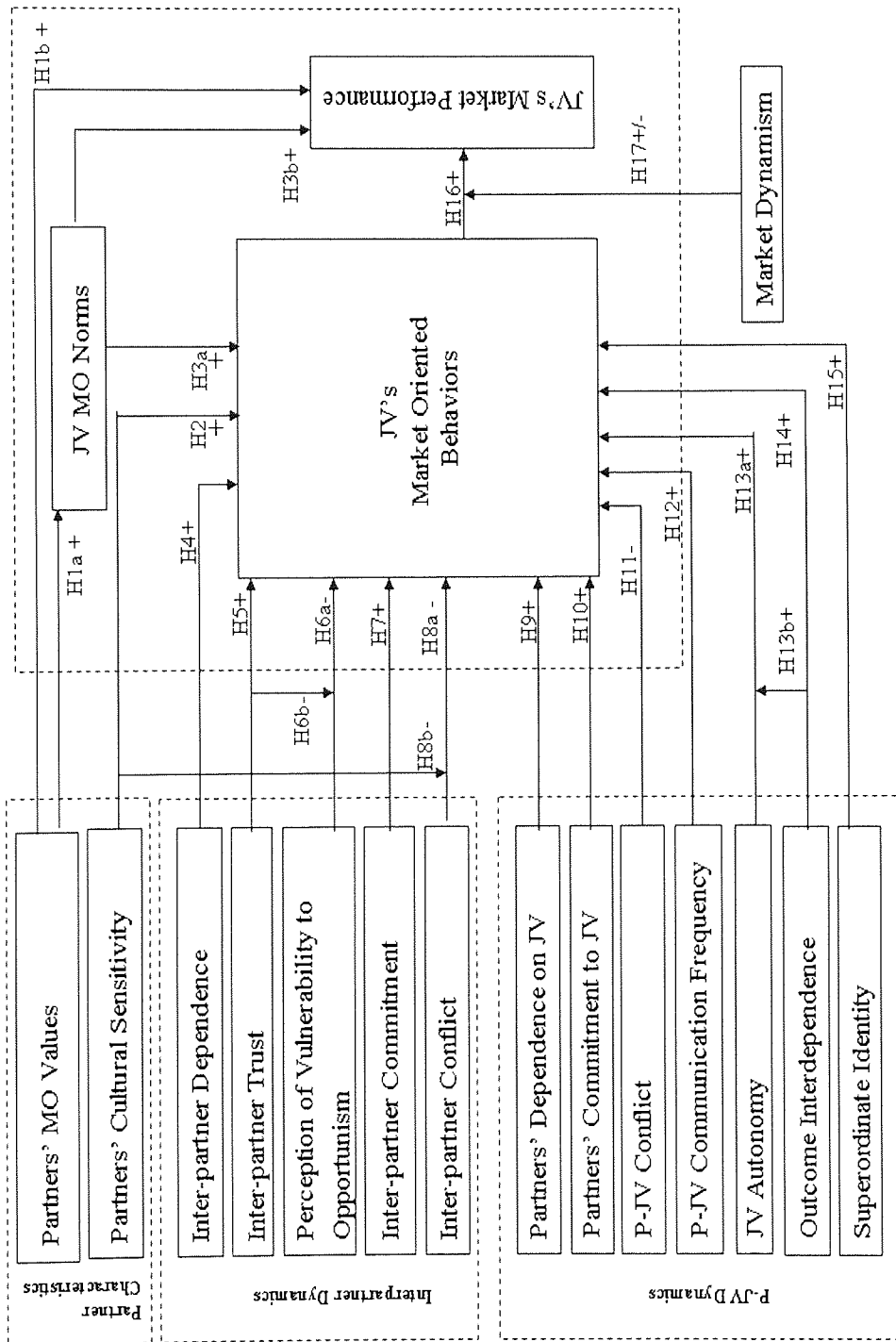


Figure 3.3 Operating Model and Hypotheses



3.3.2 Partner-Specific Factors

Partner-specific factors refer to those partner attributes which are readily identifiable during the phase of partner selection. In TCA's terms, this corresponds to the efforts of evaluating partner attributes in a traditional qualification program (Spekman, 1988). Partner attributes are variables that can vary independently for a firm, regardless of any relationships with its partners or the JV in question. Partner factors are thus descriptions of "partner characteristics". They are capable of enhancing or hampering the implementation of market oriented behaviors in a JV through the socialization process between the boundary managers of the parents and the JV management team. In the current context, these variables are operationalized in term of the combined or average levels with respect to the two major partners of each JV (see Chapter 4 for a more detailed discussion). Two partner attributes or partner-specific factors, namely parent firms' market oriented values, and parents' cultural sensitivity are examined under the current framework.

3.3.2.1 Parent Firms' Market Oriented Values

Contending that market orientation is a multifaceted construct (Cadogan, 2003), it is therefore crucial to conceptualize market oriented behaviors, the underlying market oriented values and norms prevailing in any specific context of interest as separate and interrelated concepts. Accordingly, an attempt to investigate the antecedents to market oriented behaviors should not go without a concurrent examination of the underlying values set and norms set. In this regard, values, norms have been treated as antecedents to market oriented behaviors (c.f., Homburg and Pflesser, 2000).

The Cultural Aspects of Market Orientation (MO) in a JV

A JV's organizational culture is a product of the prevailing cultural values of its parent organizations. This view is derived from the organizational culture studies. Specifically, social scholars contend that the organization's founder and early history play the most deterministic role in shaping the organization's culture and value set (Allaire and Firsirotu, 1984; Schein, 1985). Apart from being architects of such inputs as structures and technologies of an organization, the founders may also be seen as creators of the software (Hofstede, 1997) running an organization, introducing and nurturing such symbols, ideologies, languages, beliefs, rituals, myths, and other

aspects of organizational life (Allaire and Firsirotu, 1984). This phenomenon is explicated by a major learning mechanism termed “positive reinforcement” (Schein, 1985). From the positive reinforcement perspective, the learning process begins with a belief or value. This belief/value stipulates a set of norms for behaviors and then a new belief or value either confirming or falsifying the previous belief/value gradually evolves and the cycle repeats. This evolution mechanism demonstrates a situation that is analogous to the culture formation process in a JV. Mirroring the mechanism of positive reinforcement, it is expected that the cultural values carried by parent firms would have pervasive impacts on the formation of the JV’s cultural system through the key leaders (that is, the seconded managers) (Hofstede, Neuijen, Ohayv et al., 1990). As Shenkar (2001) points out, senior managers play the most significant role in shaping and transmitting corporate culture signals to the broader membership, such as that in a JV.

Drawing on the above discussion, the cultural aspects of a market orientation are examined on a normative basis. Norms comprises the level of culture just below the core values and are most readily recognizable. As such, the set of market oriented values carried by parent firms’ boundary managers is expected to serve as references for shaping the behavioral norms of a JV, which in turn dictate the market-oriented behaviors.

Magnitude of MO Values

In addition to the sharing of a set of market oriented values between the partner firms, another requisite condition for successful values implantation stipulates the combined magnitude of such values across the partner firms should be large too. Specifically, a highly market oriented firm when joined with a partner of high or at least moderate level of market oriented values would more readily nurture a high level of market oriented behaviors in the JV. Thus, if parent firms are carrying strong market oriented values in general, such values would more likely be assimilated into the context of the JV through the socialization process and in turn, the corresponding norms for behaviors in the JV would be fostered. Therefore, this hypothesis is proposed:

H1a: The greater the combined market-oriented values of the partners, the greater is the JV’s level of market-oriented norms.

In addition to the foregoing link between values and norms, it is also hypothesized that strong values would directly affect market performance. This is in line with the strong culture hypothesis (Dennison, 1984). Over the years, empirical evidence (e.g., Kotter and Heskett, 1992; Leisen, Lilly and Winsor, 2002; Peters and Waterman, 1982) has been collected that lent support to the notion that a strong corporate culture is associated with excellent organizational performance. A typical rationale is that “[i]n a strong corporate culture, almost all managers share a set of relatively consistent values and methods of doing business” (Kotter and Heskett, 1992, p.15). It appears that a strong set of organizational values gives the impetus to a firm’s superior performance.

In fact, Barney (1996) also contends that firms with valuable, rare and imperfectly imitable culture can be a source of its sustainable competitive advantage. A handy example of such a culture appears to correspond with Peters and Waterman’s (1982) description of a culture that obliges the organizational members to staying close to their customers for collecting timely market information; jointly developing products with customers and thus creating values for them. Deductively, what Peters and Waterman (1982) describes is a market oriented culture *de facto*. Thus, the following hypothesis is posited:

H1b: The greater the combined market-oriented values of the partners, the better is the JV’s market performance.

3.3.2.2 Partners’ Cultural Sensitivity

In JV settings characterized by extensive cross-cultural interactions, people of very different assumptions and symbolic systems (Allaire and Firsirotu, 1984) are brought together. This concurs with Parkhe’s (1991) Type II diversity, which arises from such differences as found in boundary managers’ respective societal, national, corporate-level, and operating-level frames of reference. The salience of this construct has been reflected in the stream of research into the development of managers’ global mindset, with which they are better equipped to deal with the challenges of managing culturally distant interactions as well as strategically diverse businesses (Levy, Beechler, Taylor et al., 2007).

Within the JV context, the intensive interactions among the boundary managers of the parent firms could have stirred up frictions of any kind due to their cultural distances (e.g., Parkhe, 1991; Simonin, 1999b; Vyas, Shelburn and Rogers 1995). These cultural differences in lifestyle and underlying values are sources of misunderstandings in the partnering relationship (Barkema and Vermeulen, 1997; Morris, Williams, Leung et al., 1998), which are detrimental to effective interfirm cooperation (e.g., Makino and Beamish 1998). Simonin (1999b) names language proficiency and alignment between partners as examples of sources for breakdowns of inter-partner collaboration. He contends that such incompatibility dictates the boundaries of communication and knowledge flows. Large cultural distance creates difficulties for partners to share their counterparts' views in such topics as market mechanisms, market opportunities and the nature of their competitive advantage. An example is the difficulty of one partner's appreciation of the wisdom of another partner's pricing or promotional campaign which may be so deeply rooted in a prevailing cultural context (Simonin, 1999a, p.473). This hampers the quality and relevance of intelligence being generated in the parent firms and in turn weakens the facilitating effect on JV's market oriented behaviors. Specifically, the transmission and interpretation process of intelligence within the JV system is weakened due to the disparity in the underlying assumptions and value system.

In this regard, it is imperative for boundary managers to develop an understanding of one another's modes of thinking and behaving in order to handle such cultural differences effectively (Parkhe, 1991). Cultural sensitivity (c.f., Johnson, Cullen, Sakano et al., 1996) refers to the condition by which boundary managers are aware of and make proactive efforts to accommodate their counterpart's cultural differences in terms of disparity in beliefs, value systems, or cognitive blueprints for interpreting the world. In this way, parent firms' engagement in intelligence generation could be coordinated and relevance of intelligence could be better understood and better responses devised as a result [in fact, it has been suggested that value could be extracted from heterogeneity of culturally diverse team given that members acknowledge one another's contributions (Maloney and Zellmer-Bruhn, 2006)]. More importantly, requisite resources could be committed by the parent firms that directly affect the effectiveness of the design and implementation components of market

oriented behaviors in the JV alongside with enhanced intelligence generation and dissemination activities. Thus:

H2: The more culturally sensitive are the boundary managers at the partner firms, the higher is the level of JV's market-oriented activities (i.e., intelligence generation, dissemination and responsiveness).

3.3.3 JV-Specific Factors

As discussed in Section 3.3.1, the only JV-specific factor that is examined in this study is the norms for market-oriented behaviors. Market orientation as an organizational culture provides norms for value-creating behaviors that serve both the current and potential customers (Slater and Narver, 1995) and hence continuous superior performance for the business (Narver and Slater, 1990) can be attained. As an important component of culture, norms are the unwritten rules of the game (Kilman, 1985, p. 360), which encompass all behavior that is expected, accepted, or supported by the group (Allen, 1985, p.334). Thus, norms describe the behavior that members of an organization pressure one another to follow (Kilmann, Saxton, and Serpa, 1985, p.5). Organizational members are rewarded when they follow the norms and are confronted or penalized when violate them (Allen, 1985). In line of this reasoning, norms are argued to specifically provide “guidelines” for market-oriented behaviors in the JV. Thus the hypothesis below is proposed:

H3a: The stronger the MO norms in the JV, the higher is the level of JV's market-oriented activities (i.e., intelligence generation, dissemination and responsiveness).

The prevalence of norms for market oriented behaviors provides the reference basis which streamlines the JV's efforts at different levels to transform inputs of market intelligence to valuable outputs such as enhanced products. Although little empirical evidence in the literature has specifically addressed the linkage between norms and performance, being building blocks of any culture, it is logical to expect that they also have positive impact on organizational performance. This proposition is in line with the strong culture paradigm (e.g., Kotter and Heskett, 1992), where a stronger level of norms also yields positive consequences. Hence, the following hypothesis is put forth:

H3b: The stronger the MO norms in the JV, the better is the JV's market performance.

3.3.4 Inter-Partner Factors

In accordance with the classification schema of the sources of influence on a JV's market-oriented behaviors, inter-partner factors constitute the third type of sources. Indeed, TC theory has proposed this source as control mechanisms to safeguard transaction-specific assets against opportunism and to build in flexibility for managing uncertainty. Although the TCA literature has offered little insight to the operationalization of this type of control mechanisms, applications of these mechanisms are readily available in the JV (e.g., Beamish and Banks, 1987; Gulati, 1995b; Kale, Singh and Perlmutter, 2000) and marketing channel (e.g., Heide and John, 1992) literature. Unanimously, both streams of literature have suggested that prudent partner selection and the nurturing of relational capital are effective substitutes for explicit contracts with respect to safeguarding against partner opportunism and promoting incentives for cooperation. In order to capture the relational dynamics between the partners, all factors as examined here need to be understood as the average kind of relationship between the two major partners of each JV. Variables of particular relevance include *inter-partner dependence*, *inter-partner trust*, *perception of vulnerability to partner opportunism*, *inter-partner commitment*, and *inter-partner conflict*.

3.3.4.1 Inter-Partner Dependence

Dependence proposed as an antecedent factor to JV market-oriented behaviors is a partner attribute which can increase the odds of success for the relationship and be identified strategically during the initial partner selection phase. If partners are dependent on one another or need one another at the outset, they would be more obliged to make the relationship work out, thus enhancing the exchanges in terms of resources as well as information (c.f., Beamish, 1987; Lee and Beamish, 1995).

In the channel literature, dependence refers to a firm's need to maintain an exchange relationship to achieve desired goals and is considered the obverse of power (Gundlach and Cadotte, 1994, p.516). Exchange partners will stay together as long as this need exists and the venture is successful (Harrigan, 1988). Thus, interdependence

exists whenever two or more parties need the resources contribution of one another for goals attainment (e.g., Gundlach and Cadotte, 1994, Kumar, Scheer, and Steenkamp, 1995). The magnitude of interdependence has been empirically proven to enhance a number of desirable channel quality attributes. For example, total or joint interdependence reinforces contract enforcement (Anita and Frazier, 2001), constructive discussion and venting (Hibbard, Kumar and Stern, 2001), and relationship quality (Kumar, Scheer and Steenkamp, 1995), but discourages disengagement and passive acceptance (Hibbard, Kumar and Stern, 2001) of the channel members. It also has negative effect on the dealer's punitive actions (Kumar, Scheer, and Steenkamp, 1998). The evidence collected thus far in the channel literature has supported the proposition that as the magnitude of interdependence increases, members involved in an exchange relationship will be more inclined to engaging in constructive discussions and cooperative information exchange. For example, Gundlach and Cadotte's (1994) findings showed that increasing magnitude of interdependence is associated with more frequent use of noncoercive strategies such as rewards and information exchange, and lower levels of residual conflict. Therefore, when partners involved in a JV have a vested interest in maintaining the relationship, they would be more willing to make idiosyncratic investments such as adjusting their operating systems so that intelligence important to the JV is generated alongside their mainstream activities. Any intelligence thus generated, together with other proprietary information, when considered to be important to the JV's success, would be more readily transmitted to the JV. Besides, important resources necessary for the JV would be more readily committed by the partners. All in all, the partner firms would do whatever they could to maximize the chances of the JV's success when their well beings are interdependent.

As the assignment of important human resources to the JV represents a key aspect of idiosyncratic investment made by the partners, it is expected that higher level of interdependence encourages the partners to commit such investments. Along this line of reasoning, the high caliber personnel would possess better capacity and capability to direct the JV's orientation to executing the three generic market oriented activities. Thus,

H4: The greater the magnitude of interdependence between partner firms, the greater is the JV's level of market-oriented activities (i.e., intelligence generation, dissemination and responsiveness).

3.3.4.2 Inter-Partner Trust

Trust (e.g., Aulakh, Kotabe and Sahay, 1996; Lorenzoni and Lipparini, 1999; Ring and Van de Ven, 1992) brings flexibility in resource combination and coordination to the partnering firms. Trust ensures a sound and cooperative working relationship between the partners, and free exchange of information (Heide and John, 1992; Inkpen, 1996). Inkpen (2000) argues that greater trust between JV partners enhances openness in information sharing and makes alliance knowledge more accessible. This is critical for the implementation of a high level of market oriented behaviors within the JV context. The higher the inter-partner trust, the more efficient the JV will be in transforming an input of cooperation into a collaborative output (Inkpen and Currall, 1997).

If partner firms trust each other, they would be more willing to spend extra efforts at their home organizations to generate market intelligence on the JV's behalf and pass on such valuable information to the JV. Stated otherwise, the *ex ante* incentive to make such idiosyncratic investments in generating market intelligence for the JV would be enhanced and the *ex post* incentive to safeguard such investments (in terms of the collected market information) with protective mechanisms would be reduced (Williamson, 1991). Furthermore, the commitment of other resources is induced, which further facilitates the design and implementation of marketing plans in response to such intelligence.

Additionally, a higher level of trust between the partner firms is likely to motivate parents to dedicate their best people to work in the JV's management team. Therefore, at the JV level, these managers would be likely to assign more resources to keep track of the market, thus committing more to generate and disseminate market intelligence. Besides, the quality of processing market intelligence also lies in the users' capability. It is therefore expected that these managers are more experienced to know where to look for useful intelligence, how to interpret it and at the end make informed decisions,

which collectively yield timely and effective designs and implementations of responses serving the target market. Hence the following hypothesis:

H5: The higher the level of trust between the partner firms, the higher is the level of JV's market-oriented activities (i.e., intelligence generation, dissemination and responsiveness).

3.3.4.3 Perception of Vulnerability to Partner Opportunism

Entering into a JV exposes a firm to potential exploitation (opportunism) by its partners. Firms perceive that they are vulnerable to this risk will counteract it accordingly. They might put up measures to block proprietary information leakage and/or withhold idiosyncratic investments to the JV. Parkhe (1993b) found partial evidence that an alliance partner's perception of likely opportunism from its counterparts has negative impact on its commitment of non-recoverable investments (transaction-specific assets). Thus, parents' perception of their counterparts' *potential* to act in an opportunistic fashion, regardless of their perception of the counterparts' intent to behave in such a way, may induce them to engage in active and sometimes even destructive actions so as to reduce their dissonance or perceived vulnerability. In the inter-partner context, perceived vulnerability refers specifically to the general or average degree of perceived vulnerability to opportunism between the partners. Such dissonance drives the partner firms to redress their vulnerability by (a) removing the threat, or (b) by developing a counter-threat such that they can actively reduce their counterparts' ability or willingness to behave opportunistically. The outcome of these kinds of maneuvers may be resource rationing, reluctance to cooperate if cooperation opens the doors even wider to partner opportunism, and restriction of access to information and knowledge assets.

Thus, when partners perceive that they are vulnerable to opportunism, their incentive to invest in systems that facilitates generating intelligence relevant to the JV is reduced. Additionally, mechanisms might be put up to block information trafficking from the partners to the JV and resources rationing is highly probable, not to mention the incentive to relinquishing key human resources to the JV. The lack of critical resources and efforts needed for cooperating and coordinating joint activities in the JV in turn hampers its capability to generate timely market intelligence, and make quality

interpretation; and to disseminate the intelligence efficiently via a well established communication channel. Eventually, the JV's overall capacity to make market-oriented response designs and implementations is also compromised. Hence the following hypothesis is offered:

H6a: The greater the partners' perceived degree of vulnerability to opportunism, the lower is the level of JV's market-oriented activities (i.e., intelligence generation, dissemination and responsiveness).

However, the negative impact of the perceived degree of vulnerability to partners' opportunism on JV's market oriented behaviors could be moderated by a strong sense of inter-firm trust within the relationship. The breeding of trust effectively reduces partners' concern about opportunistic behavior (Lorenzoni and Lipparini, 1999; Ring and Van de Ven, 1992). In fact, there are quite a number of studies attempting to operationalize the construct of trust and/or examine its positive effects such as lowering transaction costs (Gulati, 1995b), inducing desirable behavior (Madhok, 1995), facilitating conflict resolution (Ring and Van de Ven 1994) and even directly enhancing performance (Aulakh, Kotabe and Sahay, 1996; Lane, Salk and Lyles, 2001). In general, JV scholars agree that interfirm trust has positive effect on the confidence in partner cooperation (e.g., Das and Teng, 1998b) and hence attenuates the negative impact of partners' perception of vulnerability to opportunism.

When partner firms have confidence that their counterparts would act in good faith, they would be more willing to rein in many of their preventive measures that could have been put in place to safeguard their investments. Hence,

H6b: The relationship between partners' perceived degree of vulnerability to opportunism and JV's market-oriented activities is moderated by inter-partner trust: the greater the degree of inter-partner trust, the weaker is the relationship between partners' perceived degree of vulnerability to opportunism and JV's market-oriented activities.

3.3.4.4 Inter-Partner Commitment

Commitment implies a willingness to make short-term sacrifices to realize longer-term benefits (Dwyer, Schurr and Oh, 1987) or the patience and persistence of firms in awaiting for returns (Folta, 1998). This concept in the context of maintaining a relationship, is defined as an exchange partner believing that an ongoing relationship with another is so important as to warrant maximum efforts to maintaining it; that is, to ensuring that it is enduring (Moorman, Zaltman and Deshpande, 1992) or endures indefinitely (Morgan and Hunt, 1994). Sarkar, Cavusgil and Evirgen (1997) contend that commitment has two basic dimensions: behavioral and attitudinal, that is, 'expression of long-term interest in the relationship and undertaking of affirmative action that demonstrates willingness to act on promise' (p.262). In fact, commitment in a JV system is bifaceted. It encapsulates commitment towards a partner firm with which a firm negotiates exchanges as well as commitment towards a third entity which is jointly created by these two partners. These two kinds of commitment are termed namely, inter-partner commitment and partners' commitment to JV (which is addressed in the partner-JV dynamics section) in this study.

Inter-partner commitment helps to nurture market oriented behaviors in the JV. Only committed partners who value the relationship so much would be willing to make any investments of idiosyncratic nature such as adjusting the existing organizational systems to facilitate intelligence generation for the JV, and/or sharing their proprietary market information with a second party (Anderson and Weitz, 1992), especially when the latter might turn up to be a competitor.

In addition, when partners are committed to each other, they are willing to dedicate more of their strategic resources such as human, financial and others to the JV in light of the risk of opportunism. The availability of capable and experienced JV managers, together with the supply of critical resources, enables the JV to develop its market sensing activities, broaden its scope of market monitoring and put up effective channels for intelligence dissemination. The enhanced system of information circulation in terms of faster speed and greater effectiveness sets the stage for the caliber managers to make timely response designs and implementation of marketing programs. Thus, it is proposed:

H7: The greater the inter-partner commitment, the higher is the level of JV's market-oriented activities (i.e., intelligence generation, dissemination and responsiveness).

3.3.4.5 Inter-Partner Conflict

Inter-partner conflict is often articulated as one of the driving forces for JV instability (Yan and Zeng, 1999). Its construct domain taps two dimensions: sources of conflict and manifest conflict (Xie, Song and Stringfellow, 1998). Conflicts of interest between the partner firms may adversely affect a JV's flexibility in decision making and its ability to coordinate globally (cf., Madhok, 1995).

When the inter-partner conflicts are acute, partners are discouraged to make investments that might create a hold-up potential for partners' opportunistic behavior. As such, it is expected that these partners would be unlikely to commit their existing organizational systems to generate any intelligence for the JV because such activities could only encourage free-riding behaviors of their counterparts. Even in such cases that valuable information to the JV's success is commanded by these partners, such information is unlikely to be disseminated across the firm boundaries. The supply of critical resources to the JV would be rationed if not entirely stopped.

More importantly still, a high level of inter-partner conflict is detrimental to the JV's ability to generate intelligence, process and disseminate such intelligence and subsequently respond to it. As much time and effort of the boundary managers would be drained to managing these conflicts, their ability to generate and process relevant information would be hampered, resulting in loss of productivity (c.f., Xie Song and Stringfellow, 1998). Conflicts of interest between the partners are sources of coordination difficulties for the JV managers who presumably represent different interest groups. One handy example is managers' intentional manipulation of information in order to bias decisions in their own favor (Walton and Dutton, 1969). The tension resulted from a lack of integration (Xie, Song and Stringfellow, 1998) between the partners is thus very likely to hamper a concerted effort for information processing within the JV and hence reduce all the three generic activities of a market orientation. Thus, it is proposed:

H8a: The higher the level of conflict between the partner firms, the lower is the level of JV's market-oriented activities (i.e., intelligence generation, dissemination and responsiveness).

As inter-partner conflicts largely stem from perceived incompatibility of goals or intents of the partners, disparity in their frames of reference resulting from societal cultural distance might evoke further frictions. Moreover, if the boundary managers of the parent firms are not highly cultural sensitive, which means that they are generally unaware of and are less prepared to accommodate such culture-bounded differences, the dysfunctional impacts resulting from inter-partner conflicts might be further reinforced. The partner firms might respond to such conflicts in a counter-productive way, creating even more tensions within the relationship (Steensma and Lyles 2000). This is evidential in Wang, Lin, Chan et al.'s (2005) study which showed that cross-cultural misunderstandings between partners have negative impact on conflict resolutions in international joint ventures. As the negative spiral continues, information gate-keeping and even distortion among the boundary managers of the parent firms is further encouraged. This, coupled with their rationing of other resources contribution, would adversely affect the market-oriented activities in the JV. Therefore, we offer the following hypothesis:

H8b: The relationship between inter-partner conflicts and JV market-oriented activities is moderated by the degree of cultural sensitivity of the boundary managers at the partner firms: the less sensitive these managers are, the stronger is the relationship between inter-partner conflicts and JV's market-oriented activities

3.3.5 Partner-JV Factors

Apart from the inter-partner factors, the relationship between the partners and the JV is another source of influence that has direct impact on JV's market oriented activities. There are two levels of factors that are examined with respect to this source. At the macro-level, partner-JV factors describe the relationship between the JV and its parent firms. Here, the focus is on describing the average kind of relationship between the "child" and its parents. Close and strong tie between the JV and its parent firms could reinforce the JV's market-oriented activities. Factors included in this category are

partners' commitment to JV, partners' dependence on JV, partner-JV connectedness, communication frequency, partner-JV conflict, and JV autonomy. The second level, a micro one, constitutes a subgroup of factors which are especially relevant to the dynamics inside the JV's management team (which is presumably made up of people affiliated to different parent firms and hence the dual loyalty problem is apparent). These factors include the JV's autonomy, the JV management team's *outcome* interdependence and their sense of *superordinate identity*. Each of these variables and their relationships to JV market oriented behaviors are discussed respectively in the following sections.

3.3.5.1 Partners' Dependence on JV

Need refers to the requirement for skills or resources from the partner such as access to raw materials, distribution channels, labor, political connections, and local knowledge (Lane and Beamish, 1990, p.94). The generic variable of partner need or resource dependence can be examined in two perspectives: the need between the partners of the venture and the need of the venture as an independent vehicle for the realization of partners' objectives.

The general rationale for the inclusion of this variable is that as the joint magnitude of partners' dependence on the JV increases, the partner firms would be more willing to increase their idiosyncratic investments in the JV such that intelligence generation on the JV's behalf is likely to be built into the parents' own organizational systems. Training of boundary managers to facilitate timely intelligence dissemination is also encouraged. Moreover, given their own well-beings are tied to its success, parents' incentive to transferring key personnel and other resources to the JV is strengthened. The adequacy of resources supplied to the JV in turn determines the JV's capacity to adopt a higher level of market oriented activities. Careful assignment of experienced personnel to the JV also elevates the chances of achieving smooth cooperation in the management team. These human resources are important to represent the JV's interest and as they see that the parents' interest is tied to the JV, they are more motivated to implement programs and command resources so as to keep a close eye on the market changes. As such, it is expected that they would be more inclined to generating market intelligence, disseminating such intelligence to the right parties and make

informed decisions based on such market intelligence. Thus, the following hypothesis is posited:

H9: The greater the partner firms' dependence on the success of the JV, the greater is the JV's level of market-oriented activities (i.e., intelligence generation, dissemination and responsiveness).

3.3.5.2 Partners' Commitment to JV

Apart from inter-partner commitments, partners' commitment to the JV itself is another critical factor that can affect the level of market oriented activities in the JV. When the partners are attached to the JV and its success, they would be more committed to ensure that it is enduring (Moorman, Zaltman and Deshpande, 1992). For example, Hunt and Morgan's (1994) study provided empirical evidence that a committed partner will be more cooperative out of a desire to make the relationship work. Therefore, committed partners are expected to be more willing to invest in idiosyncratic assets such as training personnel and/or adjusting organizational procedures and systems that facilitate intelligence generation for the JV. Besides, their *ex post* tendency to put up barriers for efficient and effective circulation of such intelligence would be reduced. Moreover, they are more likely to contribute even more resources to the JV. Valuable information from the committed partners strengthens both the scope and quality of intelligence base while availability of resources such as management skills and talents enable the JV to process and respond to the intelligence properly.

In addition, the proficient managers seconded from the parents when provided with sufficient resources from the committed partners are more likely to set up organizational programs that can monitor the served market, and effectively utilize such market intelligence. As such, it is analogous to the fact that a higher level of market oriented behaviors is implemented. Hence,

H10: The greater the partners' commitment to the JV, the higher is the level of JV's market-oriented activities (i.e., intelligence generation, dissemination and responsiveness).

3.3.5.3 Partner-JV Conflict

Partner-JV conflict is defined as the degree to which boundary managers at partner firms and JV managers behave in a way that frustrates one another (cf., Maltz and Kohli, 2000, p.480). Conflictual behavior of the different parties is most often expected to be dysfunctional because it needs the enforcement of a resolution mechanism (Steensma and Lyles, 2000). At the level of the partner firms, when they experience an intensified level of conflict with the JV, they are less likely to invest in activities that are beneficial exclusively to the JV's well-being. Moreover, boundary managers would be more inclined to withhold or distort information, thus reducing information flow to the JV or weakening the quality of information being transmitted. A further problem in light of a high level of partner-JV conflict centers at the boundary managers' tendency to ration support of any kind from the parents. This will directly and significantly hamper the JV's ability to formulate and implement marketing programs in response to the market changes.

As efforts are drawn to manage conflicts, activities of information generation, and utilization on the part of the JV managers would also be adversely affected. In fact, acute partner-JV conflict hampers JV's market oriented behaviors in two ways: JV managers involving in conflictual behavior are left with lesser time and effort to handle information processing (c.f. Xie, Song and Stringfellow, 1998); resources rationing from the partners may further inhibit the JV's overall capacity in generating intelligence, disseminating such intelligence and subsequently implementing any well designed marketing programs. Thus,

H11: The greater the level of dysfunctional conflict between JV and parents, the lower is the JV's market-oriented activities (i.e., intelligence generation, dissemination and responsiveness).

3.3.5.4 Partner-JV Communication Frequency

Communication frequency is defined as the number of times information is exchanged between partners and the JV over a period of time (cf., Fisher, Maltz and Jaworski, 1997). Higher communication frequency between the partners and the JV provides a concrete basis for the parents to monitor both the strategic and operational directions of the JV and hence this attenuates incentives for opportunistic behaviors. Thus, the

parents would be more motivated to make non-recoverable investments such as putting up additional channels and/or training and rewarding personnel to generate market intelligence for the JV. Besides, higher communication frequency between the parents and the JV enhances the speed of intelligence dissemination (Harris and Piercy, 1999) within the JV system. With more frequent communication, inputs from the parents for responses design might be more available.

Additionally, although supplying all the resources required by the JV is neither realistic nor appropriate, it is important that parent firms can identify and provide the requisite resources to the JV in order to develop its competitive advantage (Luo, 2003). Higher communication frequency helps the parents understand and hence provide the necessary resources backup to the JV. This further reinforces the market oriented activities undertaken at the JV's level. Therefore,

H12: The higher the communication frequency between the partners and the JV, the greater is the level of JV's market-oriented activities (i.e., intelligence generation, dissemination and responsiveness).

At the micro level, partner-JV factors refer to those variables primarily capturing the relationship dynamics of the managers working inside the JV firm. As these managers are representing the presence of their respective parent firms, it is well documented that problems such as loyalty, commitment and organizational identity (Gong, Shenkar, Luo et al., 2005; Hambrick, Li, Xin et al., 2001; Shenkar and Zeira, 1987) often mask their effective functioning. Having been delegated with tasks of running the JV, the management team's undertakings have direct and deterministic impact on the JV's generic activities (c.f., Geringer and Frayne, 1990) such as market oriented behaviors as examined in this study. It is proposed in this study that when efforts of the JV managers are streamlined or their team-spirit is promoted, a more concerted focus will be induced and the level of market oriented behaviors enhanced. Factors which are of particular relevance include the degree of autonomy endowed to the JV management team, the sense of superordinate identity among the JV managers and their outcome interdependence. These factors and the respective hypotheses are discussed in further details in the following:

3.3.5.5 JV Autonomy

According to Morris and Cadogan (2001, p.228), JV autonomy is defined as the degree to which the JV management team can act independently and autonomously without interference in the decision making process by the partners. Increase in JV autonomy means a corresponding decrease in the parent firms' control on the activities and decision making process of the JV. This reduces the incentive for parent firms to make extra efforts or investments to help generate market intelligence or process such intelligence on the JV's behalf.

On the other hand, getting away from interferences of big "bosses", JV managers are encouraged to cooperate with other members of the management team, which would have positive impact on the market oriented behaviors. The JV management team would be motivated to act in the best interest of the JV without much reference to the parents. As such, their efforts would be streamlined to focus on the served market. Coordinated efforts would be geared to generate relevant market intelligence, process it and use it to design marketing programs. At last, such programs would also be implemented effectively due to the aligned incentives of the JV managers at different levels.

All in all, since higher level of JV autonomy is only expected to discourage parents' additional investments rather than the normal course of investment as stipulated in the *ex ante* contracts, it is believed that its impact on the JV's level of market oriented behaviors is minimal relative to the positive magnitude induced by enhanced group dynamics within the JV management team. Therefore, the following hypothesis is proposed:

H13a: The greater the JV autonomy in decision making, the higher is the level of JV's market-oriented activities (i.e., intelligence generation, dissemination and responsiveness).

In addition to the main effect, outcome interdependence among the JV managers is expected to moderate the relationship between JV autonomy and market oriented behaviors. As discussed in Section 3.3.5.7 in the following, outcome interdependence is defined as the degree to which JV managers' responsibility, accountability, evaluation, and rewards are linked to the JV's performance rather than to those of

their parent organizations (cf., Sethi, 2000). When the JV managers are endowed with the capacity to direct the strategic and operational directions of the JV and they are cognizant of the fact that their rewards and performance assessments are tied to the JV performance, they would be motivated further to design systems and engage in behaviors that can increase the chances of the JV's success. In light of this argument, it is expected that the JV managers would be more encouraged to implement organizational systems that facilitate the generation of market intelligence, the dissemination of it in a speedy fashion as well as the effective design and implementation of such responses as deemed necessary. Thus,

H13b: The higher the level of outcome interdependence among the JV management team, the greater is the effect of JV autonomy on the level of market-oriented activities.

3.3.5.6 Outcome Interdependence of the JV Managers

The nature of group dynamics is largely a function of the design of the reward and performance assessment systems (Geringer and Frayne, 1990). Outcome interdependence among the JV managers is defined as the degree to which JV managers' responsibility, accountability, evaluation, and rewards are linked to the JV's performance rather than to those of their parent organizations (cf., Sethi, 2000). In order to overcome the natural factionalism (Pearce, 1997) formed among JV managers of different parental affiliation, the reward and performance assessment systems for this management team must be aligned to encourage cooperation. In fact, empirical evidence supported that cooperative reward structures promote diffusion of knowledge within a team (Beersma, Hollenbeck, Hunphrey et al., 2003). When the system emphasizes collective actions, managers are motivated to be more flexible in their decision making process and be more likely to accommodate different opinions such that consensus can be reached that preserves the best interests of the group.

In the case of a JV, however, the design of the reward and performance assessment systems is oftentimes multifaceted. JV managers could be subject to different assessment and compensation systems, depending on the arrangement of the parent organizations (Geringer and Frayne, 1990). On one hand, their performance could be aligned to the interests of their respective home organizations instead of those of the

JV. This would result in conflict of interests inside this management team and induce noises to the decision making process in the JV. On the other hand, if their assessment and compensation are brought in line with the JV's performance, collective actions are encouraged.

As the implementation of market oriented behaviors involves managers' proactiveness in information processing, its successful adoption hinges on how closely the JV managers' incentives system is being tied to the JV outcome. When JV managers are directly compensated in terms of the JV outcome, they are motivated to coordinate their decisions and activities for value creation. One direct means to this end is therefore to proactively develop a thorough understanding of the market and take corresponding actions in a timely fashion. Thus, the alignment of incentives of the JV managers is proposed to have direct positive impact on the three generic activities of intelligence generation, dissemination of such intelligence and undertaking activities in response to such intelligence. Hence,

H14: The higher the degree of outcome interdependence among the JV managers, the higher is the level of JV's market-oriented activities (i.e., intelligence generation, dissemination and responsiveness).

3.3.5.7 Superordinate Identity within JV Management Team

Superordinate identity refers to the extent to which members of the JV management team identify with the team (rather than with their original home organizations) and perceive a stake in the success of the team (c.f., Sethi, 2000; Van der Vegt and Bunderson, 2005). Its development is remedial to the problem of "relative functional identity" (Fisher, Maltz and Jaworski, 1997), which by definition, is "the extent to which managers feel a sense of connection with their respective home organizations compared with the JV" (p.56). In the JV context, managers who identify themselves more strongly with the partner firms than with the JV are speculated to place the interests of the partners above those of the JV. Such factionalism (Pearce, 1997) among the JV managers encourages their undertaking of political influence activity (Pearce, 1997) like information gatekeeping and distortion, hostility and distrust among in-group and out-group members and the creation of obstacles which impede the decision making process within the JV (Morris and Cadogan, 2001). The results of

these activities are extremely costly to the JV. Time and efforts of the JV managers will be diverted to engage in these unhealthy activities, thus neglecting their primary functions (Pearce, 1997).

The prevailing sense of superordinate identity in the JV management team represents a state of affective attachment of the team to the JV which effectively binds the JV managers of diverging backgrounds together (c.f., Johnson, Korsgaard and Sapienza, 2002). It supplies the motivational force which enables interaction in the face of diversity (Van der Vegt and Bunderson, 2005). In the information processing domain, group cohesiveness is found to have a significantly positive effect on market oriented behaviors (Van Egeren and O'Connor, 1998). When the sense of superordinate identity is high among the JV management team, flexibility in decision making and global coordination (c.f., Madhok, 1995) are engendered. Effective integration of divergent ideas and perspectives is thus secured (Van der Vegt and Bunderson, 2005). As such, more effort will be spared to generating information of interest to the JV, less information gate-keeping will take place (which enhances the quality and speed of intelligence dissemination), and response activities will be better coordinated. Thus,

H15: The greater the superordinate identity of the JV management team, the higher is the level of JV's market-oriented activities (i.e., intelligence generation, dissemination and responsiveness).

3.4 CONSEQUENCES OF A JV'S MARKET ORIENTATION

The link between market oriented behaviors and performance has received wide support in the marketing literature (Narver and Slater, 1990; Pelham and Wilson, 1996; Ruekert, 1992). Over four decades since the resurgence of interests in the marketing concept, scholars have generally agreed that the implementation of market oriented behaviors has positive performance consequences including increased profitability (Narver and Slater, 1990), perceived ROA, sales growth, and new product success (Slater and Narver, 1994a).

In the international context, Nakata (2002) found empirical support for the positive linkage between market orientation and organizational performance. Liu and Pak's (1999) study showed that marketing mainly in the form of market orientation has positive effect on the market share and profit growth of JVs. As market orientation also facilitates clarity of focus and vision in an organization's strategy (Kohli and Jaworski, 1990), it thus leads to a stage in which shared diagnosis and coordinated action (Slater and Narver, 1994b) across the entire organization are possible. The same mechanism is thus extended to the context of a JV. When a JV is market oriented, it is highly probable that it can create value for its target customers and achieve customer satisfaction, customer loyalty and attract new customers through positive words of mouth. These in turn result in a higher growth rate and a greater market share. Given the general positive relationship between market oriented behaviors and performance, especially the marketing aspects of performance, as proven in other studies (e.g., Homburg and Pflesser, 2000; Ruekert, 1992), it is hypothesized that:

H16: A high degree of JV market-oriented activities has positive impact on its market performance.

3.5 ENVIRONMENTAL MODERATORS

As suggested in the literature, the impact of environmental moderators to the market orientation – performance relationship is still unclear and more evidence has yet to be gathered to determine their effects (see Chapter 2 for more discussion). As JVs are frequently being run in an international context which is characterized with high environmental dynamism, understanding how these environmental factors work on the relationship of market orientation and performance would thus be very helpful to international business managers and marketers alike. In fact, studies on the market oriented behaviors and performance linkage *per se* in a JV setting are still scarce (for an exception, see Liu and Pak, 1999). There are hardly any clues to determine how environmental factors act on this linkage. In this study, an exploratory hypothesis is thus put forward:

H17: The relationship between a JV's market-oriented activities (i.e., intelligence generation, dissemination and responsiveness) and its performance is moderated by environmental factors (i.e., market turbulence, competitive intensity, technological turbulence, and regulatory turbulence).

3.6 SUMMARY AND CONCLUSION

This chapter presents a discussion of the formal hypotheses development. To this end, a classification schema of drivers for market oriented behaviors within a JV context has been introduced. It shows that the existence of two or more sponsors (partners) opens up other sources of influence to a JV's level of market oriented behaviors that traditional firms would hardly experience. Based on this schema, a number of context-specific antecedent factors that are embedded largely in the transaction costs domain have been hypothesized to affect the JV's level of market oriented behaviors. Finally, the JV performance, specifically focusing on the marketing aspect, is argued to be directly associated with its level of market oriented behaviors. Moreover, an exploratory hypothesis of the environmental moderators on the linkage between market oriented behaviors and performance is also discussed. In the next chapter, the research methodology that is adopted for data collection would be presented.

CHAPTER 4

RESEARCH METHODOLOGY

4.1 INTRODUCTION

This chapter describes the research design as employed for data collection. Research design is a critical process that ensures the evidence collected is fit for theories testing (de Vaus, 2001). Based on the research objectives and the system of hypotheses that have been developed earlier, a detailed research plan is developed in this chapter. The entire discussion is organized into six parts. The part immediately follows this is an account of the general data collection issues, with justifications for the adoption of the cross-sectional research design and reasons for the chosen survey administration method. Next, a detailed report of the questionnaire design is presented. The fourth part gives an account of the pre-testing design and process and the fifth part reports matters pertaining to the main survey. Finally, a chapter summary is provided.

4.2 DATA COLLECTION

4.2.1 Choice of a Cross-Sectional Design

Basically, there are two principal forms of research designs: panel (longitudinal) and cross-sectional designs. Although longitudinal designs are good at identifying causal direction among variables, they are deficient in making representative samples (de Vaus, 2001). Other shortcomings associated with this type of design include large administrative costs and an extended time frame that is involved. The enormous commitment of both time and financial resources has rendered a panel design largely impractical. In fact, the majority of market orientation studies have opted for the cross-sectional designs [see Dawes (2000), Pelham and Wilson (1996) and Noble, Sinha and Kumar (2002) for exceptions].

Pelham and Wilson's (1996) conceptualization represents a well known case that has attempted to make use of longitudinal data to assess the causal relationship between market oriented behaviors and performance. They used one-year lagged data to serve

this purpose. However, acknowledging that market orientation forms over a long time, they contend that a panel study taken within a relatively short time-span of two or three years may not be able to capture any significant change in its magnitude (Pelham and Wilson, 1996). As such, they comment that there is minimal loss of confidence in the causal effects of market orientation even in view of the lack of longitudinal data.

As stated, the extant market orientation studies have commonly followed cross-sectional designs for data collection. In fact, cross-sectional designs could serve as satisfactory alternatives when they are carefully designed and implemented. They are powerful tools under a number of circumstances. For example, as the objective of this study, “examining the linkage between a set of antecedent factors and the adoption level of market oriented behaviors in a JV system” represents a novel endeavor; cross-sectional data could be invaluable to provide incremental knowledge. More importantly, cross-sectional data are very useful for the evaluation and modification of theoretically derived *a priori* models (de Vaus, 2001). Practically, the patterns of association between variables of interest can be compared with respect to the logic of the theoretical arguments (Cadogan, Cui and Li, 2003). Hence, the current research followed a cross-sectional approach of design.

4.2.2 Survey Administration

As cross-sectional designs have been discussed and considered to be a plausible approach for generating data with respect to the objective of this study, the next task was to choose a viable method for data collection. A number of survey administration methods including face-to-face interviews, telephone interviews, and mail questionnaires, were therefore evaluated in consideration of the said research objective.

First of all, since the administration mode of face-to-face interviews is generally restricted to narrow distribution (Churchill, 1996), it was not preferred in the current study in light of the wide geographical dispersion of entries in the sampling frame (see Section 4.5.2 for discussion). Furthermore, the time and budget implications also suggested that this administration method was largely infeasible. Next, telephone

interviews were also abandoned due to its inadequacy in handling long interviews (Churchill, 1996). Since the questionnaire as developed for this study was rather lengthy, it was unlikely to get the desired response rate over the telephone.

In fact, the technique of mail questionnaires was chosen for this project after taking into consideration of its pros and cons. First of all, it offers the respondents opportunity to work at their own pace (Churchill, 1996). Since the target respondents were busy executives working in joint ventures, this feature made mail survey have definite advantage over other administration methods. Next, it makes wide distribution of questionnaires possible given an appropriate mailing list is available. At relatively low costs, all the listed contacts could then be delivered with a questionnaire pack. Moreover, the anonymity feature associated with a mail questionnaire could also encourage the respondents to provide more frank answers on certain sensitive issues (Churchill, 1996, p.295).

In fact, the decision opting for a mail questionnaire survey had already accounted for the possible impacts of its major drawbacks such as low response rate and non-response bias (Malhotra, 1999). Low response rate compromises the choice of statistical techniques and gives the appearance of a poor quality study (Mangione, 1995). Non-response bias renders generalization of the sample to the population inappropriate if people who respond differ significantly from those who do not (Armstrong and Overton, 1977; Mangione, 1995).

Despite these pitfalls, mail questionnaire is invaluable because carefully designed and administered techniques might help to reduce its adverse impacts. For example, to enhance the response rate, some administration techniques such as preparing a good cover letter, supplying a return envelope with postage paid, guaranteeing confidentiality/anonymity, and sending reminders have been recommended in the literature (e.g., Diamantopoulos, Schlegelmilch, and Webb 1991; Mangione, 1995). The problem of non-response bias can be estimated by some statistical procedures and adjustments can be made accordingly (Armstrong and Overton, 1977). Nonetheless, the problem of non-response error is not unique to mail surveys. In fact, non-response bias represents the single biggest impediment to any survey study (Mangione, 1995). Given the current study's research objective, its budget, the degree of structure and

length of the questionnaire, and the scope of the sampling frame, the mail survey was preferred to other administration methods.

4.2.3 Choice of Using International Joint Ventures

As discussed in Chapter 3, partners' cultural sensitivity (one of the partner characteristics) was hypothesized as an antecedent to the JV's market oriented behaviors. In order to test this hypothesis, the sampled JVs should demonstrate a certain degree of variation in their partners' national cultures. International joint ventures which by definition are formed by at least one parent being headquartered outside the venture's country of operation (Geringer and Hebert, 1989, p.235) would thus be appropriate samples for this study. Accordingly, an effort was made especially to identify a sampling frame that contained a large number of international joint ventures (see Sections 4.4.4 and 4.5.2 for further discussions).

4.2.4 Choice of Target Respondents

The quality of findings and interpretations of any research efforts hinges on the quality of the data collected. Although identifying the right informants is not sufficient to guarantee that the data collected are valid, it is a necessary prerequisite. As discussed along the development of the system of hypotheses in Chapter 3, these hypotheses needed to be tested with detailed information about multiple levels of the JV system: information concerning the operations of the JV; and information concerning the parent-parent as well as the parent-JV dynamics. The optimal way to collect such information would be to survey individuals from all three parties to a JV. In fact, there are a few market orientation studies (e.g., Deshpande, Farley and Webster, 1993; Langerak, 2001; Siguaw, Simpson and Baker, 1998) that have used dyads or double dyads (or quadrads) for data collection. Such use has been advocated for two main reasons: its ability to understand better the phenomena being investigated (Fey and Beamish, 2001, p.866); and its ability to produce reliable measures (Deshpande, Farley and Webster, 1993). Despite the research vigor that can be achieved, dyadic method is both time-consuming and extremely expensive (Steinman, Deshpande and Farley, 2000, p.112). Besides, the low response rate of

paired samples relative to single-informant samples has also been acknowledged in the literature (e.g., Cullen, Johnson and Sakano, 1995; Siguaw, Simpson and Baker, 1998). Given these facts, most market orientation studies to date have adopted a single-informant strategy for data collection.

Similar drawbacks also appear to have refrained JV researchers from collecting information from paired samples¹. Researchers (e.g., Luo and Park, 2004; Mohr and Spekman, 1994) have generally acknowledged that the time and resources constraints associated with dyadic or tripartite designs in a JV setting have rendered them hardly feasible. In fact, in the JV and related studies, a single-informant approach has been widely applied to collect data pertaining to constructs of varying natures (e.g., Aulakh, Kotabe and Sahay, 1996; Geringer, 1991; Gong, Shenkar, Luo et al., 2001; Inkpen, 1997; Lyles and Salk, 1996; Mohr and Spekman, 1994). For example, Parkhe (1993b) has chosen the executive vice presidents as key informants to tap such constructs as perceived opportunistic behaviors between the partners involved in an alliance. In another attempt to establish the control-performance linkage from a dual parent perspective, Luo, Shenkar and Nyaw (2001) have adopted a single-informant format to collect information pertaining to each of the two major parent's satisfaction, the organizational competence committed by each parent, their goal incongruity, and the cultural distance between the parents and the JV. Still more, Sarkar, Echambadi, Cavusgil et al. (2001) have also used a single informant to report on data pertaining to inter-partner diversity/compatibility and relationship capital between the partners. Nonetheless, the validity of the single-informant approach has been assessed on a good number of occasions. For example, Luo and Park (2004) assessed that the responses provided by two informants in each of the JVs in a small sample are highly consistent. Similar results were also found in Bucklin and Sengupta's (1993) earlier endeavor in assessing the internal consistency of responses provided by dyadic informants of match-pair alliance partners. Thus, evidence suggested that a single-

¹ Few JV studies have adopted a dyad, tripartite or quadrad types of design for data collection. Exceptions include Cullen, Johnson and Sakano (1995), Fey and Beamish (2001), Johnson, Cullen, Sakano et al. (1996), and Luo (2005). Cullen, Johnson and Sakano's (1995) reported response rate was as low as only 9%. Another two of these studies have relied on a narrow distribution of samples for data collection. For example, Johnson, Cullen, Sakano et al.'s (1996) study focused on the international cooperative alliances (ICAs) of only 9 firms. Fey and Beamish (2001) interviewed 40 match-pair samples from the three players in the JV system. Finally, Luo's (2005) survey has spanned across a long time and involved much financial efforts. Other JV studies that have used a dyadic or tripartite approach typically collected secondary data from published sources (e.g., Gulati, 1995a; Gulati and Singh, 1998; Makino and Bamish, 1998; Merchant and Schendel, 2000; Pangarkar and Klein, 2001).

informant design had not compromised the quality of data being collected to any significant extent (see Geringer, 1991; Luo and Park, 2004).

While single informants have been most commonly used in the market orientation studies, the top level managers such as, presidents, CEOs, general managers, deputy general managers and even functional managers have served as key informants across these studies (e.g., Geringer, 1991; Johnson, Cullen, Sakano et al., 1996; Lin and Germain, 1998; Luo, 2002a; Parkhe, 1993b; Lyles and Salk, 1996; Yan and Gray, 2001). Similarly, different JV authors (e.g., Fey and Beamish, 1999; Geringer and Hebert, 1991; Inkpen, 1997; Morris and Cadogan, 2001; Parkhe, 1993b) have also argued that JV executives or managers are valid sources of data for a variety of JV studies. Specifically, because of their extensive involvement in the JV's activities, JV managers are argued as a practical and reliable alternative to multiple respondents (Pearce, 2001, p.567). In practice, Lin and Germain (1998) have used general managers and division managers working in JVs as informants to generate data pertaining to partner-partner dynamics and JV performance. Since the targeted informants of this study needed to be knowledgeable about the relational dynamics between the parent companies, between the JV and its parent companies, as well as the operational routines within the joint ventures, the JV executives were considered to be the most appropriate informants (this point was validated during the personal interview pre-tests detailed in Section 4.4.1). Therefore, in line with prior works in the literature, the managing directors, general managers, marketing directors, or marketing managers of the JVs were targeted as key informants in a descending order of preference in this study.

4.3 QUESTIONNAIRE DESIGN

After proposing a plan for data collection, the current section deals with issues concerning the detailed design of the research instrument, that is, the questionnaire development process. In due course, the procedures suggested by Churchill (1996) as depicted in Figure 4.1 were followed whenever possible.

Figure 4.1: Procedure for Developing a Questionnaire



4.3.1 Information Sought

Given the purpose of this study, the literature was examined for suitable scales to measure the constructs of interests. The scale-hunting work began with finding a scale for measuring the construct of market oriented behaviors (MOB) *per se*. Next, different scales were adapted from the extant literature in accordance with the definitions and hypotheses as developed in chapters 2 and 3. Table 4.1 summarizes the information that needed to be collected in light of the hypotheses developed earlier. There were altogether 18 variables that needed to be measured. Sections 4.3.2 to 4.3.8 describe the details of the final versions of the measures used in this study. These measures were subject to various purification and refinement procedures recommended by Churchill (1992), DeVellis (2003) and Spector (1992) where necessary and such details are provided in Chapter 5. In what follows, in order to enhance reader clarity, the finalized versions of the scales are presented in the following sections, although these might be different from those used in the preliminary questionnaire (which is provided in Appendix 4.1).

Table 4.1: Information Sought

CATEGORIES	VARIABLES
Joint Venture (JV) Level	<ul style="list-style-type: none"> • Market Oriented Behaviors (MOB) • JV Norms for MOB
Partner-specific Factors	<ul style="list-style-type: none"> • MO Values (Combined Magnitude of Parents' MO Values) • Partners' Cultural Sensitivity
Inter-partner Factors	<ul style="list-style-type: none"> • Partners' Perception of Vulnerability to Opportunism • Inter-partner Trust • Inter-partner Commitment • Inter-partner Dependence • Inter-partner Conflict
Parent-JV (P-JV) Factors	<ul style="list-style-type: none"> • Partners' Commitment to JV • Partners' Dependence on JV • P-JV Conflict • P-JV Communication Frequency • JV Autonomy • JV Managers' Outcome Interdependence • JV Managers' Superordinate Identity
Moderating variable	Market dynamism
Performance Measure	JV Market Performance

4.3.2 JV Market Oriented Behaviors

There are several well developed scales for measuring market oriented behaviors in the literature. Basically, they could be divided into two streams, one emphasizing the processing of market intelligence, authors belonging to this stream include Kohli, Jaworski and Kumar (1993), and Matsuno, Mentzer and Rentz (2000); the other stream anchoring at the behavioral components for value creation, authors include Narver and Slater (1990), and Deng and Dart (1994). According to Homburg and Pflesser (2000), the intelligence processing stream is superior to the behavioral stream in the sense that the former takes on a more comprehensive perspective in monitoring the different market forces, without sacrificing the behavioral components which are deemed necessary to process intelligence generated from such sources. Following their view, the 22-item market orientation (MO) scale developed by Matsuno, Mentzer and Rentz (2000) was adopted to measure the market oriented behaviors construct in the present study. There were two rationales justifying this decision. Firstly, this scale is an improved version of another widely accepted and used scale, namely Kohli, Jaworski and Kumar's (1993) MARKOR scale. Matsuno, Mentzer and Rentz (2000) have developed this new scale on the blueprints of the MARKOR scale. The three first-order intelligence-related activities of generation, dissemination, and responsiveness, are maintained. At the same time, with the broadening of the market factor domain pertaining to the intelligence-related activities, the market orientation construct is capable of capturing a more comprehensive picture as depicted by the theory (Matsuno, Mentzer and Rentz, 2000). Secondly, its psychometric properties were found to be superior to those of the MARKOR scale: all the three first-order dimensions of the MO scale are unidimensional and the entire 22-item scale was also found to be reliable (Cronbach's alpha = .85).

As discussed, the three first-order dimensions of intelligence generation, dissemination and responsiveness comprise the MO scale (see Figure 4.2). All items were measured on a 7-point Likert scale, with anchors at 1 = "very strongly disagree" and 7 = "very strongly agree". Accordingly, the intelligence generation pertained to all activities geared to collect information concerning customers, competitors, suppliers, and both the micro and macro environmental changes. There were eight items in this subscale.

Figure 4.2: Scale Items for Market Oriented Behaviors

The following describes some market-oriented activities. Please use the following scale to indicate the extent to which they describe the situation in your joint venture (JV).

In this JV,...

Activities Pertaining to Intelligence Generation

- we poll end users at least once a year to assess the quality of our products and services.
- intelligence on our competitors is generated independently by several departments.
- we periodically review the likely effect of changes in our business environment (e.g., regulation) on customers.
- we frequently collect and evaluate general macro-economic information (e.g., interest rate, exchange rate, GDP, industry growth rate, inflation rate).
- we maintain contacts with officials of government and regulatory bodies (e.g., *state governments, Ministry of Commerce, etc.*) in order to collect and evaluate pertinent information.
- we collect and evaluate information concerning general social trends (e.g., environmental consciousness, emerging lifestyles) that might affect our business.
- we spend time with our suppliers to learn more about various aspects of their business (e.g., manufacturing process, industry practices, clientele).
- only a few people are collecting competitor information.

Activities Pertaining to Intelligence Dissemination

- marketing personnel spend time discussing customers' future needs with other functional departments.
- we periodically circulates documents (e.g., reports, newsletters) that provide information on our customers.
- we often have cross-functional meetings to discuss market trends and developments (e.g., customers, competition, suppliers).
- we regularly have interdepartmental meetings to update our knowledge of regulatory requirements.
- technical people spend a lot of time sharing information about technology for new products with other departments.
- market information spreads quickly through all levels.

Activities Pertaining to Responsiveness

- for one reason or another, we tend to ignore changes in our customers' product or service needs.
- the product lines we sell depend more on internal politics than real market needs.
- we are slow to start business with new suppliers even though we think they are better than existing ones.
- if a major competitor were to launch an intensive campaign targeted at our customers, we would implement a response immediately.
- the activities of the different departments are well coordinated.
- even if we came up with a great marketing plan, we probably would not be able to implement it in a timely fashion.
- if a special interest group (e.g., consumer group, environmental group) were to publicly accuse us of harmful business practices, we would respond to the criticism immediately.
- we tend to take longer than our competitors to respond to a change in regulatory policy.

The intelligence dissemination scale tapped the domain of how well the JV's different functional areas communicated and interacted with one another and as a group. It therefore included all activities pertaining to the diffusion of market intelligence across the functional boundaries. This dimension was measured by six items.

Lastly, responsiveness was measured by an eight-item scale. It involved all activities pertaining to response designs and response implementations based on the market intelligence.

4.3.3 Joint Venture Norms for Market Oriented Behaviors

Norms for market oriented behaviors as nurtured in the JV were contemplated as a set of rules which pre-define the corresponding market-oriented behaviors. They define behaviors in a more narrow and focused perspective such that JV people pressure one another to follow (Kilmann, Saxton and Serpa, 1985). In the JV context, the norms set was a product of the joint influence of the parental market oriented values. Typical examples of such norms include: share market intelligence with all other members of the organization; be flexible to market changes; and answer customer requests at once. These norms are transmitted from the parental values by rites, rituals or even sanctions. The first deliberate operationalization of the norms set in a multiple-layer model of market-oriented organizational culture was found in Homburg and Pflesser's (2000) work. In their work, eight dimensions of norms for market oriented behaviors were specified (including norms for *market-related success orientation*, *market-related innovativeness and flexibility*, *openness of market-related internal communication*, *market-related quality orientation*, *market-related speed*, *market-related interfunctional cooperation*, *market-related responsibility of the employees*, and *market-related appreciation of the employees*), each of which consisted of four to six items. Accordingly, the eight scales measuring the different dimensions of the norms for market oriented behaviors were thus adopted. However, as reported by Homburg and Pflesser (2000), there are problems with respect to the discriminant validity of the eight dimensions. Specifically, the squared correlation between market-related quality orientation and market-related speed is higher than both average variances extracted [see Homburg and Pflesser (2000) for more details]. In view of this problem, all the proposed eight dimensions were collectively taken as a single set for the purpose of measuring a general norms set for market oriented behaviors. As such, they were conceptualized and operationalized to be tapping different facets of norms for market oriented behaviors.

Figure 4.3: Scale Items for Norms for Market Oriented Behaviors

The following is about some norms guiding market-oriented activities. Please indicate the extent to which you agree with them by circling the appropriate numbers.

In our JV,...

Norm for Market-related Success Orientation*

- market performance (e.g., market share, customer satisfaction) is *controlled* regularly
- employees' market-related performance is measured systematically
- employees' outstanding market-related performance is recognized regularly
- we expect that generally accepted standardized programs are examined regularly to become more effective in serving our markets

Norm for Market-related Innovativeness and Flexibility*

- we expect the employees to be flexible toward market changes
- we are permanently very open toward innovations (e.g., related to products or processes)
- we expect novel solutions are found quickly to difficult situations
- we expect that new value-adding products and services are detected and developed permanently
- we appreciate unconventional ideas (especially if they come from customers)

Norm for Market-related Openness of Internal Communication*

- we expect that market-related problems are mentioned directly and openly
- we expect that interfunctional meetings (e.g., discussions about market trends) are organized regularly
- we expect the dissemination and storage of market intelligence
- the dissemination and storage of market intelligence are controlled

Norm for Market-related Quality Orientation*

- we expect that quality is assessed by customers or, at least, from the customer's perspective
- task-related and social competencies of employees with customer contact are absolutely expected
- the competence of employees with customer contact (e.g., sales, customer service, reception) is controlled regularly
- we regularly refresh our expectations on quality work from the customer's perspective

Norm for Market-related Speed*

- we expect that customer requests are answered at once
- we expect that customer-related processes are increased in speed continuously
- the speed of customer-related processes is controlled regularly
- a quick response on market changes is expected

Norm for Market-related Interfunctional Cooperation*

- every employee expects that customers are integrated in the planning of a new product or service program (e.g., by conducting interdisciplinary teamwork or focus groups)
- the availability of market information in different functional areas (e.g., marketing, R&D) is controlled
- the degree of coordination of decisions about marketing activities in different areas is controlled
- people from different functions regularly share their market-related matters

Norm for Market-related Responsibility of Employees*

- we have regular programs to reinforce the sense of entrepreneurship among the employees
- we expect that every employee feels responsible for the detection and solution of potential and actual customer problems
- every employee is expected to be highly responsible for the customers
- employees are expected to accept their respective responsibility

* Titles for specific norm dimensions did not appear in questionnaire. They are added here to facilitate easier reading.

Figure 4.3: Scale Items for Norms for Market Oriented Behaviors (continued)

<p style="text-align: center;">Norm for Market-related Appreciation of Employees*</p> <ul style="list-style-type: none">• the individuality of each employee is viewed as competitive advantage• we accept that high-quality performance can be reached very individually and in many different ways• a high involvement of the employees for the fulfillment of customer needs is expected• employees feel being an important part of the organization <p>* Titles for specific norm dimensions did not appear in questionnaire. They are added here to facilitate easier reading.</p>

In addition to the scale items adopted from Homburg and Pflesser's (2000) study, six other items were also culled from other sources. In fact, four of them were adapted from Webster's (1995) study: two measuring the norm for *success* – “employee's market-related performance is measured systematically”, and “employees' outstanding market-related performance is recognized regularly”; one measuring *quality and competence* – “we regularly refresh our expectations on quality work from the customer's perspective”; and the final one measuring *appreciation*, – “employees feel being an important part of the organization”. One of the remaining two items was from Deshpande, Farley and Webster (1993): “people from different functions regularly share their market-related matters”, probing the norm of *cooperation*. The last item tapping the *responsibility* dimension was derived from expert judgment (consultation with Professor John W. Cadogan, 29 October 2003), which is, “employees are expected to accept their respective responsibility”.

Finally, the scale for measuring norms for market oriented behaviors was made up of 34 items (shown in Figure 4.3), addressing eight different dimensions. All of these scale items were measured on a 7-point scale, with anchors at 1 = “very strongly disagree” and 7 = “very strongly agree”.

4.3.4 Partner Characteristics

4.3.4.1 MO Values (Combined Magnitude of Parents' MO Values)

In order to test hypothesis 1, a measure that could capture the magnitude of the combined MO values between the two major parents was needed. Intuitively, one way to get to this end was to measure the individual parent's MO values separately and then compute the sum. However, this technique would put a major demand on the informants because raising two long sets of virtually identical questions makes the task of completion much longer and harder. In practice, this might put the response rate at stake.

Additionally, the effectiveness of this said technique might also be diminished by problems similar to those encountered with operationalizing a "difference score" wherein a measure representing a distinct construct (Peter, Churchill and Brown, 1993) is derived from comparing the measures of two variables of interest (e.g., Brown and Swartz, 1989; Parasuraman, Zeithaml and Berry, 1988; Sigauw, Brown and Widing, 1994). The use of the "difference score" approach has been cautioned because of a number of potential problems related to reliability, discriminant validity, spurious correlations with at least one of its components, and variance restriction (e.g., Johns, 1981; Peter, Churchill and Brown, 1993). In fact, scholars such as Johns (1981) and Peter, Churchill and Brown (1993) have suggested substitute a direct comparison score for a "difference score". This is especially true and applicable when "respondents can describe existing organizational conditions and preferred organizational conditions" (John, 1981, p.459); and/or when "a single respondent provides both of the measures used in computing a difference score" (Peter, Churchill and Brown, 1993, p.661). In fact, Peter, Churchill and Brown (1993, p.661) argue that "the direct comparison operationalization approach does no damage to a substantive theory that involves a construct considered to be a difference between to constructs." In sum, Peter and his colleagues contend that the direct comparison approach has the advantage of allowing respondents to combine their thoughts as they wish and report directly rather than making the researchers calculate an arithmetic difference for them based on an arbitrary combination rule.

Therefore, addressing the concerns for respondent fatigue and potential problems of reliability and validity, the decision was made that the construct of combined magnitude (sum) of parents' MO values was operationalized directly by asking respondents to provide a single rating based on their thoughts (c.f., Johns, 1981; Peter, Churchill and Brown, 1993).

The scale for measuring market oriented values was adopted from Homburg and Pflesser (2000). This 22-item² scale probes eight value dimensions pertaining to market orientation (see Table 4.2 for the detailed list of value dimensions). In order to increase the number of items pertaining to each dimension, eleven other items resulting from a search in the extant literature were added. These efforts successfully made each subscale (each dimension) carry three to five items. These items are listed in Table 4.2. In general, the respondents were prompted to indicate the extent they perceived the parent firms valued a particular value collectively. The 34-item scale was measured on a 7-point Likert scale (see Figure 4.4 for the instructions and item-pool).

Table 4.2: Items Added to Homburg and Pflesser's (2000) Pool of MO Values and their Respective Sources

MO value dimensions	Items	Sources
Success	Systematic, regular measurement and monitoring of employees' performance	Webster (1995)
	Recognition of high achievers	
Innovativeness and flexibility	Seeking novel solutions to difficult situations	Expert judgment (consultation with Professor John W. Cadogan, 29 October 2003)
	Unconventional ideas	
Openness of communication	Free communication of opinions	Webster (1995)
Quality and competence	Aspiring to meet expectations on quality work	Webster (1995)
Speed	Good time management	Webster (1995)
	Being first	Deshpande, Farley and Webster (1993)
Cooperation	Employees who share a lot of their work-related matters	Deshpande, Farley and Webster (1993)
Responsibility	Acceptance of responsibility	Expert judgment (consultation with Professor John W. Cadogan, 29 October 2003)
Appreciation	Employees who know they are important	Webster (1995)

² One of Homburg and Pflesser's (2000) original value item is broken up into two separate items in consideration of the possible problem of being "double-barreled". The original item is: "... we aspire to a maximum of *qualification* and *competence* in the subject".

Figure 4.4: Scale Items for MO Values

Below is a list of organizational values. To what extent are they valued by your JV's main parent companies? Please circle the appropriate number on the right.

Overall, this JV's main parent companies,...

MO Value of Success*

- value performance-oriented employees
- value those who strive for success
- value systematic, regular measurement and monitoring of employees' performance
- value recognition (e.g., of high achievers)

MO Value of Innovativeness and Flexibility*

- value innovativeness and creativity
- value flexibility of the employees
- value openness to product, service or process innovations
- value seeking novel solutions to difficult situations
- value unconventional ideas

MO Value of Openness of Internal Communication*

- value open internal communication
- value aspiring to a high degree of interfunctional information exchange
- value free information flow
- value aspiring to proactive communication
- value free communication of opinions

MO Value of Quality and Competence*

- value error-free work results
- value high-quality work results
- value employees who aspire to gain high qualifications in their subject
- value employees who aspire to maximize competence in their subject
- value aspiring to meet expectations on quality work

MO Value of Speed*

- value speed in all work processes
- value employees who aspire to speed in the work processes
- value good time management
- value being first

MO Value of Interfunctional Cooperation*

- value interfunctional teamwork
- value cooperation among different functions (e.g., marketing, R&D)
- value aspiring to cooperative work
- value employees who share a lot of their work-related matters

MO Value of Responsibility of Employees*

- value employees who think and act like entrepreneurs
- value employees who understand their responsibilities
- value acceptance of responsibility

MO Value of Appreciation of Employees*

- value ensuring that employees know they are appreciated
- value a feeling of belonging among the employees
- value high employee satisfaction
- value employees who know they are important

* Titles for specific value dimensions did not appear in questionnaire. They are added here to facilitate easier reading.

4.3.4.2 Partners' Cultural Sensitivity

The operationalization of partners' cultural sensitivity followed the "summed score" approach as discussed earlier in Section 4.3.4.1.

In the literature, there are many scales which are specifically designed to measure the cultural sensitivity of expatriates. Cushner's (1986) inventory of cross-cultural sensitivity (ICCS) is one of them. Despite the quantity, none of them could be adopted to use directly in the current study as most of them have been designed for a purpose other than the current one. As a matter of fact, they normally go too far into the details by probing respondent's view-points and opinions of the practices of a different culture, most often an oriental one, as the measures were usually developed in the West (e.g., Cushner's ICCS). On other occasions, they are too narrowly developed to address cultural differences between two specific cultures, like the cultural differences between the Americans and the Japanese (e.g., Johnson, Cullen, Sakano et al., 1996).

Since cultural sensitivity as defined in the current context refers to the proactive accommodation of the parent firms' boundary managers in view of the cultural differences and potential misunderstandings arising from cross-cultural encounters, their corresponding behaviors reflecting this attempt was thus measured. In fact, a new scale consisting of eleven items was developed based on the existing ones. Specifically, three items including "familiarize with the other partner's legal and economic environment", "make allowances for the ways in which the other partners make decisions", and "speak or learn the other partners' language(s)" were adopted from Johnson, Cullen, Sakano et al. (1996). Similarly, two items were adapted to the current study from Cushner's (1986) work. They included "see partners' problems from partners' perspectives", and "believe there is more than one good way to get things done". Finally, the remaining six items were derived from expert judgment (consultation with Professor John W. Cadogan, 29 October 2003). They are "to ensure the other partners feel at ease", "to look for ways to smooth communications", "make allowances when the other partners' behavior is unusual or unexpected", "look for mutually satisfying solutions", "learn other's customs and ways of doing business", and "compensate for cultural misunderstandings".

The eleven-item scale was measured on a 7-point Likert scale, with anchors at 1 = “very strongly disagree” and 7 = “very strongly agree”. The respondents were asked to first make reference to those boundary managers in the parent companies and then give the corresponding ratings on the scale. The scale items are shown in Figure 4.5.

Figure 4.5: Scale Items for Partners’ Cultural Sensitivity

Please indicate the extent to which you agree or disagree with the following statements (place the appropriate numbers in the boxes provided).

Consider those managers in the parent companies who are involved with this JV...

- Managers try to make allowances for the ways in which the other partners make decisions.
- Managers work hard to familiarize themselves with the other partners’ legal environments.
- Managers speak the other partners’ language or spend time learning their languages.
- Managers adapt how they do things to ensure the other partners feel at ease.
- Managers look for ways to smooth communications with the other partners.
- Managers make allowances when the other partners behave in unexpected or unusual ways.
- Managers look for mutually satisfying solutions to situations in which the other partners have exceptional expectations.
- Managers try to learn the other partners’ customs and ways of doing business.
- Managers try to compensate for cultural misunderstandings.
- Managers try to see their partners’ problems from their partners’ perspective.
- Managers believe that there is usually more than one good way to get things done.

4.3.5 Inter-Partner Dynamics

4.3.5.1 Perception of Vulnerability to Opportunism

Perception of vulnerability to opportunism refers to the average degree to which the partner companies perceive their counterparts are capable of taking advantage of them. Therefore, it is the average perceived degree of vulnerability as existed in a partnership relationship that matters. It does not necessarily involve any concrete practices or behaviors of an opportunistic nature. Rather, the magnitude of the perceived potential of a partner’s engagement in such opportunism is what was intended to be measured. The rationale is that even though a partner’s integrity and credibility might be excellent, it is not sufficient to relieve the other partner from having ill perception as long as the potential for such exploitation exists.

Parkhe’s (1993b) study provided an excellent reference to begin the job of developing a new measure for this construct with because there is a ready scale which taps upon a closely related construct: the perception of opportunistic behaviors (perception

developed from a lack of trust in the partner) [the reported Cronbach's alpha of Parkhe's (1993b) original six-item scale is .88]. However, since it was not meant to tap upon the more psychological domain as conceptualized in the construct of "perception of vulnerability", it could not be readily adopted. Instead, a seven-item measure was developed based on inspirations from this study and some other works in the literature (including Beamish and Bank, 1987; Ganesan, 1994). All the final scale items tapped the partners' average perception of the *potential* of being exploited, instead of their perception of the extent of being exploited.

The scale items are shown in Figure 4.6. They were measured on a 7-point Likert scale, with anchors at 1 = "very strongly disagree" and 7 = "very strongly agree".

Figure 4.6: Scale Items for Perception of Vulnerability to Opportunism

Below is a list of descriptions about the relationship of the JV's parent companies. Please indicate the extent to which you agree with the following statements (please place the appropriate numbers in the boxes provided):

Overall, this JV's main parent companies believe that...

- there are too many key positions of the joint venture controlled by the other party.
- the other party seems to feel that it is OK to do anything within its means that will help further its interests.
- the risk of proprietary information leakage in the joint venture is great.
- they are highly vulnerable to the other party's opportunistic behaviors.
- the other party has too much control of the joint venture decisions.
- the other party is too dominant in nature.
- the other party has the capacity to withhold or distort information which is key to the success of the joint venture.

4.3.5.2 Inter-Partner Trust

Inter-partner trust is defined as the average extent to which the partners have confidence in one another's benevolence and are willing to trust one another. This is a well developed construct in a variety of literature, including literature on marketing channels (e.g., Anderson and Narus, 1990; Dwyer, Schurr and Oh, 1987), and international business and strategic management (e.g., Gulati, 1999; Johnson, Cullen, Sakano et al., 1996; Ring and Van de Ven, 1992; 1994; Sarkar, Echambadi, Cavusgil et al., 2001). There are also many established scales to gauge this construct including those from Johnson, Cullen, Sakano et al. (1996), Morgan and Hunt (1994), Morris and Cadogan (2001), Siguaw, Simpson and Baker (1998), to name a few. Considering

the brevity and reliability of the measure, and its proximity in application context, Morris and Cadogan's (2001) measure (Cronbach's alpha = .94) was used. The original six-item scale probes specifically the two domains of trust, namely "partner's benevolence" and "willingness to trust a partner". JV executives were asked to indicate the extent to which they agree to the item statements on a 7-point scale (shown in Figure 4.7), with anchors at 1 = "very strongly disagree" and 7 = "very strongly agree".

Figure 4.7: Scale Items for Inter-Partner Trust

Partnerships can go through various relationship phases. Please indicate the extent to which you agree with the following statements about the current phase of the relationship between the TWO main parent companies of this JV.

The parent companies of this JV...

- cannot trust each other at times.
- are perfectly honest and truthful to each other.
- can trust each other completely.
- can count on each other to do what is right.
- are always confident in each other.
- have high integrity.

4.3.5.3 Inter-Partner Commitment

Inter-partner commitment taps the extent to which the partners are committed to one another, independent of the JV. In this sense, this construct is meant to gauge the inter-partner ties such that the partners involved are willing to defend one another at bad times and that they are obliged to stick together even when there are other good choices available in the open market. This conceptualization of the commitment construct is very similar to Siguaw, Simpson and Baker's (1998) "commitment to the channel relationship" which in turn was based on the work of Anderson and Weitz (1992). Since the current operationalization of the inter-partner commitment construct is very similar to that used in Siguaw, Simpson and Baker's (1998) study, their five-item scale (Cronbach's alpha = .65) of relationship commitment was adopted (see Figure 4.8 for the list of items).

All the scale items were measured on a 7-point scale, with anchors at 1 = "very strongly disagree" and 7 = "very strongly agree". Respondents were invited to indicate the extent to which they agree to the individual statements.

Figure 4.8: Scale Items for Inter-Partner Commitment

Partnerships can go through various relationship phases. Please indicate the extent to which you agree with the following statements about the current phase of the relationship between the TWO main parent companies of this JV.

The parent companies of this JV...

- defend each other when outsiders criticize either one of them.
- are continually on the lookout for another partner to replace the current one.
- would most certainly take on another offer of better coverage, even if it meant dropping the current partner.
- are patient with each other even when one makes mistakes and causes the other trouble.
- are willing to dedicate whatever people and resources it takes to grow sales for the other party.

4.3.5.4 Inter-Partner Dependence

Inter-partner dependence measures the extent to which the two major partners are dependent on each other. Accordingly, this measure works to capture the availability of external substitutes for the partners to replace each other and the level of importance this partnership tie is to them. A five-item scale was developed with reference to the Sivadas and Dwyer (2000) and Anita and Frazier (2001) studies. Since neither of these two studies could provide a ready measure for the use of this study, individual items had been selected to form a new scale of five items. Specifically, three items were adapted from the Sivadas and Dwyer (2000) study, including “partners generally provide vital resources which would have been difficult to obtain elsewhere”, “difficult for either partners to replace each other in the open market”, and “well-being of the partners would have suffered if this partnership tie had been broken”. The two items from Anita and Frazier’s (2001) study are “partners are generally dependent on each other”, and “partners need to maintain this partnership relationship”.

The scale is shown in Figure 4.9. All items were measured on a 7-point scale, with anchors at 1 = “very strongly disagree” and 7 = “very strongly agree”. Respondents were instructed to evaluate the degree to which the two main partners were dependent on each other.

Figure 4.9: Scale Items for Inter-Partner Dependence

The following describes the level of dependence between the JV's parent companies. Please indicate the extent to which they describe the situation between the JV's TWO main parent companies (place the appropriate numbers in the boxes provided).

- The parent companies generally provide vital resources which would have been difficult for either partner to obtain elsewhere
- It would have been difficult for either one of the parent companies to replace each other in the open market
- The well-being of the parent companies would have suffered greatly if this partnership tie had been broken
- The parent companies are generally dependent on each other
- The parent companies need to maintain this partnership relationship

4.3.5.5 Inter-Partner Conflict

The conceptual domain of inter-partner conflict captures the conflictual behaviors exhibited between the boundary managers of the JV's two main partners. The frequent interactions of these managers as required by the coordination of joint activities increase the odds for conflict to surface. At the outset, they might have incompatible goals, objectives or even priorities for the JV. As the JV evolves, partners might disagree to the operational procedures, or even compete for the same resources supplied by the JV or other external channels. A good number of studies have attempted to measure the conflict level between partners. For example, Cullen, Johnson and Sakano (1995) asked the respondents to indicate the extent of their disagreement with their partners on a number of specific questions. Since the level of specificity of the questions goes far too deep for the intended respondents of this study, Cullen, Johnson and Sakano's (1995) measure was not used. Instead, Maltz and Kohli's (2000) seven-item scale (Cronbach's alpha = .81) was chosen. Originally, this scale was developed to assess the level of inter-functional conflict. It had been applied to multiple samples of a large scale survey and had been proven to be reliable. As such, it was adapted to the current inter-partner context (items are shown in Figure 4.10). Following the original design of the scale, respondents were asked to consider the level of conflictual behaviors between the parents' boundary managers, with reference to their communication and interactions. Their ratings were made on a 7-point Likert scale, with anchors at 1 = "very strongly disagree" and 7 = "very strongly agree".

Figure 4.10: Scale Items for Inter-Partner Conflict

Please indicate the extent to which you agree with the following statements (“1” indicating *very strongly disagree*, and “7” *very strongly agree*) which describe the communication and interactions between the boundary managers of the JV’s parent companies. Remember that there are no right or wrong answers.

Considering the interaction between the JV’s two main parent companies over the past three months, they...

- experienced problems coordinating work activities.
- had senior managers who were “at odds”.
- hindered each other’s performance.
- competed for the same resources.
- cooperated with each other.
- had compatible goals and objectives.
- agreed on each other’s priorities.

4.3.6 Partner-Joint Venture Dynamics

4.3.6.1 Partners’ Commitment to JV

This construct, in its conceptual domain, encapsulates purely the attachment of the partners to the JV itself. This is different from their commitment to each other, which is measured by the construct of inter-partner commitment (Beamish and Bank, 1987). When the JV project in question is considered a vehicle to pursue one or another of their organizational goals/objectives, the partner firms would be attached to it and committed to make it work. The scale for partners’ commitment to JV was adopted from Morris and Cadogan’s (2001), which investigates the antecedent effect of partnership commitment on a JV’s marketing strategy (the reported Cronbach’s alpha = .92). Moreover, an additional item, “the JV is something very critical for our parent companies to achieve their organizational goals” (Hibbard, Kumar and Stern, 2001) was added to this six-item scale. The respondents were invited to indicate the extent they agreed to the different aspects of partners’ commitment on the JV. All items were measured on a 7-point scale, with anchors at 1 = “very strongly disagree” and 7 = “very strongly agree”. The seven-item scale is shown in Figure 4.11.

Figure 4.11: Scale Items for Partners' Commitment to JV

The following questions concern the dynamics between a JV and its main parent companies. Please circle the number that best indicates the situation in this JV.

This JV is...

- something the parent companies are equally committed to
- very important to both parent companies
- of very little significance to either of the parent companies
- very much like being in a family
- something the parent companies really care about
- something the parent companies believe deserves their maximum effort to maintain
- something very critical for our parent companies to achieve their organizational goals

4.3.6.2 Partners' Dependence on JV

Partners' dependence on JV is conceptualized to measure the average level of dependence of the partners on the JV. This dependence could be derived from the JV's control of key resources needed by the partner companies, the unavailability of alternative investment opportunity for the partners, or even the JV's contribution to the overall income of the partners.

The construct of interdependence between the partners has been measured in a number of studies in the extant literature (e.g., Hibbard, Kumar and Stern, 2001; Kumar, Scheer and Steenkamp, 1995; Sivadas and Dwyer, 2000). However, none of these studies have exclusively targeted to investigate the level of dependence of the partners on the JV project. One speculation of this situation is the preoccupation of researchers on studies at the horizontal inter-partner level. In fact, increasingly more academic attention has been paid to address the vertical dynamics between the partners and the JV (e.g., Beamish and Bank, 1987; Gong, Shenkar, Luo et al., 2005; Park and Luo, 2004).

An extensive search of the related literature yielded six useful items. They included three items from Kumar, Scheer and Steenkamp's (1995) study: "availability of other investment opportunity", "high setup cost for a new JV", and "difficulty for parent companies to replace benefits generated from this JV". Two items were adopted from Hibbard, Kumar and Stern's (2001) study. They are "the JV is central to the well-being of the parent companies", and "parent companies suffer great revenue drop if the JV fails". Finally, one item was adopted from Sivadas and Dwyer (2000). It is "JV

controls some vital resources which are difficult for parent companies to source in other ways”. The scale items are compiled in Figure 4.12. In principle, the JV executives were invited to respond to these six items on a 7-point Likert scale, with anchors at 1 = “very strongly disagree” and 7 = “very strongly agree”.

Figure 4.12: Scale Items for Partners’ Dependence on JV

Please indicate the extent to which you agree with the following statements. (Place the appropriate numbers in the boxes provided.)

- Compared to other business operations, this JV is central to the well-being of our parent companies.
- Our parent companies would suffer a significant drop in revenue if this JV fails.
- There are other investment opportunities for the parent companies other than this JV project.
- The setup costs for a new JV for the parent companies would be very high.
- It would be difficult for our parent companies to replace the benefits generated from this JV.
- The JV possesses some vital resources to the partners which would have been difficult for the partners to obtain elsewhere.

4.3.6.3 Partner-JV Communication Frequency

Communication frequency is conceptualized to capture the bilateral communication between the JV and its parent companies. With the rapid advancement of technology, communication can be effectively carried out in a variety of ways. Apart from the more traditional means such as written memos and reports, face-to-face conversations, and telephone conversations, advanced technology makes other means of communication like electronic mails and electronic conferencing very popular. In this regard, Maltz and Kohli (1996) have attempted to measure the market intelligence dissemination frequency across functional departments by asking respondents to indicate the extent to which they communicate with the marketing function via a list of communication means. In consideration of the conceptual proximity between their original construct and the current one, ten of the scale items were therefore adopted (see Figure 4.13). It served to measure the extent to which the JV communicated with its parent companies via a selected number of communication means over the past month. Specifically, respondents were asked to check on the appropriate cell to indicate the frequency by which a particular means was used over the past month. These responses were in turn recoded along a 5-point scaling format, with a “1” indicating low frequency and a “5” indicating high frequency. Additionally, a “not

used” category was provided in case a particular means was not used at all. Consequently, an index was created based on the mean of the ten items.

Figure 4.13: Scale Items for Partner-JV Communication Frequency

Over the past month, how often did you (JV people) communicate with your parent companies about work-related matters in each of the following ways. Please tick the appropriate boxes.

Written

- Memos
- Reports

Oral

- Formal group meetings
- Scheduled one-to-one meetings (face to face)
- Impromptu face-to-face conversations (e.g., in the hall)
- Scheduled one-to-one phone conversations
- Impromptu one-to-one phone conversations
- Voice mail

Electronic

- E-mails
- Electronic group conferences

4.3.6.4 Partner-JV Conflict

Partner-joint venture conflict is conceptualized to capture the level of conflict between members of the JV management team and boundary managers of the parent companies. It captures the physical or emotional tension resulted from defending the turf of the respective organizations during the course of interactions among these groups of people. As no readily available scales tapping the domain of this proposed construct could be identified in the existing literature (for reasons as explained in Section 4.3.6.2), Jaworski and Kohli’s (1993) scale which has been developed to measure a similar dynamic at the interfunctional level was adapted to the current context. This decision was mainly based on two reasons: the conceptual proximity between the interfunctional and interfirm contexts for conflicts to surface; and the scale’s good internal consistency (the reported coefficient alpha =.87). In fact, the mode and dynamics of contacts between the JV managers and parent companies’ boundary managers could be articulated as closely resembling those at the interfunctional level: each group has its own objectives and hence interests to defend. Accordingly, the seven-item scale first presented by Jaworski and Kohli (1993) was used (the scale items are listed in Figure 4.14). JV executives were invited to indicate

the ambience when the different groups of people meet. All items were measured on a 7-point scale, with anchors at 1 = “very strongly disagree” and 7 = “very strongly agree”.

Figure 4.14: Scale Items for Partner-JV Conflict

Please circle the number that best indicates the situation when JV people meet members of the main parent companies

In this JV...

- employees get along well with members of our main parent companies
- employees become tensed when they meet members of our main parent companies
- employees dislike interacting with people from our main parent companies
- employees feel that our goals are in harmony with those of our main parent companies
- employees consider that protecting the turf of our JV is a way of life during interactions with members of our main parent companies
- the objectives of this JV are incompatible with those of the main parent companies
- employees feel that there is little or no conflict between our JV and the main parent companies

4.3.6.5 JV Autonomy

Joint venture autonomy is conceptualized as the locus of control of the JV with respect to its operating routines. Even though it is a legal entity separated from the parent companies, a JV normally operates under close supervision from its parent companies. Despite this, the degree of latitude delegated to the JV management could still vary substantially. Only in extreme cases that JVs are given full decision-making latitude or none at all. In general, the degree of autonomy or decision-making latitude given to the JV management falls on a continuum. In this regard, it is important that the scale is capable of capturing the degree of autonomy along this continuum. The scale for JV autonomy was thus adopted from Morris and Cadogan (2001). The original scale consists of twelve items, asking JV managers to indicate their perceptions on the degree of discretionary power delegated to the JV management. Even though three of the scale items had been deleted (the remaining nine items have a reported Cronbach’s alpha of .71) in Morris and Cadogan’s (2001) original study, it was decided that they would be restored for the sake of scale development. The scale was shown in Figure 4.15. All scale items were measured on a 7-point scale, with anchors at 1 = “very strongly disagree” and 7 = “very strongly agree”.

Figure 4.15: Scale Items for JV Autonomy

The following describes a variety of capabilities which the JV management may possess. Please circle the appropriate number on the right to indicate the extent they describe the situation in your JV.

- The parent companies play an active role in decision making on matters to do with this JV
- This JV goes ahead with actions without checking with the parent companies
- This JV's responsibilities are routine in nature
- This JV's suggestions play an important part in decision making
- This JV follows strict operating procedures
- This JV refers all matters to the parent companies
- The parent companies make decisions affecting this JV, without consulting this JV
- This JV has high regard for existing rules and procedures
- This JV yields to the recommendations of the parent companies
- This JV relies on the parent companies for an answer
- This JV follows previously written and verbal instructions
- This JV's responsibilities are clearly prescribed

4.3.6.6 Outcome Interdependence of JV Managers

The conceptual domain of outcome interdependence captures the extent to which the performance evaluation and rewards of the JV managers are tied to the JV's outcome. Since the roles of the JV managers are destined to be ambiguous and sometimes conflictual in nature due to the need of coordination among several interest groups (Gong, Shenkar, Luo et al., 2001), an early and prudent approach that accommodates the foreseeable difficulties inherent in the roles assumed by these JV managers would be absolutely necessary. Indeed, a high level of outcome interdependence (that is, JV managers' performance evaluation and rewards are tied to the JV performance) is instrumental to promoting team spirit and encouraging JV managers to streamline their efforts to work for the JV. Therefore, the construct of outcome interdependence is intended to capture the degree of role specificity and clarity of lines of accountability for the JV managers. In the literature, the richness of this construct has been broken down into a number of independent yet related variables such as rewards systems, and role conflict and ambiguity and each of them has been investigated in a number of different studies (e.g., Gong, Shenkar, Luo et al., 2001; Jaworski and Kohli, 1993). An exception is found in Sethi's (2000) study. He conceptualized outcome interdependence at a cross-functional product development team level. Since the JV management team closely resembles such a team in terms of team dynamics, Sethi's (2000) scale (Cronbach' alpha = .74) was used in the JV context of the current study.

As such, the respondents were asked to indicate how their rewards and accountability are linked to the JVs' tasks and outcomes. This scale consists of four items and is shown in Figure 4.16. All items were measured on a 7-point scale, with anchors at 1 = "very strongly disagree" and 7 = "very strongly agree".

Figure 4.16: Scale Items for JV Managers' Outcome Interdependence

The following describes some duties of the JV management. Please use the scale below to indicate the extent to which they describe the situation in your JV.

In this JV...

- managers are responsible for tasks and activities in the JV only, they do not have active responsibilities in their parent companies as well
- managers are accountable to the JV only, they do not have to report to their parent companies
- managers' evaluations depend on how well they accomplish the organizational tasks of their parent companies, they are not evaluated against the overall performance of the JV
- managers' rewards or gains depend on how well they accomplish the organizational tasks of their parent companies, they are not dependable on the overall performance of the JV

4.3.6.7 Superordinate Identity of JV Managers

The concept of superordinate identity (SID) or team-based identity is referenced from the literature of cross-functional product development team (e.g., Fisher, Maltz and Jaworski, 1997; Sethi, 2000). Its conceptual domain captures the *esprit-de-corps* of the JV management team. SID serves as a force binding these individuals of very different cultural and organizational backgrounds together, thus building up a unified team having a common goal to work for. SID sources its power from the devotion and commitment of the JV managers towards maintaining membership in the management team. In such cases, members are more attached to the JV management team (a high level of SID) than to their respective parent companies. The aligned efforts of these key personnel can thus give impetus to the JV's development and growth. The scale for superordinate identity (the reported Cronbach's alpha = .91) was adopted from Sethi (2000). The Likert scale anchors at 1 = "very strongly disagree" and 7 = "very strongly agree". The scale items are shown in Figure 4.17.

Figure 4.17: Scale Items for JV Managers' Superordinate Identity

The following describes some duties of the JV management. Please use the scale below to indicate the extent to which they describe the situation in your JV.

In this JV...

- managers have stronger ties to a parent company than to the JV
- managers behave like a unified team
- managers are driven by agendas of parent companies rather than the JV agendas
- managers are all committed to common objectives
- managers value their membership in the JV management team
- managers feel they have a personal stake in the success of the JV

4.3.7 Market Dynamism

A number of studies have found that environmental variables play an important role as moderators to the market orientation–performance linkage (e.g., Appiah-Adu, 1998; Cadogan, Cui and Li., 2003; Diamantopoulos and Hart, 1993; Greenley, 1995a; Homburg and Pflesser, 2000), while others suggest otherwise (e.g., Cadogan, Diamantopoulos and Siguaw, 2002; Jaworski and Kohli, 1993; Slater and Narver, 1994a). Moderator variables which have been widely tested include *market turbulence/growth* (e.g., Greenley, 1995a; Jaworski and Kohli, 1993; Slater and Narver, 1994a), *competitive intensity* (e.g., Jaworski and Kohli, 1993; Slater and Narver, 1994a), *technological turbulence* (e.g., Jaworski and Kohli, 1993; Slater and Narver, 1994a); and *regulatory turbulence* (e.g., Cadogan, Paul, Salminen et al., 2001). In order to test whether the environmental variables have impact on the market oriented behaviors in the JV context, Homburg and Pflesser's (2000) scale measuring market dynamism was adopted. The decision to choose this scale was grounded on two facts. First, market dynamism has been viewed as the most relevant moderating variable (Slater and Narver, 1994a). Homburg and Pflesser's (2000) scale for market dynamism showed good psychometric properties (alpha = .76; composite reliability = .81; average variance extracted = .60). Second, this scale was concise and consists of only three items (shown in Figure 4.18). It made good practical sense to adopt a succinct measure in light of a lengthy questionnaire. Accordingly, the respondents were asked to rate the frequency of changes in three aspects of market dynamism along the 7-point Likert scale ranging from 1 = "low frequency" to 7 = "high frequency".

Figure 4.18: Scale Items for Market Dynamism

Please indicate the frequency of changes in the following aspects of the business environment of your JV.

- Changes in products offered by our competitors
- Changes in sales strategies by our competitors
- Changes in sales promotion/advertising strategies of our competitors

4.3.8 JV Performance

Since the ultimate goal of value creation is central to the marketing concept and the market orientation tenets, a performance measure in terms of some market indicators should serve as the logical consequence of adopting market oriented behaviors. Accordingly, JV performance is measured in terms of its market performance.

Homburg and Pflesser's (2000) scale for market performance ($\alpha = .89$; composite reliability = .90; average variance extracted = .62) was adopted in the current study. This decision is based on the facts that this scale has a sharpened focus; and it is comprehensive enough in capturing a wide array of indicators related to serving the needs of the customers and creating value for them. This scale consists of six items, asking respondents to express their opinions on the JV performance in areas such as "achieving customer satisfaction", "providing value for customers", "securing desired market share". Each of these items was measured on a 7-point Likert-type scale with 1 = "very unsatisfactory" and 7 = "very satisfactory" anchors. The scale items are listed in Figure 4.19.

Figure 4.19: Scale Items for JV's Market Performance

In the last three years, relative to your competitors, how has your JV performed with respect to... (please circle the number of your choice).

- achieving customer satisfaction?
- providing value for customers?
- keeping current customers?
- attracting new customers?
- attaining desired growth?
- securing desired market share?

4.3.9 Profiling Variables

There were altogether nine items used to profile the sample. A number of these profiling questions were borrowed from Cadogan's (1997) study, including "the year the joint venture was established", and other items probing the sizes (number of employees as well as sales turnover) and kind of business the joint venture was in. In regard to joint venture establishments, it is very informative to know the ownership arrangement. Accordingly, three open-ended items adopted from Yan (2000) were used to collect the respective information, namely, "the number of partners involved in the joint venture", "the nationalities of the two main partners", and "the percentage equity share of these two main partners". Moreover, a question adopted from Yan (2000) concerning whether there was any planned longevity of the joint venture was also raised. Finally, open-ended items were asked for the respondents to indicate their respective positions in the joint ventures and their respective nationalities. These profiling variables are listed in Figure 4.20.

Figure 4.20: Profiling Variables

<p><u>Questions placed at the beginning of the questionnaire</u></p> <p>(1) Nationalities of the 2 main JV parent companies: Partner A's nationality: _____ Partner B's nationality: _____</p> <p>(2) Your JV was set up by: <input type="checkbox"/>2 parents <input type="checkbox"/>3 parents Others (please specify): _____</p> <p>(3) In which year was your JV established? _____</p> <p>(4) What are the main products produced by this JV? (please tick) <input type="checkbox"/>Consumer goods <input type="checkbox"/>Service <input type="checkbox"/>Industrial goods Other (please specify) _____</p> <p>(5) Your position or title in this JV: _____ Your nationality: _____</p> <p><u>Questions placed at the end of the questionnaire</u></p> <p>(1) Approximately how many full-time employees does this JV currently have? (only consider those on the payroll of the JV) _____</p> <p>(2) What is the percentage equity ownership by the two main partner companies of the JV: Partner A _____% Partner B _____%</p> <p>(3) Does the JV have a planned length of existence? (Tick one box): <input type="checkbox"/>Yes <input type="checkbox"/>No If No, please skip to question (4). If Yes, then approximately how long is the planned length from now? _____ (years).</p> <p>Approximately, what is your JV's annual TOTAL sales turnover? US\$ _____.</p>
--

4.3.10 Other Variables

For purposes other than the stated objectives of this study, a number of variables had been included in the questionnaire. Traditional antecedent factors (such as top management emphasis, reward and training systems, coordinating mechanisms) that have been widely examined in the market orientation literature were included. Additionally, three other questions were also asked including one for the compatibility between the partners' organizational culture; one for the degree of connectedness between the partners and the JV; and one for a subjective evaluation of the JV's financial performance. All these variables are provided in Appendix 4.7.

Furthermore, a question probing the social desirability of the respondents was also included in the questionnaire³ (please see Appendix 4.8 for a discussion of the measurement of social desirability bias).

4.3.11 Response Form

Both open-ended and close-ended questions were included in the questionnaire, although the former represented only a small quantity. Close-ended questions offer several advantages that make it preferable (Huber and Power, 1985). First of all, by providing specific categories of responses, it effectively reduces the possibility of misinterpretation by the respondents. Next, it facilitates comparison across a large number of responses. Thirdly, it reduces the time and efforts demanded from the respondents to fill out the questionnaires and thus might be able to improve the response rate. Fourthly, the close-ended response format practically reduces the time and effort needed for data manipulation. Since the majority of the information to be sought has been conventionally measured by close-ended response format, in particular the Likert-type scale format, the response form chosen for the questions in this project largely followed this convention.

All the scales used in the questionnaire adopted a 7-point Likert scale. The preference of a 7-point to a 5-point scale was based on the grounds that more response categories might produce higher construct variance and lower measurement error variance (Peter and Churchill, 1984; Ping, 2004). In order to break monotony of the scale being used,

³ Due to the poor response rate of this measure, it was impractical to control the potential impact of social desirability bias in this study.

two formats of the Likert scale were adopted. For the first format, respondents were asked to fill the appropriate number on the scale into the boxes provided either on the left or right sides of the questions. As for the second one, respondents were instructed to circle the appropriate number on the scale on the right.

For the question pertaining to the partner-JV communication frequency, a tabulated format was adopted. Respondents were asked to tick the appropriate cell to indicate the frequency of communication via a specific means. This design was in essence a modified multichotomous format which improved the readability of the response categories.

Open-ended response form was applied to demographic questions including the nationalities of the two main partners; the year when the JV was established; the respondent's title, and his/her nationality. Other questions that were prompted with open-ended response form were the number of full-time employees in the JV; the JV's annual sales turnover; and each of the two main parent companies' equity shares. Furthermore, a question asking the planned length of existence in years from the date of the research was asked in an open-ended format if the JV had indicated it had such plan by way of answering a dichotomous question immediately earlier. Additionally, two multichotomous questions were also asked regarding the number of parent companies, and the main products produced by the JV. Respondents were provided with boxes such that they could check the appropriate places to indicate their responses.

4.3.12 Question Sequence and Physical Characteristics

The order or sequence in which the questions are presented can be crucial to the success of the research effort (Churchill, 1996, p.364). Some of the general principles suggested by Churchill (1996) include: use simple and interesting opening questions; use funnel approach to organize information (specifically, questions should be asked in a logical order and sudden change of topics should be avoided); place classification information last, and place difficult or sensitive questions late in the questionnaire.

The ordering of the questions thus followed closely these suggestions⁴. The questionnaire began with a warm-up section of some simple questions like indicating the nationalities of the two main parent companies; the number of parents that the JV had, the business the JV was in; the position or title of the respondent and his/her nationality. Following which was a section of 16 “agree/disagree” questions measuring the potential impact of social desirability bias (please see Appendix 4.8 for a discussion). At the bottom of the first page, a reminder of the time required to fill in the questionnaire, together with a statement of promised confidentiality, was placed in bold-type. This further manipulated the expectation of time commitment from the respondents and assured their anonymity.

The main content of the questionnaire was divided into six parts. The first part contained the easiest questions for the respondents because they were specific to the JV only. It was about the JV’s market oriented behaviors, the norms for such behaviors and the market dynamism faced by the JV. The second part was entitled “About the JV’s Internal Operational Systems”. It was basically about the antecedent factors that have been widely examined in the market orientation literature. Part 3 was “About the Dynamics between the Parents and the JV”. It contained seven sets of questions measuring the different relational variables as proposed to have bearing on the JV’s level of market oriented behaviors. “Parents’ Organizational Characteristics” was the title of Part 4. It consisted of two sets of questions measuring the cultural sensitivity of the partners’ boundary managers as well as the market oriented values as prevailing in the partner companies. Part 5 was entitled “Inter-Parent Dynamics”. It contained sets of questions measuring the antecedent factors derived from the dynamics of inter-parent interactions. Following this, the market performance and financial performance measures were placed in Part 6. To end the questionnaire, other demographic information was asked.

The physical characteristics of the questionnaire can affect the reaction of the respondents, the accuracy of the responses as well as the ease with which the responses can be processed (Churchill, 1996). In order to make the physical layout

⁴ Although some researchers (e.g., Podsakoff, MacKenzie, Lee et al., 2003) suggest shuffling items of different scales so that the problem of consistency motif might be reduced, this technique was considered inappropriate for the current study given the length of the instrument used. In order to reduce respondent fatigue and to enhance response rate, the scales were mostly separated from one another physically following a logical order.

look more professional, a booklet form was chosen such that the initial questionnaire including the cover page made up a total of 15 pages.

4.3.13 Language of Questionnaire Administration

Since the mail questionnaire as designed was intended to be distributed to a sample of executives or managers working in international joint ventures in Mainland China, the language choice would be a critical issue which directly affects the response rate. Although the targeted audience was expected to have good command of English, the language used was still considered a key issue that deserved a second thought. In fact, the mother language for the majority of informants in the sampling frame is Chinese, and in particular, the simplified version of written Chinese. In order to reduce the impact of language barrier to a minimum, a special effort was made to prepare a version in simplified Chinese. Firstly, the entire questionnaire was translated into Chinese. A professor of Contemporary Chinese Studies at the University of Macau then commented on the language and writing styles. Then the questionnaire was passed onto a professional translator who was instructed to look for possible inconsistencies in meanings between the two versions and to check for the writing style. Finally, another translator was invited to back-translate (Brislin, 1970) the Chinese version into English in order to see whether the original meanings could be restored or not. All these tedious tasks were undertaken to ensure an accurate presentation of the original questionnaire in the Chinese version. As such, all the mail questionnaires for the pre-testing stage as well as in the main survey were prepared in Chinese. A sample of the finalized questionnaire in Chinese is attached to Appendix 4.6.

4.4 PRE-TESTING

In order to ensure that the administration of the main survey could be free of fundamental problems, it was pre-tested through two phases (personal interview pre-tests and mail survey pre-tests⁵) following Churchill's (1996) recommendation. The personal interview pre-tests were done to uncover problems such as wordings, and questions sequence, while the second pre-test, in terms of a small-scale mail survey, was done to identify problems unique to the mode of administration (Churchill, 1996, p.371).

4.4.1 Personal Interview Pre-Tests

Personal interviews were conducted to fine-tune the wordings, structures and physical layouts of the research instrument. Several academics working at the University of Macau who were knowledgeable on topics such as the Chinese business culture, organizational dynamics of JVs in China, or the antecedents of market oriented behaviors were invited to comment on the questionnaire. They were invited to debrief on the specific wordings and appropriateness of each of the questions. After incorporating the suggestions of these experts, a second stage of pre-testing started. At this stage, three JV managers in Guangzhou, China were interviewed personally to collect their opinions and suggestions for further inputs into the questionnaire. These managers were asked to pick out questions which were ambiguous in meanings or whose readability was poor. In this respect, a protocol approach was actually adopted such that the researcher could observe if the respondents (in this case, the JV managers) could actually provide answers to the questions and could also receive immediate feedback on the questionnaire. In such a way, all necessary comments and suggestions could be fully captured even though the questionnaire was lengthy.

4.4.2 Revision of Questionnaire Based on Personal Interview Pre-Tests

As stated, the JV managers were observed as they filled out the questionnaires. As they were running through the questions, the researcher closely observed their expressions and reactions, and discussed with them when conceptual and presentational issues came up in the course. These efforts led to some very

⁵ This was the data collection method used for the full-scale study.

constructive and context-specific inputs which were incorporated into the revisions of the questionnaire. They were described in the following sections.

4.4.2.1 Addition of an Introductory Page Preceding the Main Body of the Questionnaire

The purpose of the inclusion of an introductory page was three-fold. First of all, since only JVs were valid sample units, it was important to ascertain that the potential respondents understood what were expected and whether they were in the qualified population (there was no point to waste the time and effort of managers if they were not the target respondents). A second and perhaps the most important reason for such inclusion was that this page could give the potential respondents an overview of the purpose of the research and what information they would be expected to disclose as they went along filling out the questionnaire. For this purpose, a very precise and concise summary for each of the sections of the questionnaire was produced. An appropriate manipulation of expectation could secure the necessary patience and commitment for filling out a lengthy questionnaire such as the current one, especially when it might also contain issues sensitive in nature. Last but not least, this introductory page also served to clarify the terms being adopted in the questionnaire. Such information included the definitions of JVs (because only equity JVs were targeted in this study) and who the main parent firms were in cases one or more of them were MNCs having both global and regional headquarters, or in cases when the JVs were formed by three or more parent firms.

4.4.2.2 Modifications of Section Titles

Since the number of constructs to be explored in this study was large, and many of them were related to some interwoven themes pertaining to multiple relational levels within the JV system, it was crucial to provide some explicit distinctions on them such that the respondents' focus could be streamlined to the relevant issues or levels. Therefore, titles were modified in such a way that unambiguously directed the respondents to the exact level where information was needed to be sought. Typical titles included "About the JV's Internal Operational systems"; "Inter-partner Dynamics" and "Parents' Organizational Characteristics". Since the respondents were asked to provide information about different levels within the relational context of a

JV system, the addition of these titles effectively prompted the respondents to the specific levels where information was sought.

Despite the above constructive efforts to improve the structure of the research instrument, there existed a big issue which could hardly be resolved: the length of the questionnaire. Towards the end of these personal interviews, the managers unanimously suggested that the questionnaire was too long and they cautioned the researcher about the response rate issue. Since nothing could be done to reduce the length without scarifying the content and quality of the data being collected, no adjustment was made with respect to this issue. Instead, other response rate enhancing techniques would be employed in due course so that the possible impact might be reduced.

4.4.3 Mail Survey Pre-Test

A mail survey pre-test served two basic functions. Firstly, it was used to identify the possible faults of the administration method, which would otherwise surface in the main survey. If these faults could be singled out in advance, remedial measures could be implemented in time to preserve the quality of the full-scale survey. The second purpose of undertaking this mail survey pre-test was to produce a base to estimate the response rate for the main survey. When the pre-test was drawn from the same sampling frame used in the main survey, the response rate as obtained in the pre-test could provide valuable clues for anticipating the response patterns of the main survey (Malhotra, 1999). Moreover, reasons for non-response could be explicated in advance such that some could be avoided in the main survey and the final response rate could be enhanced.

The questionnaire used in the mail survey pre-test is shown in Appendix 4.3. A random sample of 200 firms⁶ operating in Guangzhou was generated from the sampling frame (for a discussion of the selection of the sampling frame, please refer to Section 4.4.4). For the purpose of this study, the qualifying requirement was that the firm in contact should be an equity joint venture (EJV). This was ascertained by the student helpers (please see Section 4.4.5.1 for the detailed arrangements of student

⁶ Firms classified to be of foreign origins by the vendor of the mailing list.

helpers for pre-notification) when they first made the initial contacts with the target respondents.

4.4.4 Sampling Frame Selection

Several companies specializing in the provision of company listings were contacted [e.g., Dun & Bradstreet, Kompas China Database, CIS (The Commercial Intelligence Service) Foreign Companies in China, Intbit's Chinese Companies Directory, Zhongyongheng's Directory of Foreign Companies in China 2003]. Among these five providers, Intbit and Zhongyongheng provided printed directories only. They were not used in consideration of the intended large scale of the main survey: reported response rate in studies involving JVs in China is about 20%⁷, a target sample size of 200 would mean sampling about 1,300 JVs. A retrievable database allowing the printing of personalized letters and mailing labels would thus be needed to handle such a large sample. CIS's database had a listing of a few thousand foreign companies operating in China, but its coverage of JVs was minimal. Thus, it could not provide a database adequate for the purpose of the current study. As of the date commencing the pre-testing phase, the researcher could not get in touch with Dun & Bradstreet's China Division. As such, no further efforts were made to contact Dun & Bradstreet further. Insofar, only Kompas China could provide a retrievable database with a listing of about 4,000 JVs operating in China⁸. Besides, Kompas China was a joint venture itself, with China's Ministry of Foreign Trade and Economic Cooperation (MOFTEC) being one of its founding partners. It was thus believed that the database provided by Kompas China was preferable to others in terms of its comprehensiveness in locating foreign direct investments in China. Based on the above reasons, the Kompas China Database was adopted to provide the sampling frame of international joint ventures for this study.

4.4.5 Response Rate Enhancement

Since JV managers in the personal interview pre-tests cautioned about the length of the questionnaire and the response rate issue, it was decided that some response rate enhancement techniques suggested in the literature (e.g., Churchill, 1996; Mangione, 1995) would be followed at the outset. The purpose of this application was twofold: to

⁷ For example, Ding's (1997) reported response rate was 14.6%; Luo's (2002a) was 26.8%.

⁸ However, the deficiency of this database was that it did not explicitly differentiate the JVs from other foreign direct investments. Further effort was due to overcome this issue.

estimate their effectiveness; and to generate some ideas of unanticipated problems that might occur in the real setting. The response rate enhancement techniques that had been employed in this study included: pre-notification; personalization and cover letter appeal; return envelopes with postage paid; assurance of anonymity and confidentiality; incentives; and follow-ups.

4.4.5.1 Pre-Notification

Student helpers residing in Guangzhou (the capital city of Guangdong province, China) were hired to pre-notify⁹ the firms as listed in the sampling frame. They were instructed to make telephone calls to each of the aforesaid 200 firms operating in Guangzhou. Before seeking commitment from the contact persons, these students had to check their eligibility. They were instructed to check against these screening criteria¹⁰:

- it was an equity joint venture (EJV) formed by at least one main partner other than of Chinese nationality;
- it had its own operations under the partnership agreement (which meant it was not merely a representation office);
- it took care of its marketing activities (to disqualify those joint ventures whose parent firms perform all the marketing activities on its behalf);
- it was in operation for at least one year to allow sufficient interactions among the three parties in the JV system.

After they had ascertained that the JVs in contact fulfilled the above criteria, they went further to urge the contact persons to cooperate by filling out the questionnaires. As a form of incentive, these potential respondents were also promised a share of the important findings at the end of this project (a summary report of the findings would be sent to them if they attached a business card to the completed questionnaire). Once these target respondents had agreed to participate, they would be explained of the length of the questionnaire and the estimated amount of time that needed to be

⁹ The purpose of this effort was twofold: to make sure the contacts were qualified joint ventures; and to solicit cooperation.

¹⁰ These criteria as applied help to screen out non-qualifying firms including wholly owned companies, subsidiaries, representation offices, other forms of agreements, and any other forms of cooperations other than equity joint ventures, with foreign origins.

committed in order to complete it. They would be assured that a questionnaire pack would be delivered to them very shortly, probably within a week. Towards the end of the telephone call, the target respondents would also be informed that a reminder card would be sent to them about a fortnight after the telephone call if the researcher had not received their returned mail.

4.4.5.2 Other Techniques

The very same day or the day that immediately followed the telephone conversation, a questionnaire pack with a stamped reply envelope was posted to those target respondents who had consented to participate. A cover letter (see Appendix 4.2) was addressed to the target respondent in person based on the confirmation of contact details at the pre-notification stage¹¹. Each of the potential respondents was assured of anonymity and confidentiality during the pre-notification telephone call as well as in the cover letter.

About a fortnight after the first telephone contact, a reminder card (Appendix 4.4) was addressed to the target respondent to refresh their commitment and urge for their help. A week after the reminder card was sent, the non-respondent was called again to re-emphasize the importance of their contribution to the researcher's doctoral studies and seek their cooperation again. The student helper also offered to send them a second questionnaire pack should they claim that they had not received the questionnaire pack earlier.

4.4.6 Response Analysis

All the non-responses in the pre-test mail survey were contacted by the student helpers to investigate the reasons for declining cooperation. This was done in the hope to reduce or eliminate non-response bias in the main survey. The response pattern was provided in Table 4.3.

¹¹ The student helpers had been instructed to reconfirm names, titles, and postal addresses with the contact persons before ending the telephone conversation at the pre-notification stage such that a personalized cover letter was made possible.

Table 4.3: Response Pattern of Pre-Test Mail Survey

Response pattern	Subtotal	Total
Ineligibles		113
Not in business/ wrong details	70	
Not JVs	43	
Eligible JVs		87
Non-responses	64	
Completed questionnaires	23	
Total contacts		200

During the phase of pre-testing, a total of 200 contacts were made. The sample was generated from the sampling frame discussed in the previous section. Since the quality of the sampling frame was not very satisfactory (reasons for choosing this sampling frame was presented in Section 4.4.4), the ineligibility rate was rather high, representing 56.5% of the pre-test samples (113 out of 200). Of these 113 contacts, 70 of them were either out of business or with inaccurate contact details; and the remaining 43 were not joint ventures at all. As Table 4.3 also showed, the number of eligible JVs was only 87. After several rounds of persuasion by the student helpers, at last 30 managers in the contact list agreed to fill out the questionnaire and 23 of them did return the questionnaires. The other seven gave various reasons for non-responses. The effective response rate thus calculated was 26% (23 out of 87). This response rate was quite satisfactory given a lengthy questionnaire.

4.5 MAIN SURVEY

The main survey was designed in such a way which fully acknowledged the efforts made during the pre-test period. However, since the questionnaire had been revised after conducting the protocol, only minor revisions were made at this stage. On the other hand, the survey administration flow had indeed been benefited significantly from lessons learnt from the pre-test mail survey. Each of these issues was discussed in the following sections.

4.5.1 Final Questionnaire Revision

As mentioned, only minor revisions were made to the questionnaire after conducting the pre-test survey. The final questionnaire had been modified in two aspects pertaining to the layout of the questions: the spacing of the questions; and the shading

applied to the scaling areas in order to make them more eye-catching. In addition, the instructions for some sections were modified¹² from “how do you agree to the following statements in describing the situation of your joint venture... ” to “how do you agree to the following statements in describing the *actual* situation of your joint venture ...”. These modifications were considered necessary to incorporate the differences between the English and Chinese languages in terms of stating the level of particulars. As stated in some of the pre-test responses, respondents queried about the subtle differences between the two phrases: “what they think”; and “what the actual situation is” [although we can hardly differentiate between perceptions (what we think) and reality (what the actual situation is)] (see Parasuraman, Zeithaml and Berry, 1985). However, since the Chinese language is less rich in nuances, such explicit distinctions were considered necessary.

Furthermore, in order to facilitate the ease of responses for those questions involving the dynamics of the two major partners, a question asking respondents to put down the name of each of the two main parents was added as the beginning question. This effectively created a physical hint in the questionnaire and could help respondents associate with the two partners more easily throughout the course of filling out the questions. Copies of the final versions (both English and Chinese although only the Chinese one was used) of the research instrument were provided in Appendices 4.5 and 4.6 respectively.

4.5.2 Sampling Frame Selection and Sample Administration

The sampling frame for the main survey was the same as that used in the mail survey pre-test (that is, the database provided by Kompas China). During the pre-test stage, only firms operating in Guangzhou were specifically contacted. In the main survey, however, samples were selected based on their geographic locations. In view of the widely dispersed locations of the JVs in China, it was decided to select only those firms operating in the most developed cities/regions of China (most of these cities cluster along the Eastern costal line of the nation), including Beijing, Shanghai, Tianjin, Suzhou and Guangdong. As mentioned in Wang’s (2000) report about foreign direct investment in China, these cities or regions have been the largest recipients of foreign direct investments among others in China. Constrained by the financial

¹² These modifications were made only to the Chinese version of the questionnaire.

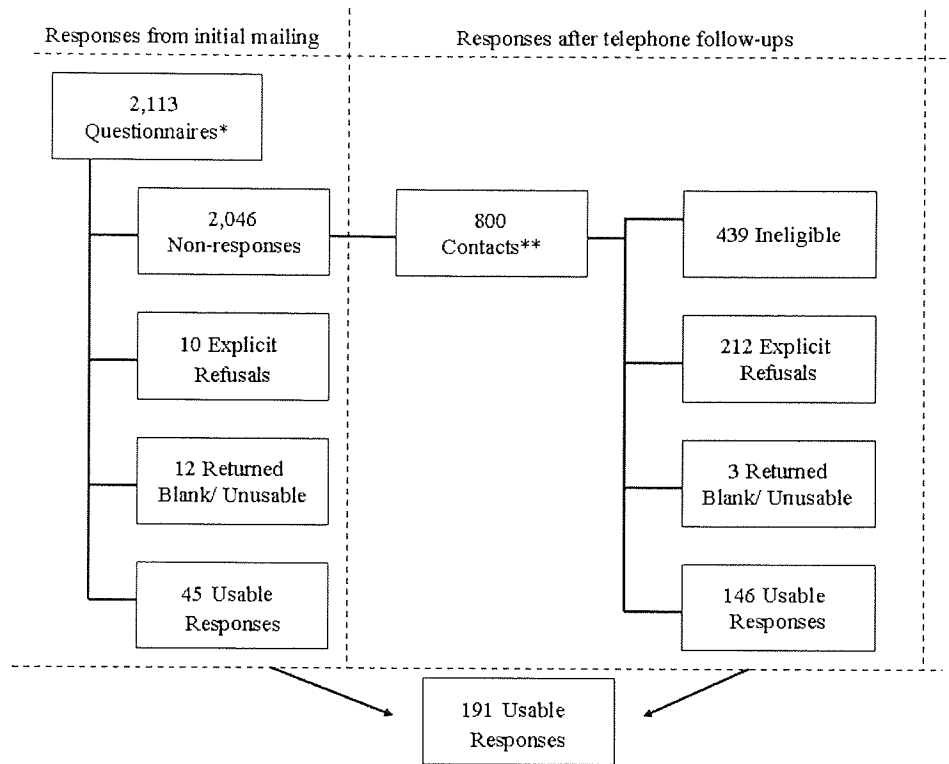
resources available for personal pre-notification, it was only possible to investigate firms in a selected number of regions. Given these five regions were the most developed in terms of industrialization and popularity among foreign investors, they gave a reasonably representative picture of the international joint ventures operating in China.

In consideration of the model complexity and other practical issues, the sample size aimed to achieve in this study was targeted at 200 (see Spector, 1992). With reference to the high ineligible rate (56.5%) as experienced in the pre-test stage, it was desirable to send out a relatively large number of questionnaires before a reasonable number of usable responses could be secured. Given a response rate of 26% in the pre-test and a rate of ineligibility as high as 56.5%, the number of questionnaires to be sent out was estimated to fall in the range of 1,860 to 2,300. Following the conservative approach, 2,300 questionnaires were finally sent out during the main survey.

4.5.3 Response Rate Enhancement

Similar to the pre-test mail survey, the full-scale survey was designed in a way such that several response rate enhancement techniques were employed, including personalization of the cover letter, incentive, return envelope with postage paid, and assurances of anonymity and confidentiality. Follow-up procedures would be exercised in an enhanced and more focused manner. Two weeks after the initial mailing, student helpers residing in each of the five cities/regions as mentioned earlier were instructed to contact a random sub-sample of 800. They were told to make telephone calls to each of these contacts operating in their cities as listed in the sub-sample. Following closely the pre-specified procedures as employed in the pre-test survey, the helpers first helped to identify the eligible respondents and their correspondence details. Furthermore, if respondents claimed that they had not received the questionnaire pack, a new one would be mailed to them right after the phone call. After another two weeks, non-responses from this sub-sample were again called up to urge for participation, and otherwise investigate reasons for non-participation. This follow-up procedure successfully brought in 146 usable responses. In addition to enhancing the response rate, this process could also produce information otherwise unavailable for assessing the impact of non-response bias (Figure 4.21 depicts the pattern).

Figure 4.21: Response Pattern



* the total number of undeliverable mails returned to the researcher was 187.

** a random sample obtained from the sample of non-responses.

Before proceeding to analyze the overall response rate and the potential impact of response bias, it is worth noting the significant difference in response rates between the initial mailing and the follow-up phase. Specifically, the response rate for the former was about 2.1% (45/2,113) while that for the latter was about 40.4% [146/(800-439)]. A plausible explanation for such difference may be offered in terms of the telephone contacts' successful penetration of the exposure and attention filters in the prospective respondents' environment (see Diamantopoulos, Schlegelmilch and Webb, 1991). As the prospective respondents were busy JV executives, their mails were expected to be screened by gate-keepers such as secretaries and assistants. Consequently, the mailed questionnaire pack might never even reach their hands. Even if they did, chances were high that they were put aside and never read by these executives. With the use of telephone contacts, both the exposure and attention filters could be effectively overcome and message could be duly directed to these respondents. Moreover, telephone contacts afforded the opportunity to reiterate the

importance of their participations, thus influencing the prospective respondents' cognitive responses.

4.5.4 Response Analysis

4.5.4.1 Response Rate

The overall response rate was estimated from the sub-sample of 800 telephone contacts. The estimated ineligibility rate was 54.5% (439 of the 800 contacts). Accordingly, the response rate thus estimated was 18% [$191/(2,300*45.5\%)$], about the level reported by other JV studies in China (e.g., Ding, 1997; Luo, 2002a). Although the response rate was lower than that in the pre-test, which was 26%, the reason might be attributable to the fact that only a proportion of the full-scale sample was contacted personally. In fact, in the pre-test phase, the entire initial sample of 200 were pre-notified and urged to reply. As a result, the response rate could be enhanced effectively. During the main survey, however, only about 35% of the mailed sample (a random selection of 800 firms from the list of non-responses of 2,048) was contacted personally due to financial constraint. As such, the effective response rate was lower in the main survey.

As shown in Figure 4.21, the usable sample was made up of 45 questionnaires (23.6%) resulted from the initial mailing and a larger portion, 146 questionnaires (76.4%) after applying a series of follow-up tactics. During the follow-ups stage, the various reasons for non-responses were also recorded. Table 4.4 lists these reasons.

Table 4.4: Reasons for Non-Response or Refusals

Reasons for non-responses	Number of firms
Ineligible: not in business/wrong details	247
Ineligible: not JVs	119
Ineligible: had been transformed to wholly-own companies	73
Ineligible samples	439
Company policy not allowed to fill in questionnaire	32
Could not go through gate-keepers	67
Not the right person to fill in but refused to pass onto others	21
No time to fill in	74
Questionnaire too long	3
Not interested in the research topic	11
Phone call terminated by respondents	4
Eligible but refuse to respond	212
Total	651

4.5.4.2 Assessing the Non-Response Bias

Non-response bias had been one of the major criticisms directed at mail surveys. Although the ideal way to cope with it was to reduce the non-response itself, it was still desirable to estimate its impact after the full-scale survey had been completed. One of the most helpful methods was to compare the results of a survey with some known values for the population (Armstrong and Overton, 1977). Accordingly, the distribution of the origins of the foreign partners as computed from the sample was compared with that of the initial mailing list (results are listed in Table 4.5). As shown, the distribution in terms of origins of the sample was not deviated too far away from the original listing although a chi-square test indicated that the difference in the observed versus the expected frequencies was statistically significant ($\chi^2 = 54.12$; d.f. = 12). This result was not unexpected given the mailing list had an accuracy rate of only about 45%¹³.

Table 4.5: Comparison of Distribution Patterns in terms of Foreign Partners' Origins

Origins of the second partners *	Samples distribution (%)	Mailing list distribution (%)
Hong Kong	22.2	31.0
Japan	14.0	10.9
Singapore	5.8	2.7
Taiwan	8.2	7.8
Other Asian countries	12.9	4.0
US	14.0	22.5
France	5.8	3.0
Canada	4.1	1.4
Germany	2.9	6.7
UK	2.9	3.0
Italy	2.3	.6
Australia	1.8	1.2
Others	3.0	5.2
Total	100.0	100.0

* The first partner across all samples was of a Chinese origin.

Furthermore, even though the sampling frame by no means could be claimed to be representative of the population of international joint ventures operating in China (yet the sampling frame was the best among the available ones), efforts were still made to assess the impact of potential bias as due from differences between the respondents

¹³ Out of the 800 contacts made in the follow-up phase of telephone contacts, only 361 (800 -439) were eligible. This corresponded to an accuracy rate of about 45%.

and the non-respondents¹⁴. In the methodological literature, the most common and widely used method is to compare the mean values of the key variables between the respondents and non-respondents in order to assess the effect of non-response bias. This method treats the respondents as those who respond early and non-respondents as those respond later. The underlying assumption is that “subjects who respond less readily are more like non-respondents” (Armstrong and Overton, 1977, p.397).

Following this technique, the early respondents in this study were defined as the group of respondents who took the initiative to complete the long questionnaire without any means of stimuli whereas the late respondents were defined as the group that only responded after several rounds of follow-up tactics had been employed (specifically, responses that arrived after the third telephone contact was made were classified as late respondents). Results of the t-tests for the purpose of comparing the mean values of these two groups are produced in Table 4.6.

Table 4.6: Comparison of Mean Values of Key Variables between Early and Late Respondents

Key Variables**	Mean Values		t-values*
	Early responses (N=43)	Late responses (N=28)	
1. Market performance	5.44	5.53	-0.37
2. Market dynamism	4.50	4.61	-0.39
3. Market oriented values	5.67	5.56	0.52
4. Norms for market orientation	5.68	5.56	0.62
5. Partners' perception of vulnerability to opportunism	3.74	3.87	-0.36
6. Inter-partner trust	4.99	5.12	-0.44
7. Inter-partner commitment	4.84	4.44	1.59
8. Inter-partner dependence	5.18	4.99	0.65
9. Inter-partner conflict	2.87	2.99	-0.49
10. Partners' commitment to JV	4.97	4.95	0.11
11. Partners' dependence on JV	4.50	4.32	0.78
12. Outcome interdependence of JV managers	4.47	4.33	0.51
13. Superordinate identity of JV managers	5.25	5.55	-1.44
14. Partner-JV conflict	3.12	2.95	0.86
15. JV autonomy	3.18	3.41	-1.65
16. Partner-JV communication frequency	1.40	1.62	-1.47
17. Partners' cultural sensitivity	5.34	5.41	-0.28
18. Intelligence generation	5.26	5.30	-0.14
19. Intelligence dissemination	4.93	5.17	-0.88
20. Responsiveness	5.06	5.02	0.17

* two-tailed tests significant (at $\alpha = .05$) at flagged.

** the key variables represent summated scores of the respective scales.

¹⁴This was important to make it possible to generalize the findings to, at least, the sample population (Churchill, 1991).

As read from the table, no significant differences (at 5% level of significance) were found between the early and late respondents in terms of their response patterns. Accordingly, it is considered that non-response bias has not created a very significant impact on the host of variables as examined in this study.

4.6 SUMMARY

In this chapter, a detailed portrayal of the research methodology as employed for data collection is furnished. The first part is dedicated to give an account of the common research designs and to give reasons for the choice of the mail survey design. Next, the development process of the research instrument is discussed in detail. Following which, the various steps as adopted in conducting the pre-tests and how the results contribute to the main survey are discussed. Then an account of the main survey is produced and the effective response rate reported. Finally, an effort is described to estimate the potential impact of the non-response bias. All these efforts and precautionary measures undertaken have been aimed at collecting usable responses that are fit for testing the theoretical interrelations as proposed in the hypotheses developed in Chapter 3.

CHAPTER 5

DESCRIPTIVE ANALYSIS AND DEVELOPMENT AND PURIFICATION OF SCALES

5.1 INTRODUCTION

The purpose of this chapter is twofold: to provide a descriptive analysis of the sample; and to delineate the scale development process for the various scales that would be used for hypotheses testing. In addition to reporting the profiles of the respondent firms, the former describes the response patterns pertaining to each of the measures used in this study. This is especially important for identifying and analyzing patterns and characteristics of the variables whose relationships would be tested by a multivariate technique, namely structural equation modeling (SEM). Besides, this part also provides all the necessary information for assessing the appropriateness of the data relative to the assumptions underlying the planned SEM analysis technique (maximum likelihood).

In addition, since most of these scales or measures have been drawn from prior studies which were designed to capture the concerned constructs in other contexts, scale purification efforts as well as a careful assessment of their reliability and validity were thus deemed necessary. This process is in fact strongly recommended because scales in other situations might not exhibit the same desirable properties in the new context (e.g., Churchill, 1992). As such, the measure development part presents the various stages undertaken to prune the scales. Individual scales were assessed for their dimensionality, reliability and validity, and were pruned where necessary, following recommended procedures in the methodology literature (e.g., Churchill, 1979; DeVellis, 2003; Gerbing and Anderson, 1988; Hair, Anderson, Tatham et al., 1998; Netemeyer, Bearden and Sharma, 2003; Spector, 1992).

To begin, an account of the respondents' profiles is furnished in Section 5.2. Section 5.3 outlines the strategies that had been employed to implement the task of scale development. Following which (Section 5.4) is a description of the detailed procedures used for scale purification. Section 5.5 gives an account of the assessment

of unidimensionality, reliability and validity of the scales from the CFA perspective. Section 5.6 provides a summary of the strategy for developing single scores for the various multi-item scales. Section 5.7 reports the scale validity assessment. Finally, the characteristics of the scales developed in this chapter are delineated in Section 5.8.

5.2 RESPONDENTS' PROFILE

This section serves to provide a brief account of the general characteristics of the informants and their firms. This was intended to help develop a basic understanding of the subjects under study. As such, this section should be considered as an opportunity to acquire an early impression of the identity of the sample. The respondent firms were introduced from different perspectives or dimensions including, the origins of the parent firms, the number of principal parent firms that had invested in the joint venture in question, their respective equity shares, the firm's age as well as its intended length of existence, its size, and the types of product it produced. Lastly, an account of who the informants were was also given.

5.2.1 Origins of Parent Companies

Out of the valid sample of 191 firms, 171 informants provided information on the origins or nationalities of their respective parent firms, corresponding to about 90% of the valid responses. As international joint ventures were the target subjects of this study, other than the local Chinese partners, the origins or nationalities of the foreign partners were reported in Table 5.1.

Table 5.1: Origins of Foreign Partners

Origins of Parent B	Frequency	Percent	Cumulative Percent
Overseas Chinese*	68	39.8	39.8
Anglo-Saxon**	39	22.8	62.6
Japanese	24	14.0	76.6
Continental European	22	12.9	89.5
Others	18	10.5	100.0
Total	171	100.0	

*Investors from Hong Kong, Taiwan, Singapore, and Macau are included in this group.

** Investors from US, Canada, and Australia are included in this group.

As per Table 5.1, it was found that a large proportion (about 40 per cent) of the foreign partners were overseas Chinese or investors from Greater China, including,

Hong Kong, Macau, Singapore and Taiwan. The second largest group of foreign investors was from the Anglo-Saxon countries, namely, Australia, Canada, UK, and US. The Japanese investment was also large (about 14 per cent) as it only represented a single country; it even exceeded that from Continental European countries in absolute number, which was about 13 per cent.

5.2.2 Number of Parent Firms

For the sake of easier management of potential disagreements arising from incompatible agendas of partners, joint ventures are usually formed by a minimal number of partners, say, two or three. This norm was evident in the present sample of joint ventures as 81.5 per cent (see Table 5.2) of the sampled joint ventures were formed by two parent firms, and another 15.5 per cent were formed by three parents. In fact, joint ventures of two or three partners had made up a total of 97.0 per cent of the current sample.

Table 5.2: Number of Parent Firms

Number of Parent Firms	Frequency	Percent	Cumulative Percent
Two parents	137	81.5	81.5
Three parents	26	15.5	97.0
More than three parents	5	3.0	100.0
Total	168	100.0	

5.2.3 Equity Share

Certain patterns were distinct in the sample statistics. First of all, the local Chinese partners held larger equity share than the foreign partners did. It is evident from Table 5.3 that only about nine per cent of the Chinese partners held less than a 25% share of the joint venture. Over 60 per cent of them held overwhelming percentage of joint venture's equity share. In this regard, it would be safe to expect that they could be effectively dominating the management of the joint venture if only the rule of "the majority decides" applies.

Table 5.3: Equity Share of Chinese Partners

Percentage Share	Frequency	Percent	Cumulative Percent
Less than 25%	14	9.2	9.2
25.1 to 50%	40	26.3	35.5
50.1 to 75%	82	53.9	89.4
75.1% or above	16	10.5	100.0
Total	152	100.0	

Since Table 5.3 has already provided hints to the equity make-up of the parents, Table 5.4 only serves to supplement the results as reported. The foreign partners in general held a lesser proportion of the joint venture's equity share. Only about 26 per cent of them held a majority share (greater than 50% of the share). About 54 per cent of them held a moderate amount of share, which ranged between 25% and 50%. Further information could be sought in Table 5.5, which provides some descriptive statistics on the percentage make-up of the equity shares held respectively by the two main parents. The figures also consistently pointed to the fact that the local Chinese partners held higher percentage of the joint venture's equity share in this sample.

Table 5.4: Equity Share of Foreign Partners

Percentage Share	Frequency	Percent	Cumulative Percent
Less than 25%	30	19.7	19.7
25.1 to 50%	82	53.9	73.6
50.1 to 75%	29	19.1	92.7
75.1% or above	11	7.2	100.0
Total	152	100.0	

Table 5.5 Descriptive Statistics of the Two Major Parents' Equity Share

Statistics	Chinese Partner's equity share	Foreign Partner's equity share
Mean	54.96	44.00
Median	51.00	48.50
Mode	51.00	49.00
Std. Deviation	18.99	19.36
Range	97.75	95.20
1st Quartile	45.50	30.00
2nd Quartile	51.00	48.50
3rd Quartile	70.00	51.00

5.2.4 Firm Age and Planned Length of Existence

The sample contains a reasonably good spread of joint ventures that were in different stages of maturity. About 18 per cent of the sample (see Table 5.6) was at their early evolutionary stage. About 38 per cent had had a history of over four years and another 44 per cent had been established for more than ten years. Given this wide spread of firm age, the current sample would suffice to render information on the impact of partners' interrelations as well as partner-JV interrelations on the JVs' market oriented behaviors.

Table 5.6: Firm Age

Firm Age (years)	Frequency	Percent	Cumulative Percent
1 to 3	30	18.0	18.0
4 to 10	64	38.3	56.3
11 to 20	67	40.1	96.4
More than 20	6	3.6	100.0
Total	167	100.0	

Apart from the firm age, the respondents were also asked to provide information on the question of whether there had been an explicit schedule to terminate the joint venture operations. 152 firms responded this question. Of these, 82 (53.9%) gave an affirmative answer signifying the intention of terminating the project in the future (Table 5.7 gives more details). 70 firms explicitly denoted that they had no explicit agenda for termination. Of the 82 yes-saying JVs, 75 provided a schedule for termination. While 17.3 per cent of this group would be terminating the relationship in the short term, nearly half of them (41.3 per cent) would only do so in the medium term, or in four to 10 years' time. There were also approximately 40 per cent of the firms that intended to terminate in a longer term, which represented a schedule of more than ten years from the date of response. This schedule might have been specified as one of the clauses stipulated in the original joint venture contract. The implication here was that the joint ventures being sampled in this study were rather stable in terms of the partnership relationship.

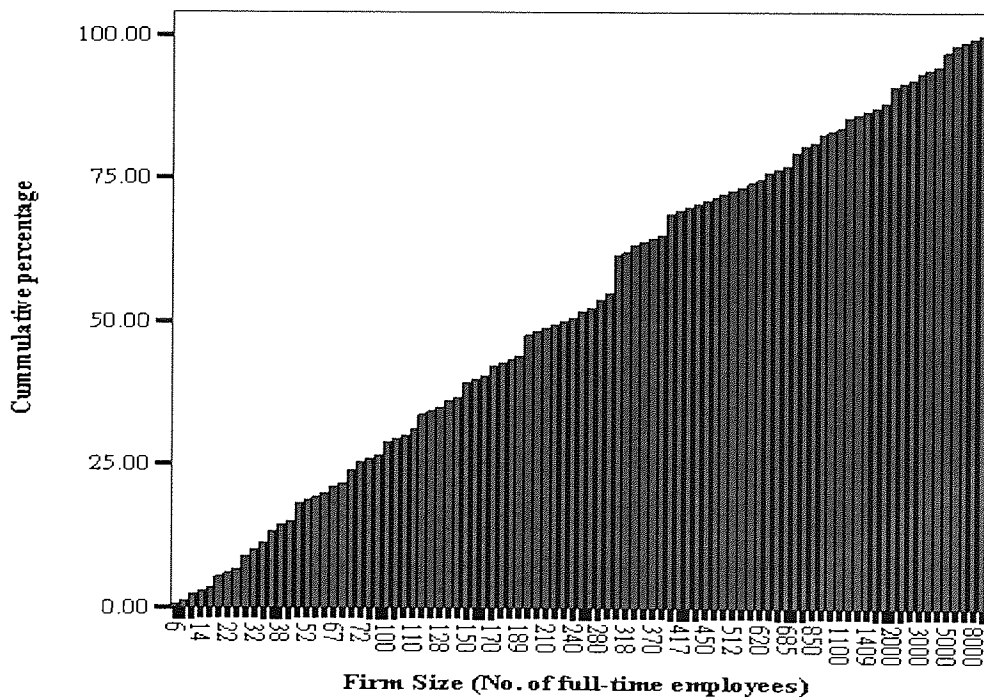
Table 5.7: Planned Length of Existence (for those that have an explicit schedule for termination)

Planned length from now (years)	Frequency	Percent	Cumulative Percent
1 to 3	13	17.3	17.3
4 to 10	31	41.3	58.6
11 to 20	20	26.7	85.3
More than 20	11	14.7	100.0
Total	75	100.0	

5.2.5 Firm Size

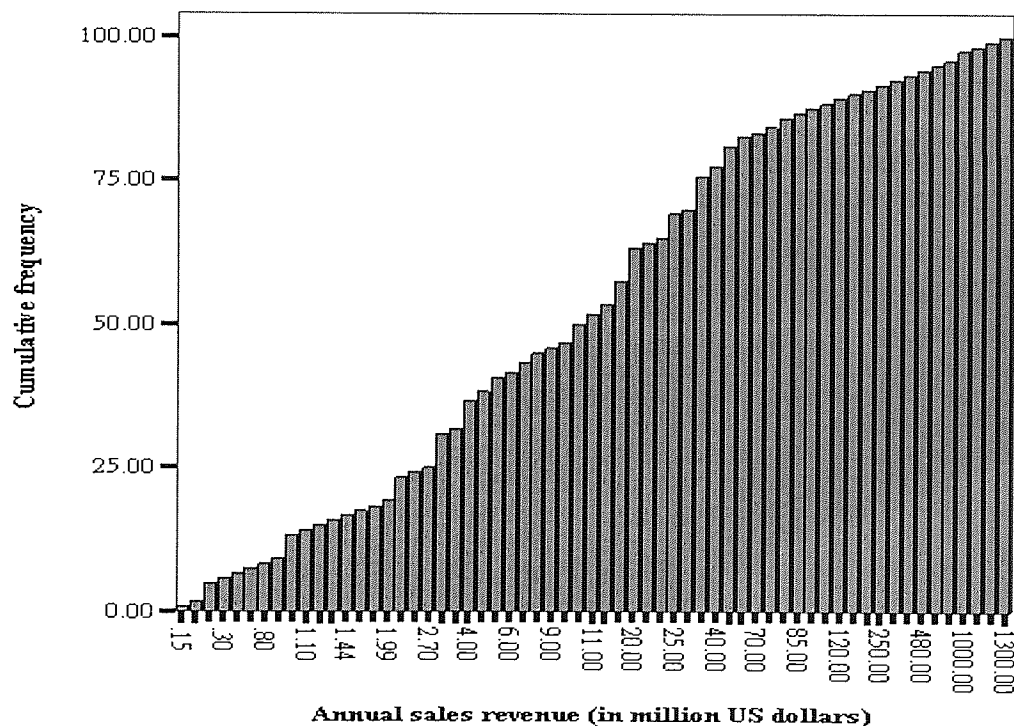
The distribution of firm size (in terms of number of full-time employees as per the payroll list in the joint venture) was positively skewed. It covered a wide range from six to 10,000 employees; with a median of 228 employees and a mean of 783.75 employees (Figure 5.1 reports the cumulative frequency distribution of firm size in terms of number of full-time employees). 25 per cent (the first quartile) of these JVs employed fewer than 72 people and 75 per cent (the third quartile) of them employed fewer than 650 people.

Figure 5.1: Firm Size (Number of Full-time Employees) as Cumulative Percent



In addition to expressing firm size in terms of number of full-time employees, another commonly used method to account for firm size is in terms of annual sales revenue. The frequency distribution of this variable was also positively skewed, with a range from 0.15 to 1,300 million US dollars (Figure 5.2 reports the cumulative frequency distribution of firm size in terms of annual sales revenue). The mean and median values were 88.34 and 10.5 million US dollars respectively. 25 per cent (the first quartile) of these JVs reported revenue of less than 2.78 million US dollars and 75 per cent (the third quartile) of them reported revenue of less than 30 million US dollars. The number of valid responses to this question was relatively lower (only 120 valid responses had been collected) than that obtained for number of employees (which was 166).

Figure 5.2: Firm Size (Annual Sales Revenue) as Cumulative Percent



5.2.6 Product Type

Over half of the firms in the sample produced industrial products, while 23 and 20 per cent (see Table 5.8 for more details) of them were engaged in producing consumable products and delivering services respectively. Relative to other profiling questions, the current one succeeded in achieving a rather high response rate; there were a total of 182 valid responses collected.

Table 5.8: Main Products Produced

Product Types	Frequency	Percent	Cumulative Percent
Consumables	42	23.1	23.1
Industrial products	95	52.2	75.3
Services	38	20.9	96.2
Energy plant	1	.5	96.7
Environmental preservation	2	1.1	97.8
Real estate development	4	2.2	100.0
Total	182	100.0	

5.2.7 Informants' Status

In addition to reporting the characteristics of the respondent firms, the current section is intended to provide a discussion on the informants' profiles. An account of who the actual representatives of the joint ventures were is thus produced in the following.

Generally speaking, accessing that management tier at the most senior level inside the organizational hierarchy is always a challenging task for researchers. This problem was also encountered in the current study. Of the 166 responses which provided information on the informants' status/position inside the organization, about 23.5 per cent of them (see Table 5.9) were from the highest level, namely, the CEO or Managing Directors. A moderate percentage, about 34 per cent, were at general management level, while the highest proportion of the informants (42.8 per cent) were at the functional management level, or in particular, holding the position of marketing manager.

Table 5.9: Positions or Titles of Informants

Position	Frequency	Percent	Cumulative Percent
CEO/Managing Director	39	23.5	23.5
General Manager/DGM	56	33.7	57.2
Marketing Manager	71	42.8	100.0
Total	166	100.0	

The last report made on the informants is in terms of their respective nationality. The majority of them (more than 93 per cent) were mainland Chinese (see Table 5.10). A few of them were overseas Chinese (about five per cent) and the remaining two per cent were of other nationalities but were highly proficient in the Chinese language. Therefore, the entire pool of informants was essentially ethnic Chinese.

Table 5.10: Nationalities of Informants

Nationality	Frequency	Percent	Cumulative Percent
Mainland Chinese	166	93.3	93.3
Overseas Chinese	9	5.1	98.3
Others	3	1.7	100.0
Total	178	100.0	

5.2.8 Section Summary

This section gives a detailed account of the respondents' profiles. The descriptive statistics showed that most of the respondent firms were joint ventures formed by two principal partners, with the Chinese partner holding a majority equity share. Overall, the sample contained a wide spread of JVs in their different stages of maturity. These JVs were mostly engaged in the two sectors of consumer and industrial products. With respect to the informants, they were purely ethnic Chinese and about 60 per cent of them were holding key management positions.

5.3 MEASURE DEVELOPMENT AND PURIFICATION STRATEGY

Obtaining valid measures is the fundamental task of concern prior to hypotheses testing. This end is reached by means of adopting some rigorous statistical analyses for the assessment of the viability and validity of the measures of interest. As Siguaaw, Simpson and Baker (1998) put it, “[t]he purpose of this stage of analysis was to identify and eliminate poorly performing items for the reflective measures.” (p.104), and by so doing, a set of valid and reliable measures could be developed for later hypotheses testing. Analytical techniques employed in particular would include: exploratory factor analysis (EFA), item analysis (the analyses of inter-item correlations and item-scale correlations), and confirmatory factor analysis (CFA) for the assessments of scale reliability and validity. These procedures are undertaken in accordance with recommendations in the literature (e.g., Gerbing and Anderson, 1988; Netemeyer, Bearden and Sharma, 2003) for finalizing a scale and to establishing its psychometric properties.

5.3.1 Treatment of Missing Values

Before going into details about the various steps involved in purifying the scales, raw data collected were first treated and those items which had been reverse coded were recoded accordingly. Given the length of the questionnaire, it is not uncommon to find items left unanswered by the respondents. Although the rate of missing value per variable is not very high in this study, amounting to less than five percent (the highest per-variable missing rate is 4.2%), the collective impact is large since these missing values have been spread across 30% of the samples (58 cases). If these missing values were left unattended, the effective sample size would be reduced from 191 to 133. In addition to the sample size concern, the discarding of incomplete cases is also philosophical unappealing (Little, 1992). As such, a missing value analysis procedure adopting the expectations maximization (EM) algorithm (available in SPSS 12.0) as recommended in the literature (e.g., Little, 1992; Little and Rubin, 1990) was performed. The EM algorithm was preferred to other available imputation methods because it is readily available in the SPSS program and more importantly, it has been shown to introduce minimal bias in structural models when missingness rates are low (see Olinsky, Chen and Harlow, 2003), as is the case of this study (where the average item missingness rate was 1.01%).

5.3.2 Key Issues in Measure Development

In order to ensure that the measures developed are valid for later hypotheses testing, each of them was assessed critically to establish their psychometric properties. There are some attributes that qualify a good measure, which include unidimensionality, reliability and validity. These properties are discussed in the following.

5.3.2.1 Establishing the Dimensionality of the Measures

Dimensionality of a measure is one of the most critical issues involved in the process of measure development (Hattie, 1985). Meaning to a latent construct can be assigned only when all its alternative indicators (scale items) are acceptably unidimensional (Anderson and Gerbing, 1988). In fact, unidimensionality refers to the “characteristic of a set of *indicators* that has only one underlying trait or concept in common” (Hair, Anderson, Tatham et al., 1988, p.584, italics in original). Establishing a measure’s dimensionality is thus of utmost importance especially when a composite score is used (Gerbing and Anderson, 1988; Netemeyer, Bearden and Sharma, 2003). Therefore, one of the fundamental tasks for measure development is to ensure that the scale items represent only one underlying construct (Gerbing and Anderson, 1988).

5.3.2.2 Establishing the Reliability and Validity of the Measures

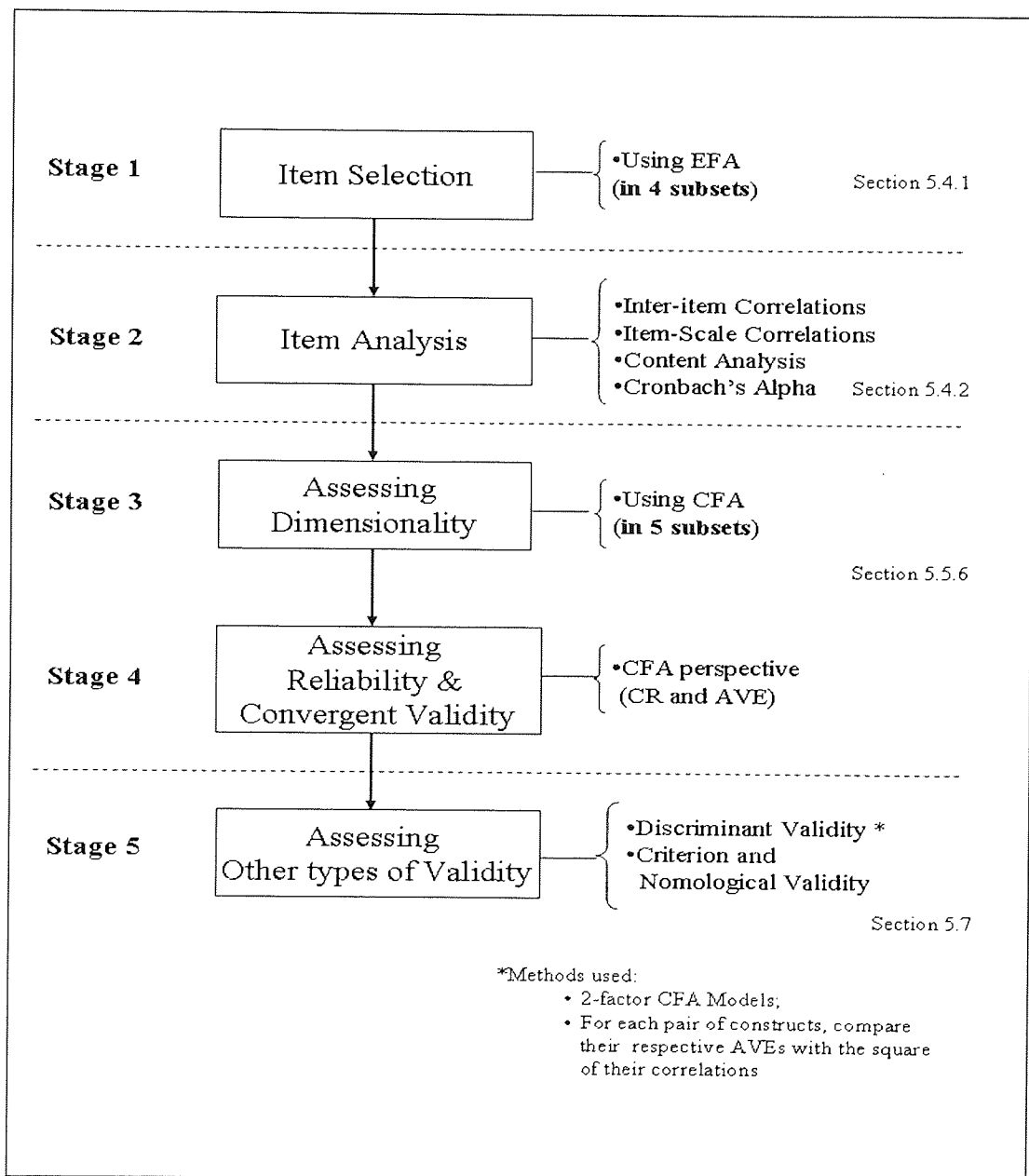
A perfectly unidimensional scale would be of little or no use if the resultant composite score were determined primarily by measurement error (Gerbing and Anderson, 1988 p.190). Stated otherwise, a scale is not useful if it is not reliable. Reliability is another necessary condition for a measure to be valid. Reliability and validity are defined respectively as “the degree to which measures are free from error and therefore yield consistent results” and “the degree to which instruments truly measure the constructs which they are intended to measure” (Peter, 1979, p.16). Therefore, a final scale ready for use should be able to produce consistent results on the one and only one construct which it is intended to measure.

In order to assess and ensure the validity and reliability of the measures, all of them were examined critically. The strategies and analytical techniques employed to execute the task of measure development and assessment are given in Section 5.3.3.

5.3.3 Measure Development Strategy: An Overview

The measure development strategy actually reflected the effort in addressing the key issues of establishing unidimensionality, reliability and validity of the scales. Accordingly, a five-stage measure development procedure employing different statistical and analytical techniques was undertaken. These stages are depicted in Figure 5.3.

Figure 5.3: Measure Development Procedure



Note: All 19 measures used in this study were each subjected to the different stages of analysis as depicted in the flow diagram.

5.3.4 Use of Subset Analysis

Since statistical techniques of exploratory factor analysis (EFA) and confirmatory factor analysis (CFA) pose some demand on the sample size required, an assessment of the minimum sample size to variable/parameter ratios was done. For example, to performance EFA, the minimum recommended sample size to variable ratio is five-to-one (Hair, Anderson, Tatham et al., 1998). At the initial stage of scale purification, the number of variables (scale items) was 182, which would require a sample size of about 910. With respect to a CFA, the recommended minimum sample size to parameter ratio is also five-to-one (Hair, Anderson, Tatham et al., 1998). With a sample size of 191, 19 constructs and 182 indicators, the number of parameters to be estimated would be huge¹ and entering all parameters into a single CFA would result in a poor or even non-converged solution (Sharma, 1996).

In order to avoid violating minimum sample size to variable/parameter ratios and to test for construct convergence with sets of variable which were maximally similar in conceptual terms (e.g., Baker and Sinkula, 1999a; Cadogan, Paul, Salminen et al., 2001; Cadogan, Cui, Morgan et al., 2006; Doney and Cannon, 1997), the scales were analyzed in subsets.

Since EFA and CFA impose different demands on sample size, fewer subsets were used in EFA relative to CFA operations. During the EFA process, four subsets were created whereas in CFA, five subsets had to be created in consideration of the number of parameters and complexity of the models. Table 5.11 lists the subsets for EFA and CFA respectively.

¹ A rough estimate of the minimum sample size required for such a complex model (with 535 parameters) was 2,675.

Table 5.11: Subsets Used in EFA and CFA

Subset	EFA subsets	Subset	CFA subsets
1	3 market oriented behaviors scales Market performance scale Market dynamism scale	1	3 market oriented behaviors scales Market performance scale Market dynamism scale
2	<u>Value-related measures:</u> MO values Norms for market oriented behaviors Partners' cultural sensitivity	2	<u>Value-related measures:</u> MO values Norms for market oriented behaviors Partners' cultural sensitivity
3	<u>Measures for inter-partner factors:</u> Partners' perception of vulnerability to opportunism Inter-partner trust Inter-partner commitment Inter-partner dependence Inter-partner conflict ²	3	<u>Measures for inter-partner factors:</u> Partners' perception of vulnerability to opportunism Inter-partner trust Inter-partner commitment Inter-partner dependence
4	<u>Measures for partner-JV factors:</u> Partners' commitment to JV Partners' dependence on JV P-JV conflict JV autonomy Outcome interdependence of JV managers Superordinate identity of JV managers	4	<u>Measures for partner-JV factors (1):</u> Partners' commitment to JV Partners' dependence on JV P-JV conflict
		5	<u>Measures for partner-JV factors (2):</u> JV autonomy Outcome interdependence of JV managers Superordinate identity of JV managers

5.3.5 Item Selection Using Exploratory Factor Analysis

Exploratory factor analysis (EFA) is adopted here as the first statistical procedure for the purpose of scale purification. Although it is very common to use EFA for establishing the dimensionality of a set of scales, it is primarily used in this project as a tool to produce a preliminary solution for the scales' content (item selection). At a later stage, confirmatory factor analysis (CFA) would be used for evaluating the dimensionality of the different scales.

According to Netemeyer, Bearden and Sharma (2003), EFA can be used complementarily for two purposes, including to reduce the number of items in a scale so that the remaining items maximize the explained variance in the scale and its reliability, and to identify potential underlying dimensions in a scale.

For the purpose of scale development, common factor analysis, specifically principal axis factoring (PAF) with an Oblimin oblique rotation provided by SPSS 12.0 was

² Measure dropped after EFA analysis and accordingly not included in CFA assessment (see Section 5.4.1.3 for more detailed discussion).

used in this study. In a PAF, the observed correlations between the items in a scale are assumed to be purely the result of a shared underlying factor whereas for an Oblimin oblique rotation the underlying factors are allowed to correlate. Given the sample size of about 200, factor loading of 0.4 was chosen as the critical value (Hair, Anderson, Tatham et al., 1998).

5.3.6 Item Analysis

The goal of conducting an item analysis is to produce a tentative version of the scale for later validation (Spector, 1992). This task is mostly concerned with assessing the internal consistency of a scale, which in essence refers to the assessment of the homogeneity of the items within a scale (DeVellis, 2003). Thus, inter-item correlations, item-scale correlations and scale reliability were assessed with respect to each of the scales used in this study.

5.3.6.1 Inter-Item Correlations

Inter-item correlations are often used to evaluate the construct validity of a scale. DeVellis (2003, p.28) maintains that high inter-item correlations would most probably suggest that the items in question share a common cause, which in essence, suggests that they are measuring the same thing. Clark and Watson (1995) assert that a valid measure of a construct with a narrow focus would exhibit an inter-correlation range of 0.40 to 0.50. On the other hand, some researchers might consider an inter-item correlation of .30 to be acceptable or even one as low as 0.20 to be providing extensive evidence (Robinson, Shaver and Wrightsman, 1991). Accordingly, the inter-item correlations were evaluated jointly with the item-scale correlations and Cronbach's alpha to select items that would be subsequently entered into CFA models for further validation.

5.3.6.2 Item-Scale Correlations

The item-scale correlations have been widely used to provide evidence for the unidimensionality of the scale based on the rationale that items that do not correlate well with the rest of the items in the scale probably do not belong to the same scale (de Vaus, 2002, pp.127-128). Although the dimensionality assessment was done by using CFA models in this study (see Section 5.5), the item-scale correlations (specifically the corrected item-scale correlations whereas the correlation is computed

by correlating an item with all the rest of the scale items, excluding the item in question) were routinely analyzed in order to investigate the extent to which any one item is correlated with the scale itself. Items with low corrected item-scale correlations are candidates for deletion. There are different suggestions for the threshold of item deletion, ranging from a correlations magnitude of .35 to .50.

5.3.6.3 Scale Reliability

Cronbach's (1951) coefficient alpha is one of the most widely used ways to assess a scale's reliability, or its internal consistency. Internal consistency, as assessed in terms of the coefficient alpha, represents the proportion of a scale's total variance that is attributable to the true score of the latent variable underlying the items (DeVellis, 2003). In fact, "[i]t is a direct function of both the number of items and their magnitude of intercorrelation" (Spector, 1992, p.31). Therefore, alpha can be raised either by increasing the number of items or by raising their intercorrelations. Nonetheless, alpha³ is a good way to evaluate the quality of the scale with respect to the task of item selection. At a later stage when the scales were evaluated with CFA models, the respective composite reliability would also be examined (see Section 5.5.6).

Theoretically, alpha can take on values from 0.0 to 1.0, where larger values indicate higher level of internal consistency. As a rule of thumb, alpha should be at least .70 for a scale to demonstrate internal consistency (Nunnally, 1978). In addition to this, DeVellis (2003) suggested the following "comfort ranges" of alpha for general guidelines (p.95):

below .60	unacceptable
between .60 and .65	undesirable
between .65 and .70	minimally acceptable
between .70 and .80	respectable
between .80 and .90	very good
much above .90	might consider to shorten the scale

³ Cronbach's alpha is similar to Jöreskog's (1971, quoted in Gerbing and Anderson, 1988) reliability coefficient which does not assume equal item reliabilities within the context of confirmatory factor analysis (p.190). Essentially, in the current study, most of the values of individual scale's composite reliability as computed in the context of confirmatory factor analysis are very close to the corresponding Cronbach's alpha for the respective scales.

5.3.7 Assessing Dimensionality Using Confirmatory Factor Analysis Technique

The dimensionality issue for scale development has been traditionally addressed using techniques like item-scale correlations, inter-item correlations, and even exploratory factor analysis. However, these traditional techniques fail to discriminate between sets of indicators that represent different, though correlated factors (Gerbing and Anderson, 1988). Under the exploratory factor analysis realm, “each factor is defined as a weighted sum of *all* observed variables in the analysis” (Gerbing and Anderson, 1988, p.189, italics in original), and the potential correlated errors among items are not necessarily revealed (Netemeyer, Bearden and Sharma, 2003). Accordingly, such an analysis fails to provide an evaluation of the unidimensionality of the scales.

A confirmatory factor analysis, on the other hand, “affords a stricter interpretation of unidimensionality than can be provided by more traditional methods... and thus generally will provide *different* conclusions about the acceptability of a scale” (Gerbing and Anderson, 1988, p.186, italics in original). To this end, a confirmatory factor analysis makes a hypothesis of the exact nature of the multiple-factor model *a priori* (Sharma, 1996). By so doing, each factor is therefore antecedent to a mutually exclusive subset of the indicators and dimensionality of the various factors could then be assessed.

When evaluating CFA models, several criteria are commonly used, including the examination of the significance of parameter estimates and the average variance extracted (the amount of variance captured by a set of items in a scale relative to measurement error), the fit indices, as well as the standardized residuals and modification indices. A discussion of the respective assessment criteria is provided in Section 5.5.2.

5.3.8 Validity

Aside from establishing the unidimensionality and reliability of the scales, another critical step for scale development involves assessing their overall soundness, or validity. In this study, validity is assessed via the three most widely accepted forms of validity, namely, content validity, convergent validity and discriminant validity, and criterion and nomological validity (Hair, Anderson, Tatham et al., 1998; Peter, 1981). They are discussed respectively in the following sections.

5.3.8.1 Content Validity

Content validity refers to the extent to which a specific set of items reflects a content domain (DeVellis, 2003, p.49). Since the majority of scales in this study were culled from the literature, there is good reason to suppose that these scales have content validity. Besides, during the course of scale development (see Chapter 4), both academic experts in the related fields and practitioners (in this case, the JV managers) had been invited to review the relevance of the scale items relative to the domains as defined by the study (DeVellis, 2003; Gerbing, Hamilton and Freeman, 1994). This process thus further helped to establish the content validity of the scales.

5.3.8.2 Convergent and Discriminant Validity

Convergent validity assesses the degree to which different measures of the same concepts are correlated. If the score of a new measure is highly correlated to an established measure, chances are high that the newly developed measure actually measures the underlying concept it is intended to measure. On the other hand, discriminant validity is the criterion to which measures of distinct but related concepts do not correlate highly.

In this study, convergent validity was assessed by means of an examination of the average variance extracted (AVE) (see Fornell and Larcker, 1981; Ping, 2004). As a rule of thumb, average variance extracted pertaining to a construct is recommended to be 0.5 or above (Fornell and Larcker, 1981). On the other hand, discriminant validity was analyzed in two ways. First, a single degree of freedom test was used that compares two 2-factor nested measurement models: the first one with factor correlation fixed at 1, and the second with this correlation free (see Ping, 2004). The difference in the obtained chi square values for the two models was then compared. Discriminant validity would be supported if the two-factor model yielded a significantly better fit to the data than the single-component model did. Next, an examination of the AVEs of any given pair of latent variables against the squared correlation of the two variables was also conducted. Typically, discriminant validity could be supported when both the AVEs of a given pair of variables exceed their respective squared correlation.

5.3.8.3 Criterion and Nomological Validity

Criterion related validity is determined by “how well the measure predicts the criterion, be it another characteristic or a specific behavior” (Churchill, 1992, p.76). Criterion related validity is typically inferred when a high correlation is detected between the measure of interest and the criterion (Ping, 2004; Spector, 1992).

The nomological (lawlike) validity refers to an observed relationship between measures purported to assess different (but conceptually related) constructs (Peter, 1981), or the degree that the summated scales make accurate predictions of other concepts in a theoretically based model (Hair, Anderson, Tatham et al. 1998, p.118). Stated otherwise, nomological validity refers to the extent to which the respective measures in question behave in accordance to the relationships as stipulated by some *a priori* theory. Therefore, as suggested by Netemeyer, Bearden and Sharma (2003), nomological validation is all about “investigating both the theoretical relationships between different constructs and the empirical relationships between measures of those constructs” (p.82). As such, evidence of nomological validity is demonstrated when a construct fits lawfully into a network of relationships through the operationalization of the respective constructs.

5.4 MEASURE DEVELOPMENT AND PURIFICATION: ITEM SELECTION AND ITEM ANALYSIS

5.4.1 EFA for Item Selection

As discussed, exploratory factor analysis was used to select items that load on a factor, thus providing preliminary scales for further validation. Given a sample size of about 200, subsets were used during the EFA analysis (see Section 5.3.4). Four subsets were created based on their conceptual similarity (see Cadogan, Paul, Salminen et al., 2001; Cadogan, Cui, Morgan et al., 2006; Baker and Sinkula, 1999a). Accordingly, the first set contained the three generic scales for market oriented behaviors, the scale for market performance and the scale for market dynamism. The second set contained the culture-related factors: partners’ market oriented (MO) values, norms for market oriented behaviors (MOB) and partners’ cultural sensitivity. The third set contained

the scales for factors pertaining to inter-partner dynamics. The fourth set contained the scales for factors pertaining to partner-JV dynamics. EFA results for these subsets are furnished in the following sections.

5.4.1.1 JV's Market Oriented Behaviors and Consequences

This subset contained the scales for market oriented behaviors and the consequences of exhibiting such behaviors. Included in this subset were the three scales for market oriented behaviors, the scale for market performance, and the scale for the moderator variable of market dynamism. As argued in the market orientation literature, these elements were the building blocks of any formal attempt to modeling the relationship between market oriented behaviors and performance. In view of the sufficiency of these factors to forming a meaningful model for theory testing, they were analyzed in a single set.

Scales for Market Oriented Behaviors

The 22 items comprising the three dimensions of market oriented behaviors were run with EFA. Instead of the three hypothesized dimensions, a total of five factors were initially returned. Accordingly, four problem items were eliminated and the remaining 18 items were run with another EFA and again five factors were returned with the factors of GEN (intelligence of generation) and DISS (intelligence dissemination) began to take shape. Problems still existed with respect to the factor of RESP (responsiveness). Specifically, the items meant to form the factor of RESP were broken down into three factors. At this stage, another seven problem items were therefore taken out from the analysis. After their removal, the analysis returned a neat pattern of three factors, representing each of the three market oriented behaviors scales (with a cumulative extracted variance of 44.16%). The factor matrix is reproduced in Table 5.12.

Table 5.12: Factor Matrix of JV's Market Oriented Behaviors

Item	Description	Factor Loadings		
		GEN	DISS	RESP
gen3	Periodically review the likely effect of changes in business environment (e.g., regulation) on customers	.558		
gen4	Frequently collect and evaluate general macro-economic information (e.g., interest rate, exchange rate, GDP, industry growth rate, inflation rate)	.681		
gen5	Maintain contacts with officials of government and regulatory bodies (e.g., state governments, Ministry of Commerce, etc.) in order to collect and evaluate pertinent information	.839		
gen6	Collect and evaluate information concerning general social trends (e.g., environmental consciousness, emerging lifestyles) that might affect our business	.787		
diss1	Marketing personnel spend time discussing customers' future needs with other functional departments			.643
diss3	We often have cross-functional meetings to discuss market trends and developments (e.g., customers, competition, suppliers)			.489
diss5	Technical people spend a lot of time sharing information about technology for new products with other departments			.530
resp1	For one reason or another, we tend to ignore changes in our customers' product or service needs (Reversed)		.421	
resp2	The product lines we sell depend more on internal politics than real market needs (Reversed)		.662	
resp6	Even if we came up with a great marketing plan, we probably would not be able to implement it in a timely fashion (Reversed)		.671	
resp8	We tend to take longer than our competitors to respond to a change in regulatory policy (Reversed)		.518	
KMO = .788; Barlett's Test = 584.295 (sig. = .000)				
Percentage of Variance Extracted: 44.16				

Market Performance

The EFA analysis presented in Table 5.13 shows that all the six items for the scale of market performance loaded strongly on a single factor. As such, this scale was put through to a later simultaneous analysis with other scales in a single EFA.

Table 5.13: Factor Matrix of the Scale for Market Performance

Item	Description	Factor Loadings
p1	Performance in terms of achieving customer satisfaction	.805
p2	Performance in terms of providing value for customers	.844
p3	Performance in terms of keeping current customers	.849
p4	Performance in terms of attracting new customers	.797
p5	Performance in terms of attaining desired growth	.881
p6	Performance in terms of securing desired market share	.806
KMO = .868; Barlett's Test = 979.968 (sig. = .000)		
Percentage of Variance Extracted: 69.06		

Market Dynamism

The three scale items of market dynamism were also factor-analyzed. The solution thus obtained strongly suggested that all the three items belonged to the same scale. As such, at this stage of analysis, no purification effort to the scale was needed (see Table 5.14 for the factor matrix)

Table 5.14: Factor Matrix of the Scale for Market Dynamism

Item	Description	Factor Loadings
md1	Changes in products offered by competitors	.636
md2	Changes in sales strategies by competitors	.817
md3	Changes in sales promotion/ advertising strategies of competitors	.764
KMO = .687; Barlett's Test = 163.703 (sig. = .000)		
Percentage of Variance Extracted: 55.206		

Simultaneous Analysis of the Scales

A simultaneous analysis of the five scales in this subset revealed that they formed a clear 5-factor pattern, explaining about 55% of the variance (see Table 5.15). As such, all items were retained for the next stage of analysis.

Table 5.15: Factor Matrix of JV's Market Oriented Behaviors and Related Scales

Item	Description	Factor Loadings				
		GEN	DISS	RESP	PERF	MD
<u>Intelligence Generation (GEN)</u>						
gen3	Periodically review the likely effect of changes in business environment (e.g., regulation) on customers	.583				
gen4	Frequently collect and evaluate general macro-economic information (e.g., interest rate, exchange rate, GDP, industry growth rate, inflation rate)	.708				
gen5	Maintain contacts with officials of government and regulatory bodies (e.g., state governments, Ministry of Commerce, etc.) in order to collect and evaluate pertinent information	.764				
gen6	Collect and evaluate information concerning general social trends (e.g., environmental consciousness, emerging lifestyles) that might affect our business	.787				
<u>Intelligence Dissemination (DISS)</u>						
diss1	Marketing personnel spend time discussing customers' future needs with other functional departments		-.528			
diss3	We often have cross-functional meetings to discuss market trends and developments (e.g., customers, competition, suppliers)		-.492			
diss5	Technical people spend a lot of time sharing information about technology for new products with other departments		-.389			
<u>Responsiveness</u>						
resp1	For one reason or another, we tend to ignore changes in our customers' product or service needs (Reversed)			.439		
resp2	The product lines we sell depend more on internal politics than real market needs (Reversed)			.651		
resp6	Even if we came up with a great marketing plan, we probably would not be able to implement it in a timely fashion (Reversed)			.659		
resp8	We tend to take longer than our competitors to respond to a change in regulatory policy (Reversed)			.514		

Table 5.15: Factor Matrix of JV's Market-Oriented Behaviors and Related Scales (continued)

Item	Description	Factor Loadings				
		GEN	DISS	RESP	PERF	MD
<u>Market Performance (PERF)</u>						
p1	Performance in terms of achieving customer satisfaction				.845	
p2	Performance in terms of providing value for customers				.804	
p3	Performance in terms of keeping current customers				.873	
p4	Performance in terms of attracting new customers				.724	
p5	Performance in terms of attaining desired growth				.837	
p6	Performance in terms of securing desired market share				.764	
<u>Market Dynamism (MD)</u>						
md1	Changes in products offered by competitors					.639
md2	Changes in sales strategies by competitors					.832
md3	Changes in sales promotion/ advertising strategies of competitors					.741
KMO = .831; Barlett's Test = 1889.812 (sig. = .000)						
Percentage of Variance Extracted: 54.37						

5.4.1.2 Culture-Related Scales

In this subset, the three scales (partners' market oriented values, partners' cultural sensitivity, and JV's norms for market oriented behaviors) concerning different aspects/levels of organizational culture were assessed together. Since each of them tapped a different aspect or level of the domain of organizational culture, they were expected to be highly correlated and a simultaneous analysis of them would make problem items more likely to be detected.

MO Values

The 34-item scale for "partners' market oriented values" was factor analyzed and a four-factor solution was returned. Since the intent for looking at this set of items was to find a summated variable which could reasonably represent the partners' average magnitude of the "market oriented values", the initial EFA solution was scrutinized to see which factor would best make a scale to capture the construct in question. This resulted in an intermediate solution of a single factor comprising 14 items. A second EFA was run with these 14 items, namely, five items gauging the dimension of

“innovativeness and flexibility”, five items for “quality and competence”, and four items for “speed”. These items loaded on a single-factor (see Table 5.16) which encompassed a general value set capturing the dimensions of innovativeness and flexibility, consciousness for quality and competence, as well as speed (a cumulative variance of 61.0% was extracted).

Table 5.16: Factor Matrix of the Scale for Partners’ Average Market Oriented Values

Item	Description	Factor Loadings
vin1	Innovativeness and creativity	.769
vin2	Flexibility of the employees	.804
vin3	Openness to product, service or process innovativeness	.739
vin4	Seeking novel solutions to difficult situations	.859
vin5	Unconventional ideas	.835
vqt1	Error-free work results	.600
vqt2	High quality work results	.747
vqt3	Value employees who aspire to gain high qualifications in their subject	.791
vqt4	Value employees who aspire to maximize competence in their subject	.836
vqt5	Value employees who aspire to meet expectations on quality work	.825
vsp1	Speed in all work processes	.758
vsp2	Value employees who aspire to speed in the work processes	.732
vsp3	Good time management	.810
vsp4	Being first	.798
KMO = .941; Barlett’s Test = 2245.578 (sig. = .000)		
Percentage of Variance Extracted: 61.03		

Norms for JV’s Market Oriented Behaviors

Next, the scale for “JV norms for market oriented behaviors” was also examined in a way similar to that for the “market oriented values”. The 34 items comprising the norms for market orientation were analyzed with an EFA and a five-factor solution was returned. The first factor, explaining 37.4% of the total variance was also not accepted at the outset. Instead the third factor (loaded with ten items), which constituted a more comprehensive meaning, was chosen. Basically, it was made up of four facets, namely, “openness of market-oriented communication” (two items), “quality and competence” (two items), “speed” (two items), and “interfunctional cooperation” (four items). A second EFA with these ten items returned a net one-factor solution explaining 46.97% of the variance (see Table 5.17).

Table 5.17: Factor Matrix of the Scale for JV's Norms for Market Oriented Behaviors

Item	Description	Factor Loadings
ncom3	Dissemination and storage of market intelligence expected	.693
ncom4	Dissemination and storage of market intelligence controlled	.686
nqty3	The competence of employees with customer contact controlled	.708
nqty4	Expectations on quality work from the customer's perspective regularly refreshed	.716
nspd2	Customer-related processes is increased in speed continuously	.659
nspd3	Speed of customer-related processes is controlled regularly	.676
ncop1	Customers are integrated in the planning of a new product or service program (e.g., by conducting interdisciplinary teamwork or focus groups)	.527
ncop2	The availability of market information in different functional areas (e.g., marketing, R&D) is controlled	.715
ncop3	Degree of coordination of decisions about marketing activities in different areas is controlled	.797
ncop4	A quick response on market changes is expected	.646
KMO = .864; Barlett's Test = 971.411 (sig. = .000)		
Percentage of Variance Extracted: 46.97		

Partners' Cultural Sensitivity

The eleven-item raw scale for partners' cultural sensitivity returned a two-factor solution. Since the first factor captured reasonably well the variance of the construct in question and that it was theoretically sound, it was chosen as the factor to represent the construct of cultural sensitivity. Accordingly, four items were eliminated and eight items were retained and analyzed again at this stage (total variance extracted = 51.13%). Table 5.18 provides the factor matrix and related statistics for this scale.

Table 5.18: Factor Matrix of the Scale for Partners' Cultural Sensitivity

Item	Description	Factor Loadings
snt2	Managers work hard to familiarize themselves with the other partners' legal environments	.646
snt3	Managers speak the other partners' language or spend time learning their languages	.655
snt4	Managers adapt how they do things to ensure the other partners feel at ease	.723
snt5	Managers look for ways to smooth communications with the other partners	.801
snt6	Managers make allowances when the other partners behave in unexpected or unusual ways	.780
snt7	Managers look for mutually satisfying solutions to situations in which the other partners have exceptional expectations	.790
snt8	Managers try to learn the other partners' customs and ways of doing business	.674
snt11	Managers believe that there is usually more than one good way to get things done	.627
KMO = .867 ; Barlett's Test = 764.648 (sig. = .000)		
Percentage of Variance Extracted: 51.13		

Table 5.19: Factor Matrix of the Set of Culture-Related Factors

Item	Description	Factor Loadings		
		MO values	Norms	Cultural sensitivity
<u>MO Values</u>				
vin1	Innovativeness and creativity	.787		
vin2	Flexibility of the employees	.795		
vin3	Openness to product, service or process innovativeness	.700		
vin4	Seeking novel solutions to difficult situations	.797		
vin5	Unconventional ideas	.796		
vqt3	Value employees who aspire to gain high qualifications in their subject	.827		
vqt4	Value employees who aspire to maximize competence in the subject	.858		
vqt5	Value employees who aspire to meet expectations on quality work	.823		
vsp1	Speed in all work processes	.766		
vsp2	Value employees who aspire to speed in the work processes	.701		
vsp3	Good time management	.769		
vsp4	Being first	.778		
<u>Norms for Market Oriented Behaviors</u>				
ncom3	Dissemination and storage of market intelligence expected		.792	
ncom4	Dissemination and storage of market intelligence controlled		.744	
nspd2	Customer-related processes is increased in speed continuously		.676	
nspd3	Speed of customer-related processes is controlled regularly		.688	
ncop1	Customers are integrated in the planning of a new product or service program (e.g., by conducting interdisciplinary teamwork or focus groups)		.531	
ncop2	The availability of market information in different functional areas (e.g., marketing, R&D) is controlled		.637	
ncop3	Degree of coordination of decisions about marketing activities in different areas is controlled		.577	
<u>Partners' Cultural Sensitivity</u>				
snt2	Managers work hard to familiarize themselves with the other partners' legal environments			.631
snt3	Managers speak the other partners' language or spend time learning their languages			.661
snt4	Managers adapt how they do things to ensure the other partners feel at ease			.733
snt5	Managers look for ways to smooth communications with the other partners			.791
snt6	Managers make allowances when the other partners behave in unexpected or unusual ways			.796
snt7	Managers look for mutually satisfying solutions to situations in which the other partners have exceptional expectations			.750
snt8	Managers try to learn the other partners' customs and ways of doing business			.631
KMO = .910; Barlett's Test = 3564.349 (sig. = .000)				
Percentage of Variance Extracted: 57.15				

Simultaneous Analysis of the Three Culture-Related Scales

Next, all the three individually analyzed scales were entered into an EFA for further analysis. The initial EFA solution consisted of five factors. The results of several iterations eliminated a total of six items: two items from the scale for partners' market oriented values; three items from the scale for JV's norms for market oriented behaviors; and one item from the scale for partners' cultural sensitivity. The remaining items returned a neat three-factor pattern (see Table 5.19 for the respective factor loadings and other related statistics).

5.4.1.3 Inter-Partner Factors

The five scales measuring the different aspects of inter-partner dynamics were analyzed in a single set. First of all, each of them was analyzed by a separate EFA. Then, a simultaneous factor analysis was run to assess the viability of their factor structures within the set. Results are discussed in the following.

Partners' Perception of Vulnerability to Opportunism

The seven-item measure for "partners' perception of vulnerability to opportunism" was first analyzed. An EFA returned two factors, with three items cross-loaded on them. After considering the content of each of the seven items, the first two items (pvo1 and pvo2, which loaded heavily on factor 2), were removed. The EFA was re-run and a neat single-factor solution was returned, explaining 48.79% of the total variances (see Table 5.20).

Table 5.20: Factor Matrix of the Scale for Partners' Perception of Vulnerability to Opportunism

Item	Description	Factor Loadings
pvo3	The risk of proprietary information leakage in the joint venture is great	.497
pvo4	They are highly vulnerable to the other party's opportunistic behavior	.640
pvo5	The other party has too much control of the joint venture decisions	.822
pvo6	The other party is too dominant in nature	.835
pvo7	The other party has the capacity to withhold or distort information which is key to the success of the joint venture	.639
KMO = .760; Barlett's Test = 372.825 (sig. = .000)		
Percentage of Variance Extracted: 48.79		

Inter-Partner Trust

The next scale being analyzed with the EFA technique was for the construct of “inter-partner trust”. The scale originally consisted of six items and all of them loaded neatly on a single factor, explaining 64.87% of the total variances. See Table 5.21 for details.

Table 5.21: Factor Matrix of the Scale for Inter-Partner Trust

Item	Description	Factor Loadings
trst1	The parent companies cannot trust each other at times	.504
trst2	The parent companies are perfectly honest and truthful to each other	.846
trst3	The parent companies can trust each other completely	.820
trst4	The parent companies can count on each other to do what is right	.816
trst5	The parent companies are always confident in each other	.907
trst6	The parent companies have high integrity	.870
KMO = .898 ; Barlett's Test = 813.700 (sig. = .000)		
Percentage of Variance Extracted: 64.87		

Inter-Partner Commitment

When entered into an EFA, the five items comprising the “inter-partner commitment” scale produced an initial two-factor solution. An examination of the factor contents led to the decision that the first factor was retained. As such, two items (ict2, ict3) were deleted. The total variance extracted with respect to the remaining three items amounted to 45.37% (Table 5.22).

Table 5.22: Factor Matrix of the Scale for Inter-Partner Commitment

Item	Description	Factor Loadings
ict1	The parent companies defend each other at times	.400
ict4	The parent companies are patient with each other even when one makes mistakes and causes the other trouble	.587
ict5	The parent companies are willing to dedicate whatever people and resource it takes to grow sales for the other party	.932
KMO = .583 ; Barlett's Test = 95.801 (sig. = .000)		
Percentage of Variance Extracted: 45.37		

Inter-Partner Dependence

The EFA analysis suggested that all the five items for the scale for inter-partner dependence loaded strongly on a single factor. As such, this scale was kept intact until a simultaneous analysis for all the scales in this subset was carried out next. Table 5.23 presents the factor matrix of this scale.

Table 5.23: Factor Matrix of the Scale for Inter-Partner Dependence

Item	Description	Factor Loadings
idep1	The parent companies generally provide vital resources which would have been difficult for either partner to obtain elsewhere	.423
idep2	Difficult for either one of the parent companies to replace each other in the open market	.648
idep3	The well-being of the parent companies would have suffered greatly if this partnership tie had been broken	.729
idep4	The parent companies are generally dependent on each other	.822
idep5	The parent companies need to maintain this partnership relationship	.856
KMO = .816 ; Barlett's Test = 369.748 (sig. = .000)		
Percentage of Variance Extracted: 51.11		

Inter-Partner Conflict

A three-factor solution for the seven-item scale for "inter-partner conflict" was returned from the EFA analysis. After consulting the item contents and meaning of the scale, it was decided that only the first factor was retained. As such, four items (icnf1, icnf2, icnf3, and icnf4) were removed. The remaining three items loaded strongly on a single-factor (see Table 5.24).

Table 5.24: Factor Matrix of the Scale for Inter-Partner Conflict

Item	Description	Factor Loadings
icnf5	The parent companies cooperated with each other	.775
icnf6	The parent companies had compatible goals and objectives (reversed)	.970
icnf7	The parent companies agree on each other's priorities	.714
KMO = .679 ; Barlett's Test = 280.7163 (sig. = .000)		
Percentage of Variance Extracted: 68.35		

Simultaneous Analysis of the Five Scales for Inter-Partner Factors

Finally, the five individually analyzed scales were entered simultaneously in an EFA and an undesired four-factor solution was returned. A closer scrutiny at the factor loadings revealed that problems were mainly arisen from the scale measuring “inter-partner conflict”: all of its items cross-loaded negatively on factor 1 (the factor for inter-partner trust) and positively on factor 4 (the factor for inter-partner commitment). Besides, the factor loadings for these items were trivial, generally below the recommended critical value of .40 for a sample size of about 200 (see Hair, Anderson, Tatham et al., 1998). Furthermore, a careful review of the content also refuted the possibility of including these three items in either the scale for inter-partner trust or that for inter-partner commitment. In view of the scale’s poor mathematical association (reflected in the trivial factor loadings) and its theoretical standing, the decision was made to remove the scale for “inter-partner conflict” from further analysis.

Moreover, one item (idep1) from the scale for “inter-partner dependence” and one item (ict1) for “inter-partner commitment” also loaded heavily to the first factor (inter-partner trust). In view of their contents and statistical results, these two items were also eliminated. Finally, one item (trst1) pertaining to the scale for inter-partner trust was also deleted because of its weak factor loading (below .40). After all these efforts, the EFA results showed four clear and distinct factors, each representing one of the remaining four constructs. Table 5.25 shows the concerned factor matrix.

Table 5.25: Factor Matrix of the Scales for Inter-Partner Factors

Item	Description	Factor Loadings			
		Vulnerability to opportunism	Inter-partner trust	Inter-partner commitment	Inter-partner dependence
<u>Partners' Perception of Vulnerability to Opportunism</u>					
pvo3	The risk of proprietary information leakage in the joint venture is great	.472			
pvo4	They are highly vulnerable to the other party's opportunistic behavior	.614			
pvo5	The other party has too much control of the joint venture decisions	.846			
pvo6	The other party is too dominant in nature	.876			
pvo7	The other party has the capacity to withhold or distort information which is key to the success of the joint venture	.579			
<u>Inter-Partner Trust</u>					
trst2	The parent companies are perfectly honest and truthful to each other		.746		
trst3	The parent companies can trust each other completely		.808		
trst4	The parent companies can count on each other to do what is right		.819		
trst5	The parent companies are always confident in each other		.913		
trst6	The parent companies have high integrity		.830		
<u>Inter-Partner Commitment</u>					
ict4	The parent companies are patient with each other even when one makes mistakes and causes the other trouble			.625	
ict5	The parent companies are willing to dedicate whatever people and resource it takes to grow sales for the other party			.569	
<u>Inter-Partner Dependence</u>					
idep2	Difficult for either one of the parent companies to replace each other in the open market				.645
idep3	The well-being of the parent companies would have suffered greatly if this partnership tie had been broken				.818
idep4	The parent companies are generally dependent on each other				.732
idep5	The parent companies need to maintain this partnership relationship				.788
KMO = .842; Bartlett's Test = 1816.670 (sig. = .000)					
Percentage of Variance Extracted: 62.40					

5.4.1.4 Partner-JV Factors

The last set of scales being analyzed was for those factors (altogether six factors) developed especially to measuring the dynamics between the parents and the joint venture, including the “JV autonomy”, “parent-JV conflicts”, “partners’ commitment to JV”, “partners’ dependence on JV”, “outcome interdependence of the JV managers”, as well as “superordinate identity of the JV managers”.

JV Autonomy

JV autonomy was a scale originally consisting of twelve items. The EFA returned an initial three-factor solution. After examining the individual item contents and the item combinations, only items loaded on the first factor was retained for further analysis, which meant that six items (atn2, atn3, atn4, atn5 and atn8, atn12) were eliminated. The remaining six items were then re-analyzed with another EFA. This time, two factors were returned, signaling further problems with respect to the factor structure. As the problems pinpointed mainly to two items, namely atn6 and ant7, these items were also removed. Finally, the four-item scale returned one neat factor. However, the weak factor loading for atn1 (.337) was considered to be unsubstantial and it was also removed. The factor matrix of this scale is reproduced in Table 5.26.

Table 5.26: Factor Matrix of the Scale for JV Autonomy

Item	Description	Factor Loadings
atn9	This JV yields to the recommendations of the parent companies (reversed)	.671
atn10	This JV relies on the parent companies for an answer (reversed)	.690
atn11	This JV follows previously written and verbal instructions (reversed)	.668
KMO = .680 ; Barlett's Test = 107.899 (sig. = .000)		
Percentage of Variance Extracted: 45.74		

Partners' Commitment to JV

Next, the scale for “parents’ commitment to JV” was analyzed. The EFA result showed that although all the seven items loaded on a single factor, the sign of the factor loading of pcmt3 was opposite to those of its counterparts. This highlighted the need to check again for the coding issue for the entire questionnaire. As no problem was identified, the results led to the conclusion that pcmt3 should not belong to the scale and it was therefore removed. In addition, two other items, pcmt1 and pcmt4 loaded relatively weakly on this factor and were also deleted. Consequently, the individual factor analysis of the scale for “partners’ commitment on JV” suggested that the scale should contain four items (see Table 5.27).

Table 5.27: Factor Matrix of the Scale for Partners’ Commitment to JV

Item	Description	Factor Loadings
pcmt2	This JV is very important to both parent companies	.813
pcmt5	This JV is something the parent companies really care about	.911
pcmt6	This JV is something the parent companies believe deserves their maximum effort to maintain	.924
pcmt7	This JV is something very critical for our parent companies to achieve their organizational goals	.811
KMO = .809; Barlett's Test = 611.637 (sig. = .000)		
Percentage of Variance Extracted: 75.01		

Other Scales

The other four scales respectively for “parents’ dependence on JV”, “parent-JV conflict”, “outcome interdependence” and “superordinate identity” were also factor analyzed individually in order to select the items which work best as a whole to measure the respective constructs. All the four individual EFAs happened to return two-factor solutions. As the purpose at this stage of scale purification was to select items which could best represent the associated constructs, a careful examination into the item contents and compositions for the various factors was highly desirable. Based on the statistical results and the definitions of the variables, and hence their respective scale contents, the second factors of the four individual solutions were removed from further analysis. Table 5.28 provides a summarized picture of the scale items retained or removed pertaining to each of the four scales and Table 5.29 summarizes the respective scales’ factor matrices and test statistics.

Table 5.28: Scale Items Retained and Deleted

Measures	Items retained at this stage	Items deleted
Inter-partner dependence	pdep2, pdep4, pdep5	pdep1, pdep3, pdep6
Parent-JV conflict	pjcnf2, pjcnf3, pjcnf5, pjcnf6	pjcnf1, pjcnf4, pjcnf7
Outcome interdependence	outdp3, outdp4	outdp1, outdp2
Superordinate identity	sid2, sid4, sid5, sid6	sid1, sid3

Table 5.29: Factor Matrices of the Scales for Partners' Dependence on JV, Partner-JV Conflict, JV Managers' Outcome Interdependence and JV Managers' Superordinate Identity

Item	Description	Factor Loadings
Partners' Dependence on JV		
pdep2	Our parent companies would suffer a significant drop in revenue if this JV fails	.649
pdep4	The setup costs for a new JV for the parent companies would be very high	.636
pdep5	It would be difficult for our parent companies to replace the benefits generated from this JV	.801
KMO = .673 ; Barlett's Test = 123.519 (sig. = .000)		
Percentage of Variance Extracted: 48.87		
Partner-JV Conflict		
pjcnf2	Employees become tensed when they meet members of our main parent companies	.462
pjcnf3	Employees dislike interacting with people from our main parent companies	.389
pjcnf5	Employees consider protecting the turf of the JV is a way of life during interactions with members of the main parent companies	.768
pjcnf6	The objectives of this JV are incompatible with those of the main parent companies	.616
KMO = .684; Barlett's Test = 98.397 (sig. = .000)		
Percentage of Variance Extracted: 33.33		
Outcome Interdependence		
outdp3	Managers' evaluations depend on how well they accomplish the organizational tasks of their parent companies, they are not evaluated against the overall performance of the JV (reversed)	.780
outdp4	Managers' rewards or gains depend on how well they accomplish the organizational tasks of their parent companies, they are not dependable on the overall performance of the JV (reversed)	.780
KMO = .500 ; Barlett's Test = 87.723 (sig. = .000)		
Percentage of Variance Extracted: 60.91		
Superordinate Identity		
sid2	Managers behave like a unified team	.715
sid4	Managers are all committed to common objectives	.761
sid5	Managers value their membership in the JV management team	.866
sid6	Managers feel they have a personal stake in the success of the JV	.507
KMO = .746; Barlett's Test = 262.011 (sig. = .000)		
Percentage of Variance Extracted: 52.40		

Table 5.30: Factor Matrix of the Scales for Partner-JV Factors

Item	Description	Factor Loadings				
		Partners' commitment to JV	Partners' Dependence on JV	Partners-JV Conflict	Outcome Inter-dependence	Superordinate Identity
<u>Partners' Commitment to JV</u>						
pcmt2	This JV is very important to both parent companies	.681				
pcmt5	This JV is something the parent companies really care about	.748				
pcmt6	This JV is something the parent companies believe deserves their maximum effort to maintain	.828				
pcmt7	This JV is something very critical for our parent companies to achieve their organizational goals	.703				
<u>Partners' Dependence on JV</u>						
pdep2	Our parent companies would suffer a significant drop in revenue if this JV fails		-.577			
pdep4	The setup costs for a new JV for the parent companies would be very high		-.702			
pdep5	It would be difficult for our parent companies to replace the benefits generated from this JV		-.687			
<u>Partners-JV Conflict</u>						
pjcnf2	Employees become tensed when they meet members of our main parent companies			.482		
pjcnf3	Employees dislike interacting with people from our main parent companies			.724		
pjcnf5	Employees consider protecting the turf of the JV is a way of life during interactions with members of the main parent companies			.376		
pjcnf6	The objectives of this JV are incompatible with those of the main parent companies			.619		

Table 5.30: Factor Matrix of the Scales for Partner-JV Factors (continued)

Item	Description	Factor Loadings						
		Partners' commitment to JV	Partners' Dependence on JV	Partners-JV Conflict	Outcome Inter-dependence	Superordinate Identity	JV Autonomy	
outdp3	Outcome Interdependence Managers' evaluations depend on how well they accomplish the organizational tasks of their parent companies, they are not evaluated against the overall performance of the JV (reversed)				.662			
outdp4	Managers' rewards or gains depend on how well they accomplish the organizational tasks of their parent companies, they are not dependable on the overall performance of the JV (reversed)				.903			
sid2	Superordinate Identity Managers behave like a unified team					.693		
sid4	Managers are all committed to common objectives					.697		
sid5	Managers value their membership in the JV management team					.822		
sid6	Managers feel they have a personal stake in the success of the JV					.485		
atn9	JV Autonomy This JV yields to the recommendations of the parent companies (reversed)						.685	
atn10	This JV relies on the parent companies for an answer (reversed)						.684	
atn11	This JV follows previously written and verbal instructions (reversed)						.683	
KMO = .802 Barlett's Test = 1671.333 (sig. = .000)								
Percentage of Variance Extracted: 56.75								

Simultaneous Analysis of the Six Scales

After establishing the individual solutions, the six scales were then factor analyzed as a group and an EFA returned a desirable six-factor solution (see Table 5.30). The total variance explained was also respectable, amounted to 56.75%.

5.4.2 Item Analysis

After initially obtaining the scale solutions, the next step was to perform item analyses on the scales to further establish their psychometric properties. At this stage, the inter-item correlations (see Appendix 5.1) and the corrected item-scale correlations (see Appendix 5.2) were examined in order to identify problem items that needed to be further removed from the scales. A concurrent examination of the corresponding Cronbach's alphas was also done to further inform the decisions.

5.4.2.1 Scales for Market Oriented Behaviors and Consequences

The inter-item correlations were first generated to provide information on the internal consistency of the scales. Of all but seven of the inter-item correlations computed, the more stringent threshold value of 0.4 was met. The seven correlations which fell short of this criterion were recorded in Table 5.31.

Table 5.31: Items Displaying Low Inter-Item Correlations

Scales	Pair of items involved	Inter-item correlation
Intelligence dissemination	diss1, diss5	.329
	diss3, diss5	.324
Responsiveness	resp1, resp2	.338
	resp1, resp6	.278
	resp1, resp8	.198
	resp2, resp8	.347
	resp6, resp8	.357

As the above table shows, there was only one correlation which really signaled caution. It was the one for the pair of items of resp1 and resp8. Looking back at the inter-item correlations computed based on these two focal items, resp1 should be the first candidate to be considered of deletion. However, the decision was delayed until an analysis of the corrected item-total correlations and the scale's content analysis had been done.

An examination of the corrected item-scale correlations for the three scales suggested that none of the scale items showed any traces of problems with respect to the threshold level of .35 to .50. Essentially, all of these items demonstrated strong associations with the respective scales, with the lowest corrected item-scale correlation recorded being .357 (resp1 to the scale for responsiveness).

The respective coefficient alphas and the item contents of these three scales were then examined in order to further evaluate their performance. As shown in Table 5.32, although alphas for the two scales of intelligence dissemination (.619) and responsiveness (.653) were somehow below the threshold value of .70 (Nunnally, 1979), they were still acceptable as they were above .60 (DeVellis, 2003). As a result, these two scales were considered to demonstrate acceptable level of internal consistency.

Although the analyses above suggested that problems might be present in the two scales of intelligence dissemination and responsiveness, the content analysis strongly pointed to the fact that none of the items should be excluded. The items forming these two scales showed a focused and coherent picture for each construct. As Robinson, Shaver and Wrightsman's (1991, p.11) caution, "[i]nternal consistency is a very desirable property, but it needs to be balanced by concept coverage ...", the contents of the two scales for intelligence dissemination and responsiveness were thus kept at their present length (more information would be furnished in Section 5.5.6.1 for CFA assessment).

Aside from the analysis of the scales for market oriented behaviors, the two scales of market performance and market dynamism respectively performed as expected. The inter-items and item-correlations for all the items comprising these scales were high, generally above 0.50. In addition, the coefficient alphas were above the threshold value of .70 (see also Table 5.32).

Table 5.32: Profile of the Three Scales for Market Oriented Behaviors

Latent variables (no. of items)	Items	Description	Mean	Std Dev.	Alpha
Generation (4)	gen3	Periodically review the likely effect of changes in business environment (e.g., regulation) on customers	5.27	1.479	0.828
	gen4	Frequently collect and evaluate general macro-economic information (e.g., interest rate, exchange rate, GDP, industry growth rate, inflation rate)	5.03	1.591	
	gen5	Maintain contacts with officials of government and regulatory bodies (e.g., state governments, Ministry of Commerce, etc.) in order to collect and evaluate pertinent information	5.43	1.506	
	gen6	Collect and evaluate information concerning general social trends (e.g., environmental consciousness, emerging lifestyles) that might affect our business	5.29	1.548	
Dissemination (3)	diss1	Marketing personnel spend time discussing customers' future needs with other functional departments	5.30	1.354	0.619
	diss3	We often have cross-functional meetings to discuss market trends and developments (e.g., customers, competition, suppliers)	5.43	1.478	
	diss5	Technical people spend a lot of time sharing information about technology for new products with other departments	4.91	1.636	
Responsiveness (4)	resp1	For one reason or another, we tend to ignore changes in our customers' product or service needs (reversed)	5.84	1.666	0.653
	resp2	The product lines we sell depend more on internal politics than real market needs (reversed)	4.89	1.762	
	resp6	Even if we came up with a great marketing plan, we probably would not be able to implement it in a timely fashion (reversed)	4.73	1.650	
	resp8	We tend to take longer than our competitors to respond to a change in regulatory policy (reversed)	4.96	1.690	
Market performance (6)	p1	Performance in terms of achieving customer satisfaction	5.58	1.278	0.928
	p2	Performance in terms of providing value for customers	5.79	1.107	
	p3	Performance in terms of keeping current customers	5.85	1.147	
	p4	Performance in terms of attracting new customers	5.42	1.330	
	p5	Performance in terms of attaining desired growth	5.44	1.389	
	p6	Performance in terms of securing desired market share	5.29	1.423	
Market dynamism (3)	md1	Changes in products offered by competitors	4.50	1.465	0.777
	md2	Changes in sales strategies by competitors	4.57	1.275	
	md3	Changes in sales promotion/ advertising strategies of competitors	4.75	1.403	
All scales range from 1 to 7.					

5.4.2.2 Scales for Value-Related Factors

The three scales (partners' market oriented values, JV norms for MOB, and partners' cultural sensitivity) analyzed under this group produced four inter-item correlations that were relatively weaker (see Table 5.33). However, a corresponding examination of the item-scale correlations showed that all of them were above the critical value of 0.35.

Table 5.33: Items Displaying Low Inter-Item correlations

Scale	Pair of items involved	Inter-item correlation
JV Norms for MOB	ncop1, ncom4	.284
	ncop1, nspd3	.296
Partners' Cultural Sensitivity	snt2, snt8	.343
	snt4, snt11	.374

To complement the results of the analyses of inter-item correlations and item-scale correlations, the Cronbach's alpha for each of these three scales was also examined. This was done to shed light on the optimal scale length. The subsequent examination showed that the coefficient alpha for the "market oriented values" scale might be high enough (alpha = .954) to warrant scale shortening [according to DeVellis (2003), when the coefficient alpha is much above .90, scale shortening might be considered]. Therefore, this twelve-item scale was analyzed in an item by item manner. Each item was skeptically read and compared with one another in terms of their content and statistical traits.

This revealed that four items, though demonstrating strong statistical evidence of belongingness to the scale in question, were either ambiguous or too general in meaning. These items included "value employees who aspire to maximize competence in the subject", "value employees who aspire to meet expectation on quality work", "speed in all work processes", and "value employees who aspire to speed in the work processes". Therefore, they were further removed, resulting in a scale of eight items, with a coefficient alpha of .938 (see also Table 5.34 for the profile of these three scales).

Table 5.34: Profile of the Scales for Value-Related Factors

Latent variables (no. of items)	Items	Description	Mean	Std Dev.	Alpha
Partners' market oriented values (8)	vin1	Innovativeness and creativity	5.85	1.258	0.938
	vin2	Flexibility of the employees	5.74	1.270	
	vin3	Openness to product, service or process innovativeness	5.67	1.326	
	vin4	Seeking novel solutions to difficult situations	5.74	1.245	
	vin5	Unconventional ideas	5.81	1.195	
	vqt3	Aspire to gain high qualifications in their subject	6.07	1.117	
	vsp3	Good time management	5.87	1.206	
	vsp4	Being first	5.95	1.228	
Norms for market orientation (7)	ncom3	Dissemination and storage of market intelligence expected	5.74	1.271	0.859
	ncom4	Dissemination and storage of market intelligence controlled	5.81	1.151	
	nspd2	Customer-related processes is increased in speed continuously	5.71	1.168	
	nspd3	Speed of customer-related processes is controlled regularly	5.57	1.144	
	ncop1	Customers are integrated in the planning of a new product or service program (e.g., by conducting interdisciplinary teamwork or focus groups)	4.90	1.447	
	ncop2	The availability of market information in different functional areas (e.g., marketing, R&D) is controlled	5.64	1.357	
	ncop3	Degree of coordination of decisions about marketing activities in different areas is controlled	5.61	1.302	
Partners' cultural sensitivity (7)	snt2	Managers work hard to familiarize themselves with the other partners' legal environments	5.60	1.162	0.881
	snt3	Managers speak the other partners' language or spend time learning their languages	5.49	1.465	
	snt4	Managers adapt how they do things to ensure the other partners feel at ease	5.57	1.292	
	snt5	Managers look for ways to smooth communications with the other partners	5.82	1.228	
	snt6	Managers make allowances when the other partners behave in unexpected or unusual ways	5.56	1.225	
	snt7	Managers look for mutually satisfying solutions to situations in which the other partners have exceptional expectations	5.72	1.081	
	snt8	Managers try to learn the other partners' customs and ways of doing business	5.38	1.347	
	All scales range from 1 to 7.				

5.4.2.3 Inter-Partner Dynamics

The inter-item correlations of the four scales (partners' perceptions of vulnerability to opportunism, inter-partner trust, inter-partner dependence and inter-partner commitment) revealed that most of the items forming the respective scales demonstrate medium to high level of inter-item correlations, ranging to .243 (pvo3 versus pvo7) to .771 (trst4 versus trst5). However, if a stringent rule was applied, potential candidates for deletion might still be found. It was apparent that pvo3 (risk of proprietary information leakage) exhibited a consistently lower correlation with other items in the scale. Three of its four associated inter-item correlations were lower than .40. Although a magnitude of this level was acceptable, it highlighted the need for further consideration.

While the inter-item correlations analysis highlighted the item of pvo3 for further evaluation, an examination of the corrected item-scale correlations for the four scales in question also led to the same conclusion. While all the rest of the items demonstrated values for item-scale correlations well above .50, these statistics for pvo3 only managed to attain a value close to .50.

In order to make a more prudent decision for the treatment of this item, its item content was further reviewed. With respect to the scale for "partners' perception of vulnerability to opportunism", the initial scale items captured a common theme of "potential of being intimidated by the partner" which was reflected in the phrases such as "highly vulnerable to opportunistic behavior", "partner has too much control", "partner is too dominant in nature", and "partner has capacity to withhold or distort information". The item (pvo3), "risk of information leakage" did not fit very well to the rest of the scale. This suggested that the removal of this item was justifiable.

Next, the Cronbach's alphas for the four scales were examined. As shown in Table 5.35, the four alphas thus derived were all above Nunnally's (1979) recommended level of .70. In accordance to DeVellis' (2003) suggestion, they demonstrated respectable to very good level of reliability. Thus, the scales as classified under this group of inter-partner factors were diagnosed as exhibiting a high level of internal consistency.

Table 5.35: Profile of the Scales for Inter-Partner Factors

Latent variables (no. of items)	Items	Description	Mean	Std Dev.	Alpha
Partners' perception of vulnerability to opportunism (4)	pvo4	They are highly vulnerable to the other party's opportunistic behavior	4.47	1.776	0.822
	pvo5	The other party has too much control of the joint venture decisions	4.07	1.923	
	pvo6	The other party is too dominant in nature	3.82	1.929	
	pvo7	The other party has the capacity to withhold or distort information which is key to the success of the joint venture	3.32	1.914	
Inter-partner trust (5)	trst2	The parent companies are perfectly honest and truthful to each other	5.50	1.353	0.928
	trst3	The parent companies can trust each other completely	5.05	1.567	
	trst4	The parent companies can count on each other to do what is right	5.45	1.272	
	trst5	The parent companies are always confidence in each other	5.25	1.425	
	trst6	The parent companies have high integrity	5.39	1.361	
	ict4	The parent companies are patient with each other even when one makes mistakes and causes the other trouble	4.52	1.467	
ict5	The parent companies are willing to dedicate whatever people and resources it takes to grow sales for the other party	4.45	1.586		
Inter-partner dependence (4)	idep2	Difficult for either one of the parent companies to replace each other in the open market	4.28	1.762	0.845
	idep3	The well-being of the parent companies would have suffered greatly if this partnership tie had been broken	4.76	1.920	
	idep4	The parent companies are generally dependent on each other	5.15	1.625	
	idep5	The parent companies need to maintain this partnership relationship	5.34	1.646	
	All scales range from 1 to 7.				

5.4.2.4 Partner-JV Dynamics

An item analysis was performed with respect to the six scales to evaluate the individual item's performance in terms of their inter-correlations with other items of the same scale as well as their correlations with the scale as a whole. An examination of the inter-item correlations matrices (Appendix 5.1) revealed two potential candidates for further deletion, namely, pjcfn5 (protecting the turf of the JV is a way of life during interactions with members of our main parent companies) and sid6 (managers feel they have a personal stake in the success of the JV). The item of pjcfn5 correlated with pjcfn2 for a relatively low value of .145. Despite this, the other

items' inter-correlations in the same scale were also not very high, generally attaining a value close to .30. On the other hand, the inter-item correlations of sid6 with others in the same scale ranged from .32 to .47. The item-scale correlation for this item was lower than those exhibited by other items in the same scale. A concurrent examination of the item-scale correlations revealed no significant problems with these scale items. Having compared the literal contents of these two items (pjcnf5, sid6) with the rest of their corresponding counterparts, the decision was reached that only sid6 was to be eliminated from the scales. This resulted in producing two scales, measuring the constructs of "parent-JV conflicts" (probing a theme of the uneasiness for cross-border interactions) and "superordinate identity" (tapping the perception of belongingness or attachment to a group) respectively. The other two scales in this group performed satisfactorily in terms of the analyses of inter-item correlations, item-scale correlations and coefficient alphas. The respective correlations values were above the critical values and their alphas were much above .70. The respective correlations tables are found in Appendices 5.1 and 5.2 and the profile of the scales are furnished in Table 5.36.

Table 5.36: Profile of the Scales for Partner-JV Factors

Latent variables (no. of items)	Items	Description	Mean	Std Dev.	Alpha
Partner-JV conflict (4)	pjcnf2	Employees become tensed when they meet members of our main parent companies	2.85	1.374	0.633
	pjcnf3	Employees dislike interacting with people from our main parent companies	2.97	1.842	
	pjcnf5	Employees consider protecting the turf of the JV is a way of life during interactions with members of the main parent companies	4.28	1.870	
	pjcnf6	The objectives of this JV are incompatible with those of the main parent companies	2.37	1.695	
Partners' commitment to JV (4)	pcmt2	This JV is very important to both parent companies	5.51	1.563	0.920
	pcmt5	This JV is something the parent companies really care about	5.59	1.417	
	pcmt6	This JV is something the parent companies believe deserves their maximum effort to maintain	5.86	1.350	
	pcmt7	This JV is something very critical for our parent companies to achieve their organizational goals	5.77	1.375	

Table 5.36: Profile of Scales for Partner-JV Factors (continued)

Latent variables (no. of items)	Items	Description	Mean	Std Dev.	Alpha
Partners' dependence on JV (3)	pdep2	Our parent companies would suffer a significant drop in revenue if this JV fails	4.90	1.865	0.732
	pdep4	The setup costs for a new JV for the parent companies would be very high	5.01	1.737	
	pdep5	It would be difficult for our parent companies to replace the benefits generated from this JV	4.80	1.656	
Outcome interdependence (2)	outdp3	managers' evaluations depend on how well they accomplish the organizational tasks of their parent companies, they are not evaluated against the overall performance of the JV (Reversed)	4.79	1.846	0.758
	outdp4	managers' rewards or gains depend on how well they accomplish the organizational tasks of their parent companies, they are not dependable on the overall performance of the JV (Reversed)	4.89	1.848	
Superordinate identity (3)	sid2	Managers behave like a unified team	5.97	1.305	0.822
	sid4	Managers are all committed to common objectives	5.95	1.220	
	sid5	Managers value their membership in the JV management team managers	6.02	1.246	
JV autonomy (3)	atn9	This JV yields to the recommendations of the parent companies (Reversed)	2.69	1.445	0.716
	atn10	This JV relies on the parent companies for an answer (Reversed)	3.87	1.580	
	atn11	This JV follows previously written and verbal instructions (Reversed)	3.41	1.541	
All scales range from 1 to 7.					

5.5 MEASURE DEVELOPMENT: ASSESSING DIMENSIONALITY AND VALIDITY USING CONFIRMATORY FACTOR ANALYSIS

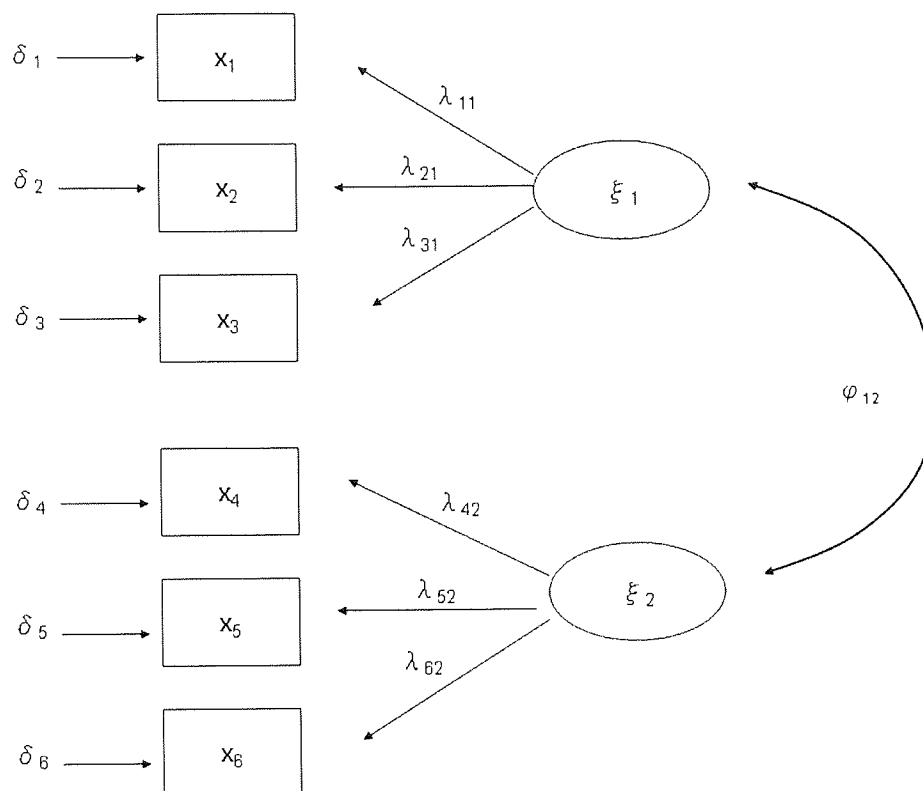
The issue of dimensionality is central to scale development as discussed in Section 5.3.2.1 and could be assessed rigorously by confirmatory factor analysis (see Section 5.3.7). In addition to assessing dimensionality, CFAs could also serve as a tool to further trim items (Netemeyer, Bearden and Sharma, 2003), and produce useful statistics for the evaluation of a scale's reliability (through the computation of the composite reliability, CR) and its convergent validity (through the assessment of the average variance extracted, AVE) (see Ping, 2004). As such, all the scales used in this study were evaluated by means of CFA models.

Among the three most commonly used estimation procedures of maximum likelihood (ML), generalized least squares (GLS) and asymptotic distribution free (ADF) method, the ML procedure was adopted for model testing and estimation in this study. This decision was made on two fronts. First, the ML method, together with the GLS method, has been found to perform quite well in generating reliable statistical results (Chou and Bentler, 1995). Furthermore, although the ML method has been developed under the multivariate assumption which is usually violated in practice, the ML estimates have been found to be quite robust to the violation of normality (Chou and Bentler, 1995, p.38). This feature is especially valuable when considerable violation of the normality assumption is anticipated in this study (West, Finch and Curran, 1995). Therefore, the ML method was used for estimating the CFA models as well as the structural model for hypotheses testing (in Chapter 6).

5.5.1 Model Specifications

In a CFA model, the variables (indicators) defining each construct (factor) are specified *a priori*. As such, the relationship of measurement items (indicators) to their respective factor must be defined *a priori*, a hypothetical two-factor model with six indicators is produced in Figure 5.4 for illustrative purpose.

Figure 5.4: A Hypothetical 2-Factor Model Structure



In this model, x_1, x_2 and x_3 are indicators of ξ_1 (latent variable 1) and x_4, x_5 and x_6 are for ξ_2 (latent variable 2); δ_i is the unique error term for the respective indicator, and λ_{ij} is the factor loading linearly relating each individual indicator i to the latent variable j . Finally, φ_{12} indicates the hypothesized association (correlation) between the two latent variables. Since the proposed Maximum Likelihood Estimation method in this study is derived for covariance matrices, the covariance matrix for data inputting was thus used (Sharma, 1996).

5.5.2 Assessment of Measurement Model

Assessing a measurement model refers to the exercise of judging whether an *a priori* hypothesized model is consistent with a particular dataset, based on some model fit indices. Apart from the chi-square (χ^2) statistic, four other indices as recommended in the literature (e.g., Byrne, 2001; Hu and Bentler, 1995; Hoyle and Panter, 1995; Jaccard and Wan, 1996) were also used to evaluate the overall fit of the respective measurement models. They included the GFI (Goodness-of-Fit Index), the RMSEA

(Root Mean Square Error of Approximation), the NNFI (Non-Normed Fit Index or Tucker-Lewis Index), and the CFI (Comparative Fit Index).

The chi-square (χ^2) statistic is the most fundamental and hence most commonly used criterion for evaluating model fit. It is a test of perfect model fit where the null hypothesis is that the model fits the data perfectly (Jaccard and Wan, 1996, p.18). A large χ^2 value relative to the degrees of freedom (statistically significant) indicates that the observed and estimated matrices differ considerably (Hair, Anderson, Tatham et al., 1998) and leads to the rejection of the null hypothesis. However, the χ^2 statistic has been criticized to be too sensitive to sample size differences (Hair, Anderson, Tatham et al., 1998). For example, even a trivial difference between the observed sample covariance matrix and the implied model matrix would result in the rejection of the specified model (Hu and Bentler, 1995) as sample size increases (generally above 200) (Schumacker and Lomax, 2004, p.100). Given that the sample size of the current study is relatively large (about 200), care must be taken not to rely overly on the chi-square statistic when assessing model fit. In practical situations, the chi-square to the degree of freedom ratio of 2 to 5 has been considered to indicate a reasonably good fit (see Marsh and Hoceuar, 1985; Marsh, Balla and McDonald, 1988).

The GFI and the RMSEA are included in the group of absolute fit indices. GFI is a measure of the relative amount of variances and covariances in the observed sample covariance matrix that is accounted for by the implied model matrix (Hu and Bentler, 1995). Typically, GFI can take on values from 0 to 1.0, with a value closer to 1.0 indicating good fit. However, no strict norms for acceptability have been established yet (e.g., Hair, Anderson, Tatham et al., 1998; Raykov and Marcoulides, 2000). On the other hand, the RMSEA evaluates the model fit by measuring "how well would the model, with unknown, but optimally chosen, parameter values fit the population covariance matrix if they were available" (Browne and Cudeck, 1993, pp.137-138). RMSEA values of .08 and less have been advocated as indicative of acceptable fit (e.g., Byrne, 2001; Hair, Anderson, Tatham et al., 1998), while values ranging from .08 to .10 as indicative of mediocre fit (MacCallum, Browne and Sugawara, 1996).

Comparative or incremental fit indices compare the proposed model to another model specified by the researcher, often referred to as the baseline or null model. The

comparative fit index (CFI), and the non-normed fit index (NNFI) or Tucker-Lewis Index (Tucker and Lewis, 1973) belong to this group. The NNFI (Bentler and Bonnett, 1980) compares the lack of fit of a proposed model to the lack of fit of a baseline model, thus estimating the relative improvement per degree of freedom of the proposed model over a baseline model. The CFI (Bentler, 1990) assesses the relative reduction in lack of fit as estimated by the noncentral χ^2 of a proposed model versus a baseline model. As a rule of thumb, the acceptable level of fit for them should be above .90.

5.5.3 Model Respecification

When the set of model fit indices suggest that a measurement model is poorly specified, a model respecification or modification is warranted. However, any model modification considered must be based on theoretical justifications (Hair, Anderson, Tatham et al., 1998; MacCallum, Roznowski and Necowitz, 1992).

Model respecification can be done in several ways; the two most widely used approaches are by means of locating problems in the residual matrix or the modification indices. The check on the residual matrix (containing standardized residuals of the predicted covariance or correlation matrix) is done in the hope to single out a large residual value (± 2.58) which indicate a substantial prediction error for a pair of indicators (Hair, Anderson, Tatham et al., 1998), or that the model cannot adequately explain the relationships that have been posited (Sharma, 1996). Alternatively, the modification indices (each value is the approximate reduction in chi-square if a corresponding path coefficient is estimated) can be reviewed to identify possible sources of mis-specification. A modification index of 3.84 or greater suggests a statistically significant reduction in the chi-square when that coefficient is estimated (Hair, Anderson, Tatham et al., 1998) or when an originally fixed parameter path is freed.

Since the goal of model respecification in this study was to obtain unidimensional scales that could be used for theory testing, measurement models would be respecified by item deletion (see Gerbing and Anderson, 1988). Following conventional practice (e.g., Diamantopoulos and Siguaw, 2000; Ping, 1995), model respecification was undertaken in an iterative process: indicators (scale items) demonstrating the largest

modification index would be deleted where it was theoretically sound. At any one time, only one indicator would be deleted and the model would be re-analyzed again. This process was reiterated until the model fit was satisfactory.

5.5.4 Reliability and Validity of Measurement

From the CFA perspective, the reliability and validity of the scales used could be assessed in terms of two statistics, namely composite reliability and average variance extracted. They are discussed as follows.

5.5.4.1 Composite Reliability (CR)

As suggested by Gerbing and Anderson (1988, p.190), “the reliability of the composite score should be assessed after unidimensionality has been acceptably established.” As such, reliability should only be assessed following the dimensionality of the various scales of interest has been established (Gerbing and Anderson, 1988; Netemeyer, Bearden and Sharma 2003). Although Cronbach’s alpha has been widely used for this purpose, it underestimates the reliability of a scale (of unequal item reliabilities) as it assumes all the scale items have equal reliabilities (Gerbing and Anderson, 1988). Thus, the composite reliability within the context of CFA that does not assume equal item reliabilities is preferable. Composite reliability is given as:

$$\rho_x = \frac{(\sum \lambda_i)^2 \text{Var}(X)}{(\sum \lambda_i)^2 \text{Var}(X) + \sum \text{Var}(e_i)}$$

where λ_i is the loading of indicator x_i on the latent variable X , e_i is the error term for x_i , $\text{Var}(X)$ is the disattenuated (measurement-error-free) variance of X , and Σ denotes a sum.

5.5.4.2 Average Variance Extracted (AVE)

Average variance extracted (AVE) refers to the overall amount of variance in the indicators that is accounted for by the latent construct (Hair, Anderson, Tatham et al., 1998, p.612). A high AVE value provides evidence for a construct’s convergent validity (Fornell and Larcker, 1981, Ping, 2004). An acceptable level of AVE as recommended in the literature is .50 (e.g., Bagozzi and Yi, 1988; Fornell and Larcker, 1981). The AVE for a latent variable X is computed as:

$$AVE_x = \frac{(\sum \lambda_i^2)Var(X)}{(\sum \lambda_i^2)Var(X) + \sum Var(e_i)}$$

where λ_i is the loading of indicator x_i on the latent variable X , e_i is the error term for x_i , $Var(X)$ is the disattenuated (measurement-error-free) variance of X , and Σ denotes a sum.

5.5.5 Constructing the Measures

Using LISREL 8.7 (Jöreskog and Sörbom, 2004), all the multi-item scales were entered into CFA models with maximum likelihood estimation (ML) for further assessment. Each scale item was specified as an indicator to the respective latent construct *a priori*.

Similar to the conduction of EFAs, the technique of CFA was also performed in subsets in recognition of the constraint of sample size to parameter ratio. Given a sample size of about 200, the number of parameters per CFA model is around 40 (a sample size to parameter ratio of 5:1). Observing this rule as far as possible, the scales were divided into five subsets. The first set contained the three market oriented behaviors scales, the scale for market performance and that for market dynamism. The second set contained the culture-related factors: partners' market oriented (MO) values, norms for market oriented behaviors (MOB) and partners' cultural sensitivity. The third set contained the scales for factors pertaining to inter-partner dynamics. The fourth and fifth sets contained scales for factors pertaining to partner-JV dynamics [the six scales in this group were divided into two sets in a way that maximally similar concepts could be analyzed together (see Baker and Sinkula, 1999a; Doney and Cannon, 1997)].

Accordingly, all the scales were analyzed in their respective subsets. Each CFA model was therefore analyzed separately and items that were problematic were removed following an iterative process for model respecification (see Section 5.5.6) where necessary. With this process, the modification index for each item was examined and the one with the highest value was first removed. The model was then re-analyzed and the process repeated until no major problems existed. At the end of this process, the

scale items that remained with each CFA model represented the final version of the scales for use for model testing in Chapter 6.

5.5.6 Subset Analysis Using Confirmatory Factor Analysis

The confirmatory factor analysis of the five subsets of scales is furnished in the following sections. Basically, the subsets were formed in a way similar to those in exploratory factor analysis with one exception due to the concern for minimum sample size to parameter ratio. Since the subset of scales pertaining to the partner-JV factors contained six scales with 19 indicators, it is highly probable that a single CFA measurement model would result in a poor solution (having a low sample size to parameter ratio of 3.6:1). Thus, the decision was made to further split up this subset into two (see Section 5.5.6.4 below for more discussion). This resulted in a total number of five subsets for confirmatory factor analysis.

5.5.6.1 Scales for JV's Market Oriented Behaviors and Consequences

Similar to the EFA, the three scales for market oriented behaviors and the scales for market performance and market dynamism were first analyzed. The exact factor structure of the multiple-factor CFA model was specified. A converged solution was returned with acceptable fit (the fit indices are reported in Table 5.37). It could be seen that the model attained acceptable fit with respect to the absolute and comparative fit indices. Although the GFI value (.82) was relatively low, this might be due to the presence of many indicators in the model (Gerbing, Hamilton and Freeman, 1994). Nonetheless, the use of GFI in evaluating model fit has been cautioned in the literature (e.g., Hu and Bentler, 1995).

All the composite reliability (CR) values of the scales were above the recommended critical value of .60 (Bagozzi and Yi, 1988) albeit the AVE values for the construct of intelligence dissemination and responsiveness were somewhat below the threshold value of .50 (Bagozzi and Yi, 1988). These statistics were considered to have demonstrated evidence of validity since AVE has been argued to be a more conservative measure (Fornell and Larcker, 1981). Besides, the factor loadings were all significant at the level of .05, which provided further evidence of convergent validity (Anderson and Gerbing, 1988). In general, the statistics suggested that the

five scales analyzed in this subgroup were unidimensional and could be used for hypotheses testing.

Table 5.37: CFA Results for the Measurement Model of Market Oriented Behaviors

Items	Standardized Factor Loadings (t-value)				
	Generation	Dissemination	Responsiveness	Market performance	Market dynamism
gen3	0.70 (fixed)				
gen4	0.74 (8.88)				
gen5	0.79 (9.32)				
gen6	0.74 (8.88)				
diss1		0.63 (fixed)			
diss3		0.66 (5.94)			
diss5		0.49 (5.00)			
resp1			0.49 (fixed)		
resp2			0.61 (4.66)		
resp6			0.62 (4.68)		
resp8			0.51 (4.44)		
p1				0.77 (fixed)	
p2				0.83 (12.21)	
p3				0.83 (12.24)	
p4				0.81 (11.97)	
p5				0.89 (13.37)	
p6				0.84 (12.41)	
md1					0.65 (fixed)
md2					0.80 (7.98)
md3					0.77 (7.92)
CR	.83	.62	.65	.93	.78
AVE	.55	.36	.32	.51	.55
Fit Indices:	Chi-Square = 379.41; df = 160; RMSEA = .091; NNFI = .91; CFI = .93; GFI = .82				

5.5.6.2 Culture-Related Factors

The second subset consisted of three scales respectively for the partners' market oriented values, the JV norms for market oriented behaviors, and the partners' cultural sensitivity. The items for these three scales were specified as indicators for their respective latent construct and analyzed in another CFA measurement model. The LISREL 8.7 program returned a converged solution with a set of fit indices as summarized in Table 5.38. The fit indices also suggested an acceptable level of model fit. The RMSEA value was less than .08; NNFI, and CFI were all above the threshold level of .90.

Table 5.39: CFA Results for the Measurement Model of Value-Related Factors

Items	Standardized Factor Loadings (t-value)		
	Partners' MO Value	Norms for MOB	Partners' Cultural Sensitivity
vin1	0.81 (fixed)		
vin2	0.83 (13.57)		
vin3	0.76 (12.04)		
vin4	0.91 (15.58)		
vin5	0.88 (14.82)		
vqt3	0.73 (11.40)		
vsp3	0.78 (12.34)		
vsp4	0.75 (11.71)		
ncom3		0.72 (fixed)	
ncom4		0.76 (9.76)	
nspd2		0.69 (8.91)	
nspd3		0.66 (8.52)	
ncop1		0.51 (6.60)	
ncop2		0.72 (9.30)	
ncop3		0.75 (9.68)	
snt2			0.63 (fixed)
snt3			0.64 (7.50)
snt4			0.72 (8.22)
snt5			0.80 (8.87)
snt6			0.79 (8.86)
snt7			0.80 (8.88)
snt8			0.69 (7.94)
CR	0.94	0.86	0.88
AVE	0.65	0.48	0.53
Fit Indices:	Chi-Square = 649.09; df = 206; RMSEA = .079; NNFI = .96; CFI = .96; GFI = .82		

In addition, all the parameter estimates were statistically significant at a level of .05. Additionally, the three scales as analyzed in this subset all possessed composite reliability and AVE of respectable level (with the AVE of JV norms for market oriented behaviors marginally attaining the critical value of .50, see Table 5.38). Thus, the statistical evidence collectively suggested that the measurement model fits the data quite well, thus confirming the unidimensionality of the four scales in question.

5.5.6.3 Inter-Partner Dynamics

The four scales for inter-partner factors as obtained from the preceding analyses were analyzed in a separate CFA measurement model in order to assess their unidimensionality. These four scales and their associated items were specified in a single measurement model according to their theoretical structure. The results thus returned showed that the model fitted the data very well (see Table 5.39). Specifically, the RMSEA was .076; the NNFI and CFI were all above .90. Even the GFI attained a value very close to the recommended threshold of .90. Additionally, the factor loadings were all significant and the respective CR and AVE for all the scales were substantial [(all above the critical values of .60 and .50 respectively as recommended by Bagozzi and Yi, 1988)]. In view of the support provided by these statistics, it was concluded that the unidimensionality, reliability and convergent validity of the four scales was satisfactorily established.

Table 5.39: CFA Results for the Measurement Model of Inter-Partner Factors

Items	Standardized Factor Loadings (t-value)			
	Partner's Vulnerability to Opportunism	Inter-partner Trust	Inter-partner Commitment	Inter-partner Dependence
pvo4	0.54 (fixed)			
pvo5	0.84 (7.51)			
pvo6	0.88 (7.57)			
pvo7	0.67 (6.66)			
trst2		0.83 (fixed)		
trst3		0.79 (12.87)		
trst4		0.83 (13.81)		
trst5		0.92 (16.52)		
trst6		0.89 (15.63)		
ict4			0.62 (fixed)	
ict5			0.88 (6.40)	
idep2				0.61 (fixed)
idep3				0.69 (7.68)
idep4				0.86 (8.87)
idep5				0.88 (8.94)
CR	0.83	0.93	0.73	0.85
AVE	0.56	0.73	0.58	0.59
Fit Indices:	Chi-Square = 186.73; df = 84; RMSEA = .076; NNFI = .95; CFI = .96; GFI = .89			

5.5.6.4 Partner-JV Dynamics

The dimensionality of the six scales pertaining to the partner-JV factors was assessed in two separate sets. As discussed before, this was done in order to avoid violating the minimum sample size to parameter ratio. Accordingly, the specification of set components has been taken careful consideration into the respective scale contents and construct domains in order to ensure that each set contained variables that were maximally similar (see Baker and Sinkula, 1999a; Cadogan, Paul, Salminen et al., 2001; Cadogan, Cui, Morgan et al., 2006; Doney and Cannon, 1997). Thus, the first set contained the three scales for partners' commitment to JV, partners' dependence on JV, and partner-JV conflict. The second set also contained three scales, respectively for JV managers' outcome interdependence, their sense of superordinate identity and JV autonomy (more oriented to the dynamics inside the JV management team).

SET 1

After specifying the three-factor structure for the model, the LISREL 8.7 program returned a converged solution suggesting the viability of the CFA measurement model. The absolute and comparative fit indices, together with the chi-square statistic, are furnished in Table 5.40. The results provided evidence confirming the proposed factor structure with fit indices such as CFI and NNFI values about the threshold level of .90. Besides, all the parameter estimates as obtained from the LISREL 8.7 output were statistically significant. All the concerned composite reliability and AVE demonstrated acceptable to respectable values (only the AVE of the scale for partner-JV conflict carried a less desirable value of .39, see Table 5.40). As a result, the conclusion was reached that the hypothesized factor structure exhibited acceptable fit, suggesting the model fitted the data fairly well. This in turn supported the notion that the four factors were unidimensional, reliable and valid.

Table 5.40: CFA Results for the Measurement Model of Partner-JV Factors (Set 1)

Items	Standardized Factor Loadings (t-value)		
	Partners Commitment to JV	Partners' Dependence on JV	Partner-JV Conflict
pcmt2	0.76 (fixed)		
pcmt5	0.88 (9.29)		
pcmt6	0.94 (10.06)		
pcmt7	0.90 (9.49)		
pdep2		0.80 (fixed)	
pdep4		0.71 (5.97)	
pdep5		0.66 (5.66)	
pjcnf2			0.52(fixed)
pjcnf3			0.75 (4.06)
pjcnf5			0.42 (3.03)
pjcnf6			0.73 (4.07)
CR	0.93	0.77	0.71
AVE	0.76	0.53	0.39
Fit Indices:	Chi-Square = 71.14; df = 41; RMSEA = .087; NNFI = .94; CFI = .96; GFI = .88		

SET 2

This set contained the three scales for the constructs of outcome interdependence, superordinate identity and JV autonomy. The CFA measurement model was specified with the hypothesized factor structure⁴. The LISREL 8.7 program returned an initial inadmissible solution due to the negative error variance of the item of oudpt3 for outcome interdependence. It was resolved by setting this error variance at .05. The results thus obtained showed an excellent fit model (see fit indices in Table 5.41). The RMSEA was .017. The NNFI, CFI and GFI were 1.0 or close to 1.0. The factor

⁴The initial CFA model failed to converge. An examination of the intermediate result returned by the LISREL 8.7 program revealed that the two scales for JV managers' superordinate identity and JV managers' outcome interdependence had a correlation as high as 0.97. This suggested that it might be warranted to assess the multicollinearity problem at this stage in order to proceed further for scale development. Accordingly, a correlations matrix (Pearson correlations, two-tailed tests) containing the bivariate correlations (see Appendix 5.3) of all scales used in this study was examined in order to assess the potential of such impact. This exercise helped identify that the scale for JV managers' superordinate identity might be the source of problem because it was highly correlated with four other scales, namely partners' market oriented values (.63), partners' commitment to JV (.55), partners' cultural sensitivity (.53) and inter-partner trust (.48).

In order to firmly remove the common variance that superordinate identity shared with these four variables, a "residual centering" procedure (Little, Bovaird and Widaman, 2006) was performed using each of the six raw scale items of superordinate identity as dependent variables. Residuals from each of these regression equations were then recorded, representing "pure" reflectors of each of the respective scale items for superordinate identity. These purified items were then used in place of the original scale items in the subsequent analysis.

loadings were all significant at the level of .05. The composite reliability (CR) values for the three scales were above or very close to the threshold level of .60, albeit the AVE value for the scale of superordinate identity was weaker. However, the validity of the construct was considered adequate because AVE is indeed a more conservative measure than CR (see Fornell and Larcker, 1981, p.46). In general, the statistics suggested that the performance of the scales were satisfactory.

Table 5.41: CFA Results for the Measurement Model of Partner-JV Factors (Set 2)

Items	Standardized Factor Loadings (t-value)		
	JV Managers' Outcome Interdependence	JV Managers' Superordinate Identity	JV Autonomy
outdp3	0.99 (fixed)		
outdp4	0.61 (10.51)		
sid2		0.27 (fixed)	
sid4		0.82 (2.06)	
sid5		0.47 (2.82)	
atn9			0.67 (fixed)
atn10			0.69 (6.05)
atn11			0.68 (6.06)
CR	0.80	0.55	0.72
AVE	0.69	0.32	0.46
Fit Indices:	Chi-Square = 18.77; df = 18 RMSEA = .017; NNFI = .99; CFI = 1.00; GFI = .98		

5.6 CREATING MEASUREMENT INDEX

After establishing the unidimensionality of the scales, a single score was constructed for market oriented behaviors as well as for each of the other constructs in use. The use of a single score has been consistent with those in the market orientation literature (e.g., Baker and Sinkula, 1999a; Cadogan, Paul, Salminen et al., 2001; Cadogan, Cui, Morgan et al., 2006; Jaworski and Kohli, 1993; Narver and Slater, 1990). This operationalization ensured model parsimony (Baker and Sinkula, 1999a) by allowing maximization of the degree of freedom in estimating the path coefficients (Matsuno and Mentzer, 2000).

The score for market oriented behaviors was computed as the unweighted sum of the three components (Jaworski and Kohli, 1993). Specifically, this score was created by averaging the mean scores for each of the three components of intelligence generation, intelligence dissemination and responsiveness. Single indicant measures by taking the

mean score of each measure were also created for other constructs of interest in the study.

5.6.1 Partner-JV Communication Frequency

The single score for partner-JV communication frequency was created by averaging the frequency of the use of the different means/channels for communication (c.f., Maltz and Kohli, 1996). The frequency of the use of a particular means of communication was coded on a scale of 0 to 5, where "0" denoted not used at all and 5 denoted most frequent use. Specifically, the responses were coded as follows:

Not Used = 0;
Once a month = 1;
2-3 times per month = 2;
1-3 times per week = 3;
4-5 times per week = 4;
Daily = 5.

A single score typically captured the general level of communication frequency between the partner firms and the JV was thus created by taking the average of the ten scale items. A high score corresponded to a high frequency of communications between the parents and the JV.

5.7 ASSESSING VALIDITY

The CFA measurement models yielded useful information for the validity of scales that had been examined. For example, the composite reliability and the average variance extracted thus derived from the models were in general above or close to the threshold values of .6 and .5 respectively (Bagozzi and Yi, 1988). Besides, all the factor loadings of the scale items were positive and significant ($p < .05$), thus providing another piece of evidence for convergent validity (Anderson and Gerbing, 1988). In sum, the statistics collectively suggested that the scales possessed good convergent validity (Ping, 2004).

5.7.1 Discriminant Validity Analysis

The foregoing sections have demonstrated the use of different statistical techniques and judgment for the sake of establishing a set of scales which were unidimensional, reliable and internally consistent. In order to further ascertain that each of the scales thus developed measured one and only one construct, a series of chi-square tests (nested models testing) were performed to establish the discriminant validity for each and every pair of latent variables (see Anderson and Gerbing, 1988; Burnkrant and Page, 1982). In addition, following Fornell and Larcker's (1981) recommendation, an assessment was also performed to check the AVE (average variance extracted) for each latent variable of a given pair against the squared correlation between the two variables (see Table 5.44)

Accordingly, nested models of a two-factor structure were tested. A typical pair of variables or scales was first allowed to correlate freely via the first CFA model. Next, the model was re-run with the phi correlation constrained to 1.0. If the fit of the constrained model worsened relative to the unconstrained model (in terms of a significant chi-square change per one degree of freedom, or a critical value of 3.84), it would be evidential that the two scales in question did not belong to a single factor. The process was reiterated and any possible pair of factors was evaluated and their discriminant validity assessed. In this way, discriminant validity between two scales (for any given pair of factors) is ascertained.

Although for the major part of the analytical process the CFAs being run could converge in a reasonably small number of iterations, inadmissible solutions were encountered for a few two-factor models (problems mainly occurred for models involving the two two-item scales of "outcome interdependence" and "inter-partner commitment"). Problems in principle were caused by some negatively estimated values for their error variances, basically for items making up the above two scales (please see Table 5.42 for details). One of the remedial solutions was to set these negative error variances to very small positive values (Hair, Anderson, Tatham et al., 1998). As such, this method was adopted and when the LISREL 8.7 program returned such a warning message, the aforementioned remedy was applied (typically the error variance was set at .005). This resulted in fixing the error variances of the problem items as shown in Table 5.42 respectively for the two-factor models involving the

constructs of “inter-partner commitment” and “outcome interdependence”. By so doing, inadmissible solutions were effectively remedied.

Table 5.42: Problem Scales for 2-Factor Models

Focal constructs	Other constructs involved	Problem item(s) (error variance is negative)	Comments
Inter-partner conflict	Partners' dependence on JV	ict5	converged solution
	Partner-JV conflict	ict5	converged solution
	Superordinate identity	ict5	converged solution
	JV autonomy	ict4	inadmissible solution
	Outcome Interdependence	ict4 and outdp3	inadmissible solution
Outcome Interdependence	NORM	oudp4	converged solution
	Partners' perception of vulnerability to opportunism	outdp3	inadmissible solution
	Inter-partner dependence	outdp3	inadmissible solution
	Superordinate identity	outdp3	inadmissible solution
	JV autonomy	oudp4	converged solution
	Intelligence generation	oudp4	converged solution
	Intelligence dissemination	oudp4	converged solution
	Market performance	oudp4	inadmissible solution

Other than the foregoing problems reported with estimating the unconstrained models, the process of estimating the constrained models was smooth, except for the occurrence of a few inadmissible solutions (seven out of a total number of 171 two-factor models) (please see Table 5.43 for chi-square decrease per one degree of freedom). Even so, given that converged solutions could be reached when running the corresponding unconstrained models, these inadmissible solutions were considered as supports for the fact that the constrained models behaved sufficiently worse than the unconstrained models.

Table 5.43: Decrease in Chi-Square per One Degree of Freedom

Construct	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17
1. MO values																	
2. MO norms	-321.41																
3. Partners' cultural sensitivity	-365.92	-407.11															
4. Partners' perception of vulnerability to opportunism	NA	NA	-288.35														
5. Inter-partner trust	-436.6	-426.1	-334.06	-274.9													
6. Inter-partner commitment	-56.98	-53.84	-54.87	-60.92	-42.07												
7. Inter-partner dependence	-308.87	-330.57	-298.95	-270.5	-247.27	-46.82											
8. Partners' commitment to JV	-373.67	-394.91	-503.43	-267.13	-468.96	-52.9	-240.38										
9. Partners' dependence on JV	-112.1	-121.96	-113.64	-114.54	-111.13	NA	-57.65	-85.35									
10. Partner-JV conflict	NA	-92.24	-89.74	-80.97	-123.82	-84.92	-93.69	-81.00	-79.27								
11. JV managers' outcome interdependence	-82.58	-492.11	-75.75	-295.21	-78.92	-798696.2	-330.05	-87.10	NA	-69.86							
12. JV autonomy	-105.29	-106.97	-106.09	-99.64	-106.84	-104.9	-104.01	-104.76	-105.27	-103.19	-107.26						
13. JV managers' superordinate identity	-51.94	-49.86	-51.91	-50	-51.97	-47.42	-47.36	-51.94	-50.39	-44.18	-48.83	-51.31					
14. Intelligence generation	-225.51	-219.17	-253.74	-238.81	-255.03	-60.32	-245.7	-202.36	-107.35	-73.05	-263.99	-106.31	-48.47				
15. Intelligence dissemination	-38.14	-50.54	-53.62	-51.15	-42.32	-30.5	-54.37	-36.98	-48.6	-49.36	-61.98	-64.83	-29.85	-35.07			
16. Responsiveness	-90.13	-91.46	-92.88	-78.81	-91.0	-59.73	-89.94	-89.78	-89.28	-32.33	-87.82	-102.37	-39.85	-83.25	-45.46		
17. Market performance	-415.62	-387.27	-462.91	NA	-534.83	-51.01	-287.23	-403.94	-101.66	-93.54	-825.47	-106.36	-48.52	-236.24	-41.31	-85.95	
18. Market dynamism	-141.4	-119.75	NA	-159.97	-144.46	-62.59	-150.7	-147.74	-121.03	-87.86	-85.39	-107.06	-51.74	-128.34	-50.16	-95.61	-132.2

Note:

Values are non-significant at flagged;

“NA” denotes value not available due to inadmissible solution when phi was constrained to one.

Table 5.44: Discriminant Validity and Correlation Matrix

Scales	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18
1. MO values	0.938	0.192	0.242	0.011	0.265	0.052	0.046	0.223	0.099	0.039	0.070	0.023	0.001	0.066	0.143	0.007	0.250	0.052
2. MO norms	0.438	0.859	0.121	0.009	0.043	0.075	0.009	0.144	0.036	0.011	0.002	0.008	0.005	0.119	0.083	0.003	0.102	0.124
3. Partners' cultural sensitivity	0.492	0.347	0.881	0.000	0.271	0.075	0.104	0.081	0.060	0.033	0.085	0.030	0.002	0.021	0.031	0.001	0.070	0.029
4. Partners' perception of vulnerability to opportunism	-0.105	-0.094	0.011	0.822	0.041	0.076	0.023	0.058	0.008	0.065	0.000	0.027	0.001	0.039	0.090	0.064	0.041	0.027
5. Inter-partner trust	0.515	0.208	0.521	-0.203	0.928	0.191	0.235	0.137	0.060	0.075	0.090	0.017	0.002	0.015	0.118	0.008	0.184	0.044
6. Inter-partner commitment	0.229	0.273	0.273	-0.276	0.437	0.707	0.139	0.152	0.029	0.039	0.003	0.001	0.003	0.058	0.142	0.039	0.110	0.035
7. Inter-partner dependence	0.214	0.095	0.323	-0.152	0.484	0.373	0.845	0.218	0.135	0.017	0.001	0.033	0.016	0.030	0.037	0.011	0.094	0.042
8. Partners' commitment to JV	0.472	0.379	0.284	-0.241	0.370	0.390	0.467	0.920	0.161	0.071	0.013	0.015	0.002	0.143	0.210	0.026	0.217	0.085
9. Partners' dependence on JV	0.314	0.190	0.245	-0.091	0.246	0.169	0.368	0.402	0.732	0.040	0.009	0.025	0.004	0.020	0.067	0.004	0.080	0.010
10. Partner-JV conflict	-0.199	-0.103	-0.181	0.255	-0.274	-0.196	-0.131	-0.266	-0.199	0.633	0.065	0.000	0.004	0.076	0.076	0.163	0.020	0.019
11. JV managers' outcome interdependence	0.264	0.046	0.291	0.003	0.301	0.052	0.036	0.113	0.097	-0.254	0.758	0.000	0.001	0.002	0.014	0.000	0.013	0.009
12. JV autonomy	-0.153	-0.088	-0.173	-0.165	-0.129	-0.032	-0.180	-0.123	-0.159	0.000	0.009	0.716	0.001	0.000	0.000	0.014	0.008	0.003
13. JV managers' superordinate identity	-0.026	0.072	-0.040	-0.023	-0.049	-0.055	-0.127	-0.041	0.062	-0.066	-0.023	0.031	0.822	0.000	0.049	0.024	0.002	0.011
14. Intelligence generation	0.258	0.344	0.145	-0.197	0.124	0.241	0.175	0.378	0.140	-0.275	0.041	-0.008	-0.018	0.828	0.167	0.053	0.039	0.124
15. Intelligence dissemination	0.378	0.288	0.175	-0.301	0.344	0.377	0.194	0.458	0.259	-0.276	0.117	-0.002	0.221	0.409	0.619	0.047	0.117	0.068
16. Responsiveness	0.081	0.059	0.023	-0.253	0.089	0.199	0.103	0.161	0.064	-0.404	0.018	0.119	0.156	0.231	0.216	0.653	0.024	0.000
17. Market performance	0.500	0.320	0.265	-0.203	0.429	0.332	0.306	0.466	0.282	-0.142	0.115	-0.090	-0.039	0.199	0.342	0.154	0.928	0.100
18. Market dynamism	0.228	0.353	0.171	-0.164	0.211	0.188	0.204	0.291	0.100	-0.137	0.094	-0.053	-0.106	0.352	0.261	0.000	0.316	0.777
Composite reliability (CR)	0.938	0.863	0.886	0.828	0.930	0.731	0.849	0.927	0.771	0.705	0.800	0.719	0.545	0.832	0.621	0.654	0.929	0.785
Average variance extracted (AVE)	0.655	0.478	0.526	0.555	0.727	0.583	0.589	0.760	0.530	0.386	0.679	0.457	0.322	0.549	0.357	0.318	0.510	0.551
Mean	5.839	5.57	5.590	3.921	5.329	4.488	4.883	5.685	4.901	3.209	4.840	3.322	0.000	5.257	5.213	5.107	5.563	4.607
Standard deviation	1.028	0.93	0.964	1.523	1.233	1.343	1.439	1.283	1.416	1.256	1.657	1.216	0.727	1.245	1.125	1.185	1.101	1.150

Note: Pearson correlation coefficient provided in the lower left half of the matrix; the squared correlation in upper right half of the matrix; Cronbach's alpha on the diagonal.

After running these models, the chi-square changes between the constrained and unconstrained models for each and every pair of factors were examined. It was found that the magnitude of the chi-square change per one degree of freedom was statistically significant (the chi-square decrease from the constrained model to the unconstrained model should be larger than 3.84) for the entire set of scales.

Based on the results of the nested models testing and the findings as evident in Table 5.44 (where for any given pair of latent variables, the AVEs of both of the two constructs of interest exceeded their squared correlation), the discriminant validity for the scales used in this study was therefore established.

5.7.2 Assessment of the Problem of Multicollinearity

After assessing the discriminant validity of the respective scales, it is desirable to assess the multicollinearity problem in a general sense. A correlations matrix (Pearson correlations, two-tailed tests) containing all the bivariate correlations (see Table 5.44) was examined in order to assess the impact of the multicollinearity problem (see also footnote 4 on p.249). Other than the four correlations which had been addressed earlier with special relevance to the scale for JV managers' superordinate identity (see footnote 4 in this chapter), no other problematic correlations were spotted as a result. In fact, the correlation between the scales for inter-partner trust and partners' market oriented values (.51) as well as that between the scales for inter-partner trust and partners' cultural sensitivity (.52) did not seem to be high enough to warrant further attention.

5.7.3 Criterion and Nomological Validity

As discussed (Section 5.3.8.3), criterion related validity is implied if the correlation between a scale and a criterion is high. In particular, the correlations between the summated score for each of the antecedent variables and the score for market oriented behaviors (criterion) were examined (see Table 5.45). As shown, all but two correlations were significant ($p < .05$). This assessment provided evidence for the criterion related as well as nomological validity of the scales used in this study.

Table 5.45: Correlations of the Various Antecedent Scales and the Criterion Variable

Scales (for Antecedent Variables)	Criterion (Market Oriented Behaviors)
Partners' market oriented values	.44*
JV norms for market oriented behaviors	.33*
Partners' cultural sensitivity	.24*
Partners' perception of vulnerability to opportunism	-.37*
Inter-partner trust	.34*
Inter-partner commitment	.37*
Inter-partner dependence	.26*
Partner-JV conflict	-.41*
Partners' commitment to JV	.48*
Partners' dependence on JV	.28*
Partner-JV communication frequency	-.03
Outcome interdependence of the JV managers	.11*
Superordinate identity of the JV managers	.21*
JV autonomy	.05

*Relationship significant ($\alpha = .05$) (one tailed test)

Furthermore, nomological validity is assessed to the extent a construct possesses distinct antecedent causes, consequential effects, and/or modifying conditions as well as quantitative differences relative to its antecedents or consequences (Netemeyer, Bearden and Sharma, 2003; Tian, Bearden and Hunter, 2001, p.58). In addition to the evidence of nomological validity provided through the evaluation of association (correlations) between the variables of interest, nomological validity was further inferred when the various constructs were jointly analyzed in a structural model as discussed in Chapter 6.

5.8 DESCRIPTIVE ANALYSIS OF INDIVIDUAL SCALES

Having established the psychometric properties of the scales used in this study, this section provides an overview of their profiles. Table 5.46 provides the mean value and standard deviation for each of the scales. Additionally, the normality assumption of the data distribution for each of the individual variable of interest was tested before proceeding to formally testing the structural model. This exercise was done to assess the extent and hence the impact of nonnormality in the dataset. Normality was examined in two steps: using the Kogomorov-Smirnov (KS) test; and examining the z-value for the kurtosis of each distribution if it failed the KS test.

As such, the KS test was first performed on the distribution of each variable. Nonsignificant KS test results were taken as evidence that the concerned distributions did not depart significantly from normality. This evaluation highlighted nine significant results (see Table 5.46) for further scrutiny.

Table 5.46: Descriptive Statistics of the Scales and Results of the KS Test

Scales	Mean#	Std. Deviation	Skewness	Kurtosis	Kolmogorov-Smirnov Z
Market oriented behaviors	5.19	0.86	-0.646	0.401	1.265
Partners' market oriented values	5.84	1.03	-1.458	3.037	1.788*
JV norms for market oriented behaviors	5.57	0.93	-0.826	0.982	1.254
Partners' cultural sensitivity	5.59	0.96	-0.721	1.483	0.993
Partners' perception of vulnerability to opportunism	3.92	1.52	-0.030	-0.780	1.263
Inter-partner trust	5.33	1.23	-0.717	0.359	1.441*
Inter-partner commitment	4.49	1.34	-0.015	-0.337	1.635*
Inter-partner dependence	4.88	1.44	-0.615	-0.202	1.317
Partner-JV conflict	3.21	1.26	0.488	0.194	1.303
Partners' commitment to JV	5.68	1.28	-0.987	0.809	2.110*
Partners' dependence on JV	4.90	1.42	-0.840	0.302	1.961*
Outcome interdependence of the JV managers	4.84	1.66	-0.288	-0.766	1.709*
Superordinate identity of the JV managers+	0.00	0.73	-0.622	1.468	0.960
JV autonomy	3.32	1.22	0.419	0.366	1.456*
Partner-JV communication frequency	1.63	1.04	0.878	1.200	1.289
Market performance	5.44	1.22	-1.174	2.014	1.799*
Market dynamism	4.61	1.15	-0.194	0.326	1.672*

*KS-Test significant ($\alpha = .05$) (two tailed test)

All scales ranged from 1 to 7 (except the one for partner-JV communication frequency where the scale ranged from 0 to 5).

+The scale items had been purified (see footnote 4 for a discussion). The original scale mean was 5.48 with a std. deviation of .90.

However, as the KS test has been cautioned as being too sensitive (Hair, Anderson, Tatham et al., 1998), a further assessment was done by calculating the z-values for the skewness or kurtosis of the scale (Hair, Anderson, Tatham et al., 1998; Sharma, 1996). The z-value for the kurtosis was computed by this formula:

$$z_{\text{kurtosis}} = \text{kurtosis} / \sqrt{(24/N)}, \text{ where } N \text{ is the sample size.}$$

If the z-value exceeds the critical value of |1.96| for an alpha level of .05, the normality assumption of the concerned distribution is rejected. This procedure revealed that the distributions of four scales were nonnormal (see Table 5.47).

Table 5.47: Z-Value for Kurtosis of Scales with Significant KS Test Statistics

Scales	Skewness	Kurtosis	Z-Value for Kurtosis
Partners' market oriented values	-1.458	3.037	8.567*
Inter-partner trust	-0.717	0.359	1.012
Inter-partner commitment	-0.015	-0.337	-0.950
Partners' commitment to JV	-0.987	0.809	2.282*
Partners' dependence on JV	-0.840	0.302	0.852
Outcome interdependence of the JV managers	-0.288	-0.766	-2.162*
JV autonomy	0.419	0.366	1.033
Market performance	-1.174	2.014	5.682*
Market dynamism	-0.194	0.326	0.921

*critical value is |1.96| for an alpha level of .05.

Although this finding is less than desirable, it was considered that the extent of their impact would be minimal. This was because the proposed estimation method for model testing, that is, the maximum likelihood estimation (ML) is quite robust to the violation of normality (Chou and Bentler, 1995; Ping, 1995). It was found that if the distribution is not extremely nonnormal⁵, the ML method could generate reliable statistical results (Chou and Bentler, 1995, p.55). In fact, West, Finch and Curran (1995) suggest that for a sample size roughly of 200, the ML estimation is recommended when the distributions are not substantially nonnormal. Accordingly, an examination of the corresponding skewness and kurtosis values of the nonnormal distributions in Table 5.47 suggested that these distributions were not substantially nonnormal (none of the values for skewness and kurtosis went beyond 2 and 7 respectively). Figures 5.5 to 5.8 present the frequency distributions of these four scales.

⁵ West, Finch and Curran (1995) suggest that distribution carrying values for skewness and kurtosis of 2 and 7 respectively are still classified as moderately nonnormal.

Figure 5.5: Frequency Distribution of the Scale for Partners' Market Oriented Values

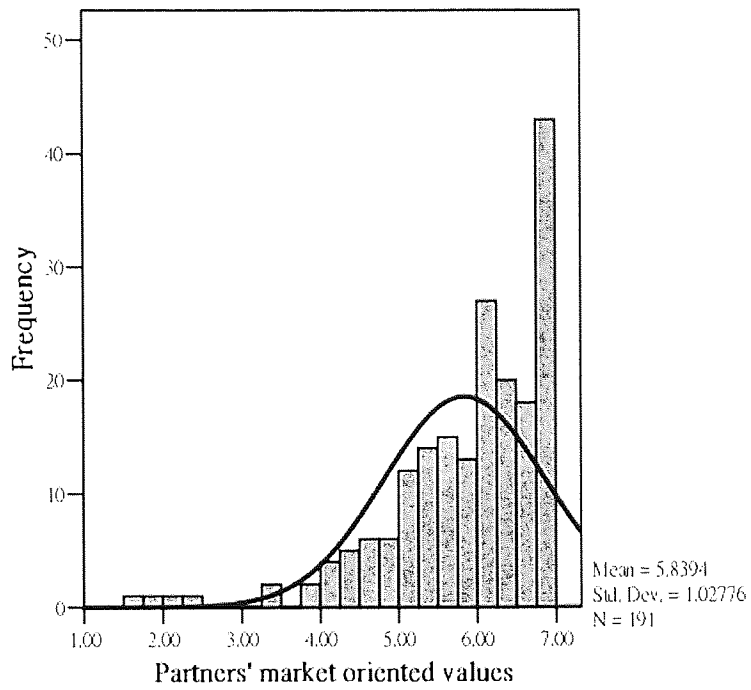


Figure 5.6: Frequency Distribution of the Scale for Partners' Commitment to JV

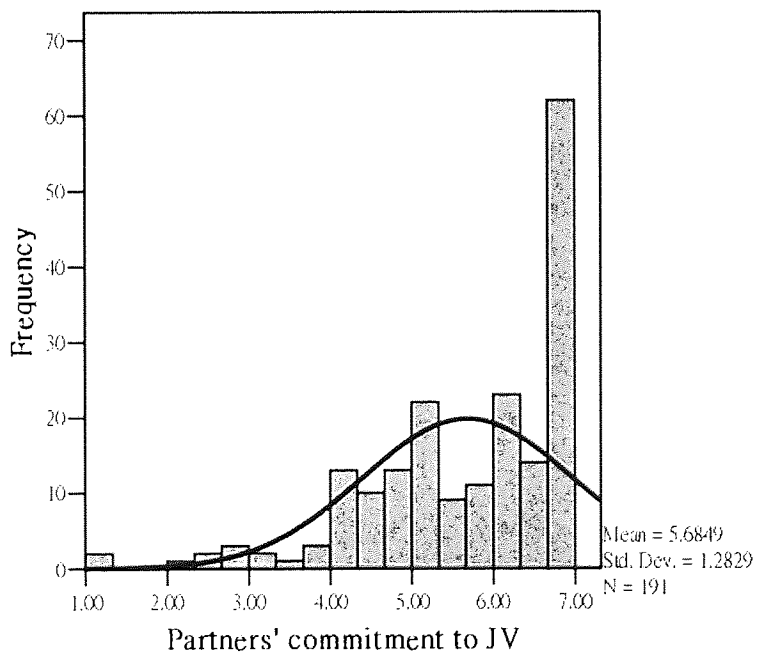


Figure 5.7: Frequency Distribution of the Scale for JV Managers' Outcome Interdependence

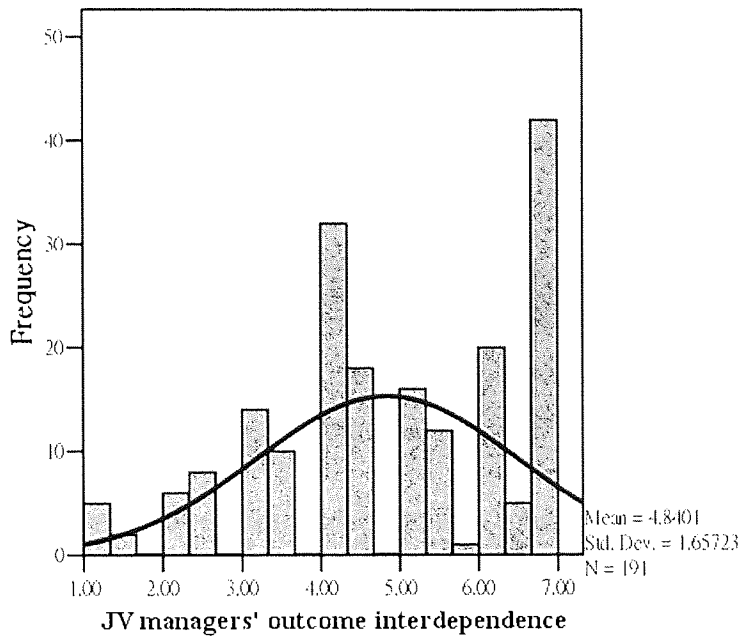
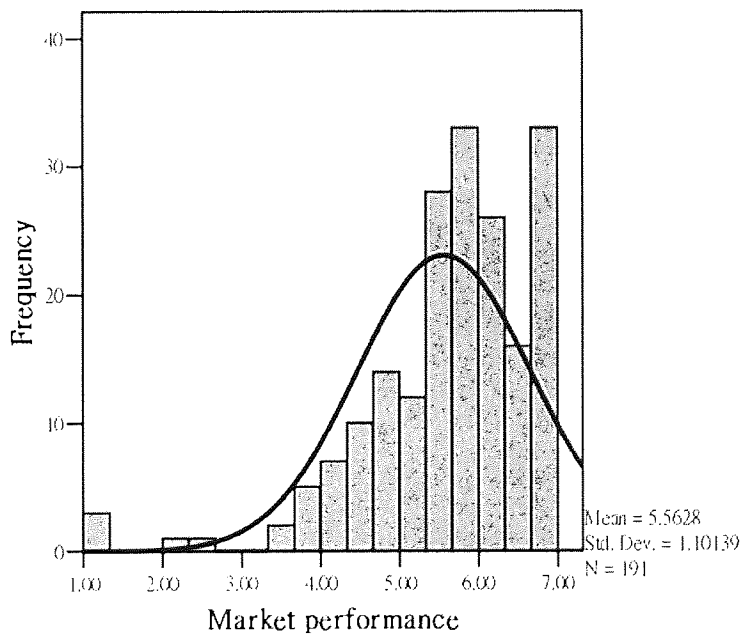


Figure 5.8: Frequency Distribution of the Scale for Market Performance



5.9 SUMMARY

This chapter has been prepared to provide a brief overview of the respondents' profiles and a descriptive analysis of the variables as examined in this study. To facilitate this objective, a summarized report of the response patterns in terms of the commonly used descriptive statistics has thus been provided.

Additionally, it has also provided a detailed account of the scale development and purification process for the set of scales used in this study. In order to develop unidimensional, reliable and valid scales for the various constructs such that their inter-relationships could be tested, a thorough and prudent purification procedure was employed. In recognition of the sample size constraint, the scales had been analyzed in subsets following conventional practice.

The subsets of scales had been first analyzed with the EFA technique in order to obtain a preliminary solution for each scale of interest. Following which, item analysis including examining the scale items' inter-item correlations and inter-scale correlations as well as content analysis was performed. Thirdly, the dimensionality for each scale was assessed via CFA models. By then, the evidence as gathered from the CFA perspective has suggested that the scales were internally consistent and possessed convergent validity. Fourthly, discriminant validity was also evaluated by performing a series of two-step test for each and every pair of factors in conjunction with an examination of the AVEs and squared correlation for a given pair of latent variables. Then, summated scores were computed for each scale and an assessment of their respective normality was conducted. After going through all these processes, a set of scales were ready for testing the hypotheses as postulated in this study. The testing of hypotheses using the structural equation modeling technique would be described in the next chapter.

CHAPTER 6

RESULTS

6.1 INTRODUCTION

This chapter reports and discusses the results from model testing. The hypotheses pertaining to the different antecedent factors arising from the inter-relations of the three parties involved in a JV system were tested and reported. Specifically, the structural equation modeling technique was employed to examine the impact of these antecedent factors on the JV's level of market oriented behaviors. Additionally, the consequences (in terms of market performance) for adopting these behaviors were also tested in the model.

This chapter is organized into five parts. The first part discusses the structural equation modeling technique and its assumptions. The second part highlights the hypotheses to be tested and presents the information relative to the corresponding model specification. The third part reports the results as obtained from the structural model and discusses the respective hypotheses. The fourth part examines the extent of impact of the various moderating variables to the respective main paths. Finally, the results are summarized.

6.2 STRUCTURAL EQUATION MODELING FOR MODEL TESTING

Structural equation modeling (SEM) as a specific form of multivariate analytical technique, shares a number of assumptions with its counterparts. Before formally testing the structural model, it is desirable to test the assumptions underlying SEM on the data to be examined (see Hair, Anderson, Tatham et al., 1998). There are four basic assumptions of interest including normality in the distribution of the data, independence of observations, random sampling of respondents, and linearity of all relationships (Hair, Anderson, Tatham et al., 1998).

As discussed in Chapter 5, the measurement scores for all variables used in this study have been tested in terms of their departure from distributional normality. The conclusion then drawn was that the data were suitable for model testing, especially

when the Maximum Likelihood (ML) estimation method (e.g., Chou and Bentler, 1995; West, Finch and Curran, 1995; Ping, 1995) provided by LISREL was used.

The assumption of independence of observations was believed to have been met with the adoption of a mail survey for data collection. The feature of this conduction mode effectively minimizes possible communication among respondents (see Sharma, 1996) and hence ensures independence. Besides, since mails were sent to a random sample drawn from the sampling frame, the assumption of random sampling of respondents was believed to have been prudently addressed. Finally, following the convention of the market orientation and JV literature, all relationships as examined in this study were considered to be linear.

6.2.1 Other Issues

Aside from the assumptions, there are a few other issues that might also play a role in affecting the quality and even validity of studies based on statistical inferences. The four most relevant ones to the current study including influential observations, multicollinearity, power, and common method variance are discussed as follows.

6.2.1.1 Influential Observations

Influential observations are those observations that have a disproportionate effect on the modeling results. Outliers are a typical type of influential observations, which represent “extreme data points with a unique combination of characteristics identifiable as distinctly different from the other observations” (Hair, Anderson, Tatham et al., 1998, p.64). Outliers may affect the results of structural equation modeling (West, Finch and Curran, 1995). As such, it is suggested that they should be identified. Depending on their potential impact, where necessary they might be dropped, or the population of interest be redefined or the model respecified (see West, Finch and Curran, 1995).

An assessment of the possible impact of influential observations on the findings of the current study suggested that this problem was minimal. Since all the variables used for model testing were confined on a rating scale ranging from 1 to 7 (with exception of partner-JV communication frequency; which was based on a range of 0 to 5), this practically precluded the possibility of responses falling outside the predefined ranges.

Accordingly, an effort was then extended to examine the potential problem in terms of the profiling variables of the observations. Among these variables, the two used for portraying firm size (that is, total sales turnover and total number of employees) were explicitly assessed in recognition of the fact that no range had been specified for these two variables.

Subsequently, it was diagnosed that although the range of total sales turnover took on values from 0.15 to 1,300 millions of US dollars, essentially no outliers were observed. Similar situation was also evidential in terms of the variable for total number of employees, which ranged from six to 11,000 employees. No problematic outliers were found. In light of these observations, no corrective actions for outlier effects were considered necessary.

6.2.1.2 Multicollinearity

The problem of multicollinearity has been addressed in Chapter 5 (see Section 5.7.2) after the various scales had been developed. To the extent that multicollinearity was considered a problem, “pure” reflectors had been obtained to replace the original scale items (see p.249).

6.2.1.3 Power

The power of a test is the probability of making a correct decision (Sharma, 1996, p.349). Specifically, it is the probability of correctly rejecting the null hypothesis when it is false (Hair, Anderson, Tatham et al., 1998, p.3). It is therefore critical for any given tests to aspire a level of power as high as possible in order to strengthen confidence for the test results and ultimate conclusions.

Power is a function of alpha (α), effect size and sample size; of which sample size is of particular relevance to the current study. Since power is directly proportional to sample size, it appears that a large sample size is always preferable. Ironically, it has been cautioned that a large sample size with increased power of the test would always almost be too sensitive that makes any trivial differences readily detected (see Hu and Bentler, 1995). In practice, with the ML estimation method, a sample size of about 100 to 150 has been suggested to be sufficient for ensuring appropriate use of the method (see Ding, Velicer and Harlow, 1995). Furthermore, a sample size of 200 has

been proposed as being the “critical sample size” (Hoelter, 1983). Based on these considerations, Hair, Anderson, Tatham et al. (1998) recommend that regardless of the original sample size, a sample size as large as 200 should always be used for model testing. Given the effective sample size of this study was 191 (see Chapter 4), almost 200, it was therefore considered to be appropriate for model testing, especially with the ML estimation method.

6.2.1.4 Common Method Variance

Common method variance is a potential problem encountered in all behavioral research. It is a specific type of systematic measurement error that can threaten the validity of the conclusions about relationships represented by the constructs of interest (Podsakoff, MacKenzie, Lee et al., 2003). It typically arises as a result of measurement at different levels of abstraction, such as the content of specific items, scale type, response format, and the general context (Fiske, 1982).

Since responses to all the scale items (both for the dependent and independent variables) in this study were collected from a single source, in order to assess the possible impact of common method bias and to provide credence to the conclusions drawn, common method bias was formally addressed following Harman’s single-factor approach (e.g., Cadogan, Sundqvist, Salminen et al., 2005; Menon, Bharadwaj and Howell, 1996). Essentially, it involves the adoption of a confirmatory factor analytic technique to address the potential impact of this problem. Building on the logic that if the relations between two or more variables are spurious or are due entirely from common method bias, then a single latent factor should be able to account for all the common variance shared by the whole set of indicators. As such, the model fit information for a multi-factor model and a constrained one-factor model was compared. The presence of common method bias would typically be reflected by such fact as the unconstrained model does not fit better than the constrained model to any substantial extent.

As discussed in Chapter 5, the confirmatory factor analytic approach was used to assess the dimensionality of the various constructs in subsets. Corresponding one-factor models for the respective multiple-factor models were thus specified and tested. Results are listed in Table 6.1.

Table 6.1: Summary Statistics of Unconstrained versus Constrained Models

CFA Subsets	Model	χ^2 (df)	RMSEA	NNFI	CFI	GFI
Market oriented behaviors, market performance and market dynamism	Measurement model	379.41 (160)	.091	.91	.93	.82
	Method bias (constrained) model	913.98 (170)	.18	.73	.76	.62
Culture-related subset (VALUE, NORM and SENSITIVITY)	Measurement model	649.09 (206)	.079	.96	.96	.82
	Method bias (constrained) model	1138.39 (209)	.19	.85	.86	.57
Inter-Partner factors	Measurement model	186.73 (84)	.076	.95	.96	.89
	Method bias (constrained) model	Fit information not available (non-converged solution)				
Partner-JV factors	Measurement model	221.71 (137)	.071	.88	.90	.82
	Method bias (constrained) model	461.30 (152)	.15	.60	.65	.66

As evidential in Table 6.1, all the constrained models produced unacceptable fit statistics. These results suggest that the presence of common method bias is not substantial in this study.

Moreover, in order to complement Harman's single-factor approach and to gain further insights to the impact of common method bias, another attempt was also made to construct a full CFA model with all scales in it, with the addition of a single unmeasured latent method factor (Podsakoff, Mackenzie, Lee et al., 2003). Albeit the use of single-indicant measures (see Section 6.3 for a discussion of the construction of these measures), an unidentified solution was returned due to model complexity. Hence the attempt to control for the effects of a single method factor was unsuccessful.

6.2.2 Overall Analytical Approach

Having assessed the assumptions underlying structural equation modeling and the relevant issues for model testing, formal hypotheses testing were undertaken in two steps. In the first step, the main effects were tested: all variables of interest were simultaneously analyzed in a formal structural model. Secondly, the moderator effects were examined using the multigroup analysis provided by LISREL 8.7 (Jöreskog and Sörbom, 2004). The next few sections report the analysis and results of model testing. Specifically, in Section 6.3, the structural model is formally specified and in Section 6.4, the results for the main effects are reported. In Section 6.5, the moderating effects are examined and discussed.

6.3 MARKET ORIENTED BEHAVIORS, ANTECEDENTS AND CONSEQUENCES

The proposed network of inter-relations among the various constructs under investigation was analyzed by LISREL 8.7 (Jöreskog and Sörbom, 2004) with sample covariance matrix as the input matrix. The maximum likelihood (ML) estimation method was used. Accordingly, the hypotheses were tested by specifying a set of paths linking up the latent variables of interests in the structural model (see Figure 6.2).

Since all but one variables used in the study were measured with rating scales, it was reasonably prudent to expect that they are qualified as continuous. For the exogenous categorical variable of partner-JV communication frequency, it was also treated as a continuous variable following recommendation in the literature (e.g., Bollen, 1989; Muthén, 1983; Powers and Xie, 2000). This is based on the premise that when the categorical variable has a normal distribution¹, its impacts on the chi-square test of model fit, parameter estimates, standard errors, and test of parameter estimates are minimal (see West, Finch and Curran, 1995).

Single-indicant measures (see Bagozzi and Heatherton, 1994) for each of the multiple-item scales were first constructed by averaging all the indicators or items across a scale (see Chapter 5) and used for hypotheses testing. As all of these

¹ The KS test for normality showed that the distribution for the variable of partner-JV communication frequency was normal (see Chapter 5).

measures were subject to measurement error, the corresponding error variance for each single-indicant measure was set at $[(1-\alpha) \times \sigma^2]$, where α is the composite reliability of each construct derived from the measurement model and σ^2 is the sample variance of the construct (see Cadogan, Sundqvist, Salminen et al., 2005; Ganesan, 1994; Sigauw, Simpson and Baker, 1998). This procedure effectively fixed that portion of the variance in the indicator that comes from sources other than the underlying concept itself. Following this procedure, all the measures' error variances were estimated based on their respective composite reliability values, except that for the single-item measure of "partner-JV communication frequency" which took on a reliability value of .70 as a proxy (see Cadogan, Sundqvist, Salminen et al., 2005). Table 6.2 presents all estimated error variances that served as inputs to the structural model.

Table 6.2: Composite Reliability, Variance and Error Variance for each Single-Indicant Measure

Measure	Composite Reliability	Variance	Error Variance
Partners' market oriented values (VALUE)	0.938	1.056	0.066
Partners' cultural sensitivity (SENSITIVITY)	0.886	0.930	0.106
JV's norms for market oriented behaviors (NORM)	0.863	0.870	0.119
Partners' perception of vulnerability to opportunism (PVO)	0.828	2.318	0.398
Inter-partner trust (TRUST)	0.930	1.520	0.107
Inter-partner commitment (ICT)	0.731	1.805	0.486
Inter-partner dependence (IDEP)	0.849	2.070	0.314
Partner-JV conflict (PCNF)	0.657	1.577	0.465
Partners' commitment to JV (PCT)	0.921	1.646	0.121
Partners' dependence on JV (PDEP)	0.736	2.005	0.460
Outcome interdependence of JV managers (OUTDP)	0.800	2.746	0.549
Superordinate identity of JV managers (SID)	0.545	0.528	0.240
JV autonomy (AUTONOMY)	0.719	1.479	0.416
Partner-JV communication frequency (CFQ)	0.700	1.074	0.322
JV's market oriented behaviors (MOB) ²	0.703	0.741	0.220
Market performance (PERFROMANCE)	0.929	1.213	0.086

² The composite reliability was computed as the mean of the composite reliabilities of the three scales for market oriented behaviors (market intelligence, market dissemination and responsiveness).

6.3.1 Antecedents to JV's Level of Market Oriented Behaviors

The conceptual framework and the respective hypotheses are reproduced in Figure 6.1. The hypotheses were analyzed in a structural equation model by LISREL 8.7 with maximum likelihood estimation method.

6.3.2 Model Specification

The relationships between market oriented behaviors and their antecedents and consequence as proposed in Chapter 3 were formally analyzed in a structural model (see Figure 6.2). The observed indicators of the exogenous (independent) variables (ξ) are denoted by x , and their corresponding error terms by δ , while the observed indicators of the endogenous (dependent) variables (η) are denoted by y , and their error terms by ε . The path leading from one latent variable to another represents the hypothesized relationship. The relationships from any exogenous variables to any endogenous variables are represented by γ while those between endogenous variables are represented by β . For each endogenous variable, the associated residual term is denoted by ζ .

Table 6.3 reproduces the hypothesized relationships, among the variables as developed in Chapter 3. Information of the corresponding paths in LISREL notation that appeared in the structural model (as shown in Figure 6.2) is also provided for easy tracking.

Figure 6.1: The Framework and the Hypotheses

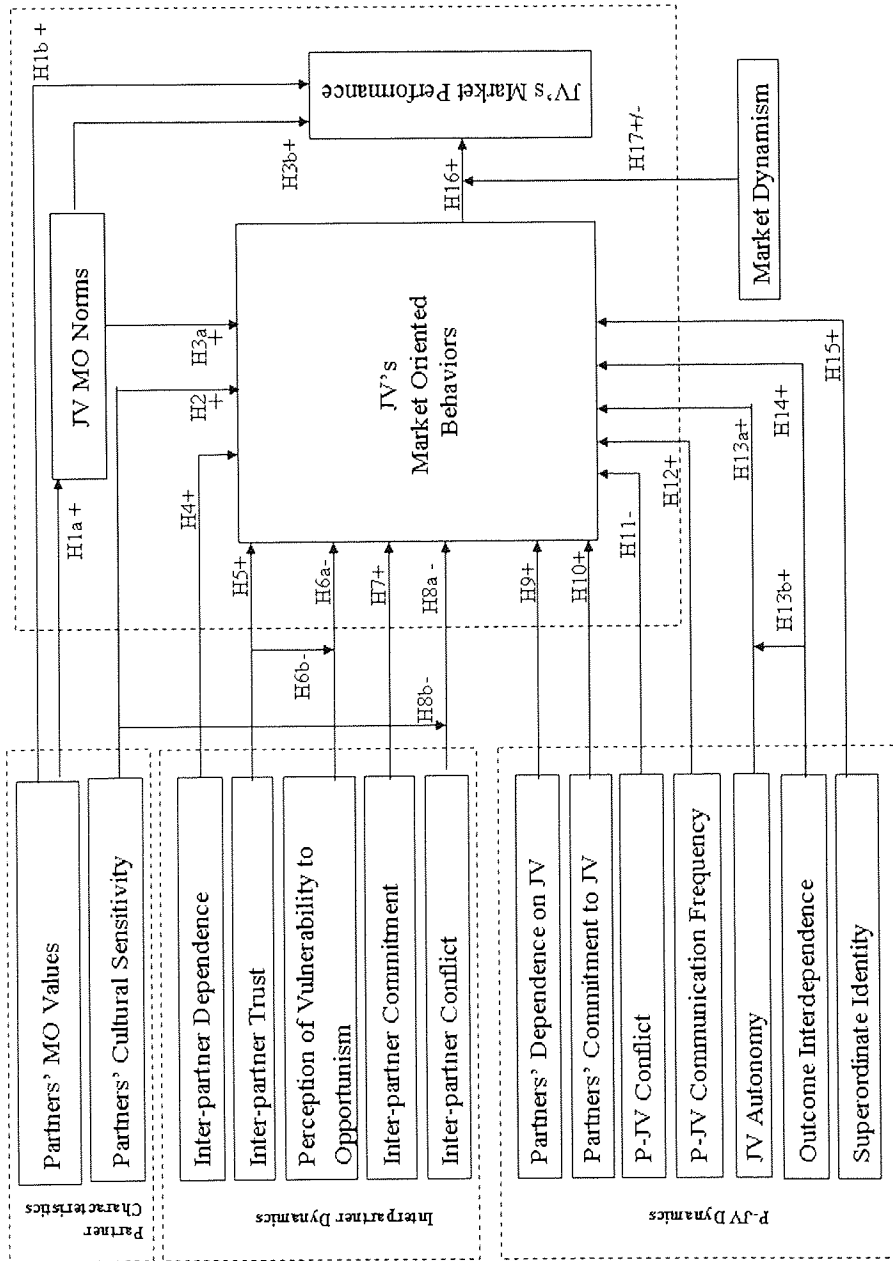
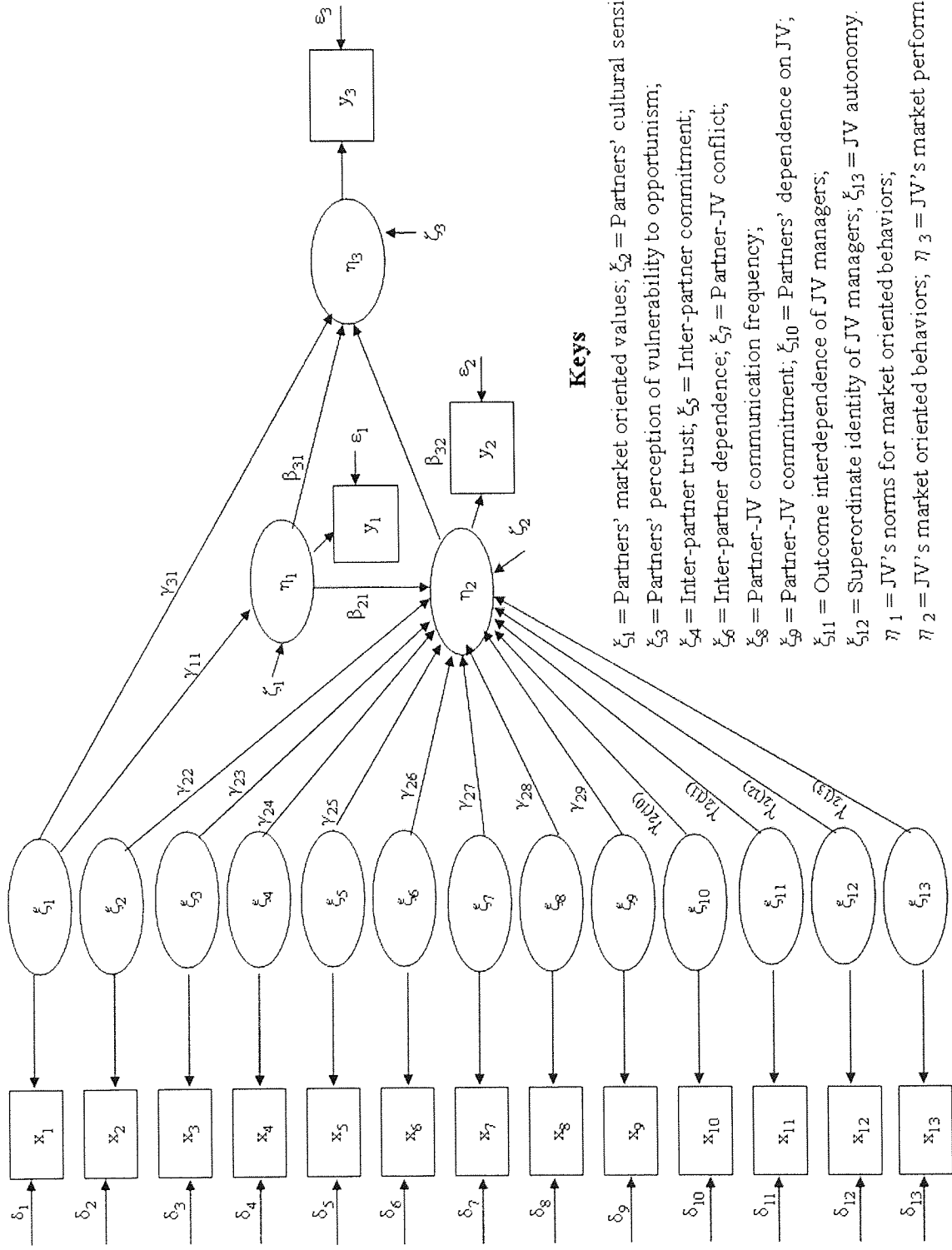


Table 6.3: Hypotheses with LISREL Notations for the Paths

Hypothesis	Path	Relationship
		Antecedents to market oriented behaviors (MOB)
H2+	γ_{22}	Partners' cultural sensitivity \rightarrow MOB
H3a+	β_{21}	Norms for MOB \rightarrow MOB
H4+	γ_{26}	Inter-partner dependence \rightarrow MOB
H5+	γ_{24}	Inter-partner trust \rightarrow MOB
H6a-	γ_{23}	Partners' perception of vulnerability to opportunism \rightarrow MOB
H7+	γ_{25}	Inter-partner commitment \rightarrow MOB
H8-		Untested path (inter-partner conflict \rightarrow MOB)
H9+	$\gamma_{2(10)}$	Partners' dependence on JV \rightarrow MOB
H10+	γ_{29}	Partners' commitment to JV \rightarrow MOB
H11-	γ_{27}	Partner-JV conflict \rightarrow MOB
H12+	γ_{28}	Partner-JV communication frequency \rightarrow MOB
H13a+	$\gamma_{2(13)}$	JV autonomy \rightarrow MOB
H14+	$\gamma_{2(11)}$	JV managers' outcome interdependence \rightarrow MOB
H15+	$\gamma_{2(12)}$	JV managers' superordinate identity \rightarrow MOB
		Relationship between VALUE and NORM
H1a+	γ_{11}	Market oriented values \rightarrow Norms for MOB
		Performance determinants
H1b+	γ_{31}	Market oriented values \rightarrow Market performance
H3b+	β_{31}	Norms for MOB \rightarrow Market performance
H16+	β_{32}	MOB \rightarrow Market performance

Figure 6.2: Model Paths and Related Information on Parameters



Keys

- ξ_1 = Partners' market oriented values; ξ_2 = Partners' cultural sensitivity;
- ξ_3 = Partners' perception of vulnerability to opportunism;
- ξ_4 = Inter-partner trust; ξ_5 = Inter-partner commitment;
- ξ_6 = Inter-partner dependence; ξ_7 = Partner-JV conflict;
- ξ_8 = Partner-JV communication frequency;
- ξ_9 = Partner-JV commitment; ξ_{10} = Partners' dependence on JV;
- ξ_{11} = Outcome interdependence of JV managers;
- ξ_{12} = Superordinate identity of JV managers; ξ_{13} = JV autonomy.
- η_1 = JV's norms for market oriented behaviors;
- η_2 = JV's market oriented behaviors; η_3 = JV's market performance.

6.4 RESULTS OF THE STRUCTURAL MODEL

The analysis of the structural model presented in Figure 6.2 returned an excellent fit (see Table 6.4 for a summary of the various fit information). The chi-square test was non-significant (at .05 level). All the other fit indices also indicated that the model fitted the data very well. The R^2 of the three dependent variables (the reduced form squared multiple correlations as read from the LISREL output) indicated that satisfactory to high levels of variance in the dependent variables were explained by the independent variables. The percentages of variances explained (also see Table 6.4 below) (R^2) for the three dependent variables of market oriented behaviors, JV's norms for market oriented behaviors and market performance were respectively reported as 71%, 29% and 49%.

Table 6.4: Results for Structural Model

Model Fit Information:	Statistics
Chi-square with 25 degrees of freedom	37.58 ($p = .051$)
Root mean square error of approximation (RMSEA)	.052
Comparative fit index (CFI)	.99
Non-normed fit index (NNFI)	.96
Goodness of fit (GFI)	.98

R^2 for endogenous variables	Values
Market oriented behaviors	.710
JV's norms for market oriented behaviors	.286
JV's market performance	.488

Optimally, it is recommended that the minimum sample size to parameter ratio should be 5:1 (e.g., Bentler and Chou, 1987). However, due to model complexity, this recommendation could not be met in the current model testing. Yet, the sample size was still larger than the number of parameters to be estimated. Additionally, a more relaxed requirement (see Hair, Anderson, Tatham et al., 1998, p.604) which states that the absolute minimum sample size must be at least greater than the number of covariances or correlations in the input data matrix (191 samples versus 136 covariances in this study) was met. An identified model was thus expected.

Results of model testing suggested the relaxation of the minimum “parameter to sample size” recommendation had not posed any significant problem for the model estimation. Typically, all the model fit information showed that the model fitted the data very well. All the parameter estimates were on the right track and the overall model was viable. All evidence indicated that the model was an acceptable representation of the relationships as hypothesized. As such, this model was used for hypotheses testing. Results are presented in the next section.

6.4.1 Hypotheses Testing

After establishing that the structural model was a viable representation of the proposed relationships (evident in the fact that the model fitted the data well), the path estimates (γ and β) representing the various hypothesized relationships were then examined. Each path estimate has a path coefficient and an associated t-value. Since all the hypothesized relationships were directional, the critical t-values are 1.282, 1.645, and 2.325 respectively for $\alpha = .10$, $\alpha = .05$, $\alpha = .01$. Table 6.5 provides a summary of the hypothesized relationships, the corresponding standardized path coefficients, and the associated t-values.

The results of hypotheses testing for the main effects are discussed in detail in three separate sections. Section 6.4.2 discusses the antecedents to market oriented behaviors in general. Section 6.4.3 discusses the relationship between partners’ market oriented values and JV’s norms for market oriented behaviors. Finally, Section 6.4.4 discusses the linkage between the three components of market oriented culture (values, norms and behaviors) and market performance.

Table 6.5: Standardized Path Coefficients, t-values, and Summary of Results

Hypothesis	Structural path	Relationship	Standardized coefficient	t-value ^a
Relationship between MOB and Antecedents				
H2+	γ_{22}	Partners' cultural sensitivity → MOB	-.002	-.027
H3a+	β_{21}	Norms for MOB → MOB	.136	2.072**
H4+	γ_{26}	Inter-partner dependence → MOB	.006	.075
H5+	γ_{24}	Inter-partner trust → MOB	.000	-.003
H6a-	γ_{23}	Partners' perception of vulnerability to opportunism → MOB	-.099	-2.130**
H7+	γ_{25}	Inter-partner commitment → MOB	.113	1.543*
H8-		Untested path (inter-partner conflict → MOB)	n.a.	n.a.
H9+	$\gamma_{2(10)}$	Partners' dependence on JV → MOB	.022	.311
H10+	γ_{29}	Partners' commitment to JV → MOB	.175	3.071***
H11-	γ_{27}	Partner-JV conflict → MOB	-.225	-3.232***
H12+	γ_{28}	Partner-JV communication frequency → MOB	.101	1.331*
H13a+	$\gamma_{2(13)}$	JV autonomy → MOB	.062	1.010
H14+	$\gamma_{2(11)}$	JV managers' outcome interdependence → MOB	-.013	-.267
H15+	$\gamma_{2(12)}$	JV managers' superordinate identity → MOB	.339	2.539***
Relationship between VALUE and NORM				
H1a+	γ_{11}	Market oriented values → Norms for MOB	.466	7.580***
Performance determinants				
H1b+	γ_{31}	Market oriented values → Market performance	.617	7.341***
H3b+	β_{31}	Norms for MOB → Market performance	-.026	-.279
H16+	β_{32}	MOB → Market performance	.344	2.975***

*** $p < .01$; ** $p < .05$; * $p < .10$

^aCritical values are 1.282, 1.645, and 2.325 respectively for $\alpha = .10$, $\alpha = .05$, $\alpha = .01$ (all hypotheses are directional and thus one-tailed tests are applied).

6.4.2 Relationships between Market Oriented Behaviors and Antecedents

Altogether 13 antecedents³ were hypothesized to have bearing on the level of JV's market oriented behaviors under the scope as defined by this study. Each of them was specified in the structural model as a path estimate. Results are presented in the following subsections.

6.4.2.1 Hypothesis Concerning the Antecedent Effect of Partners' Cultural Sensitivity

H2: The more culturally sensitive are the boundary managers at the partner firms, the higher is the level of JV's market-oriented activities (i.e., intelligence generation, dissemination and responsiveness).

The test for the hypothesis concerning partners' cultural sensitivity was non-significant. The path coefficient was -.002, and the associated t-value was -.027. The empirical result did not support the hypothesized relationship. This indicates that a higher degree of cultural sensitivity among the partners' boundary managers bears no positive impact on the level of market-oriented behaviors in the JV.

One possible explanation for this non-significant linkage is that a well defined system of information generation and transmission has been put up in the partner firms. As such, specific norms (e.g., Heide and John, 1992) have been developed for generating and processing market intelligence and such norms dictate the behaviors of the boundary managers and pressure them to do whatever they are expected to do. Stated otherwise, if questions such as what intelligence should be generated, how it should be generated and what intelligence should be allowed to permeate the firm boundaries have been specified *ex ante*, boundary managers' discretion to influence such behaviors would then be minimal.

³ Originally 14 antecedent variables were hypothesized to affect JV's market oriented behaviors. Due to the dropping of one scale (namely inter-partner conflict, see Chapter 5), 13 paths (each representing one antecedent variable) were ultimately specified in the structural model.

6.4.2.2 Hypothesis Concerning the Antecedent Effect of JV's Norms for Market Oriented Behaviors

H3a: The stronger the MO norms in the JV, the higher is the level of JV's market-oriented activities (i.e., intelligence generation, dissemination and responsiveness).

As discussed in Chapter 3, "norms for market-oriented behaviors" is the only JV-specific factor that is examined as an antecedent to a JV's level of market-oriented behaviors. In fact, Hypothesis 3a states that the stronger these norms, the higher will be the level of market-oriented behaviors. This hypothesis was supported. The path coefficient was .136, and the associated t-value was 2.072 ($p < .05$). This result thus suggests that norms do have positive impacts on market-oriented behaviors. When the norms are stronger, the corresponding market oriented behaviors would be driven to a higher level. This lends support to Homburg and Pflesser's (2000) theoretical arguments although in empirical terms no support was found in their earlier work.

6.4.2.3 Hypothesis Concerning the Antecedent Effect of Inter-Partner Dependence

H4: The greater the magnitude of interdependence between partner firms, the greater is the JV's level of market-oriented activities (i.e., intelligence generation, dissemination and responsiveness).

Hypothesis 4 argues that inter-partner dependence has a positive effect on the level of JV's market-oriented behaviors. However, no statistically significant relation was found. The path coefficient was .006, with a t-value of .075 (n.s.). Hypothesis 4 was thus not supported. This result suggests that higher level of inter-partner dependence will not enhance the level of JV's market-oriented behavior as what has been proposed.

Since the construct of interdependence between the partners was defined in terms of the magnitude of the relationship, the asymmetry in partners' dependence (Gundlach and Cadotte, 1994) is likely to emerge in any high-magnitude relationship. One possible explanation for the non-significant result of hypothesis 4 might be offered in terms of the asymmetry dimension: when a high-magnitude is derived from

asymmetric level of partners' dependence, power struggle might occur, which counteracts the positive impact of a high-magnitude.

6.4.2.4 Hypothesis Concerning the Antecedent Effect of Inter-Partner Trust

H5: The higher the level of trust between the partner firms, the higher is the level of JV's market-oriented activities (i.e., intelligence generation, dissemination and responsiveness).

The statistical evidence as obtained from the structural model showed that hypothesis 5, which posits that inter-partner trust is positively related to the level of market oriented behaviors in the JV, was not supported. The coefficient for the path was .000, with an associated t-value of -.003 (n.s.). Hence, an increased level of inter-partner trust is not found to be associated with a high level of JV's market-oriented behaviors. This finding is in line with Aulakh, Kotabe and Sahay's (1996) study, where a non-significant relationship between interfirm trust and JV's performance was found. It seems that although trust has been argued as one of the most important relational capital in interfirm relationships, empirical evidence of its effect on nurturing desirable behaviors and performance is still inconclusive.

6.4.2.5 Hypothesis Concerning the Antecedent Effect of Partners' Perception of Vulnerability to Opportunism

H6a: The greater the partners' perceived degree of vulnerability to opportunism, the lower is the level of JV's market-oriented activities (i.e., intelligence generation, dissemination and responsiveness).

Hypothesis 6a predicts that partners' perception to opportunistic behavior is related negatively to the level of JV's market-oriented behaviors. With a path coefficient of -.099, and an associated t-value of -2.130 ($p < .05$), the finding lends support to the hypothesis. It indicates that an intensified level of partners' average perception of being vulnerable to a counterpart's opportunistic behavior would trigger some defensive actions in terms of resources rationing, information blockage or distortion from the partners. As such, the level of market oriented behaviors inside the JV is hampered.

6.4.2.6 Hypothesis Concerning the Antecedent Effect of Inter-Partner Commitment

H7: The greater the inter-partner commitment, the higher is the level of JV's market-oriented activities (i.e., intelligence generation, dissemination and responsiveness).

The hypothesis concerning inter-partner commitment was marginally supported. The path coefficient was .113, with an associated t-value of 1.543 ($p < .10$). Thus, it indicates that a higher level of inter-partner commitment could indeed be beneficial to the JV's overall capability of generating market intelligence and subsequent processing of and utilizing such intelligence.

6.4.2.7 Hypothesis Concerning the Antecedent Effect of Partners' Dependence on JV

H9: The greater the partner firms' dependence on the success of the JV, the greater is the JV's level of market-oriented activities (i.e., intelligence generation, dissemination and responsiveness).

Hypothesis 9 posits that partners' dependence on the JV will be positively related to the level of JV's market-oriented behaviors. However, this relationship was not supported. The coefficient of the path was .022, with an associated t-value of .311 (n.s.). In fact, results indicate that increased level of parents' dependence on the JV would not promote the market oriented behaviors in the JV directly.

Similar to the non-significant result of the hypothesized path between inter-partner dependence and JV's market oriented behaviors, test of hypothesis 9 was also not significant. Given that asymmetric dependence on the JV would also exist even in cases of high-magnitude dependence, it was speculated that such asymmetry cancels out the positive effect of a high magnitude of partners' dependence on the JV.

6.4.2.8 Hypothesis Concerning the Antecedent Effect of Partners' Commitment to JV

H10: The greater the partners' commitment to the JV, the higher is the level of JV's market-oriented activities (i.e., intelligence generation, dissemination and responsiveness).

Hypothesis 10 predicts that partners' commitment to JV positively affects the level of market-oriented behaviors. This hypothesis was supported with a path coefficient of .175, and a t-value of 3.071 ($p < .01$). This finding suggests that committed partners are more likely to commit the due attention and resources to the JV. This commitment when translated to resources support and valuable market information sharing, the JV's market-oriented behavior will be greatly enhanced.

6.4.2.9 Hypothesis Concerning the Antecedent Effect of Partner-JV Conflict

H11: The greater the level of dysfunctional conflict between JV and parents, the lower is the JV's market-oriented activities (i.e., intelligence generation, dissemination and responsiveness).

Hypothesis 11, which states that the higher the level of partner-JV conflict, the lower will be the level of JV's market oriented behaviors, was supported. The path coefficient was -.225, with a t-value of -3.232 ($p < .01$). This result thus suggests that intensified level of conflictual behaviors between the JV's managers and its parent firms' boundary managers would impede its level of market-oriented behaviors due to reasons such as resources rationing, and the need to maintaining a resolution mechanism.

6.4.2.10 Hypothesis Concerning the Antecedent Effect of Partner-JV Communication Frequency

H12: The higher the communication frequency between the partners and the JV, the greater is the level of JV's market-oriented activities (i.e., intelligence generation, dissemination and responsiveness).

Statistical evidence did exist to support hypothesis 12, which postulates that the level of partner-JV communication frequency would positively enhance the level of market oriented behaviors in the JV. The coefficient of the path was .101, with an associated t-value of 1.331 ($p < .10$). This result suggests that increased communication frequency enhances the capacity of the JV in terms of executing a high level of market oriented behaviors.

6.4.2.11 Hypothesis Concerning the Antecedent Effect of JV Autonomy

H13a: The greater the JV autonomy in decision making, the higher is the level of JV's market-oriented activities (i.e., intelligence generation, dissemination and responsiveness).

Hypothesis 13a predicts the relationship between JV autonomy and the level of JV market-oriented behaviors. JV autonomy is hypothesized to have direct positive effect on its level of market oriented behaviors. Yet, this hypothesis was not supported. The path coefficient was .062, with a t-value of 1.010 (n.s.). It shows that even the JV is highly autonomous, the level of its market-oriented behaviors will not be directly engendered as a result.

The impact of an increased autonomy on driving the JV's management team to engage in market oriented behaviors seems to have been canceled out by the parents' tendency to withholding investments and supplies in terms of requisite resources to the JV. The reduced supply of critical resources hinders the JV's capacity in generating intelligence, and disseminating it in a timely fashion. Most importantly, resources rationing hampers the JV's ability to implementing marketing programs effectively.

6.4.2.12 Hypothesis Concerning the Antecedent Effect of Outcome Interdependence of JV Managers

H14: The higher the degree of outcome interdependence among the JV managers, the higher is the level of JV's market-oriented activities (i.e., intelligence generation, dissemination and responsiveness).

Hypothesis 14 was not supported with a path coefficient of $-.013$ and a corresponding t-value of $-.267$ (n.s.). Thus, outcome interdependence is not positively related to the level of market orientation as what has been expected. The result also implies that a high extent of outcome interdependence among the JV managers cannot enhance the JV's market-oriented behaviors directly. It appears that outcome interdependence might work on market oriented behaviors via other mediating variables. In fact, this is highly possible as outcome interdependence was related to new product performance through the mediator of superordinate identity (Sethi, 2000).

6.4.2.13 Hypothesis Concerning the Antecedent Effect of Superordinate Identity of JV Managers

H15: The greater the superordinate identity of the JV management team, the higher is the level of JV's market-oriented activities (i.e., intelligence generation, dissemination and responsiveness).

Hypothesis 15, which posits that superordinate identity among the JV managers would engender market-oriented behaviors, was supported. The path coefficient was $.339$, with a t-value of 2.539 ($p < .01$). For the sake of a more precise interpretation of this finding, it warrants to caution that part of the variance shared by the construct of interest with four other constructs including, "partners' market oriented values", "partners' cultural sensitivity", "inter-partner trust", and "partners' commitment to the JV" had been removed during the scale development process. As discussed in Chapter 5, since the variable of superordinate identity correlated highly with these four aforesaid constructs, a special effort (residual centering) was made to partial out the undesired portion of shared variances. Any net effect could thus be attributable to the "true" relation between the construct of "superordinate identity" and the dependent variable. Statistical results as obtained thus far suggest the existence of a positive

relationship between JV managers' superordinate identity and market-oriented behaviors.

6.4.3 Relationship between Market Oriented Values and Norms

6.4.3.1 Hypothesis Relating Partners' Market Oriented Values to JV's Norms for Market Oriented Behaviors

H1a: The greater the combined market-oriented values of the partners, the greater is the JV's level of market-oriented norms.

Hypothesis 1a posits that partners' market oriented values would directly and positively enhance the set of norms for market oriented behaviors in the JV. This hypothesis was supported empirically. The path coefficient was .466, with an associated t-value of 7.580 ($p < .01$). In terms of the statistical evidence, it is found that a strong magnitude of market oriented values shared by the partners can have positive impact on driving the formation of norms in the JV, which in turn provide rules or guidelines for desirable behaviors.

6.4.4 Consequences of Market Orientation

The consequence of being market oriented is discussed in three layers, namely market oriented behaviors, the norms for market oriented behaviors and partners' market oriented values. In the following, the respective relationships are examined and discussed.

6.4.4.1 The Effect of Market Oriented Behaviors on Market Performance

H16: A high degree of JV market-oriented activities has positive impact on its market performance.

Hypothesis 16 posits a positive relationship between market-oriented behaviors and market performance. This hypothesis was supported with a path coefficient of .344 and a t-value of 2.975 ($p < .01$). The finding is in line with the majority of works in the market orientation literature that being market oriented is beneficial to performance,

especially the marketing aspect of performance. The empirical evidence of this study therefore extends the scope of the market oriented behaviors and performance linkage to the context of a JV.

6.4.4.2 The Effect of Norms for Market Oriented Behaviors on Market Performance

H3b: The stronger the MO norms in the JV, the better is the JV's market performance.

The hypothesis postulating that JV's norms for market oriented behaviors have direct positive impact on market performance was not supported. The path estimate was -.026, with a t-value of -.279 (n.s.). It suggests that the norms for market oriented behaviors do not enhance market performance directly. The result shows that norms for market oriented behaviors only have indirect impact on market performance through market oriented behaviors. This result is not totally unexpected as the relationship has not directly been established in the organizational culture studies.

6.4.4.3 The Effect of Partners' Market Oriented Values on JV's Market Performance

H1b: The greater the combined market-oriented values of the partners, the better is the JV's market performance.

The hypothesis on the direct relationship between partners' market oriented values and JV's market performance was supported with a path coefficient of .617, and a t-value of 7.341 ($p < .01$). The finding indicates that strong market oriented values prevailing in partner firms enhances the JV's market performance.

6.4.5 Section Summary

The model testing exercise for the main effects reveals several findings. First of all, among the 13 proposed antecedents, partners' commitment to JV, partner-JV conflict and superordinate identity among the JV managers return the highest standardized path coefficients. This suggests that these three antecedents have strongest impact on the level of JV's market oriented behaviors. Other antecedents which are found to have impact on market oriented behaviors include JV's norms for market oriented behaviors, partners' perception of vulnerability to opportunism, inter-partner commitment, and partner-JV communication frequency. Moreover, the link from partners' market oriented values to JV's norms for market oriented behaviors is also evidential (with a large standardized path coefficient of .466). This finding, in conjunction with the antecedent effect of JV's norms on overt market oriented behaviors, lends support to the multiple-layer structure of a market oriented culture. Finally, results derived from testing the structural model suggest that in addition to market oriented behaviors, market oriented values also play a role in determining market performance.

6.5 TESTING MODERATING EFFECTS USING LISREL MULTIGROUP ANALYSIS

The moderating effects proposed in this study are examined independent of the main structural model. There are altogether three moderating effects that would be examined. The LISREL multigroup analysis was used to test the individual moderating effect. To form groups of data points for inputting into the analysis, a split of the entire dataset based on the moderator variable is required. As such, a median split of the moderator variable of interest was done, which effectively yielded two groups of roughly equal size. By this procedure, two groups characterized by a high (group 1) and a low (group 2) level of the moderator variable of interest were formed.

Two models would then be specified: one constrained and one unconstrained. The underlying assumption of the constrained model is that the path estimate of the main effect holds across the two groups under analysis. Thus, the path estimate as specified in group 1 would be imposed on group 2. In the unconstrained model, however, no such assumption is made and the paths are allowed to be estimated independently for the two groups. If the unconstrained model returns a significantly better fit than the

constrained model (indicated by a significant decrease of the chi-square statistic), moderating effect is evidential. Following this procedure, the three proposed moderating effects were tested and results are discussed in the next few sections.

6.5.1 The Moderating Effect of Inter-Partner Trust

H6b: The relationship between partners' perceived degree of vulnerability to opportunism and JV's market-oriented activities is moderated by inter-partner trust: the greater the degree of inter-partner trust, the weaker is the relationship between partners' perceived degree of vulnerability to opportunism and JV's market-oriented activities.

Hypothesis 6b states that the higher the trust level between the major partner firms, the weaker will be the negative effect of partners' perceived degree of vulnerability to opportunism on the level of JV's market-oriented behavior. In order to perform the multipgroup analysis, a median split was made to divide the sample into high trust group (group 1) and low trust group (group 2). The analysis of the unconstrained model (with separate estimation of the main effect) returned two differing estimates (see Table 6.6): the path coefficient in group 1 is -.23, with a t-value of -1.39 ($p < .10$); and the path coefficient in group 2 is -.66, with a t-value of -3.88 ($p < .01$). In addition, the constrained model with common estimation of the main effect resulted in an overall chi-square statistic that is significantly larger than that of the unconstrained model ($\chi^2_{diff(1)} = 7.41, p < .01$). As such, hypothesis 6b was supported. This finding shows that greater level of trust between the partner firms reduces the negative effect of partners' perceived vulnerability to opportunism on the level of JV's market-oriented behaviors.

Table 6.6: Results of Multigroup Analysis of the Moderating Effect of Inter-Partner Trust

Moderator: Inter-partner trust (negative effect on main path)		
Main path: partners' perception of vulnerability to opportunism → (-) MOB		
	High level of inter-partner trust	Low level of inter-partner trust
Standardized coefficient on main path	-.23	-.66
t-value*	-1.39	-3.88

*Since the main path is directional, one tailed test is applied.

6.5.2 The Moderating Effect of Outcome Interdependence among the JV Managers

H13b: The higher the level of outcome interdependence among the JV management team, the greater is the effect of JV autonomy on the level of market-oriented activities.

Hypothesis 13b postulates that outcome interdependence of the JV management team will enhance the effect of JV autonomy on the level of JV market oriented behaviors. Accordingly, two groups were formed based on a median split of the summated variable of outcome interdependence: with one group representing for a high level of outcome interdependence (group 1) and the other for a low level (group 2). The two path estimates returned from the analysis of the unconstrained model demonstrated that no substantial differences existed (see Table 6.7): the path coefficient in group 1 was .06, with a t-value of .36 (n.s.); and the path coefficient in group 2 was .00, with a t-value of .01 (n.s.). A comparison of the chi-square change between the two models also reveals that model fit do not differ significantly (χ^2 diff (1) = .07, n.s.). As such, hypothesis 13b was not supported. It appears that outcome interdependence does not moderate the effect of JV autonomy on JV's market-oriented behaviors.

Table 6.7: Results of Multigroup Analysis of the Moderating Effect of Outcome Interdependence of JV Managers

Moderator: Outcome interdependence of JV managers (positive effect on main path)		
Main path: JV autonomy → (+) MOB		
	High level outcome interdependence	Low level of outcome interdependence
Standardized coefficient on main path	.06	.00
t-value*	.36	.01

*Since the main path is directional, one tailed test is applied.

6.5.3 The Moderating Effect of Market Dynamism

H17: The relationship between a JV's market-oriented activities (i.e., intelligence generation, dissemination and responsiveness) and its performance is moderated by environmental factors (i.e., market turbulence, competitive intensity, technological turbulence, and regulatory turbulence).

Hypothesis 17 states that market dynamism will moderate the relationship between market-oriented behaviors and market performance. A median split on the summated scale of market dynamism was performed to divide the dataset into two groups of high (group 1) versus low (group 2) market dynamism. The subsequent multigroup analysis (see Table 6.8 for results) of the unconstrained model for the two groups returned two differing path estimates for the main effect: the path coefficient in group 1 was .30, with a t-value of 2.12 ($p < .05$); and the path coefficient in group 2 was .61, with a t-value of 4.04 ($p < .01$). Moreover, a significant decrease in chi-square from the constrained model to the unconstrained model was also found (χ^2 diff (1) = 4.51, $p < .05$). Results thus support hypothesis 17, indicating that market dynamism moderates the relationship between market oriented behaviors and market performance. Specifically, results show that the effect of market oriented behaviors on market performance is greater under a context characterized with a low level of market dynamism.

Table 6.8: Results of Multigroup Analysis of the Moderating Effect of Market Dynamism

Moderator: Market dynamism (direction of effect not specified)		
Main path: MOB → Market performance		
	High level of market dynamism	Low level of market dynamism
Standardized coefficient on main path	.30	.61
t-value*	2.12	4.04

*Since the main path is directional, one tailed test is applied.

6.6 DISCUSSION AND SUMMARY

In this chapter, the system of hypotheses as developed in Chapter 3 was formally tested. Specifically, the hypothesized structural model for market oriented behaviors and its antecedents and consequences was examined. Furthermore, the moderating effects that had been proposed were also tested by using LISREL multigroup analysis. Key findings are summarized in the following.

6.6.1 Antecedents to JV's Market Oriented Behaviors

The results of this study show that antecedent factors arising from interrelations among the triadic players to a JV system do affect the JV's level of market oriented behaviors. A number of antecedents have been found to affect JV's level of market oriented behaviors. These factors include JV's norms for market oriented behaviors, partners' perception of vulnerability to opportunism, inter-partner commitment, partners' commitment on the JV, the communication frequency between the JVs and its parents, the level of conflict between the JV and its parents, and the sense of superordinate identity among the JV managers.

First of all, norms for market oriented behaviors, the layer of culture lying between the core values and overt behaviors, was found to positively affect the level of market oriented behaviors in the JV. This finding is in line with the argument in culture studies that norms being rules of the game guide the corresponding behavior (e.g., Kilmann, Saxton and Serpa, 1985).

Next, findings indicate that parent firms' perceived vulnerability to their partners' opportunistic behavior is negatively associated with the degree of market oriented behaviors in the JV. This suggests that when the parent firms perceive a high degree of vulnerability to their partners' opportunistic behavior, regardless of the true intent of the latter, they would react in a way to attenuate such vulnerability. Such reactions could include withdrawing investments of an idiosyncratic nature to the JV, creating barriers to block information exchange and communication and rationing other requisite resources to the JV. Thus, the JV's market oriented behaviors would be significantly hampered. However, finding also suggests that the aforesaid relationship is moderated by inter-partner trust. It was found that with a higher level of inter-

partner trust, the adverse effect of such perceived vulnerability on JV's level of market oriented behaviors is reduced.

Thirdly, findings indicate that inter-partner commitment has marginal effect on engendering JV's market-oriented behaviors. Nonetheless, it appears that an increased level of partner's commitment to each other can iron out the wrinkles in the interfirm relation and thus enhances their incentives to investing in augmenting their organizational systems and procedures to take care also of the intelligence needs of the JV. Furthermore, intelligence dissemination across the firm boundaries is also strengthened. The willingness to commit key human and other strategic resources to the JV is critical to the JV's overall capability of generating market intelligence and subsequent processing and utilization of such intelligence. In a similar vein, partners' commitment to the JV was also found to have positive effect in nurturing the market-oriented behaviors in the JV.

Fourthly, it was found that an intense conflict level between the JV and its parent firms hampers the JV's market oriented behaviors. The empirical support to this hypothesis indicates that dysfunctional conflict between the JV and its parents sacrifices its capacity to engage in market oriented behaviors. This finding coincides with early propositions (e.g., Walton and Dutton, 1969) that intensified conflict level among members of different affiliations has adverse impact on information sharing, quality of decisions and coordinated activities that are needed to implement timely responses.

Fifthly, communication frequency between the JV and its parents was found to be positively associated with the degree of JV's market oriented activities. It appears that the argument that an augmented level of communication between the parents and the JV reinforces partners' confidence in the JV and motivates them to make more idiosyncratic investments to engender the JV's market oriented behaviors is sustainable.

Lastly, the sense of superordinate identity among the JV managers was found to be positively associated with market oriented behaviors. The finding suggests that the sense of belongingness as aspired by the JV managers enhances the team-spirit and mitigates the adverse effect of group fractionality resulting from different parental

affiliation of the JV managers. This result is in line with Sethi's (2000) argument that the sense of superordinate identity encourages team members to engage in market oriented behaviors such as sharing information and accommodating one another's perspectives during decision-making.

6.6.2 Market Orientation: A Multifaceted Concept

Hypotheses 1a and 3a posit directional links for the three layers of market oriented culture: parents' market oriented values → JV's norms for market oriented behaviors → JV's market oriented behaviors. Findings suggest that partners' market oriented values do have a direct positive effect on nurturing the corresponding norms in the JV. At the same time, evidence also shows that stronger norms foster a higher level of market oriented behaviors. These results lend support to Homburg and Pflesser's (2000) model of market oriented organizational culture. Although in their original work the hypothesized link between norms and market oriented behaviors was not supported empirically, the finding in this study does show the existence of this directional path. Albeit the inconsistent empirical evidence, this link is well grounded in the culture studies and the current finding duly supports this proposition.

6.6.3 Consequences of Market Orientation

Findings in this study show that the market oriented behaviors-performance linkage does hold in the context of a JV. Furthermore, this linkage is moderated by market dynamism. As proposed, the JV's level of market oriented behaviors does have significant positive effect on its market performance. Since market performance is measured in terms of market serving indicators such as customer satisfaction, value creation for customers, market share and market growth, which are key indicators of a firm's competitiveness relative to its competitors in the market, it is evidential that market oriented behaviors is deterministic to an organization's success. Besides, test of the moderating effect of market dynamism on the main path shows that the positive effect of market orientation on market performance is substantially reduced in a market characterized with high dynamism. In line with some market orientation

studies (e.g., Appiah-Adu, 1998), market oriented behaviors is most beneficial in a market characterized with low dynamism.

Additionally, the other two components of market oriented culture, namely partners' combined market oriented values and JV's norms set are also found to work directly on JV's market performance. Findings show that partners' market oriented values do predict market performance in the JV. A higher level of partners' shared market oriented values is associated with a better level of JV's market performance. However, no such effect is found for the link between JV's norms set and its market performance. It seems that norms for market orientation work only through behaviors and they alone cannot engender market performance directly.

The next chapter gives a general report and conclusion of this study. Firstly, the key findings are presented. Then, a discussion of the contribution of this study and managerial implications are furnished. Finally, limitations are reported and future research directions introduced.

CHAPTER 7

DISCUSSION AND CONCLUSIONS

7.1 INTRODUCTION

This chapter serves to conclude the entire research project by discussing the important findings, implications and limitations. To begin with, a presentation of the important theoretical implications is given. The fundamental research objective is reviewed and the contributions of this study are presented and discussed. Following which, an account of managerial implications and the associated recommendations for marketing practitioners is synthesized. Lastly, limitations of this study are discussed and directions for future research are also provided.

7.2 THEORETICAL IMPLICATIONS

Taking full recognition of the upsurge of joint ventures and other forms of interfirm cooperation, this study set forth to examine the determinants of market oriented behaviors in a JV, which have largely been neglected in prior market orientation studies. Although marketing scholars (e.g., Liu and Pak, 1999) have attempted to examine some aspects of market orientation in a JV context, no explicit effort insofar has exclusively related the JV's relational context with its level of adoption of market oriented behaviors. This study is therefore the first to introduce the context-specific determinants of JV's market oriented behaviors into the study scope of antecedent factors.

Importantly, this study also serves to integrate the themes of several bodies of literature, including market orientation, channels management, international business and even strategic management. The construction of the theoretical arguments of the proposed relational antecedents to JV's market oriented behaviors had been largely referenced from the principles of transaction cost analysis (e.g., Hill, 1990; Pearce, 1997; Williamson, 1985). To the best knowledge of the researcher, this is the only study that has explicitly adopted the theoretical lens provided by the TC theory to investigate the antecedents to market oriented

behaviors. Specifically, insights were gained from the two underlying assumptions of human behavior (namely opportunism and bounded rationality) as stipulated by the TC theory. These two assumptions demand increasing amount of efforts from the players to safeguard their transaction-specific assets in view of behavioral and environmental uncertainty. As such, how the acts of safeguarding against partners' opportunism given bounded rationality have important implications to the establishments or modifications of organizational systems to meet intelligence generation, information circulation and processing needs within a JV system. In a similar vein, the relational dynamics among the triadic players in the JV system also have implications on the motivation for assigning requisite resources including key human resources and other strategic resources to facilitating the market oriented behaviors in the JV. Strategically, since entering into a JV constitutes a corporate decision, the possible impacts resulting horizontally from inter-partner relations as well as vertically between partners and the JV should be carefully and thoroughly analyzed. Moreover, this study also adds new insights to the theoretical domains of strategic management by examining the interrelations between that set of relational resources (governance) and market oriented behaviors.

Furthermore, this study has also attempted to establish the relationship of market oriented behaviors and market performance in JVs, where little if any evidence is available. The following sections highlight some key results and implications derived from this study.

7.2.1 Antecedents to Market Oriented Behaviors

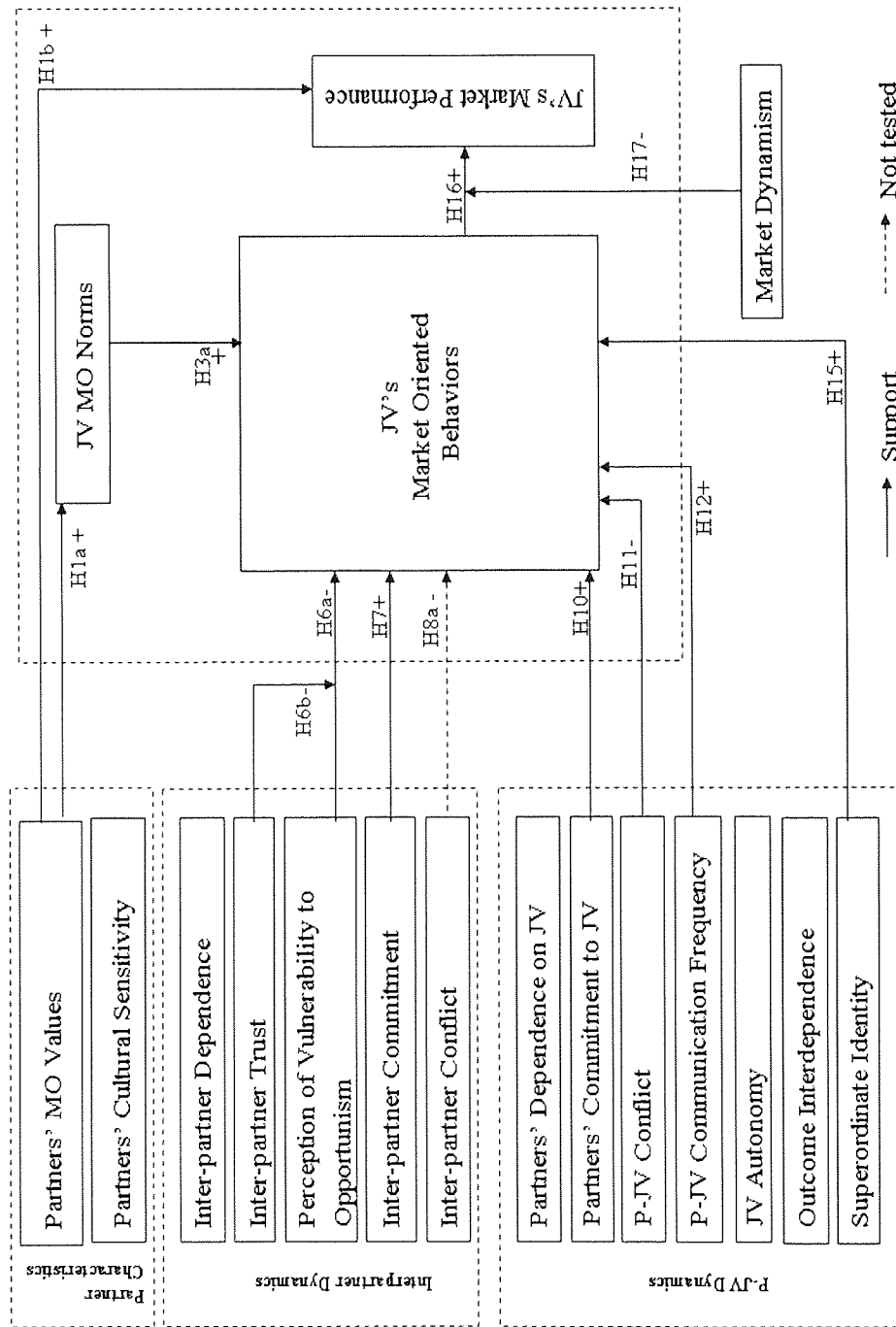
By initiating an explicit effort to conceptualizing and measuring different sources of influence on the JV's level of market oriented behaviors, this study contributes to the market orientation literature by extending its scope of antecedent factors. Traditionally, such factors have been examined within a narrowly defined scope: only including those factors arising internally from a unitary firm's management dynamics, systems, interfunctional dynamics, or at best from its task environment. This study represents a novel attempt to operationalize a set of antecedent factors from sources outside a traditional firm's boundary. To suffice the need of identifying possible antecedent candidates, this study has afforded a formal classification

schema of the sources of influence on the JV's degree of market oriented behaviors (this schema was introduced and discussed in Chapter 3). Other than the set of antecedent factors that has been extensively examined in prior market orientation studies, the current study proposed that antecedent factors in the form of relational capital (governance) can arise from exogenous sources outside the firm's operational boundary.

Moreover, it also sheds light on the marketing literature by simultaneously investigating two systems of relational dynamics. Specifically, different sets of relational dynamics pertaining respectively to the horizontal interrelations between the partners and vertical interrelations between the partners and the JV have been conceptualized and operationalized. Although the frame for the collection of empirical evidence in this study was based on a specific cooperative type of equity joint ventures, the mechanism by which the relational dynamics work on market oriented behaviors shed new light on the quest of how market oriented behaviors develop and are shaped in a wide array of interfirm operations. Insofar, this is the only study that has set forth to operationalize relational dynamics at two distinct levels. Thus this study also contributes to add further insights to the understanding of the mechanism by which market oriented behaviors are nurtured. A synthesis of the key findings is provided in the following.

This study provides valuable insights into the antecedent factors of JV's market oriented behaviors. In particular, research findings suggest that JV's level of market oriented behaviors are positively affected by norms for market oriented behaviors, inter-partner commitment, partners' commitment to the JV, communication frequency between the partners and the JV, and JV managers' sense of superordinate identity, and negatively affected by partners' perception of vulnerability to opportunism and partner-JV conflict. Moreover, other antecedent factors including partners' cultural sensitivity, inter-partner dependence, inter-partner trust, partners' dependence on JV, JV autonomy and JV managers' outcome interdependence were not found to significantly affect JV's level of market oriented behaviors. Figure 7.1 summarizes the key findings that have been derived from the hypotheses testing of this study.

Figure 7.1: Summary of Study Findings



Of particular interest here are the salient differences in terms of their deterministic effects on market oriented behaviors among the three constructs of commitment, dependence and trust. Findings suggest that while commitment conceptualized at two levels: horizontally between the partners and vertically from the partners to the JV, has significant impact on JV's market oriented behaviors, the hypothesized antecedent effects of dependence (also conceptualized at two levels) and trust are not significant. These findings highlight the needs to further explore the salient differences between these three constructs of interest.

A plausible way of interpreting these results might be offered in terms of the substantiality nature of information acquisition and processing needs. In this study, the construct of commitment connotes an overtone of "endurance and willingness to act on promise" (e.g., Morgan and Hunt, 1994; Sarkar, Cavusgil and Evirgen, 1997). Typically covered issues include "parent companies are patient with each other even when one makes mistakes and causes the other trouble", "parent companies are willing to dedicate whatever people and resources it takes to grow sales for the other party", and "the JV is something that parent companies believe deserves their maximum effort to maintain". Therefore, it can be argued that only parent firms that are truly committed that they would engage in enduring activities of consistent intelligence generation and processing on behalf of the JV, or supply the JV with requisite resources to develop its own market oriented behaviors. On the other hand, while trust and dependence may set the stage for better interfirm cooperation, they may not affect market oriented behaviors directly in the way commitment does.

Another noteworthy finding is the construct of "partners' perception of vulnerability to opportunism" as an antecedent variable. As expected, partners' concern for opportunism has adverse impact on promoting market oriented behaviors in the JV. As requisite resources that are needed to facilitate the generation and processing of intelligence represent idiosyncratic investments on the part of the partner firms, partners that feel more vulnerable to their counterparts' opportunism would tend to rein in such investments. Undesirably this weakens the JV's sources of valuable market intelligence from the parents as well as its own capacity to develop market oriented behaviors. The implication here is that the impediment itself is not necessarily a manifest behavior that has been undertaken. Studies in the interfirm

management field have commonly investigated the opportunism construct as a manifest behavior that was undertaken by a partner firm (Parkhe, 1993b). By conceptualizing opportunism as a mere perception of the vulnerability to potential exploitation, this study provides insights to a psychological connotation of the opportunism construct.

Furthermore, the composition of the JV management team has been widely attributed to affect JV's operations and performance. However, in this study, only superordinate identity of the JV managers was found to be related to JVs' market oriented behaviors, and further efforts are thus needed to investigate how other traits of the often fractionalized JV management team affect the JV's market oriented behaviors. While this finding lends support to Sethi, Smith and Park's (2001) notion on superordinate identity, the conceptual specification underlying the constructs between outcome interdependence and superordinate identity needs further analysis. Specifically, the construct of superordinate identity as conceptualized in this study represents a state of affective attachment of the management team to the JV which effectively binds the JV managers of diverging backgrounds together (c.f., Johnson, Korsgaard and Sapienza, 2002). The development of a feeling of psychological ownership of the project (here, the project of joint venture) among team members drives their market oriented behaviors. On the other hand, outcome interdependence is conceptualized as an external force that aligns incentives by rewarding the desirable behaviors while penalizing those that are not. The findings of this study suggest that intrinsic rewards that JV managers derive from a psychological state of attachment to a group are more effective in promoting desirable behaviors such as market oriented behaviors in the JV.

Last but not least, in contrast to previous findings (e.g., Homburg and Pflesser, 2000), norms for market oriented behaviors were found to positively affect market oriented behaviors. Despite the inconsistency in empirical results found, this relationship has a strong theoretical stance. As such, this study provides new insights to the missing link between norms and market oriented behaviors.

7.2.2 Linking the Multifaceted Construct of Market Orientation to Market Performance

Despite the abundance of empirical evidence that suggests the benefits of being market oriented (e.g., Jaworski and Kohli, 1993; Narver and Slater, 1990), no explicit effort has been extended to investigate exclusively the consequences of market oriented behaviors in a JV context. This study has filled this void by generating empirical evidence for the sustainability of the link between market oriented behaviors and performance in this non-traditional context. More importantly, two other paths were also proposed relating market oriented values and the associated norms respectively to the JV's level of market performance. With the conceptualization and operationalization of market orientation as a multifaceted construct (i.e., market oriented values, norms, and behaviors), this study has made it possible to examine the other two paths linking respectively the more deep-lying market oriented values and norms directly with performance. In fact, results show that both the core market oriented values and the most overt layer of behaviors have positive and significant effects on market performance. This model thus adds insight to the understanding of the different facets (layers) of market-oriented culture and their associated consequences in terms of market performance. To the best knowledge of the investigator, this is the only study that has explicitly examined the consequences of the market-oriented culture in a JV's context.

Other than the foregoing issues, the strength of the linkage between market oriented behaviors and performance under different environmental conditions has been largely unresolved (e.g., Greenley, 1995; Homburg and Pflesser, 2000; Slater and Narver, 1994a). In order to examine the extent to which this relationship holds in a JV context, the moderating effect of market dynamism was also examined. Since empirical results gathered insofar have been inconclusive and the operationalization of this relationship has been extended to a new context as in this study, the hypothesis established with respect to the moderating effect of market dynamism on the linkage of interest was exploratory in nature. As the findings suggest, market dynamism weakens the positive association between market oriented behaviors and market performance. Thus, this study has also shed light on the question of when being market oriented is most beneficial for a JV.

7.2.3 Methodological Implications

Apart from the theoretical implications discussed above, methodologically, this study has also introduced a new perspective for the study of interfirm relationships. As remarked by Luo, Shenkar and Nyaw (2001), contemporary studies examining interfirm relationships and other related topics such as partner satisfaction and performance have been conceived largely with a unilateral focus. The design of this study has in fact addressed this very shortcoming. Throughout the flow of the questions, respondents were prompted to represent different standings of the triadic players. For example, informants were instructed to average the perceived relational dynamics/capital (Lorenzoni and Lipparini, 1999; Sarkar, Echambadi, Cavusgil et al., 2001) horizontally between the two main partners. This effectively portrayed a reasonably good picture of the relational dynamics horizontally between the partners as well as vertically between the partners and the joint venture. As such, all constructs measuring the partner-partner interrelations as well as partner-JV interrelations were measured as an average magnitude between the parties which had been involved. Such an approach represents a constructive attempt to close the gap in the interfirm literature that is dominated by a one-sided perspective.

7.3 MANAGERIAL IMPLICATIONS

A theoretical three-layer model of market oriented culture has been operationalized and empirical established in this study. Findings suggest that the parental market oriented values have significant and positive impact on nurturing the corresponding norms set for market orientation. This relationship is in line with the conceptualization of culture used by the social and organizational behavior authors. They contend that the organizational culture is largely shaped by the philosophy and value system carried by the founders (Schein, 1985). This sheds light on the partner choice when a market-oriented firm is seeking to enter into a JV relationship. Findings indicate that a large magnitude of combined market oriented values would be derived from a union of one strong set of parental market oriented values with a second set of at least medium level of magnitude. Such a requisite precludes a focal firm's choices from allying with a potential partner that is not market oriented

should it wishes to form a JV exhibiting a high degree of market oriented behaviors.

As behaviors are driven by norms that are in turn manifestations of an underlying value system, the corporate managers should anchor their long-term commitment at building up an organizational culture that is market oriented. It is only through the nurturing of a fundamental and common frame of reference that the desired behaviors of being market oriented can be engendered (see Gebhardt, Carpenter, and Sherry, 2006). The findings thus shed light on the important cultural antecedents to market oriented behaviors.

Next, the set of antecedent factors as proposed and examined in this study has also practical relevance to managers who consider entering into a relational tie (such as pursuing a JV) as a viable vehicle for value creation. Results show that certain factors deriving from the interrelations of the triadic players in a JV system are capable of enhancing or impeding the level of market oriented behaviors in the JV. As introduced earlier, two levels of interrelations have been investigated in this study, namely, the horizontal level specific to the relational dynamics between the two principal partners as well as the vertical level pertinent to the two partners as a unit and their joint venture. As for the former, two variables have been found to be capable of affecting the level of market oriented behavior in the JV: perception of vulnerability to partners' opportunism and parent-parent commitment. One important note that warrants managers' attention is that the construct of perception of vulnerability connotes the mere belief that the partner has the capacity to engage in opportunistic behavior. It is different from the opportunistic behavior construct as examined by Parkhe (1993b) who proposed that partners' actual opportunistic behavior is the source of concern for the second partner. The construct as proposed in this study has been operationalized as a mere sense of the perception of the potential that is represented either by the focal partner's inferior feeling or by the other partner's express superiority. The implication here is that managers pursuing a JV should try to firstly practice the qualifications procedures such that the odds for their firm to unite with a partner of comparable strength are increased. Otherwise, they have to get themselves prepared to cultivate an enduring relationship so that fears of partners' opportunism are effectively attenuated. An effective means to enhancing the market oriented behaviors in the JV is thus through the deliberate

reduction of this undesirable perception between the partners.

The commitment level of the partners towards each other is another factor that is found to affect the level of market oriented behaviors in a JV. As engagement in activities of information generation and dissemination is expensive (e.g., Steinman, Deshpande and Farley, 2000), such extension beyond the firm's boundary pulls the string further. If the partner firms are committed to each other, they are apt to invest in building up such capacity and disseminating valuable intelligence beyond the firm boundary. Moreover, their willingness to invest directly to the JV's market oriented processes and activities is also enhanced. Practical implications here would include enhancing partner commitment towards each other by practicing careful partner selection such that partners that have a past experience of cooperation and at the same time are committed to stick together would be preferred. Otherwise, managers should strive for strengthening the bond between the partners along the evolution of the relational tie.

In addition to the two factors discussed in the foregoing sections, some other factors arising from the vertical interrelations of the partners and their joint project of interest were also found to be influencing the level of market oriented behaviors in the JV. Like their level of commitment towards each other, partners' commitment towards the joint venture itself is significantly and positively affecting the joint venture's engagement in market oriented behaviors. Comparable insights as drawn from partner-partner commitment could be extended to understanding the mechanism of how partners' average commitment to the joint venture works on the level of market oriented behaviors. In this regard, managers should therefore strive for streamlining the commitment of the partners to work for the benefits of the joint venture.

More frequent communication between the partners and the joint venture can also enhance the generic activities of market orientation. Communication frequency as defined in this study refers to all sorts of formal and informal communications including both written and oral forms. The implication for the managers is that they have an indispensable responsibility in building up and maintaining effective communication channels such that the joint venture members can benefit from the

handy means as set up for information sharing and exchange. This increases transparency in the JV system and encourages the amount of timely intelligence to permeate across the different firm boundaries. The challenge for managers is therefore on the establishment of an effective communication system to channel information exchanges across firm boundaries.

The level of conflict between the joint venture with its partner firms is found to impede the level of the JV's market oriented behaviors. This finding is in line with the traditional view of manifest conflict (e.g., Madhok, 1995; Menon, Bharadwaj and Howell, 1996; Morris and Cadogan, 2001; Xie, Song and Stringfellow, 1998). The implication here is that even though the joint venture is oftentimes set up with a well-defined objective by the partner firms, incompatible goals between the parents and the "child" firm are often derived from the designation of a separate management in the JV. As a result, the more manifest conflict is being exhibited as a result of incompatible goals, the lower the level of the market oriented activities being undertaken in the JV. As intelligence generation and processing as well as the formulation and implementation of responses all demand a lot of management efforts, high involvement of these JV managers in conflictual behavior and the subsequent resolution tactics certainly results in disrupting such activities. This finding therefore helps managers envisage the potential problems posed by the separate management of the joint project as exemplified by JVs in this case.

Lastly, a sense of superordinate identity among JV's management team is also found to enhance the market oriented behaviors of the JV. In fact, as discussed earlier, this construct measures how much attachment the JV managers have developed with respect to the JV management team. Heavy attachment makes managers value their membership and consider its maintenance as a top priority. This psychological state of mind binds the managers together and encourages their exchange of intelligence and coordinating efforts to the benefits of the JV. As such, team spirit is bolstered that sets the stage for the generic activities of market orientation to occur. With such understanding, the implication here is crystal clear; the cultivation of team identity and team spirit is paramount.

Having provided an extended discussion about the factors that are capable of enhancing or impeding the degree of market oriented behaviors in the JV, it is time for the managers to develop a vision of the positive consequences about adopting a market orientation. In fact, findings in this study suggest that market oriented behaviors enhance market performance. This is in line with a number of other studies. However, this relationship is moderated by the market condition. It was found that when in a market characterized with low dynamism, the positive effect of market oriented behaviors on market performance is stronger. The practical implication is that managers might spend more time and effort to foster market oriented behaviors when the market is less dynamic such that the positive consequences are effectively maximized. At other times, they might opt to spare their efforts to engage in other activities that are more of a defensive nature with an internal focus.

7.4 LIMITATIONS AND RECOMMENDATIONS FOR FUTURE RESEARCH

Although antecedent factors to market oriented behaviors have been examined in a number of different ways, and in different contexts, this study represents the only one that has explicitly extended the scope to the setting of a JV characterized with multilateral interrelations. As the entire study, from its conception, has been carefully formulated and executed, the process and the findings alike are capable of adding both theoretical and empirical insights to the extant literature. Despite these methodological as well as theoretical appeals, the upholding of the conceptual model needs further replications and refinements in different samples before it can be generalized. As a matter of fact, the current sample was drawn specifically from international joint ventures operating in mainland China. Thus, findings as derived from this sample might not mirror others from some different national or cultural contexts because considerable research has suggested that the Chinese market differs from other markets in a number of socioeconomic conditions (e.g., Child and Tse, 2001; Deng and Dart, 1995; 1999).

There is also a need to replicate the hypothesized relationships concerning the antecedents to market oriented behaviors. In particular, only seven out of the 13

proposed antecedent variables were found to have significant effect (either positive or negative) on the level of JV's market oriented behaviors. Additional efforts are therefore needed to include other variables that have not been examined in this study. In fact, while the scope of this study has been extended in recognition of the complex nature of the interrelations among the triadic players to a JV system, by no means the list of factors as included here is exhaustive. It is recommended that other factors (deriving from inter-partner dynamics such as motives of the partners; their bargaining power, and the like) not included in this study be examined. Similarly, other partner-JV factors such as the degree of product relatedness between the partners and the JV might also be examined.

Furthermore, a note should also be made on the quality of the market orientation measure. Among the few published scales probing the market orientation construct, the one developed by Matsuno, Mentzer and Rentz (2000) was adopted because of its apparent superiority in terms of the reported psychometric properties. Its actual performance, however, was not as satisfactory as originally imagined. First of all, the hypothesized three-factor solution of the 22 items did not hold very well. As revealed by the exploratory factor analytic technique, the items did not load neatly on the theoretical factor structure. This problem was especially annoying for the dissemination factor. After several rounds of scale purification efforts via exploratory factor analysis, a three-factor structure finally converged. Yet, the scale reliabilities of the dissemination and responsiveness factors were only marginally acceptable¹, although that for intelligence generation was reasonably good. Evidence thus suggested that the market orientation measure warrants further efforts to re-establish both its domain and content in the future.

Other than the market orientation scale, there is also a need to initiate considerable research effort in examining the dimensions of market oriented values in more depth. For example, while Homburg and Pflesser (2000) have identified eight value dimensions supporting market orientation, the empirical evidence as collected in this study showed that three dimensions of market oriented values, namely "innovativeness and flexibility", "quality and competence" and "speed" are of

¹ The average variance extracted (AVE) for the three sub-dimensions are respectively .55 (intelligence generation), .36 (dissemination) and .32 (responsiveness).

particular relevance to the JV context as examined in this study. In contrast, Gebhardt, Carpenter and Sherry's (2006) recent study has identified six cultural values (trust, openness, keeping promises, respect, collaboration, and viewing the market as the *raison d'être*) on which a market orientation is based. Thus, these findings suggested that more research is still needed to examine the nature and dimensions of market oriented values.

This study has relied solely on subjective performance measures. The inclusion of some objective measures such as market share, sales growth, etc. might provide additional insights to the understanding of the performance implications of being market oriented. Thus, researchers interested in extending this research might consider adding some subjective measures in the analysis to gain further insights.

Following conventional studies for the examination of market orientation, cross-sectional research design was employed in this study. As such, inferences to the causality between the variables should be drawn with care. In order to conclude for the causality in the relationships, longitudinal designs in future research are recommended, especially in establishing the causal linkages of market oriented behaviors with its antecedents and consequences.

Another concern that warrants attention is the power of this study. As discussed in Chapter 5, when assessing scale properties, the measures used in this study were divided in subsets for analytic purposes, in recognition of the sample size constraint. In fact, the number of variables included in this study is large relative to the sample size. This might cause concern for the power of this study. As such, future research might consider increasing the sample size substantially such that all the scales might be developed using one single measurement CFA and the structural model tested with multiple indicators [For example, the number of parameters to be estimated in a single CFA measurement model is 535 (see Chapter 5, Section 5.3.4). If an ideal parameter to sample size ratio of 10:1 is to be used, then a sample of 5,350 firms is needed]. This would definitely provide more vigor to the research and might yield further insights to the theory underlying the relationships.

A single informant was used to provide all necessary information used in this study.

Although this option has some drawbacks, it has been considered a preferred choice in conventional market orientation as well as JV studies since it can successfully overcome problems (in particular low response rate as well as time and cost constraints) inherent in multiple-informant designs (see Chapter 4 for more detailed discussion). Nevertheless, a multiple-informant approach would still be invaluable to inform certain aspects of the study. Specifically, a tripartite design could be followed such that a more complex model regarding the interrelations of the players in the JV system can be examined. For example, at least one informant from the different parties of interest (two partners and the JV) can be solicited to provide information pertaining to each of the partners' market oriented values and the JV market oriented values respectively. This design on one hand can alleviate the problem of common method bias and on the other allows the examinations of how the relational dynamics at different levels interact with one another (e.g., how one partner's commitment to the JV affects the other's perceived level of vulnerability to opportunism; how each partner's market oriented values affects the JV managers' sense of superordinate identity, and so forth) and in turn affect the JV's market oriented behaviors.

Besides, this study has adopted the theoretical stance of transaction costs theory. While this perspective is very useful to shed light on the relational dynamics underlying the triadic relationships in a JV system, other theoretical lenses can also be borrowed to generate novel insights to understanding how market oriented behaviors develop and are shaped. For instance, an agency theory perspective could be adopted in future research endeavors to examine the antecedent factors to market oriented behaviors in a JV's context. Under the agency theory paradigm, the firm is viewed as merely a nexus of contracts (Jensen and Meckling, 1976). Agents (partners) only come together to exploit the advantages of teamwork while controlling agency costs. In the agency framework, agents are assumed to be self-serving typically taking advantages of information asymmetry and environmental uncertainty. Representing a nexus of contracts *de facto*, a JV's outcome is thus contingent on the specific nature of the team production activities (activities jointly undertaken by the contracting agents or the partners) that the JV engages in (Ramanathan, Seth and Thomas, 1997). As partners (agents) are residual claimants to the JV's activities, their incentives are thus aligned. In this respect, they

are more willing to restrict their opportunistic behavior; put up constructive measures to reduce the conflict levels within the JV system; and/or proactively structure appraisal and rewarding systems to monitor the employees' performance inside the JV. The agency theory thus offers another very insightful theoretical perspective for the understanding of the antecedent conditions embedded in the relational context of a JV.

Overall, the current study was designed with an express mission of extending the framework of preceding works on the various antecedent factors to market orientation. One of the underlying assumptions here is that the chosen subjects (the equity joint ventures) are reasonably good representatives of the variety of different vehicles employed to realize the respective relational commitments. Even so, this prudent approach may still be deficient in capturing the rich relational dynamics exhibited across different cooperative arrangements and forms. For example, along the continuum of hierarchical structure, equity joint ventures are lying at one of the two extremes. Certainly, considerable misrepresentation would be evidential from one extreme to the other (at the other extreme, any formal establishment might be completely absent). Therefore, the findings as provided by this study should be interpreted with due care when references are made to other relational settings. As a matter of fact, aside from the insights that have been brought to the extant literature, it is also hoped that the identification of the gap in the literature here could trigger further waves of research endeavors to broaden the understanding of how the relational dynamics among the different players of a relational tie can influence the market oriented behaviors of their focal project; be it an equity joint venture or other forms of more loosely structured engagements.

Furthermore, although this research has been designed and executed with the best possible amount of care, interpretation of the results still warrants attention in view of the quality of the sampling frame. At the outset, a good sampling frame was hardly available that could keep close pace with the phenomenal growth of the economic activities in China. In fact, the fueled momentum of ownership changes made systemic tracking of firm ownership and re-organization hardly possible. Furthermore, official records were also absent, if they could be accessed at all. Basically, both the central and local government agencies were not very keen on

compiling such databases as to facilitate easier works on census and statistics. This created obstacles for the undertaking of research endeavors of any kind in the Chinese market at the time of this study. Constrained by the underdevelopment of the information system in the Chinese market and hence the quality of the sampling frame, the researcher cautions any attempts of using the results for generalization. Instead, it is highly desirable that future replications should be carried out using different sampling frames (as the Chinese market further develops, databases of higher quality might be available) and different alliance forms in the market. As theory advancement can only be achieved through a series of systematic research efforts, it is hoped that the current attempt has bridged prior works to those lying in the future.

As a final note, although an explicit attempt had been made to operationalize a latent variable to account for the possible effect of social desirability bias typically in behavioral research, the low response rate for this question rendered this attempt impractical. It was speculated that the length of the measure and the irrelevance of the scale to the research objective had put the respondents on their guard. Therefore, it is recommended that future research which wishes to assess the impact of social desirability bias should choose a much shorter instrument and disguise it with greater efforts so that respondents might be less skeptical in providing answers.

To conclude, this study has shed additional light on the theory of market orientation. First and foremost, the market oriented behaviors – performance linkage has been extended to the context of equity-based JVs. Second, it was also found that certain context-specific factors predict the level of market oriented behaviors exhibited by JVs. It is hoped that future efforts could be induced to explore this research direction further.

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Appendices to Chapter 4

**Appendix 4.1:
Preliminary Questionnaire
(English Version)**

Section I: Market Information Collection and Dissemination

Please use the following scale to indicate the extent to which the statements below describe the situation in your **joint venture (JV)** (place the appropriate number in the box provided).

Very strongly disagree			Neither agree nor Disagree			Very strongly agree
<input type="text" value="1"/>	<input type="text" value="2"/>	<input type="text" value="3"/>	<input type="text" value="4"/>	<input type="text" value="5"/>	<input type="text" value="6"/>	<input type="text" value="7"/>

Information Generation

- We poll end users at least once a year to assess the quality of our products and services.
- In our JV, intelligence on our competitors is generated independently by several departments.
- We periodically review the likely effect of changes in our business environment (e.g., regulation) on customers.
- In this JV, we frequently collect and evaluate general macro-economic information (e.g., interest rate, exchange rate, GDP, industry growth rate, inflation rate).
- In this JV, we maintain contacts with officials of government and regulatory bodies (e.g., *state governments, Ministry of Foreign Trade and Economic Cooperation, etc.*) in order to collect and evaluate pertinent information.
- In this JV, we collect and evaluate information concerning general social trends (e.g., environmental consciousness, emerging lifestyles) that might affect our business.
- In this JV, we spend time with our suppliers to learn more about various aspects of their business (e.g., manufacturing process, industry practices, clientele).
- In our JV, only a few people are collecting competitor information.

Information Sharing

- Marketing personnel in our JV spend time discussing customers' future needs with other functional departments.
- Our JV periodically circulates documents (e.g., reports, newsletters) that provide information on our customers.
- We have cross-functional meetings very often to discuss market trends and developments (e.g., customers, competition, suppliers).
- We regularly have interdepartmental meetings to update our knowledge of regulatory requirements.
- Technical people in this JV spend a lot of time sharing information about technology for new products with other departments.
- Market information spreads quickly through all levels in this JV.

Section II: About Your Business Environment

Please indicate the frequency of changes in the following aspects of the business environment of your JV.

	<i>Low frequency</i>					<i>High frequency</i>	
Changes in products offered by your competitors	1	2	3	4	5	6	7
Changes in sales strategies by your competitors.....	1	2	3	4	5	6	7
Changes in sales promotion/advertising strategies of your competitors.....	1	2	3	4	5	6	7

Section III: Servicing the Target Market

Please use the following scale to indicate the extent to which the statements below describe the situation in your **joint venture (JV)** (place the appropriate number in the box provided).

Very strongly disagree			Neither agree nor Disagree			Very strongly agree
1	2	3	4	5	6	7

- For one reason or another, we tend to ignore changes in our customers' product or service needs.
- The product lines we sell depend more on internal politics than real market needs.
- We are slow to start business with new suppliers even though we think they are better than existing ones.
- If a major competitor were to launch an intensive campaign targeted at our customers, we would implement a response immediately.
- The activities of the different departments in this JV are well coordinated
- Even if we came up with a great marketing plan, we probably would not be able to implement it in a timely fashion.
- If a special interest group (e.g., consumer group, environmental group) were to publicly accuse us of harmful business practices, we would respond to the criticism immediately.
- We tend to take longer than our competitors to respond to a change in regulatory policy.

Section IV: About Your Parent Companies

Below is a list of some characteristics often discussed in the business literature. Not all companies need these characteristics, it depends on the circumstances facing the company, and the kind of business it is in. Please indicate to what extent are the following characteristics and factors **valued** as being important by your parent companies.

On average, the TWO Main Parent Companies Value this Characteristic...

	Not at all		Extremely highly				
	1	2	3	4	5	6	7
Performance-oriented employees	1	2	3	4	5	6	7
Striving for success	1	2	3	4	5	6	7
Systematic, regular measurement and monitoring of employees' performance	1	2	3	4	5	6	7
Recognition of high	1	2	3	4	5	6	7
Innovativeness and creativity	1	2	3	4	5	6	7
Flexibility of the employees (1	2	3	4	5	6	7
Being open to product, service or process innovations	1	2	3	4	5	6	7
Seeking noval solutions to difficult situations	1	2	3	4	5	6	7
Unconventional ideas	1	2	3	4	5	6	7
Open internal communication	1	2	3	4	5	6	7
Aspiring to a high degree of interfunctional information exchange	1	2	3	4	5	6	7
Free information flow	1	2	3	4	5	6	7
Aspiring to proactive communication	1	2	3	4	5	6	7
Free communication of opinions	1	2	3	4	5	6	7
Error-free work results	1	2	3	4	5	6	7
High-quality work results	1	2	3	4	5	6	7
Employees who aspire to gain high qualifications in their subject	1	2	3	4	5	6	7
Employees who aspire to maximize competence in their subject	1	2	3	4	5	6	7
Aspiring to meet expectations on quality work	1	2	3	4	5	6	7
Speed in all work processes	1	2	3	4	5	6	7
Employees who aspire to speed in the work processes	1	2	3	4	5	6	7
Good time management	1	2	3	4	5	6	7
Being first	1	2	3	4	5	6	7
Interfunctional teamwork	1	2	3	4	5	6	7
Cooperation among different functions (e.g., marketing, research and development)	1	2	3	4	5	6	7
Aspiring to cooperative work	1	2	3	4	5	6	7
Employees who share a lot of their work-related matters	1	2	3	4	5	6	7
Employees who think and act like entrepreneurs	1	2	3	4	5	6	7
Employees who understand their responsibilities	1	2	3	4	5	6	7
Acceptance of responsibility	1	2	3	4	5	6	7
Ensuring that employees know they are appreciated	1	2	3	4	5	6	7
A feeling of belonging among the employees	1	2	3	4	5	6	7
High employee satisfaction	1	2	3	4	5	6	7
Employees who know they are important	1	2	3	4	5	6	7

Please use the following scale to indicate the extent to which the statements below describe **the situation between your TWO main parent companies** (place the appropriate numbers in the boxes provided).

Very strongly disagree			Neither agree nor Disagree				Very strongly agree
1	2	3	4	5	6	7	

- The CEO's of the two parents have similar operating philosophies
- The executives of the two parents have very different management styles
- The parent companies hold very different assumption about how customers should be treated
- The values underpinning the parent companies' activities are very different
- The two parent companies have very compatible organizational cultures
- Top management in the parent companies have similar leadership approaches
- Managers from all the parent companies share a common understanding of how to do business in their markets
- The parent companies have compatible communication styles
- The organization of work in the two main parent companies is similar
- The parent companies have different degree of emphasis on human resources
- The parent companies have compatible decision-making practices

Back in the parent companies, managers involved in this JV are ...

- ...working very hard to familiarize with the other partner's legal and economic environment.
- ... trying to make allowances for the ways in which the other partner makes decisions.
- ...speaking the other partner's language or are spending much time learning their language.
- ...adapting their ways to do things so as to ensure that the other partner feels at ease.
- ...looking for ways to smooth communications with the other partner.
- ...making allowances when the other partner behaves in a way which is unusual or unexpected.
- ...looking for mutually satisfying solutions to situations in which the other partner has exceptional expectations.
- ...trying to learn the other partner's customs and ways of doing business.
- ...trying to compensate for cultural misunderstandings.
- ...aspiring to appreciate the ways other people express themselves.
- ...trying to put themselves in others' shoes in order to see others' problems.
- ...willing to believe that there is usually more than one good way to get things done.

Section V: About the relational dynamics between your parent companies

Partnerships can go through various relationship phases. Please indicate the extent to which you agree with the following statements about the current phase of the relationship between the **TWO main** parent organizations of this JV. Remember that there are no right or wrong answers.

Very strongly disagree			Neither agree nor Disagree			Very strongly agree
1	2	3	4	5	6	7

The parent companies of this JV.....

-cannot trust each other at times.
- are perfectly honest and truthful to each other.
- can trust each other completely.
- can count on each other to do what is right.
- are always confidence in each other.
- have high integrity.
- defend each other when outsiders criticize either one of them.
- are continually on the lookout for another partner to replace the current one.
- would most certainly take on another offer of better coverage, even if it meant dropping the current partner.
- are patient to each other even when one makes mistakes and causes the other trouble.
- are willing to dedicate whatever people and resources it takes to grow sales for the other party.

Considering the interaction between the JV's two main parent companies over the past three months, they...

-experienced problems coordinating work activities.
-had senior managers who were "at odds".
-hindered each other's performance.
-competed for the same resources.
-cooperated with each other.
-had compatible goals and objectives.
-agreed on each other's priorities.

Please consider the situation depicted in the following statements and indicate the extent to which you agree with them, using the scale below. (Place the appropriate number in the box provided.)

Very strongly disagree			Neither agree nor Disagree				Very strongly agree
1	2	3	4	5	6	7	

- The partners generally provide vital resources which would have been difficult for either partner to obtain elsewhere
- It would have been difficult for either one of the partners to replace each other in the open market
- The well-being of the partners would have suffered greatly if this partnership tie had been broken
- The partners are generally dependent on each other
- The partners need to maintain this partnership relationship

With respect to the current JV, to what extent do you agree with the following statements (please place the appropriate number in the box provided):

Very strongly disagree			Neither agree nor Disagree				Very strongly agree
1	2	3	4	5	6	7	

The TWO main parent companies in average perceive that...

- ...there are too many key positions of the joint venture controlled by the other partner.
- ...the other party seems to feel that it is OK to do anything within its means that will help further its interests.
-the risk of proprietary information leakage in the joint venture is great.
-they are highly vulnerable to the other party's opportunistic behavior.
-the other partner has too much control of the joint venture decisions.
-the other partner is too dominant in nature.
-the other partner has the capacity to withhold or distort information which is key to the success of the joint venture.

Section VI: About the Relational Dynamics between You and Your Parent Companies (the TWO Main Parents)

Please circle the number which best indicates the extent to which you agree with the following statements.

	Very strongly disagree						Very strongly agree
	1	2	3	4	5	6	7
<i>This JV is...</i>							
something the partners are equally committed to	1	2	3	4	5	6	7
very important to both partners	1	2	3	4	5	6	7
of very little significance to either of the partners	1	2	3	4	5	6	7
very much like being in a family	1	2	3	4	5	6	7
something the partners really care about	1	2	3	4	5	6	7
something the partners believe deserves their maximum effort to maintain	1	2	3	4	5	6	7
something very critical for our parent companies to achieve their organizational goals	1	2	3	4	5	6	7
<i>Employees working in our JV generally....</i>	1	2	3	4	5	6	7
get along well with members of our main partners	1	2	3	4	5	6	7
get tensed when they meet members of our main partners	1	2	3	4	5	6	7
dislike interacting with people from our main partner companies	1	2	3	4	5	6	7
feel that our goals are in harmony with those of our main partner companies	1	2	3	4	5	6	7
consider that protecting the turf of our JV is a way of life during interactions with members of our main partners	1	2	3	4	5	6	7
the objectives of this JV are incompatible with those of the main partner companies	1	2	3	4	5	6	7
feel that there is little or no conflict between our JV and the main parent companies	1	2	3	4	5	6	7
<i>In this JV...</i>	1	2	3	4	5	6	7
it is easy for people to talk with virtually anyone they need to, even to members of the parent companies.	1	2	3	4	5	6	7
there is ample opportunity for informal 'hall talk' between JV people and members of the parent companies.	1	2	3	4	5	6	7
people feel comfortable calling members of the parent companies when the need arises.	1	2	3	4	5	6	7
people are discouraged from discussing work-related matters with members of the parent companies.	1	2	3	4	5	6	7
it is easy for JV people to reach members of the parent companies.	1	2	3	4	5	6	7
communications between JV people and members of the parent companies are expected to be routed through 'proper channels'.	1	2	3	4	5	6	7
JV people can easily schedule meetings with members of the parent companies.	1	2	3	4	5	6	7
plentiful social events are held for JV people to meet members of the parent companies.	1	2	3	4	5	6	7

Please indicate the extent to which you agree with the following statements. (Place the appropriate number in the box provided.)

Very strongly disagree			Neither agree nor Disagree			Very strongly agree
1	2	3	4	5	6	7

- Compared to other business operations, this JV is central to the well-being of our partner companies.
- Our parent companies would suffer a significant drop in revenue if this JV fails.
- There are other investment opportunities for the parent companies other than this JV project.
- The setup costs for a new JV for the parent companies would be very high.
- It would be difficult for our parent companies to replace the benefits generated from this JV.
- The JV possesses some vital resources to the partners which would have been difficult for the partners to obtain elsewhere.

Please use the scale below to indicate the extent to which you agree with the following statements.

Very strongly disagree			Neither agree nor Disagree			Very strongly agree
1	2	3	4	5	6	7

In this JV, ...

- managers are responsible for tasks and activities in the JV only, they do not have active responsibilities in their parent companies as well.
- managers are accountable to the JV only, they do not have to report to their parent companies.
- managers' evaluation depend on how well they accomplish the organizational tasks of their parent companies, they are not evaluated against the overall performance of the JV.
- managers' rewards or gains depend on how well they accomplish the organizational tasks of their parent companies, they are not dependable on the overall performance of the JV.

In this JV, managers....

- have stronger ties to a parent company than to the JV.....
- behave like a unified team.....
- are driven by agendas of parent companies rather than the JV agendas.....
- are all committed to common objectives.....
- value their membership in the JV management team.....
- feel they have a personal stake in the success of the JV.....

Some JVs stand on their own while others depend largely on the management support of their parent companies. Please circle the appropriate number on the right to indicate the extent to which you agree with the following statements.

	Very strongly disagree						Very strongly agree
The parent companies play an active role in decision making on matters to do with this JV	1	2	3	4	5	6	7
This JV goes ahead with actions without checking with the parent companies	1	2	3	4	5	6	7
This JV's responsibilities are repetitive in nature	1	2	3	4	5	6	7
This JV's suggestions play an important part in decision making	1	2	3	4	5	6	7
This JV follows strict operating procedures	1	2	3	4	5	6	7
This JV refers all matters to the parent companies	1	2	3	4	5	6	7
The parent companies make decisions affecting this JV, without consulting this JV	1	2	3	4	5	6	7
This JV has high regard for existing rules and procedures	1	2	3	4	5	6	7
This JV yields to the recommendations of the parent companies	1	2	3	4	5	6	7
This JV relies on the parent companies for an answer	1	2	3	4	5	6	7
This JV follows previously written and verbal instructions	1	2	3	4	5	6	7
This JV's responsibilities are clearly prescribed	1	2	3	4	5	6	7

Over the past month, how often did you (**JV people**) communicate with your parent companies about work-related matters in each of the following ways. Please put a "✓" in the appropriate place.

	Only once over the past month	2-3 times per month	1-3 times per week	4-5 times per week	Daily (indicate times per day)	Not used
Written						
Memos					()	
Reports					()	
Oral						
Formal group meetings					()	
Scheduled one-to-one meetings (face-to-face)					()	
Impromptu face-to-face conversations (e.g., in the hall)					()	
Scheduled one-to-one phone conversations					()	
Impromptu one-to-one phone conversations					()	
Voice mail					()	
Electronic						
E-mails					()	
Electronic group conferences					()	

Section VII: About Norms that Operate in Your JV

Below is a list of some unwritten rules guiding organizational activities in your JV. Please indicate the extent to which you agree with them. (Place the appropriate number in the box provided.)

<i>In our JV,</i>	Not at all							Extremely highly							
market performance (e.g., market share, customer satisfaction) is <i>measured</i> regularly	1	2	3	4	5	6	7								
market performance (e.g., market share, customer satisfaction) is <i>controlled</i> regularly	1	2	3	4	5	6	7								
employees' market-related performance is measured systematically	1	2	3	4	5	6	7								
employees' outstanding market-related performance is recognized regularly	1	2	3	4	5	6	7								
we expect that generally accepted standardized programs are examined regularly to become more effective in serving our markets	1	2	3	4	5	6	7								
we expect the employees to be flexible toward market changes	1	2	3	4	5	6	7								
we are permanently very open toward innovations (e.g., related to products or processes)	1	2	3	4	5	6	7								
we expect novel solutions are found quickly to difficult situations	1	2	3	4	5	6	7								
we expect that new value-adding products and services are detected and developed permanently	1	2	3	4	5	6	7								
we appreciate unconventional ideas (especially if they come from customers)	1	2	3	4	5	6	7								
we expect that market-related problems are mentioned directly and openly	1	2	3	4	5	6	7								
we expect that interfunctional meetings (e.g., discussions about market trends) are organized regularly	1	2	3	4	5	6	7								
we expect the dissemination and storage of market intelligence	1	2	3	4	5	6	7								
the dissemination and storage of market intelligence are controlled	1	2	3	4	5	6	7								
we expect that quality is assessed by customers or, at least, from the customer's perspective	1	2	3	4	5	6	7								
task-related and social competencies of employees with customer contact are absolutely expected	1	2	3	4	5	6	7								
the competence of employees with customer contact (e.g., sales, customer service, reception) is controlled regularly	1	2	3	4	5	6	7								
we regularly refresh our expectations on quality work from the customer's perspective	1	2	3	4	5	6	7								
we expect that customer requests are answered at once	1	2	3	4	5	6	7								
we expect that customer-related processes are increased in speed continuously	1	2	3	4	5	6	7								
the speed of customer-related processes is controlled regularly	1	2	3	4	5	6	7								
a quick response on market changes is expected	1	2	3	4	5	6	7								
every employee expects that customers are integrated in the planning of a new product or service program (e.g., by conducting interdisciplinary teamwork or focus groups)	1	2	3	4	5	6	7								
the availability of market information in different functional areas (e.g., marketing, R&D) is controlled	1	2	3	4	5	6	7								
the degree of coordination of decisions about marketing	1	2	3	4	5	6	7								

In our JV,

	Not at all				Extremely highly		
activities in different areas is controlled	1	2	3	4	5	6	7
people from different functions regularly share their market-related matters	1	2	3	4	5	6	7
we have regular programs to reinforce the sense of entrepreneurship among the employees	1	2	3	4	5	6	7
we expect that every employee feels responsible for the detection and solution of potential and actual customer problems	1	2	3	4	5	6	7
every employee is expected to be highly responsible for the customers	1	2	3	4	5	6	7
employees are expected to accept their respective responsibility	1	2	3	4	5	6	7
the individuality of each employee is viewed as competitive advantage	1	2	3	4	5	6	7
we accept that high-quality performance can be reached very individually and in many different ways.	1	2	3	4	5	6	7
a high involvement of the employees for the fulfillment of customer needs is expected	1	2	3	4	5	6	7
employees feel being an important part of the organization	1	2	3	4	5	6	7

Section VIII: About your JV's Structure and Systems

Below is a list of attributes characterizing the structure and systems in **your JV**. Please indicate the extent to which you agree with them. (Place the appropriate number in the box provided.)

Very strongly disagree			Neither agree nor disagree				Very strongly agree
1	2	3	4	5	6	7	

In this JV, our top management team emphasize that.....

- it is vital to adapt to trends in the target markets
- employees must be sensitive to the activities of the competitors
- we must gear up now to meet target customers' future needs

In this JV, ...

-salespeople's performance is measured by the strength of relationships they build with target customers
-we use target customer surveys for evaluating our salespeople
-reward systems encourage employees to focus on increasing customer satisfaction
-our management encourage training that will help employees become better customer-oriented.
-new employees are told that serving target customers is an extremely important priority.
-new employees learn the importance of finding out what our target customers need.

Very strongly disagree				Neither agree nor Disagree				Very strongly agree
1	2	3	4	5	6	7		

Considering the interactions in your JV...

- Employees in the marketing department and those in other functional areas (e.g., R&D) help each other out
- In this JV, there is a sense of teamwork going right down to the 'shop floor'
- There is a strong collaborative working relationship between marketing and 'production'
- Functional areas in this company pull together in the same direction
- The activities of our business functions (e.g., marketing / sales, manufacturing, R&D, finance / accounting, etc.) are integrated in pursuing a common goal
- We resolve issues and conflicts through communication and group problem-solving

Section IX: JV's Goals Attainment

In the last three years, relative to your competitors, how has your JV performed with respect to... (please circle the number of your choice).

- | | | | | | | | | | |
|--------------------------------------|-------------------------|---|---|---|---|---|---|---|-----------------------|
| ... achieving customer satisfaction? | <i>Very unsatisfied</i> | 1 | 2 | 3 | 4 | 5 | 6 | 7 | <i>Very satisfied</i> |
| ... providing value for customers? | <i>Very unsatisfied</i> | 1 | 2 | 3 | 4 | 5 | 6 | 7 | <i>Very satisfied</i> |
| ... keeping current customers? | <i>Very unsatisfied</i> | 1 | 2 | 3 | 4 | 5 | 6 | 7 | <i>Very satisfied</i> |
| ... attracting new customers? | <i>Very unsatisfied</i> | 1 | 2 | 3 | 4 | 5 | 6 | 7 | <i>Very satisfied</i> |
| ... attaining desired growth? | <i>Very unsatisfied</i> | 1 | 2 | 3 | 4 | 5 | 6 | 7 | <i>Very satisfied</i> |
| ... securing desired market share? | <i>Very unsatisfied</i> | 1 | 2 | 3 | 4 | 5 | 6 | 7 | <i>Very satisfied</i> |

Over the last three years, how do you think the JV's average annual return on sales relative to your competitors? (please circle the number of your choice on the scale).

Very poor

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 Very outstanding

Section X: About Your JV's Characteristics

1. What are the main products produced by this JV? (please tick)
Consumer goods Service
Industrial goods Other (please specify) _____
2. In which year was your JV established? _____
3. Approximately how many full-time employees does this JV currently have? (only consider those on the payroll of the JV) _____
4. What are the nationalities of the two main JV parent companies:
-Partner A's nationality _____ -Partner B's nationality _____
5. What is the percentage equity ownership by the two main partner companies of the JV:
-Partner A _____% -Partner B _____%
6. Does the JV have a planned length of existence? (Tick one box): Yes
No
If No, please skip to question 8.
If Yes, then approximately how long is the planned length from now? _____ (years).
7. Approximately, what is your JV's annual *TOTAL* sales turnover? US\$ _____.
8. What is your position or title in this JV? _____.

Thank You for Your Kind Assistance!
Your Contribution to This Study Is Very Much Appreciated!

If you would like to receive a summary report of the findings of this study,
please enclose your business card along with this questionnaire in the reply
envelope.

Appendix 4.2:
Samples of Cover Letters* Used in Mail Survey
(Both English and Chinese Versions*)

* Letters used in different stages such as pre-tests, initial phase and follow-up phase of full-scale mail survey were essentially similar, minor changes were only made to the opening sentence to reflect actual situations.

* Only the Chinese versions were used in the different stages of the survey.

English Version

Date:

Dear,

Thank you very much for showing interest in my survey. I am currently a part-time research student working towards my PhD degree in Marketing, at Aston University, UK. At the same time, I am a research assistant working for the University of Macau, Macau SAR, the PRC. As part of my degree I am undertaking a research project on joint venture management issues. The findings of the study will both help identify the key antecedent factors to the successful implementation of market orientation in joint ventures, and provide practical guidelines for managers who wish to create value for their customers, and thus enhance performance.

As a token to show our gratitude for your kind assistance, Ms. Lam will compile a benchmark of the degree of market-oriented activities for the sampled JVs upon the completion of this survey. This is done in the hope to help the participants better understand their JV's position with respect to the industry benchmark of market-oriented activities.

My supervisors, Dr. John Cadogan (a Reader in Marketing at Loughborough University) and Professor Gordon Greenley (Professor of Marketing at Aston University), and I are extremely grateful that you have agreed to find the time to fill in the attached questionnaire; your answers are critical for the accuracy of my research. I am aware that this represents a demand on your already busy schedule, but your participation really could make the difference between the success or failure of my PhD degree!

The information you provide will be used for the purposes of my thesis and anticipated management and marketing publications. However, your answers will stay confidential, and at no time will you or your joint venture be identified in the analysis. The questionnaire will take approximately 30 minutes for you to complete. I would be grateful if you could return it in the enclosed FREEPOST envelope at your earliest convenience. As a good response rate is so important to us, we will be sending reminders to non-respondents.

I would be more than happy to discuss any questions you may have and can be contacted by telephone on 853 397 4743. Alternatively, you could also send emails to me at fbakpl@umac.mo . Once again, thank you very much for agreeing to help.

Yours sincerely,

Tiffany Kit Peng Lam
Doctoral Candidate
Aston Business School, UK

Chinese Version (Used in Survey)

敬启者：

您好！非常感激您参与此项研究！

我是一位半工读生，在澳门大学做研究助理，同时正在修读英国艾斯顿大学的博士学位课程，研究范畴属于市场营销方面。作为课程的一部分，我需要撰写一篇毕业论文，已定题为《合资企业及其商业活动》，主要研究如何推动合资企业内的市场导向活动，希望令管理人员更能有效地掌握目标市场的顾客对高水平的产品或服务的要求。

在本研究完成以后，本人会按业务性质的分类整理市场导向活动的有关指标，编成报告书回馈参加者，使他们可以更了解本身以及同业的市场导向活动的情况。

本人的博士导师(Dr. John Cadogan 及 Professor Gordon Greenley)以及本人都非常感谢您的热心参与。您提供的一切资料将受到严格的保密，调研的结论拟在学术期刊内刊登，任何形式的数据分析皆不会以个别受访公司的名义进行。由于本调研覆盖全面，所以问题比较多，大约需要花您三十分钟的时间回答。请把填好的调查表放进回邮信封内寄回本人。由于我需要很多公司回复，您的参与对我的调研以及我的学业起关键性作用，稍后我会再发信给那些没有回复的公司，恳请他们帮忙。我也明白回答本调查表对于您原来已经很繁重的工作造成很大的压力，不过在没有任何其它办法的情况下，还是恳请您多多帮忙。

最后，请相信您的参与对我的研究是非常重要的。谨此再致以我最衷心的感谢。

如果您想对本调研有更多了解或有任何疑问，请致电给我（853 397 4743）或发电邮给我（fbakpl@umac.mo）。祝

业务蒸蒸日上！

林结平谨上
2004年 月 日

**Appendix 4.3:
Mail Pre-Tests Questionnaire*
(English Version)**

*This English version only serves to illustrate the content of the questions being used in the pre-tests instrument. The physical layout cannot copy that of the Chinese version due to differences in both character and line spacing between the two languages.

UNIVERSITY OF MACAU

JOINT VENTURES (JVs) AND BUSINESS INTERACTOINS



UNIVERSITY OF MACAU

Contact:

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JOINT VENTURES (JVs) AND BUSINESS INTERACTOINS

Introduction

Market Orientation is an increasingly important topic in modern management. Its major tenet is to systematically generate market intelligence, disseminate it and make timely responses to such intelligence. By so doing, the organization in question could be able to monitor and respond to market changes in a timely fashion, and in due course, act proactively and attain outstanding market performance.

This study aims to investigate the impact of certain external factors (including parent-JV dynamics, inter-parent dynamics and parents' organizational characteristics) on a JV's market-oriented activities.

This research project is coordinated by Ms. Tiffany Lam of the University of Macau. Upon its completion, Ms. Lam will compile a benchmark of the degree of market-oriented activities for the sampled JVs. This is done in the hope to help the participants better understand their JV's position with respect to the industry benchmark of market-oriented activities.

This project is carried out in the form of questionnaire administration. This questionnaire is divided into six parts with the following emphases:

- Part I: JV's market-oriented activities
Including intelligence generation, dissemination and responsiveness to such intelligence.
- Part II: About JV's internal operational systems
Including topics such as top management emphasis to market orientation, rewards and training systems, and coordinating systems.
- Part III: Parent-JV dynamics
Including parent companies' communication frequency, their dependence on the JV, the JV autonomy, etc.
- Part IV: Parents' organizational characteristics
Including parent companies' organizational value, leadership style, their attitudes towards a different culture, etc.
- Part V: Inter-parent dynamics
Including factors pertaining to partners' interactions and other relational dynamics.
- Part VI: General information

Definitions of terms:

JV: An organization set up by two or more parent companies.

Parent companies: Organizations which own equity shares of the JV in question.
➤ If the parent companies are multi-national companies having both global and regional headquarters, then the term 'parent companies' should refer to the HQ which the JV directly reports to.
➤ If your JV is owned by a dominating parent company, please understand "TWO main parent companies" as "one possessing the

majority of shares” and the other as “all other remaining shareholders”.

-Page 1 ends here-

Nationalities of the 2 main JV parent companies:

Partner A's nationality: _____

Partner B's nationality:

Your JV was set up by: 2 parents 3 parents
Others (please specify): _____

In which year was your JV established? _____

What are the main products produced by this JV? (please tick)

Consumer goods

Service

Industrial goods

Other (please specify) _____

Your position or title in this JV: _____ Your nationality: _____

The following “true or false” questions are intended for warming ups. There are no right or wrong answers. Please circle “True” or “False”:

True/False	I never hesitate to go out of my way to help someone in trouble.
True/False	I sometimes feel resentful when I don't get my way.
True/False	There have been times when I felt like rebelling against people in authority even though I knew they were right.
True/False	I can remember “playing sick” to get out of something.
True/False	When I don't know something I don't at all mind admitting it.
True/False	I am always courteous, even to people who are disagreeable.
True/False	I would never think of letting someone else be punished for my wrong doings.
True/False	There have been times when I was quite jealous of good fortune of others.
True/False	I am sometimes irritated by people who ask favors of me.
True/False	I have never intensely disliked anyone.

This questionnaire will take approximately 30 minutes for you to complete. Thank you very much for your help.

All information provided in this questionnaire is treated in strict confidence.

-Page 2 ends here-

Part I: JV's Market-Oriented Activities

Q1. The following describes some market-oriented activities. Please use the following scale to indicate the extent to which they describe the situation in your joint venture (JV) (place the appropriate numbers in the boxes provided).

Very strongly disagree				Neither agree nor Disagree				Very strongly agree
1	2	3	4	5	6	7		

In this JV,...

Activities Pertaining to Intelligence Generation

- we poll end users at least once a year to assess the quality of our products and services.
- intelligence on our competitors is generated independently by several departments.
- we periodically review the likely effect of changes in our business environment (e.g., regulation) on customers.
- we frequently collect and evaluate general macro-economic information (e.g., interest rate, exchange rate, GDP, industry growth rate, inflation rate).
- we maintain contacts with officials of government and regulatory bodies (e.g., *state governments, Ministry of Commerce, etc.*) in order to collect and evaluate pertinent information.
- we collect and evaluate information concerning general social trends (e.g., environmental consciousness, emerging lifestyles) that might affect our business.
- we spend time with our suppliers to learn more about various aspects of their business (e.g., manufacturing process, industry practices, clientele).
- only a few people are collecting competitor information.

Activities Pertaining to Intelligence Dissemination

- marketing personnel spend time discussing customers' future needs with other functional departments.
- we periodically circulates documents (e.g., reports, newsletters) that provide information on our customers.
- we often have cross-functional meetings to discuss market trends and developments (e.g., customers, competition, suppliers).
- we regularly have interdepartmental meetings to update our knowledge of regulatory requirements.
- technical people spend a lot of time sharing information about technology for new products with other departments.
- Market information spreads quickly through all levels.

-Page 3 ends here-

Very strongly disagree				Neither agree nor Disagree				Very strongly agree
1	2	3	4	5	6	7		

Activities Pertaining to Responsiveness

- for one reason or another, we tend to ignore changes in our customers' product or service needs.
- the product lines we sell depend more on internal politics than real market needs.
- we are slow to start business with new suppliers even though we think they are better than existing ones.
- if a major competitor were to launch an intensive campaign targeted at our customers, we would implement a response immediately.
- the activities of the different departments are well coordinated.
- even if we came up with a great marketing plan, we probably would not be able to implement it in a timely fashion.
- if a special interest group (e.g., consumer group, environmental group) were to publicly accuse us of harmful business practices, we would respond to the criticism immediately.
- we tend to take longer than our competitors to respond to a change in regulatory policy.

Q2. The following is about some norms guiding market-oriented activities. Please indicate the extent to which you agree with them by circling the appropriate numbers.

<i>In our JV,</i>	Very strongly disagree						Very strongly agree
market performance (e.g., market share, customer satisfaction) is <i>measured</i> regularly.....	1	2	3	4	5	6	7
market performance (e.g., market share, customer satisfaction) is <i>controlled</i> regularly.....	1	2	3	4	5	6	7
employees' market-related performance is measured systematically.....	1	2	3	4	5	6	7
employees' outstanding market-related performance is recognized regularly.....	1	2	3	4	5	6	7
we expect that generally accepted standardized programs are examined regularly to become more effective in serving our markets	1	2	3	4	5	6	7
we expect the employees to be flexible toward market changes	1	2	3	4	5	6	7
we are permanently very open toward innovations (e.g., related to products or processes).....	1	2	3	4	5	6	7
we expect novel solutions are found quickly to difficult situations	1	2	3	4	5	6	7
we expect that new value-adding products and services are detected and developed permanently	1	2	3	4	5	6	7
we appreciate unconventional ideas (especially if they come from customers)	1	2	3	4	5	6	7
we expect that market-related problems are mentioned directly and openly.....	1	2	3	4	5	6	7
we expect that interfunctional meetings (e.g., discussions about market trends) are organized regularly.....	1	2	3	4	5	6	7

<i>In our JV,</i>	Very strongly disagree						Very strongly agree
	1	2	3	4	5	6	7
we expect the dissemination and storage of market intelligence	1	2	3	4	5	6	7
the dissemination and storage of market intelligence are controlled	1	2	3	4	5	6	7
we expect that quality is assessed by customers or, at least, from the customer's perspective	1	2	3	4	5	6	7
task-related and social competencies of employees with customer contact are absolutely expected	1	2	3	4	5	6	7
the competence of employees with customer contact (e.g., sales, customer service, reception) is controlled regularly	1	2	3	4	5	6	7
we regularly refresh our expectations on quality work from the customer's perspective	1	2	3	4	5	6	7
we expect that customer requests are answered at once	1	2	3	4	5	6	7
we expect that customer-related processes are increased in speed continuously	1	2	3	4	5	6	7
the speed of customer-related processes is controlled regularly	1	2	3	4	5	6	7
a quick response on market changes is expected	1	2	3	4	5	6	7
every employee expects that customers are integrated in the planning of a new product or service program (e.g., by conducting interdisciplinary teamwork or focus groups)	1	2	3	4	5	6	7
the availability of market information in different functional areas (e.g., marketing, R&D) is controlled	1	2	3	4	5	6	7
the degree of coordination of decisions about marketing activities in different areas is controlled	1	2	3	4	5	6	7
people from different functions regularly share their market-related matters	1	2	3	4	5	6	7
we have regular programs to reinforce the sense of entrepreneurship among the employees	1	2	3	4	5	6	7
we expect that every employee feels responsible for the detection and solution of potential and actual customer problems ..	1	2	3	4	5	6	7
every employee is expected to be highly responsible for the customers	1	2	3	4	5	6	7
employees are expected to accept their respective responsibility	1	2	3	4	5	6	7
the individuality of each employee is viewed as competitive advantage	1	2	3	4	5	6	7
we accept that high-quality performance can be reached very individually and in many different ways	1	2	3	4	5	6	7
a high involvement of the employees for the fulfillment of customer needs is expected	1	2	3	4	5	6	7
employees feel being an important part of the organization	1	2	3	4	5	6	7

Q3. Please indicate the frequency of changes in the following aspects of the business environment of your JV.

	<i>Low frequency</i>				<i>High frequency</i>		
Changes in products offered by our competitors	1	2	3	4	5	6	7
Changes in sales strategies by our competitors.....	1	2	3	4	5	6	7
Changes in sales promotion/advertising strategies of our competitors.....	1	2	3	4	5	6	7

Part II: About the JV's Internal Operational Systems

Q4. Below is a list of attributes characterizing the operational systems of an organization. Please indicate the extent to which they describe the situation in your JV. (Place the appropriate numbers in the boxes provided.)

Very strongly disagree			Neither agree nor Disagree				Very strongly agree
1	2	3	4	5	6	7	

In this JV, our top management team emphasizes that.....

- it is vital to adapt to trends in the target markets
- employees must be sensitive to the activities of the competitors
- we must gear up now to meet target customers' future needs

In this JV, ...

- salespeople's performance is measured by the strength of relationships they build with target customers
- we use target customer surveys for evaluating our salespeople
- reward systems encourage employees to focus on increasing customer satisfaction.....
- our management encourage training that will help employees become better customer-oriented.....
- new employees are told that serving target customers is an extremely important priority.....
- new employees learn the importance of finding out what our target customers need

Considering the interactions in your JV...

- Employees in the marketing function and those in other functional areas (e.g., R&D) help each other out
- There is a sense of teamwork going right down to the shop floor
- There is a strong collaborative working relationship between all departments in this JV
- Functional areas in this JV pull together in the same direction
- The activities of all this JV's business functions are integrated in pursuing a common goal.....
- We resolve issues and conflicts through communication and group problem-solving...

-Page 6 ends here-

Part III: Parent-JV Dynamics

Q5. Please circle the number that best indicates the situation when JV people meet members of the main parent companies.

	Very strongly disagree							Very strongly agree
<i>In this JV</i>								
employees get along well with members of our main parent companies.....	1	2	3	4	5	6	7	
employees become tensed when they meet members of our main parent companies.....	1	2	3	4	5	6	7	
employees dislike interacting with people from our main parent companies.....	1	2	3	4	5	6	7	
employees feel that our goals are in harmony with those of our main parent companies.....	1	2	3	4	5	6	7	
employees consider that protecting the turf of our JV is a way of life during interactions with members of our main parent companies.....	1	2	3	4	5	6	7	
the objectives of this JV are incompatible with those of the main parent companies.....	1	2	3	4	5	6	7	
employees feel that there is little or no conflict between our JV and the main parent companies	1	2	3	4	5	6	7	

Q6. Below are some descriptions about the relationship between the JV people and members of the main parent companies. Please circle the number that best indicates the situation in your JV.

	Very strongly disagree							Very strongly agree
<i>In this JV...</i>								
it is easy for people to talk with virtually anyone they need to, even to members of the parent companies	1	2	3	4	5	6	7	
there is ample opportunity for informal 'hall talk' between JV people and members of the parent companies	1	2	3	4	5	6	7	
people feel comfortable calling members of the parent companies when the need arises	1	2	3	4	5	6	7	
people are discouraged from discussing work-related matters with members of the parent companies.....	1	2	3	4	5	6	7	
it is easy for JV people to reach members of the parent companies.....	1	2	3	4	5	6	7	
communications between JV people and members of the parent companies are expected to be routed through 'proper channels'	1	2	3	4	5	6	7	
JV people can easily schedule meetings with members of the parent companies.....	1	2	3	4	5	6	7	
plentiful social events are held for JV people to meet members of the parent companies	1	2	3	4	5	6	7	

-Page 7 ends here-

Q7. The following questions concern the dynamics between a JV and its main parent companies. Please circle the number that best indicates the situation in this JV.

	Very strongly disagree							Very strongly agree
<i>This JV is...</i>								
something the parent companies are equally committed to	1	2	3	4	5	6	7	
very important to both parent companies	1	2	3	4	5	6	7	
of very little significance to either of the parent companies	1	2	3	4	5	6	7	
very much like being in a family	1	2	3	4	5	6	7	
something the parent companies really care about.....	1	2	3	4	5	6	7	
something the parent companies believe deserves their maximum effort to maintain.....	1	2	3	4	5	6	7	
something very critical for our parent companies to achieve their organizational goals	1	2	3	4	5	6	7	

Q8. Please indicate the extent to which you agree with the following statements. (Place the appropriate numbers in the boxes provided.)

Very strongly disagree			Neither agree nor Disagree				Very strongly agree
1	2	3	4	5	6	7	

- Compared to other business operations, this JV is central to the well-being of our parent companies.
- Our parent companies would suffer a significant drop in revenue if this JV fails.
- There are other investment opportunities for the parent companies other than this JV project.
- The setup costs for a new JV for the parent companies would be very high.
- It would be difficult for our parent companies to replace the benefits generated from this JV.
- The JV possesses some vital resources to the partners which would have been difficult for the partners to obtain elsewhere.

-Page 8 ends here-

Q9. The following describes some duties of the JV management. Please use the scale below to indicate the extent to which they describe the situation in your JV.

Very strongly disagree				Neither agree nor Disagree				Very strongly agree
1	2	3	4	5	6	7		

In this JV, ...

- managers are responsible for tasks and activities in the JV only, they do not have active responsibilities in their parent companies as well
- managers are accountable to the JV only, they do not have to report to their parent companies.....
- managers' evaluations depend on how well they accomplish the organizational tasks of their parent companies, they are not evaluated against the overall performance of the JV
- managers' rewards or gains depend on how well they accomplish the organizational tasks of their parent companies, they are not dependable on the overall performance of the JV
- managers have stronger ties to a parent company than to the JV.....
- managers behave like a unified team
- managers are driven by agendas of parent companies rather than the JV agendas.....
- managers are all committed to common objectives
- managers value their membership in the JV management team
- managers feel they have a personal stake in the success of the JV

Q10. The following describes a variety of capabilities which the JV management may possess. Please circle the appropriate number on the right to indicate the extent they describe the situation in your JV.

	Very strongly disagree						Very strongly agree
The parent companies play an active role in decision making on matters to do with this JV.....	1	2	3	4	5	6	7
This JV goes ahead with actions without checking with the parent companies.....	1	2	3	4	5	6	7
This JV's responsibilities are routine in nature.....	1	2	3	4	5	6	7
This JV's suggestions play an important part in decision making ..	1	2	3	4	5	6	7
This JV follows strict operating procedures.....	1	2	3	4	5	6	7
This JV refers all matters to the parent companies	1	2	3	4	5	6	7
The parent companies make decisions affecting this JV, without consulting this JV.....	1	2	3	4	5	6	7
This JV has high regard for existing rules and procedures	1	2	3	4	5	6	7
This JV yields to the recommendations of the parent companies ...	1	2	3	4	5	6	7
This JV relies on the parent companies for an answer.....	1	2	3	4	5	6	7
This JV follows previously written and verbal instructions.....	1	2	3	4	5	6	7
This JV's responsibilities are clearly prescribed.....	1	2	3	4	5	6	7

-Page 9 ends here-

Q11. Over the past month, how often did you (JV people) communicate with your parent companies about work-related matters in each of the following ways. Please tick the appropriate boxes.

	Once	2-3 times per month	1-3 times per week	4-5 times per week	Daily (indicate times per day)	Not used
Written						
Memos					()	
Reports					()	
Oral						
Formal group meetings					()	
Scheduled one-to-one meetings (face to face)					()	
Impromptu face-to-face conversations (e.g., in the hall)					()	
Scheduled one-to-one phone conversations					()	
Impromptu one-to-one phone conversations					()	
Voice mail					()	
Electronic						
E-mails					()	
Electronic group conferences					()	

Part IV: Parents' Organizational Characteristics

Q12. Please indicate the extent to which you agree or disagree with the following statements (place the appropriate numbers in the boxes provided).

Very strongly disagree			Neither agree nor disagree			Very strongly agree
1	2	3	4	5	6	7

Consider those managers in the parent companies who are involved with this JV ...

- Managers try to make allowances for the ways in which the other partners make decisions.
- Managers work hard to familiarize themselves with the other partners' legal environments.
- Managers speak the other partners' language or spend time learning their languages.
- Managers adapt how they do things to ensure the other partners feel at ease.
- Managers look for ways to smooth communications with the other partners.
- Managers make allowances when the other partners behave in unexpected or unusual ways.
- Managers look for mutually satisfying solutions to situations in which the other partners have exceptional expectations.

- Managers try to learn the other partners' customs and ways of doing business.
- Managers try to compensate for cultural misunderstandings.
- Managers try to see their partners' problems from their partners' perspective.
- Managers believe that there is usually more than one good way to get things done.

-Page 10 ends here-

Q13. Below is a list of organizational values. To what extent are they valued by your JV's main parent companies? Please circle the appropriate number on the right.

<i>Overall, this JV's main parent companies...</i>	Not at							Extremely
	all							highly
	1	2	3	4	5	6	7	
value performance-oriented employees	1	2	3	4	5	6	7	
value those who strive for success	1	2	3	4	5	6	7	
value systematic, regular measurement and monitoring of employees' performance	1	2	3	4	5	6	7	
value recognition (e.g., of high achievers).....	1	2	3	4	5	6	7	
value innovativeness and creativity	1	2	3	4	5	6	7	
value flexibility of the employees	1	2	3	4	5	6	7	
value openness to product, service or process innovations.....	1	2	3	4	5	6	7	
value seeking novel solutions to difficult situations	1	2	3	4	5	6	7	
value unconventional ideas	1	2	3	4	5	6	7	
value open internal communication	1	2	3	4	5	6	7	
value aspiring to a high degree of interfunctional information exchange.....	1	2	3	4	5	6	7	
value free information flow.....	1	2	3	4	5	6	7	
value aspiring to proactive communication	1	2	3	4	5	6	7	
value free communication of opinions.....	1	2	3	4	5	6	7	
value error-free work results	1	2	3	4	5	6	7	
value high-quality work results.....	1	2	3	4	5	6	7	
value employees who aspire to gain high qualifications in their subject	1	2	3	4	5	6	7	
value employees who aspire to maximize competence in their subject	1	2	3	4	5	6	7	
value aspiring to meet expectations on quality work	1	2	3	4	5	6	7	
value speed in all work processes	1	2	3	4	5	6	7	
value employees who aspire to speed in the work processes.....	1	2	3	4	5	6	7	
value good time management.....	1	2	3	4	5	6	7	
value being first.....	1	2	3	4	5	6	7	
value interfunctional teamwork.....	1	2	3	4	5	6	7	
value cooperation among different functions (e.g., marketing, R&D	1	2	3	4	5	6	7	
value aspiring to cooperative work	1	2	3	4	5	6	7	
value employees who share a lot of their work-related matters.....	1	2	3	4	5	6	7	
value employees who think and act like entrepreneurs.....	1	2	3	4	5	6	7	
value employees who understand their responsibilities	1	2	3	4	5	6	7	
value acceptance of responsibility	1	2	3	4	5	6	7	
value ensuring that employees know they are appreciated	1	2	3	4	5	6	7	
value a feeling of belonging among the employees	1	2	3	4	5	6	7	
value high employee satisfaction	1	2	3	4	5	6	7	
value employees who know they are important.....	1	2	3	4	5	6	7	

-Page 11 ends here-

Part V: Inter-Parent Dynamics

Q14. Below describes the interactions between the management of the main parent companies. Please indicate the extent to which they describe the situation between your TWO main parent companies (place the appropriate numbers in the boxes provided).

Very strongly disagree			Neither agree nor Disagree				Very strongly agree
1	2	3	4	5	6	7	
							<input type="checkbox"/>
							<input type="checkbox"/>
							<input type="checkbox"/>
							<input type="checkbox"/>
							<input type="checkbox"/>
							<input type="checkbox"/>
							<input type="checkbox"/>
							<input type="checkbox"/>
							<input type="checkbox"/>
							<input type="checkbox"/>

Q15. Below is a list of descriptions about the relationship of the JV's parent companies. Please indicate the extent to which you agree with the following statements (please place the appropriate numbers in the boxes provided):

Very strongly disagree			Neither agree nor Disagree				Very strongly agree
1	2	3	4	5	6	7	

Overall, this JV's main parent companies believe that...

- ...there are too many key positions of the joint venture controlled by the other party.
- ...the other party seems to feel that it is OK to do anything within its means that will help further its interests.
- ...the risk of proprietary information leakage in the joint venture is great.
- ...they are highly vulnerable to the other party's opportunistic behavior.
- ...the other party has too much control of the joint venture decisions.
- ...the other party is too dominant in nature.
- ...the other party has the capacity to withhold or distort information which is key to the success of the joint venture.

-Page 12 ends here-

Q16. Partnerships can go through various relationship phases. Please indicate the extent to which you agree with the following statements about the current phase of the relationship between the TWO main parent companies of this JV.

Very strongly disagree	Neither agree nor Disagree					Very strongly agree
1	2	3	4	5	6	7

The parent companies of this JV.....

- cannot trust each other at times.
- are perfectly honest and truthful to each other.
- can trust each other completely.
- can count on each other to do what is right.
- are always confident in each other.
- have high integrity.
- defend each other when outsiders criticize either one of them.
- are continually on the lookout for another partner to replace the current one.
- would most certainly take on another offer of better coverage, even if it meant dropping the current partner.
- are patient with each other even when one makes mistakes and causes the other trouble.
- are willing to dedicate whatever people and resources it takes to grow sales for the other party.

Q17. Please indicate the extent to which you agree with the following statements (“1” indicating *very strongly disagree*, and “7” *very strongly agree*) which describe the communication and interactions between the JV’s parent companies. Remember that there are no right or wrong answers.

Considering the interaction between the JV’s two main parent companies over the past three months, they...

- experienced problems coordinating work activities.
- had senior managers who were “at odds”.
- hindered each other’s performance.
- competed for the same resources.
- cooperated with each other.
- had compatible goals and objectives.
- agreed on each other’s priorities.

-Page 13 ends here-

Q18. The following describes the level of dependence between the JV's parent companies. Please indicate the extent to which they describe the situation between the JV's TWO main parent companies (place the appropriate numbers in the boxes provided).

Very strongly disagree				Neither agree nor disagree				Very strongly agree
1	2	3	4	5	6	7		

- The parent companies generally provide vital resources which would have been difficult for either partner to obtain elsewhere
- It would have been difficult for either one of the parent companies to replace each other in the open market
- The well-being of the parent companies would have suffered greatly if this partnership tie had been broken
- The parent companies are generally dependent on each other
- The parent companies need to maintain this partnership relationship

Part VI: General information

Q19. In the last three years, relative to your competitors, how has your JV performed with respect to... (please circle the number of your choice).

... achieving customer satisfaction?	<i>Very unsatisfied</i>	1	2	3	4	5	6	7	<i>Very satisfied</i>
... providing value for customers?	<i>Very unsatisfied</i>	1	2	3	4	5	6	7	<i>Very satisfied</i>
... keeping current customers?	<i>Very unsatisfied</i>	1	2	3	4	5	6	7	<i>Very satisfied</i>
... attracting new customers?	<i>Very unsatisfied</i>	1	2	3	4	5	6	7	<i>Very satisfied</i>
... attaining desired growth?	<i>Very unsatisfied</i>	1	2	3	4	5	6	7	<i>Very satisfied</i>
... securing desired market share?	<i>Very unsatisfied</i>	1	2	3	4	5	6	7	<i>Very satisfied</i>

Q20. Over the last three years, how do you rate your JV's average annual return on sales relative to your competitors? (please circle the number of your choice on the scale).

Very poor

1	2	3	4	5	6	7
---	---	---	---	---	---	---

Very outstanding

Other information:

- (1) Approximately how many full-time employees does this JV currently have? (only consider those on the payroll of the JV) _____
- (2) What is the percentage equity ownership by the two main partner companies of the JV:
- Partner A _____%
- Partner B _____%

(3) Does the JV have a planned length of existence? (Tick one box):

Yes No

If *No*, please skip to question (4).

If *Yes*, then approximately how long is the planned length from now? _____ (years).

(4) Approximately, what is your JV's annual *TOTAL* sales turnover? US\$ _____.

Thank You for Your Kind Assistance!
Your Contribution to This Study Is Very Much Appreciated!

If you would like to receive a summary report of the findings of this study, please enclose your business card along with this questionnaire in the reply envelope.

-Page 14 ends here-

Appendix 4.4:
Reminder Card Used in Mail Survey Pre-Tests
(Both English and Chinese Versions*)

* Only the Chinese version was used in the survey.

English Version

Date:

Dear,

Recently, we sought your kind help with a questionnaire on joint venture management issues. As the replies are anonymous, we are not able to distinguish between joint ventures who have returned the questionnaire and those who have not.

If you have already returned the questionnaire, we would like to apologize for contacting you again and would also like to take this opportunity to thank you for great help.

If, on the other hand, you have not yet had the chance to complete the questionnaire, we would be extremely grateful if you could find the time to do so. We are well aware that this represents a demand on your already busy schedule, but your participation is critical for the accuracy of our research and your participation could really make the difference between success and failure of our study and my PhD degree!

Once again, please be assured that your answers will remain confidential and all replies will be strictly anonymous; at no time will you or your joint venture be identified in the analysis.

Thank you very much for your co-operation. If you have any queries, please do not hesitate to contact me on 853 397 4743 or email me at fbakpl@umac.mo.

Yours sincerely,

Tiffany Kit Peng Lam
Doctoral Candidate
Aston Business School, UK

Chinese Version (Used in Survey)

敬启者：

您好！非常感激您答应参与此项研究！

由于我们寄出的有关《合资企业及其商业活动》的调查表是不记名的，因此我们没法分辨已收到的调查表是由哪家合资企业寄回的，所以再发这封信给您。

要是您已经寄回调查表，请接受我们最真诚的谢意。要是您还没有机会回复我们，我们很希望您能尽量抽空提供帮助。我们非常明白回答本调查表对于您本来已经很繁重的工作造成很大的压力，不过您的参与对我们的调研以及我的学业真的能起关键性的作用。

请您放心，您提供的一切资料将受到严格的保密，任何形式的数据分析皆不会以个别受访公司的名义进行。

仅此，我们非常感谢您的参与。如果您想对本调研有更多了解或有任何疑问，请致电给我（853 397 4743）或发电邮给我（fbakpl@umac.mo）。祝

业务蒸蒸日上！

林结平谨上
2004年 月 日

**Appendix 4.5:
Main Survey Questionnaire*
(English Version)**

*This English version only serves to illustrate the content of the questions being used in the main survey instrument. The physical layout cannot copy that of the Chinese version (shown in Appendix 4.6) due to differences in both character and line spacing between the two languages.

UNIVERSITY OF MACAU

JOINT VENTURES (JVs) AND BUSINESS INTERACTOINS



UNIVERSITY OF MACAU

Contact:

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JOINT VENTURES (JVs) AND BUSINESS INTERACTOINS

Introduction

Market Orientation is an increasingly important topic in modern management. Its major tenet is to systematically generate market intelligence, disseminate it and make timely responses to such intelligence. By so doing, the organization in question could be able to monitor and respond to market changes in a timely fashion, and in due course, act proactively and attain outstanding market performance.

This study aims to investigate the impact of certain external factors (including parent-JV dynamics, inter-parent dynamics and parents' organizational characteristics) on a JV's market-oriented activities.

This research project is coordinated by Ms. Tiffany Lam of the University of Macau. Upon its completion, Ms. Lam will compile a benchmark of the degree of market-oriented activities for the sampled JVs. This is done in the hope to help the participants better understand their JV's position with respect to the industry benchmark of market-oriented activities.

This project is carried out in the form of questionnaire administration. This questionnaire is divided into six parts with the following emphases:

- Part I: JV's market-oriented activities
Including intelligence generation, dissemination and responsiveness to such intelligence.
- Part II: About JV's internal operational systems
Including topics such as top management emphasis to market orientation, rewards and training systems, and coordinating systems.
- Part III: Parent-JV dynamics
Including parent companies' communication frequency, their dependence on the JV, the JV autonomy, etc.
- Part IV: Parents' organizational characteristics
Including parent companies' organizational value, leadership style, their attitudes towards a different culture, etc.
- Part V: Inter-parent dynamics
Including factors pertaining to partners' interactions and other relational dynamics.
- Part VI: General information

Definitions of terms:

- JV:** An organization set up by two or more parent companies.
- Parent companies:** Organizations which own equity shares of the JV in question.
 - If the parent companies are multi-national companies having both global and regional headquarters, then the term 'parent companies' should refer to the HQ which the JV directly reports to.
 - If your JV is owned by a dominating parent company, please understand "TWO main parent companies" as "one possessing the majority of shares" and the other as "all other remaining shareholders".

-Page 1 ends here-

Please write down, in the spaces below, the names of the TWO main parent companies of your JV (you may choose to write down any initials you like, or simply erase the names upon completion of the questionnaire). The purpose of requesting you to write down the names is to make the task of answering this questionnaire easier:

Parent company A: _____ Parent company B: _____

Nationalities of the 2 main JV parent companies:

Partner A's nationality: _____ Partner B's nationality: _____

Your JV was set up by: 2 parents 3 parents
Others (please specify): _____

In which year was your JV established? _____

What are the main products produced by this JV? (please tick)

- Consumer goods Service
 Industrial goods Other (please specify) _____

Your position or title in this JV: _____ Your nationality: _____

The following questions are intended for warming ups. There are no right or wrong answers. Please circle "Agree" or "Disagree":

Agree/Disagree	I find that I can help others in many ways.
Agree/Disagree	If the odds are against you, it's impossible to come out on top.
Agree/Disagree	Many people are friendly only because they want something.
Agree/Disagree	In spite of many changes, there are still definite rules to live by.
Agree/Disagree	Anyone can raise his standard of living if he is willing to work at it.
Agree/Disagree	Most people really believe that honesty is the best policy.
Agree/Disagree	In general, I am satisfied with my lot in life.
Agree/Disagree	At times I feel I am a stranger to my company.
Agree/Disagree	People will be honest with you as long as you are honest with them.
Agree/Disagree	It is difficult to think clearly about right and wrong these days.
Agree/Disagree	The future looks bleak.
Agree/Disagree	I feel that I am better off than my parents were at my age.
Agree/Disagree	I often feel that no one needs me.
Agree/Disagree	One can always find friends if he tries.
Agree/Disagree	I am so "fed up" that I can't take it any more.
Agree/Disagree	To get along with people one must put on an act.

This questionnaire will take approximately 30 minutes for you to complete. Thank you very much for your help.

All information provided in this questionnaire is treated in strict confidence.

-Page 2 ends here-

Part I: JV's Market-Oriented Activities

Q1. The following describes some market-oriented activities. Please use the following scale to indicate the extent to which they describe the situation in your joint venture (JV) (place the appropriate numbers in the boxes provided).

Very strongly disagree			Neither agree nor Disagree				Very strongly agree
1	2	3	4	5	6	7	

In this JV,...

Activities Pertaining to Intelligence Generation

- we poll end users at least once a year to assess the quality of our products and services.
- intelligence on our competitors is generated independently by several departments.
- we periodically review the likely effect of changes in our business environment (e.g., regulation) on customers.
- we frequently collect and evaluate general macro-economic information (e.g., interest rate, exchange rate, GDP, industry growth rate, inflation rate).
- we maintain contacts with officials of government and regulatory bodies (e.g., *state governments, Ministry of Commerce, etc.*) in order to collect and evaluate pertinent information.
- we collect and evaluate information concerning general social trends (e.g., environmental consciousness, emerging lifestyles) that might affect our business.
- we spend time with our suppliers to learn more about various aspects of their business (e.g., manufacturing process, industry practices, clientele).
- only a few people are collecting competitor information.

Activities Pertaining to Intelligence Dissemination

- marketing personnel spend time discussing customers' future needs with other functional departments.
- we periodically circulates documents (e.g., reports, newsletters) that provide information on our customers.
- we often have cross-functional meetings to discuss market trends and developments (e.g., customers, competition, suppliers).
- we regularly have interdepartmental meetings to update our knowledge of regulatory requirements.
- technical people spend a lot of time sharing information about technology for new products with other departments.
- Market information spreads quickly through all levels.

-Page 3 ends here-

Very
strongly
disagree

Neither agree nor
Disagree

Very
strongly
agree

1

2

3

4

5

6

7

Activities Pertaining to Responsiveness

- for one reason or another, we tend to ignore changes in our customers' product or service needs.
- the product lines we sell depend more on internal politics than real market needs.
- we are slow to start business with new suppliers even though we think they are better than existing ones.
- if a major competitor were to launch an intensive campaign targeted at our customers, we would implement a response immediately.
- the activities of the different departments are well coordinated.
- even if we came up with a great marketing plan, we probably would not be able to implement it in a timely fashion.
- if a special interest group (e.g., consumer group, environmental group) were to publicly accuse us of harmful business practices, we would respond to the criticism immediately.
- we tend to take longer than our competitors to respond to a change in regulatory policy.

Q2. The following is about some norms guiding market-oriented activities. Please indicate the extent to which you agree with them by circling the appropriate numbers.

In our JV,

Very
strongly
disagree

Very
strongly
agree

market performance (e.g., market share, customer satisfaction) is <i>measured</i> regularly	1	2	3	4	5	6	7
market performance (e.g., market share, customer satisfaction) is <i>controlled</i> regularly	1	2	3	4	5	6	7
employees' market-related performance is measured systematically ..	1	2	3	4	5	6	7
employees' outstanding market-related performance is recognized regularly	1	2	3	4	5	6	7
we expect that generally accepted standardized programs are examined regularly to become more effective in serving our markets	1	2	3	4	5	6	7
we expect the employees to be flexible toward market changes	1	2	3	4	5	6	7
we are permanently very open toward innovations (e.g., related to products or processes)	1	2	3	4	5	6	7
we expect novel solutions are found quickly to difficult situations	1	2	3	4	5	6	7
we expect that new value-adding products and services are detected and developed permanently	1	2	3	4	5	6	7
we appreciate unconventional ideas (especially if they come from customers)	1	2	3	4	5	6	7
we expect that market-related problems are mentioned directly and openly	1	2	3	4	5	6	7
we expect that interfunctional meetings (e.g., discussions about market trends) are organized regularly	1	2	3	4	5	6	7

-Page 4 ends here-

<i>In our JV,</i>					Very strongly disagree					Very strongly agree
we expect the dissemination and storage of market intelligence	1	2	3	4	5	6	7			
the dissemination and storage of market intelligence are controlled ...	1	2	3	4	5	6	7			
we expect that quality is assessed by customers or, at least, from the customer's perspective	1	2	3	4	5	6	7			
task-related and social competencies of employees with customer contact are absolutely expected.....	1	2	3	4	5	6	7			
the competence of employees with customer contact (e.g., sales, customer service, reception) is controlled regularly	1	2	3	4	5	6	7			
we regularly refresh our expectations on quality work from the customer's perspective	1	2	3	4	5	6	7			
we expect that customer requests are answered at once.....	1	2	3	4	5	6	7			
we expect that customer-related processes are increased in speed continuously	1	2	3	4	5	6	7			
the speed of customer-related processes is controlled regularly	1	2	3	4	5	6	7			
a quick response on market changes is expected	1	2	3	4	5	6	7			
every employee expects that customers are integrated in the planning of a new product or service program (e.g., by conducting interdisciplinary teamwork or focus groups)	1	2	3	4	5	6	7			
the availability of market information in different functional areas (e.g., marketing, R&D) is controlled.....	1	2	3	4	5	6	7			
the degree of coordination of decisions about marketing activities in different areas is controlled.....	1	2	3	4	5	6	7			
people from different functions regularly share their market-related matters	1	2	3	4	5	6	7			
we have regular programs to reinforce the sense of entrepreneurship among the employees	1	2	3	4	5	6	7			
we expect that every employee feels responsible for the detection and solution of potential and actual customer problems	1	2	3	4	5	6	7			
every employee is expected to be highly responsible for the customers	1	2	3	4	5	6	7			
employees are expected to accept their respective responsibility	1	2	3	4	5	6	7			
the individuality of each employee is viewed as competitive advantage	1	2	3	4	5	6	7			
we accept that high-quality performance can be reached very individually and in many different ways.....	1	2	3	4	5	6	7			
a high involvement of the employees for the fulfillment of customer needs is expected	1	2	3	4	5	6	7			
employees feel being an important part of the organization	1	2	3	4	5	6	7			

-Page 5 ends here-

Q3. Please indicate the frequency of changes in the following aspects of the business environment of your JV.

	<i>Low frequency</i>			<i>High frequency</i>			
Changes in products offered by our competitors	1	2	3	4	5	6	7
Changes in sales strategies by our competitors.....	1	2	3	4	5	6	7
Changes in sales promotion/advertising strategies of our competitors.....	1	2	3	4	5	6	7

Part II: About the JV's Internal Operational Systems

Q4. Below is a list of attributes characterizing the operational systems of an organization. Please indicate the extent to which they describe the situation in your JV. (Place the appropriate numbers in the boxes provided.)

Very strongly disagree		Neither agree nor Disagree		Very strongly agree
1	2	3	4	5
6	7			

In this JV, our top management team emphasize that.....

- it is vital to adapt to trends in the target markets
- employees must be sensitive to the activities of the competitors
- we must gear up now to meet target customers' future needs

In this JV, ...

- salespeople's performance is measured by the strength of relationships they build with target customers
- we use target customer surveys for evaluating our salespeople
- reward systems encourage employees to focus on increasing customer satisfaction.....
- our management encourage training that will help employees become better customer-oriented.....
- new employees are told that serving target customers is an extremely important priority.....
- new employees learn the importance of finding out what our target customers need

Considering the interactions in your JV...

- Employees in the marketing function and those in other functional areas (e.g., R&D) help each other out
- There is a sense of teamwork going right down to the shop floor
- There is a strong collaborative working relationship between all departments in this JV
- Functional areas in this JV pull together in the same direction
- The activities of all this JV's business functions are integrated in pursuing a common goal.....
- We resolve issues and conflicts through communication and group problem-solving ...

-Page 6 ends here-

Part III: Parent-JV Dynamics

Q5. Please circle the number that best indicates the situation when JV people meet members of the main parent companies.

	Very strongly disagree							Very strongly agree
<i>In this JV ...</i>								
employees get along well with members of our main parent companies.....	1	2	3	4	5	6	7	
employees become tensed when they meet members of our main parent companies.....	1	2	3	4	5	6	7	
employees dislike interacting with people from our main parent companies.....	1	2	3	4	5	6	7	
employees feel that our goals are in harmony with those of our main parent companies.....	1	2	3	4	5	6	7	
employees consider that protecting the turf of our JV is a way of life during interactions with members of our main parent companies.....	1	2	3	4	5	6	7	
the objectives of this JV are incompatible with those of the main parent companies.....	1	2	3	4	5	6	7	
employees feel that there is little or no conflict between our JV and the main parent companies.....	1	2	3	4	5	6	7	

Q6. Below are some descriptions about the relationship between the JV people and members of the main parent companies. Please circle the number that best indicates the situation in your JV.

	Very strongly disagree							Very strongly agree
<i>In this JV...</i>								
it is easy for people to talk with virtually anyone they need to, even to members of the parent companies	1	2	3	4	5	6	7	
there is ample opportunity for informal 'hall talk' between JV people and members of the parent companies	1	2	3	4	5	6	7	
people feel comfortable calling members of the parent companies when the need arises	1	2	3	4	5	6	7	
people are discouraged from discussing work-related matters with members of the parent companies.....	1	2	3	4	5	6	7	
it is easy for JV people to reach members of the parent companies.....	1	2	3	4	5	6	7	
communications between JV people and members of the parent companies are expected to be routed through 'proper channels'	1	2	3	4	5	6	7	
JV people can easily schedule meetings with members of the parent companies.....	1	2	3	4	5	6	7	
plentiful social events are held for JV people to meet members of the parent companies	1	2	3	4	5	6	7	

-Page 7 ends here-

Q7. The following questions concern the dynamics between a JV and its main parent companies. Please circle the number that best indicates the situation in this JV.

**Very
strongly
disagree**

**Very
strongly
agree**

This JV is...

something the parent companies are equally committed to	1	2	3	4	5	6	7
very important to both parent companies	1	2	3	4	5	6	7
of very little significance to either of the parent companies	1	2	3	4	5	6	7
very much like being in a family.....	1	2	3	4	5	6	7
something the parent companies really care about.....	1	2	3	4	5	6	7
something the parent companies believe deserves their maximum effort to maintain.....	1	2	3	4	5	6	7
something very critical for our parent companies to achieve their organizational goals	1	2	3	4	5	6	7

Q8. Please indicate the extent to which you agree with the following statements. (Place the appropriate numbers in the boxes provided.)

**Very
strongly
disagree**

**Neither agree nor
Disagree**

**Very
strongly
agree**

- Compared to other business operations, this JV is central to the well-being of our parent companies.
- Our parent companies would suffer a significant drop in revenue if this JV fails.
- There are other investment opportunities for the parent companies other than this JV project.
- The setup costs for a new JV for the parent companies would be very high.
- It would be difficult for our parent companies to replace the benefits generated from this JV.
- The JV possesses some vital resources to the partners which would have been difficult for the partners to obtain elsewhere.

-Page 8 ends here-

Q9. The following describes some duties of the JV management. Please use the scale below to indicate the extent to which they describe the situation in your JV.

Very strongly disagree			Neither agree nor Disagree				Very strongly agree
1	2	3	4	5	6	7	

In this JV, ...

- managers are responsible for tasks and activities in the JV only, they do not have active responsibilities in their parent companies as well
- managers are accountable to the JV only, they do not have to report to their parent companies.....
- managers' evaluations depend on how well they accomplish the organizational tasks of their parent companies, they are not evaluated against the overall performance of the JV
- managers' rewards or gains depend on how well they accomplish the organizational tasks of their parent companies, they are not dependable on the overall performance of the JV
- managers have stronger ties to a parent company than to the JV.....
- managers behave like a unified team
- managers are driven by agendas of parent companies rather than the JV agendas.....
- managers are all committed to common objectives
- managers value their membership in the JV management team
- managers feel they have a personal stake in the success of the JV

Q10. The following describes a variety of capabilities which the JV management may possess. Please circle the appropriate number on the right to indicate the extent they describe the situation in your JV.

	Very strongly disagree						Very strongly agree
The parent companies play an active role in decision making on matters to do with this JV.....	1	2	3	4	5	6	7
This JV goes ahead with actions without checking with the parent companies.....	1	2	3	4	5	6	7
This JV's responsibilities are routine in nature.....	1	2	3	4	5	6	7
This JV's suggestions play an important part in decision making..	1	2	3	4	5	6	7
This JV follows strict operating procedures.....	1	2	3	4	5	6	7
This JV refers all matters to the parent companies	1	2	3	4	5	6	7
The parent companies make decisions affecting this JV, without consulting this JV.....	1	2	3	4	5	6	7
This JV has high regard for existing rules and procedures	1	2	3	4	5	6	7
This JV yields to the recommendations of the parent companies ...	1	2	3	4	5	6	7
This JV relies on the parent companies for an answer	1	2	3	4	5	6	7
This JV follows previously written and verbal instructions.....	1	2	3	4	5	6	7
This JV's responsibilities are clearly prescribed.....	1	2	3	4	5	6	7

-Page 9 ends here-

Q11. Over the past month, how often did you (JV people) communicate with your parent companies about work-related matters in each of the following ways. Please tick the appropriate boxes.

	Once	2-3 times per month	1-3 times per week	4-5 times per week	Daily (indicate times per day)	Not used
Written						
Memos					()	
Reports					()	
Oral						
Formal group meetings					()	
Scheduled one-to-one meetings (face to face)					()	
Impromptu face-to-face conversations (e.g., in the hall)					()	
Scheduled one-to-one phone conversations					()	
Impromptu one-to-one phone conversations					()	
Voice mail					()	
Electronic						
E-mails					()	
Electronic group conferences					()	

Part IV: Parents' Organizational Characteristics

Q12. Please indicate the extent to which you agree or disagree with the following statements (place the appropriate numbers in the boxes provided).

Very strongly disagree			Neither agree nor disagree			Very strongly agree
1	2	3	4	5	6	7

Consider those managers in the parent companies who are involved with this JV ...

- Managers try to make allowances for the ways in which the other partners make decisions.
- Managers work hard to familiarize themselves with the other partners' legal environments.
- Managers speak the other partners' language or spend time learning their languages.
- Managers adapt how they do things to ensure the other partners feel at ease.
- Managers look for ways to smooth communications with the other partners.
- Managers make allowances when the other partners behave in unexpected or unusual ways.
- Managers look for mutually satisfying solutions to situations in which the other partners have exceptional expectations.
- Managers try to learn the other partners' customs and ways of doing business.
- Managers try to compensate for cultural misunderstandings.

- Managers try to see their partners' problems from their partners' perspective.
- Managers believe that there is usually more than one good way to get things done.

-Page 10 ends here-

Q13. Below is a list of organizational values. To what extent are they valued by your JV's main parent companies? Please circle the appropriate number on the right.

<i>Overall, this JV's main parent companies...</i>	Not at all							Extremely highly						
	1	2	3	4	5	6	7	1	2	3	4	5	6	7
value performance-oriented employees	1	2	3	4	5	6	7	1	2	3	4	5	6	7
value those who strive for success	1	2	3	4	5	6	7	1	2	3	4	5	6	7
value systematic, regular measurement and monitoring of employees' performance	1	2	3	4	5	6	7	1	2	3	4	5	6	7
value recognition (e.g., of high achievers)	1	2	3	4	5	6	7	1	2	3	4	5	6	7
value innovativeness and creativity	1	2	3	4	5	6	7	1	2	3	4	5	6	7
value flexibility of the employees	1	2	3	4	5	6	7	1	2	3	4	5	6	7
value openness to product, service or process innovations	1	2	3	4	5	6	7	1	2	3	4	5	6	7
value seeking novel solutions to difficult situations	1	2	3	4	5	6	7	1	2	3	4	5	6	7
value unconventional ideas	1	2	3	4	5	6	7	1	2	3	4	5	6	7
value open internal communication	1	2	3	4	5	6	7	1	2	3	4	5	6	7
value aspiring to a high degree of interfunctional information exchange	1	2	3	4	5	6	7	1	2	3	4	5	6	7
value free information flow	1	2	3	4	5	6	7	1	2	3	4	5	6	7
value aspiring to proactive communication	1	2	3	4	5	6	7	1	2	3	4	5	6	7
value free communication of opinions	1	2	3	4	5	6	7	1	2	3	4	5	6	7
value error-free work results	1	2	3	4	5	6	7	1	2	3	4	5	6	7
value high-quality work results	1	2	3	4	5	6	7	1	2	3	4	5	6	7
value employees who aspire to gain high qualifications in their subject	1	2	3	4	5	6	7	1	2	3	4	5	6	7
value employees who aspire to maximize competence in their subject	1	2	3	4	5	6	7	1	2	3	4	5	6	7
value aspiring to meet expectations on quality work	1	2	3	4	5	6	7	1	2	3	4	5	6	7
value speed in all work processes	1	2	3	4	5	6	7	1	2	3	4	5	6	7
value employees who aspire to speed in the work processes	1	2	3	4	5	6	7	1	2	3	4	5	6	7
value good time management	1	2	3	4	5	6	7	1	2	3	4	5	6	7
value being first	1	2	3	4	5	6	7	1	2	3	4	5	6	7
value interfunctional teamwork	1	2	3	4	5	6	7	1	2	3	4	5	6	7
value cooperation among different functions (e.g., marketing, R&D)	1	2	3	4	5	6	7	1	2	3	4	5	6	7
value aspiring to cooperative work	1	2	3	4	5	6	7	1	2	3	4	5	6	7
value employees who share a lot of their work-related matters	1	2	3	4	5	6	7	1	2	3	4	5	6	7
value employees who think and act like entrepreneurs	1	2	3	4	5	6	7	1	2	3	4	5	6	7
value employees who understand their responsibilities	1	2	3	4	5	6	7	1	2	3	4	5	6	7
value acceptance of responsibility	1	2	3	4	5	6	7	1	2	3	4	5	6	7
value ensuring that employees know they are appreciated	1	2	3	4	5	6	7	1	2	3	4	5	6	7
value a feeling of belonging among the employees	1	2	3	4	5	6	7	1	2	3	4	5	6	7
value high employee satisfaction	1	2	3	4	5	6	7	1	2	3	4	5	6	7
value employees who know they are important	1	2	3	4	5	6	7	1	2	3	4	5	6	7

-Page 11 ends here-

Part V: Inter-Parent Dynamics

Q14. Below describes the interactions between the management of the main parent companies. Please indicate the extent to which they describe the situation between your TWO main parent companies (place the appropriate numbers in the boxes provided).

Very strongly disagree	Neither agree nor Disagree					Very strongly agree
1	2	3	4	5	6	7
						<input type="checkbox"/>
						<input type="checkbox"/>
						<input type="checkbox"/>
						<input type="checkbox"/>
						<input type="checkbox"/>
						<input type="checkbox"/>
						<input type="checkbox"/>
						<input type="checkbox"/>
						<input type="checkbox"/>
						<input type="checkbox"/>

Q15. Below is a list of descriptions about the relationship of the JV's parent companies. Please indicate the extent to which you agree with the following statements (please place the appropriate numbers in the boxes provided):

Very strongly disagree	Neither agree nor Disagree					Very strongly agree
1	2	3	4	5	6	7

Overall, this JV's main parent companies believe that...

- ...there are too many key positions of the joint venture controlled by the other party.
- ...the other party seems to feel that it is OK to do anything within its means that will help further its interests.
- ...the risk of proprietary information leakage in the joint venture is great.
- ...they are highly vulnerable to the other party's opportunistic behavior.
- ...the other party has too much control of the joint venture decisions.
- ...the other party is too dominant in nature.
- ...the other party has the capacity to withhold or distort information which is key to the success of the joint venture.

-Page 12 ends here-

Q16. Partnerships can go through various relationship phases. Please indicate the extent to which you agree with the following statements about the current phase of the relationship between the TWO main parent companies of this JV.

Very strongly disagree			Neither agree nor Disagree				Very strongly agree
<input type="text" value="1"/>	<input type="text" value="2"/>	<input type="text" value="3"/>	<input type="text" value="4"/>	<input type="text" value="5"/>	<input type="text" value="6"/>	<input type="text" value="7"/>	

The parent companies of this JV.....

- cannot trust each other at times.
- are perfectly honest and truthful to each other.
- can trust each other completely.
- can count on each other to do what is right.
- are always confident in each other.
- have high integrity.
- defend each other when outsiders criticize either one of them.
- are continually on the lookout for another partner to replace the current one.
- would most certainly take on another offer of better coverage, even if it meant dropping the current partner.
- are patient with each other even when one makes mistakes and causes the other trouble.
- are willing to dedicate whatever people and resources it takes to grow sales for the other party.

Q17. Please indicate the extent to which you agree with the following statements ("1" indicating *very strongly disagree*, and "7" *very strongly agree*) which describe the communication and interactions between the JV's parent companies. Remember that there are no right or wrong answers.

Considering the interaction between the JV's two main parent companies over the past three months, they...

- experienced problems coordinating work activities.
- had senior managers who were "at odds".
- hindered each other's performance.
- competed for the same resources.
- cooperated with each other.
- had compatible goals and objectives.
- agreed on each other's priorities.

-Page 13 ends here-

Q18. The following describes the level of dependence between the JV's parent companies. Please indicate the extent to which they describe the situation between the JV's TWO main parent companies (place the appropriate numbers in the boxes provided).

Very strongly disagree			Neither agree nor Disagree				Very strongly agree
1	2	3	4	5	6	7	

- The parent companies generally provide vital resources which would have been difficult for either partner to obtain elsewhere
- It would have been difficult for either one of the parent companies to replace each other in the open market
- The well-being of the parent companies would have suffered greatly if this partnership tie had been broken
- The parent companies are generally dependent on each other
- The parent companies need to maintain this partnership relationship

Part VI: General information

Q19. In the last three years, relative to your competitors, how has your JV performed with respect to... (please circle the number of your choice).

... achieving customer satisfaction?	<i>Very unsatisfied</i>	1	2	3	4	5	6	7	<i>Very satisfied</i>
...providing value for customers?	<i>Very unsatisfied</i>	1	2	3	4	5	6	7	<i>Very satisfied</i>
...keeping current customers?	<i>Very unsatisfied</i>	1	2	3	4	5	6	7	<i>Very satisfied</i>
...attracting new customers?	<i>Very unsatisfied</i>	1	2	3	4	5	6	7	<i>Very satisfied</i>
...attaining desired growth?	<i>Very unsatisfied</i>	1	2	3	4	5	6	7	<i>Very satisfied</i>
...securing desired market share?	<i>Very unsatisfied</i>	1	2	3	4	5	6	7	<i>Very satisfied</i>

Q20. Over the last three years, how do you rate your JV's average annual return on sales relative to your competitors? (please circle the number of your choice on the scale).

Very poor

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 Very outstanding

Other information:

- (1) Approximately how many full-time employees does this JV currently have? (only consider those on the payroll of the JV) _____
- (2) What is the percentage equity ownership by the two main partner companies of the JV:

Partner A _____%
Partner B _____%

(3) Does the JV have a planned length of existence? (Tick one box):

Yes No

If *No*, please skip to question (4).

If *Yes*, then approximately how long is the planned length from now? _____ (years).

(4) Approximately, what is your JV's annual *TOTAL* sales turnover? US\$ _____.

Thank You for Your Kind Assistance!
Your Contribution to This Study Is Very Much Appreciated!

If you would like to receive a summary report of the findings of this study, please enclose your business card along with this questionnaire in the reply envelope.

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**Appendix 4.6:
Main Survey Questionnaire
(Chinese Version)**

合资企业及其商业活动

调查表



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合资企业及其商业活动

简介

【市场导向】这一课题在现代管理学的范畴内占有重要的地位，其主要的学说是企业透过有系统地收集及整理目标市场的信息、有效地分发这些信息，从而能对市场的最新动向做出快速的反应，处处掌握先机，达至高的营销绩效。

本调研的主题是研究合资企业的市场导向活动如何受到一些外在因素（比如合资企业本身与投资者公司之间的互动性关系、投资者公司之间的互动性关系、以及投资者公司的企业特性等的影响。主要的目的是透过研究这些外在因素，寻找方法去更有效地推动在合资企业内的市场导向活动。

本调研工作由澳门大学研究员林结平主持。在完成以后，研究员会按业务性质的分类整理市场导向活动的有关指标，编成报告书回馈参加者，使他们可以更了解本身以及同业的市场导向活动的情况。

是项调研以问卷表的方形式进行，主要分为六个部分，具体内容如下：

第一部分：	有关合资企业的市场导向活动 包括市场信息的收集及整理、分发、以及对有关信息的回应等
第二部分：	有关合资企业的一些运作模式 包括领导者对市场导向活动的态度、有关的培训、考核系统、以及协调机制等
第三部分：	有关合资企业与投资者公司之间的互动性关系 比如他们之间的联系密切度、合资企业对投资者公司的重要性、合资企业的独立性等
第四部分：	有关两家主要投资者公司的企业特性 比如价值观、领导模式、对不同文化的看法等
第五部分：	有关两家主要投资者公司之间的互动性关系 比如两家投资者的日常往来情况、关系等
第六部分：	企业一般的背景资料

有关用语定义说明：

合资企业： 指由两家或更多的投资者公司共同成立的企业。

投资者公司： 指拥有合资企业股权的公司。

- 如果投资者是跨国企业，同时拥有全球性及地区性总部，投资者公司则是指 贵合资企业直隶的有关总部。
- 如果 贵合资企业的大多数股权由一家投资者公司拥有，请把两家主要投资者定义为：一方是拥有多数股权者，另一方是余下的小投资者。

现在请您写下 贵合资企业的主要两家投资者名称（您可以选择用化名回答，或者您可以在完成问卷表后把名字删去）。要求您写下名称的目的是方便您回答以下的问题：

甲方投资者： _____ 乙方投资者： _____

两家主要投资者的国籍是： 甲方的国籍： _____ 乙方的国籍： _____

贵合资企业是： 两资的 三资的 其他（请说明）： _____

贵合资企业的成立年份是： _____

贵合资企业的业务性质属于以下哪个类别? (请把“√”号填在适合的方格内)

- 消费品 服务
工业用品 其他（请说明） _____

您在本合资企业的职位是： _____ 您的国籍是： _____

以下是一些热身题目，没有对或错的答案；目的是给受访者悉一下问题的方式，请回答全部问题，（请圈「同意」或「不同意」）：

同意/不同意	我认为自己在很多方面都可以帮助别人
同意/不同意	在运气不佳时，你不可能取得好成绩
同意/不同意	礼多必诈
同意/不同意	尽管世事多变，一些处世的原则还是不变的
同意/不同意	只要愿意努力，任何人也可以提高自己的生活水平
同意/不同意	多数人都真的相信诚实是处世的最佳原则
同意/不同意	总的来说，我对自己的运气感到满意
同意/不同意	有时我对我身旁的人及物皆有疏离的感觉
同意/不同意	只要待人以诚，别人就会真诚待我
同意/不同意	在这个年代，我们很难清楚地去界定对与错
同意/不同意	未来的日子看来很暗淡
同意/不同意	我觉得我比父母在这个年龄时生活得更好
同意/不同意	我常常有不被需要的感觉
同意/不同意	只要去尝试，每个人都可以交到朋友
同意/不同意	我已倒霉透了
同意/不同意	你必虚假一点才能与人和睦相处

这份问卷表大概需要 30 分钟时间填写，很感激您的帮助。

所有资料，绝对保密。

第一部分：有关合资企业的市场导向活动

1. 以下是有关企业的市场导向活动的描述，您认为它们符合贵企业的实际情况吗？
(请按下面方法评分，把数位填在空格内)。

坚决不同意		2	3	4	5	6	7	坚决同意
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在本合资企业里，……

有关收集市场信息的活动

- 我们每年最少会向顾客了解一次对我们产品及服务质量的意见。
- 有多个部门独立地收集有关竞争者的最新动态。
- 我们定期评估商业环境的转变（比如法律条款的修改）对我们顾客可能造成的影响。
- 我们频繁地收集及整理与宏观经济环境有关的信息（比如利率、汇率、本地生产总值、行业增长率、通胀率等）。
- 我们与政府及监管单位的官员（如中央及地方官员、国家商务部官员等）保持联系以便掌握有关商业法规的资料。
- 我们也会收集及整理那些可能会影响我们公司的社会动向资料（比如环保的诉求、生活方式的转变等）。
- 我们与供应商保持联络以便进一步了解他们的运作（比如生产过程、行业惯例、顾客情况等）。
- 只有一个小部分员工会负责收集竞争者的资料。

有关分发市场信息的活动

- 市场部的员工会与其他部门的员工讨论顾客未来的需要。
- 我们定期分发有关顾客信息（如报告书、内部通信等）的文件。
- 我们常常召开跨部门会议，讨论市场的动向及发展（如顾客、竞争者及供应商等的最新情况）。
- 我们定期召开跨部门会议，以便更新我们的法规常识。
- 技术人员用很多时间向其他部门讲解新产品的有关技术。
- 有关市场动向的信息很快就传达到整个机构的每一部分。

坚决不同意

不同意也不反对

坚决同意

有关回应市场信息的活动

- 我们倾向于忽视顾客对产品或服务需求的任何改变。
- 在考虑本合资企业的产品时，内部斗争之妥协多过于实际市场的需求。
- 尽管我们发现有一家新供应商比原来的更好，但是更换供应商的过程也会相当的缓慢。
- 如果主要竞争者对我们的顾客展开针对性的攻击，我们将会做出即时的回应。
- 部门间协调得十分好。
- 尽管我们构想出一个很好的市场计划，一般也不会适时地落实此计划。
- 如果某个利益集团（如消费者组织、环保组织等）公开谴责我们的经营手法，我们会有即时的反应。
- 我们对于监管法规修改的应变一般会比竞争者缓慢。

2. 以下是一些有关规范市场导向活动的标准，您认为它们符合 贵企业的实际情况 吗？（请按下面方法评分，圈出最适合的数位）。

在本合资企业里，

坚决不
同意

坚决
同意

我们定期地计量有关营销方面的绩效（比如市场份额、顾客满意度等）	1	2	3	4	5	6	7
我们定期地考核有关营销方面的绩效（比如市场份额、顾客满意度等）	1	2	3	4	5	6	7
我们有系统地考核员工有关营销方面的绩效	1	2	3	4	5	6	7
我们定期对那些在营销方面有高绩效的员工给予肯定	1	2	3	4	5	6	7
我们认为对那些已标准化的计划方案进行定期的审查，能使之更有效地适应市场的需要	1	2	3	4	5	6	7
我们认为员工应该有应变能力，能适应市场的转变	1	2	3	4	5	6	7
我们认为对创新意识（比如与产品或工作程式有关的）抱有的开放态度应该是长期的	1	2	3	4	5	6	7
我们认为迅速地找到新颖方案去解决困难是理所当然的	1	2	3	4	5	6	7
我们认为持久地开发出新的、好的产品及服务是理所当然的	1	2	3	4	5	6	7
我们认为新思维模式会受到肯定的（特别是那些来自顾客的） ...	1	2	3	4	5	6	7
我们认为那些与市场有关的问题应该被直接而公开地提出来的 ...	1	2	3	4	5	6	7
我们认为定期地召开不同功能部门间的会议（比如对市场动向开展讨论）是理所当然的	1	2	3	4	5	6	7
我们认为应该分发及贮存有关市场的信息	1	2	3	4	5	6	7

在本合资企业里, ...

坚决不
同意

坚决
同意

我们认为对如何分发及贮存有关市场的信息是应该受到管理的...	1	2	3	4	5	6	7
我们认为有关产品或服务的质量问题应该直接由顾客或者从顾客的角度来评定	1	2	3	4	5	6	7
我们认为员工在接待顾客时的业务水平要专业而且要有交际技巧	1	2	3	4	5	6	7
我们定期地考核员工在接待顾客时的表现(比如销售、客户服务、接待等的技巧)	1	2	3	4	5	6	7
我们定期地从顾客的角度去调整对有关高素质工作的要求	1	2	3	4	5	6	7
我们认为对顾客的诉求是应该立即回应的	1	2	3	4	5	6	7
我们认为不断加快速度去完成那些需要顾客参与的工作程式是应该的	1	2	3	4	5	6	7
我们定期地监督那些需要顾客参与的工作程式的完成速度	1	2	3	4	5	6	7
我们认为对市场脉搏做出快速的反应是应该的	1	2	3	4	5	6	7
每位员工都认为邀请顾客直接参与新产品或服务的开发计划(比如邀请他们加入由不同功能部门组成的工作小组或参加焦点小组访谈等)是应该的	1	2	3	4	5	6	7
我们认为各功能部门(比如市场部、产品研发部等)对有关市场信息的获得是应该受到管理的	1	2	3	4	5	6	7
我们对各功能部门之间有关市场活动的决策的协调性是有审核的各部门的员工之间定期地互相分享有关市场的情况	1	2	3	4	5	6	7
我们有系统地去强化员工的企业家精神	1	2	3	4	5	6	7
我们认为每位员工都应该感到有责任去发掘并解决顾客潜在的或者实际上遇到的困难	1	2	3	4	5	6	7
我们认为每一位员工都应该对顾客负有高度的责任感	1	2	3	4	5	6	7
我们认为所有员工都应该对自己的工作承担责任	1	2	3	4	5	6	7
我们认为员工的独立性是应该被视为是企业的竞争优势	1	2	3	4	5	6	7
我们认为高素质的工作成果可凭个人的力量达至, 而且达至的途径也有很多	1	2	3	4	5	6	7
我们认为每位员工都应该高度参与把顾客的要求付诸实践的工作	1	2	3	4	5	6	7
每一位员工都感到自己是企业重要的一员	1	2	3	4	5	6	7

3. 请指出下列各项关于 贵合资企业经商环境变化的速度。

	毫不频密	1	2	3	4	5	6	7	非常频密
竞争者改良产品 / 推出新产品的频密度.....		1	2	3	4	5	6	7	
竞争者改变销售战略的频密度.....		1	2	3	4	5	6	7	
竞争者改变促销 / 广告战略的频密度.....		1	2	3	4	5	6	7	

第二部分：有关合资企业的运作模式

4. 下列描述了一些有关企业运作的模式，您认为它们符合 贵企业的实际情况吗？
（请按下面方法评分，把数位填在空格内）。

坚决不同意	不同意也不反对						坚决同意
□	□ 2	□ 3	□ 4	□ 5	□ 6	□ 7	
<i>在本合资企业内，最高管理层强调.....</i>							
适应市场动向是很重要的.....							<input type="checkbox"/>
员工须有敏锐的触角，随时掌握竞争者的动向.....							<input type="checkbox"/>
我们现在必须装备自己，迎接市场未来的挑战.....							<input type="checkbox"/>
<i>在本合资企业内...</i>							
销售员的绩效是按照他们与顾客建立的关系的密切程度来考核的.....							<input type="checkbox"/>
我们通过顾客的意见来考核销售员的表现.....							<input type="checkbox"/>
计算报酬的制度可鼓励员工集中于提高顾客的满意度.....							<input type="checkbox"/>
管理层鼓励进行那些能够强化员工的市场导向意念的培训计划.....							<input type="checkbox"/>
我们灌输新员工「以客为先」的观念.....							<input type="checkbox"/>
我们教导新员工去认识发掘顾客需要的重要性.....							<input type="checkbox"/>
<i>考虑一下本合资企业内的情况...</i>							
市场部的员工与其他功能部门的员工（比如产品研发部等）互相帮助.....							<input type="checkbox"/>
团队精神延伸至店面的员工.....							<input type="checkbox"/>
各部门间存在着浓厚的互助精神.....							<input type="checkbox"/>
各部门齐心协力，向着同一方向走.....							<input type="checkbox"/>
各功能部门整合力量争取达成共同目标.....							<input type="checkbox"/>
我们以沟通及讨论的方法去解决所有的疑难及冲突.....							<input type="checkbox"/>

第三部分：有关合资企业与投资者之间的互动性关系

5. 合资企业的员工（我们）跟投资者公司员工会有接触的机会，您认为下面的描述符合贵企业的实际情况吗？（请按下面方法评分，圈出最适合的数位）。

	坚决不同意	1	2	3	4	5	6	7	坚决同意
我们与投资者公司的员工相处融洽.....	1	2	3	4	5	6	7		
我们每当遇到投资者公司的的员工时都会变得紧张.....	1	2	3	4	5	6	7		
我们不喜欢与投资者公司的员工接触.....	1	2	3	4	5	6	7		
我们觉得合资企业的目标与投资者公司的目标是一致的.....	1	2	3	4	5	6	7		
我们认为保卫自己的领域是跟投资者公司的员工接触时的必然工作.....	1	2	3	4	5	6	7		
本合资企业的目标不符合投资者公司的目标.....	1	2	3	4	5	6	7		
我们觉得合资企业与投资者公司之间的冲突很少甚至是完全没有.....	1	2	3	4	5	6	7		

6. 合资企业员工（我们）与投资者公司员工会有交往的机会，您认为下面的描述符合贵企业的实际情况吗？（请按下面方法评分，圈出最合适的数位）。

	坚决不同意	1	2	3	4	5	6	7	坚决同意
<i>在本合资企业里...</i>									
在有需要时，我们很容易就能与其他同事见面，尽管对方是投资者公司的员工.....	1	2	3	4	5	6	7		
我们与投资者公司的员工有充足的非正规会面机会.....	1	2	3	4	5	6	7		
我们认为在有需要时找投资者公司的员工见面是恰当的.....	1	2	3	4	5	6	7		
我们不应跟投资者公司的员工讨论工作.....	1	2	3	4	5	6	7		
我们接触投资者公司的员工是很容易的.....	1	2	3	4	5	6	7		
我们与投资者公司的员工沟通接触应通过「适当的渠道」.....	1	2	3	4	5	6	7		
我们可以很容易与投资者公司的员工安排会议.....	1	2	3	4	5	6	7		
有很多社交活动可供我们与投资者公司的员工来往的机会.....	1	2	3	4	5	6	7		

7. 以下是一些有关合资企业与投资者公司关系的描述，您认为它们符合贵企业的实际情况吗？（请按下面方法评分，圈出最适合的数位）。

	坚决不同意							坚决同意						
本合资企业...	1	2	3	4	5	6	7	1	2	3	4	5	6	7
是两家投资者均投入全部精力的事业.....	1	2	3	4	5	6	7	1	2	3	4	5	6	7
是对两家投资者十分重要的.....	1	2	3	4	5	6	7	1	2	3	4	5	6	7
是对两家投资者意义重大的.....	1	2	3	4	5	6	7	1	2	3	4	5	6	7
像是一个大家庭.....	1	2	3	4	5	6	7	1	2	3	4	5	6	7
是两家投资者真正关心的.....	1	2	3	4	5	6	7	1	2	3	4	5	6	7
是两家投资者均认为值得尽力去维护的.....	1	2	3	4	5	6	7	1	2	3	4	5	6	7
是实现两家投资者企业目标不可缺少的一部分.....	1	2	3	4	5	6	7	1	2	3	4	5	6	7

8. 以下是有关合资企业的一些描述情况，您认为它们符合贵企业的实际情况吗？（请按下面方法评分，圈出最合适的数位）。

坚决不同意							不同意也不反对							坚决同意
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
	2	3	4	5	6	7								

- 对投资者的业绩来说，本合资企业的业务比任何其他投资者的业务更有影响力。
- 若本合资企业经营失败，它会对投资者造成沉重的打击。
- 除了投资在本合资企业外，投资者还有其他的投资机会。
- 投资者要花费相当高的成本才能另外成立一家全新的合资企业。
- 本合资企业提供给投资者的利益难以被取代。
- 本合资企业掌握了某些投资者难以从其他途径取得的重要资源。

9. 以下是对有关合资企业管理人员职务的描述，您认为它们符合 贵企业的实际情况吗？（请按下面方法评分，把数位填在空格内）。

在本合资企业里， ...

- 管理人员只需处理合资企业的内部事务，不用积极参与投资者公司的事务.....
- 管理人员只对本合资企业而不对投资者公司负有汇报工作的责任.....
- 管理人员的工作考核是以他们是否能实现投资者公司所规定的工作目标，而非按照合资企业的整体业绩而定.....
- 管理人员的奖金或报酬是以他们是否能实现投资者公司所规定的工作目标，而非按照合资企业的整体业绩而定.....
- 管理人员与投资者公司的关系比与合资企业的关系更密切.....
- 管理人员好比一个团结的队伍.....
- 管理人员的动力是来自投资者的计划而非合资企业的计划.....
- 管理人员有共同的目标去实现.....
- 管理人员珍惜他们在合资企业内的地位.....
- 管理人员感到合资企业的成败是个人的荣辱.....

10. 以下是对有关合资企业职能的一些描述，您认为它们符合 贵企业的实际情况吗？（请按下面方法评分，圈出最适合的数位）。

	坚决不同意	1	2	3	4	5	6	7	坚决同意
投资者积极参与本合资企业的决策.....	1	2	3	4	5	6	7		
本合资企业的活动不用事先获得投资者的审批.....	1	2	3	4	5	6	7		
本合资企业的职责基本上已经是规范好的.....	1	2	3	4	5	6	7		
本合资企业的建议可左右最终的决定.....	1	2	3	4	5	6	7		
本合资企业严格遵守运作手则.....	1	2	3	4	5	6	7		
本合资企业对所有事务均咨询投资者.....	1	2	3	4	5	6	7		
投资者对本合资企业的决策从不会事先咨询合资企业.....	1	2	3	4	5	6	7		
本合资企业严格遵守现有的规则及程式.....	1	2	3	4	5	6	7		
本合资企业服从投资者的指示.....	1	2	3	4	5	6	7		
本合资企业依赖投资者的指导.....	1	2	3	4	5	6	7		
本合资企业奉行所有口头及书面上的指令.....	1	2	3	4	5	6	7		
本合资企业的权责已有明确的界定.....	1	2	3	4	5	6	7		

13. 以下是有关企业价值观的各种描述，请按投资者公司对它们的重视程度做出评分，请在右方圈出最适合的数位。

<i>总体来说，本合资企业的主要两家投资者...</i>	完全不重视						十分重视
重视那些在乎自己业绩表现的员工.....	1	2	3	4	5	6	7
重视那些为目标而去努力奋斗的员工.....	1	2	3	4	5	6	7
着重有系统地审核员工的表现.....	1	2	3	4	5	6	7
着重对员工表现的认可（例如对有良好表现者的认可）.....	1	2	3	4	5	6	7
重视员工的创造及创新力.....	1	2	3	4	5	6	7
着重员工的应变能力.....	1	2	3	4	5	6	7
重视对产品、服务或者工作程式创新应有的开放态度.....	1	2	3	4	5	6	7
鼓励寻找新颖的方法去解决问题.....	1	2	3	4	5	6	7
鼓励新思维模式.....	1	2	3	4	5	6	7
着重企业内部公开及坦诚的沟通方式.....	1	2	3	4	5	6	7
鼓励各部门间有密切的信息交换.....	1	2	3	4	5	6	7
重视高度的信息流通.....	1	2	3	4	5	6	7
鼓励员工之间的主动沟通.....	1	2	3	4	5	6	7
鼓励员工之间不受拘束地表达任何意见.....	1	2	3	4	5	6	7
提倡无错误的工作成果.....	1	2	3	4	5	6	7
着重高素质的工作成果.....	1	2	3	4	5	6	7
鼓励员工积极进修，提高自己的专业资格.....	1	2	3	4	5	6	7
鼓励员工努力完善自己的专业技能.....	1	2	3	4	5	6	7
鼓励那些想实现高素质工作表现的员工.....	1	2	3	4	5	6	7
重视每项工作程式均以快捷的速度完成.....	1	2	3	4	5	6	7
重视那些想尽快完成工作的员工.....	1	2	3	4	5	6	7
重视良好的时间管理.....	1	2	3	4	5	6	7
鼓励追求得到第一的理念.....	1	2	3	4	5	6	7
鼓励跨部门的团队精神.....	1	2	3	4	5	6	7
鼓励不同功能部门间（如市场部、产品研发部等）的合作.....	1	2	3	4	5	6	7
鼓励共同努力的欲望.....	1	2	3	4	5	6	7
重视与同事积极分享工作的员工.....	1	2	3	4	5	6	7
重视那些拥有企业家思想及工作方式的员工.....	1	2	3	4	5	6	7
强调各员工对自己职责的认识.....	1	2	3	4	5	6	7
重视乐于对自己工作负起责任.....	1	2	3	4	5	6	7
着重员工们感到自己备受重视.....	1	2	3	4	5	6	7
重视员工的归属感.....	1	2	3	4	5	6	7
重视员工们得到高度的满足感.....	1	2	3	4	5	6	7
重视那些感到自己是重要一员的员工.....	1	2	3	4	5	6	7

第五部分：有关两家主要投资者公司之间的互动性关系

14. 以下是有关两家主要投资者公司的领导层之间的描述，您认为它们符合 贵企业的实际情况吗？（请按下面方法评分，把数位填在空格内）。

坚决不同意				不同意也不反对				坚决同意
	2	3		4	5		6	7
两家投资者（的）...								
行政总裁有相似的经营理念.....								<input type="checkbox"/>
行政人员的管理模式南辕北辙.....								<input type="checkbox"/>
关于对待顾客的方式有十分不同的看法.....								<input type="checkbox"/>
商业活动背后有着十分不同的价值观.....								<input type="checkbox"/>
企业文化十分相容.....								<input type="checkbox"/>
管理层有相似的领导模式.....								<input type="checkbox"/>
管理人员对经商有相同的理解.....								<input type="checkbox"/>
内部沟通模式十分接近.....								<input type="checkbox"/>
编排工作的方法很相似.....								<input type="checkbox"/>
对人力资源的重视程度有很大的分歧.....								<input type="checkbox"/>
决策模式是一样的.....								<input type="checkbox"/>

15. 以下是有关投资者公司之间的合作关系的一些描述，您认为它们符合 贵企业的实际情况吗？（请按下面方法评分，把数位填在空格内）。

坚决不同意				不同意也不反对				坚决同意
	2	3		4	5		6	7
<i>以两家投资者来说，他们会认为...</i>								
<input type="checkbox"/>	...另一方掌握了过多重要的职位。							
<input type="checkbox"/>	...另一方认为为了争取自己的利益而用尽各种手段是可以接受的。							
<input type="checkbox"/>	...在本合资企业内泄漏秘密资料给合作伙伴的风险是很大的。							
<input type="checkbox"/>	...自己可能会为另一方的投机行为付出代价。							
<input type="checkbox"/>	...另一方对合资企业有过大的决策权。							
<input type="checkbox"/>	...另一方喜欢支配一切。							
<input type="checkbox"/>	...另一方能阻塞或歪曲对合资企业起成败关键作用的资料。							

16. 合资企业投资者公司之间的伙伴关系会经过多个发展阶段，您认为下面的描述有多符合它们关系发展的现状（评分方法如下，请把数位填在方格内）？

坚决不同意		2	3	4	5	6	坚决同意
-------	--	---	---	---	---	---	------

本合资企业的投资者之间.....

- ...有时不能互相信任。
- ...能互相真诚地对待。
- ...完全信任对方。
- ...信赖对方会做适当的事。
- ...时常对对方充满信心。
- ...双方非常诚实而正直。
- ...当一方受外界批评时，另一方会为它辩护。
- ...不断寻访更适合的合作伙伴以求取代现在的伙伴。
- ...如有更好的伙伴出现，任何一方都会不惜放弃现在的伙伴。
- ...大家都有耐心，就算其中一方犯错并为另一方带来麻烦时亦然。
- ...愿意付出一切人力物力以促进另一方销量的增长。

17. 您认为下面的描述有多符合投资者公司之间的沟通、接触的实际情况？（“1”表示十分不符合而“7”表示十分符合），请紧记没有绝对的答案。

过去三个月里，投资者之间...

- ...在协调工作方面曾遇到困难。
- ...双方的高级经理曾有意见分歧。
- ...曾互相阻碍双方业绩的增长。
- ...曾互相争夺资源。
- ...互相合作。
- ...有相同的目标。
- ...同意对方定出的工作优先次序。

18. 以下描述了一些投资者公司之间互相依赖的情况，您认为它们符合 贵企业的实际情况吗？（请按下面方法评分，把数位填在空格内）。

坚决不同意		不同意也不反对		坚决同意
□	□ 2 □	□ 3 □	□ 4 □	□ 5 □
	□ 6 □		□ 7 □	

总体来说，两家投资者各自为合资企业提供了必须而无可代替的资源.....

双方也不能在市场上找到取替对方的合作伙伴.....

两家投资者的伙伴关系一旦取消，对双方的打击也会很严重.....

总体来说，两家投资者是互相依赖的.....

两家投资者需要维系这种伙伴关系.....

第六部分：企业一般的背景资料

19. 在过去三年间，您认为 贵企业相对于竞争者来说，在以下各项市场指标方面的表现如何？（请圈出合适的数位）。

争取高的顾客满意度?	十分不满意	1	2	3	4	5	6	7	十分满意
为顾客提供有价值的服务/产品?....	十分不满意	1	2	3	4	5	6	7	十分满意
留住现时的顾客?.....	十分不满意	1	2	3	4	5	6	7	十分满意
吸引新顾客?.....	十分不满意	1	2	3	4	5	6	7	十分满意
取得理想的增长?.....	十分不满意	1	2	3	4	5	6	7	十分满意
取得理想的市场份额?.....	十分不满意	1	2	3	4	5	6	7	十分满意

20. 在过去三年间，您认为 贵企业相对于对手来说，每年平均销售回报率怎样？

十分差

1	2	3	4	5	6	7
---	---	---	---	---	---	---

 十分好

其他资料：

- (1) 本合资企业目前约有多少全职员工？（只计算合资企业内的薪金发放表）_____人
- (2) 两家主要投资者的股本百分比是： 甲方投资者_____% 乙方投资者_____%

(3) 本合资企业是否有预定的结束期？(请选是 / 否)： 是 否

若选否，请回答下面第(4)题。

若选是，从现在起计算，还有多久会结束？_____ (年)

(4) 本合资企业每年的销售总额约有： _____美元

十分感激您抽空回答这问卷！

如果您想收到有关调查的摘要，请附上您的名片。

Appendix 4.7
List of Other Variables Included in the Questionnaire

OTHER VARIABLES INCLUDED IN THE QUESTIONNAIRE

Scales for Traditional Antecedent Variables

The scales for the four traditional antecedent variables, namely “top management emphasis”, “market oriented reward system”, “market oriented training system” and “interfunctional coordination” were adopted from Cadogan et al. (2001). All scale items were measured on a 7-point scale, with anchors at 1 = “very strongly disagree” and 7 = “very strongly agree”. The respective scale items were shown below:

Below is a list of attributes characterizing the operational systems of an organization. Please indicate the extent to which they describe the situation in your JV. (Place the appropriate numbers in the boxes provided.)

*Scale for top management emphasis

In this JV, our top management team emphasize that.....

- it is vital to adapt to trends in the target markets
- employees must be sensitive to the activities of the competitors
- we must gear up now to meet target customers' future needs

*Scale for market oriented reward system

In this JV, ...

- salespeople's performance is measured by the strength of relationships they build with target customers
- we use target customer surveys for evaluating our salespeople
- reward systems encourage employees to focus on increasing customer satisfaction

*Scale for market oriented training system

- our management encourage training that will help employees become better customer-oriented
- new employees are told that serving target customers is an extremely important priority
- new employees learn the importance of finding out what our target customers need

*Scale for interfunctional coordination

Considering the interactions in your JV...

- Employees in the marketing function and those in other functional areas (e.g., R&D) help each other out
- There is a sense of teamwork going right down to the shop floor
- There is a strong collaborative working relationship between all departments in this JV
- Functional areas in this JV pull together in the same direction
- The activities of all this JV's business functions are integrated in pursuing a common goal
- We resolve issues and conflicts through communication and group problem-solving

* Titles for specific scales did not appear in questionnaire. They are added here to facilitate easier reading.

Scale for Compatibility between Partners' Organizational Culture

The scale for the fit or compatibility of organizational values between two independent systems, or in this case, two parent companies of a joint venture, was newly developed. An exhaustive search of the literature results in identifying six useful items. These included two from the Morris and Cadogan (2001) study, one from the Harris and Moran (1987) study and three from the Fey and Beamish (2001) study. They are, "similar operating philosophies", "different management styles" (reverse coded), "compatible communication styles", "similar organization of work", "emphasis on human resources", and "compatible decision-making practices" respectively. To bump up the item-pool, five items were borrowed from Professor John W. Cadogan's (personal communication, 29 October 2003) suggestion, they are namely, "different assumption about how customers should be treated" (reverse coded), "different values underpinning the parent companies' activities" (reverse coded), "compatible organizational cultures", "similar leadership approaches", and "common understanding of how to do business in their markets". All of these eleven items were measured on a 7-point scale, with anchors at 1 = "very strongly disagree" and 7 = "very strongly agree" (please see below).

Below describes the interactions between the management of the main parent companies. Please indicate the extent to which they describe the situation between your TWO main parent companies (place the appropriate numbers in the boxes provided).

The CEO's of the two parents have similar operating philosophies

The executives of the two parents have very different management styles

The parent companies hold very different assumption about how customers should be treated

The values underpinning the parent companies' activities are very different

The two parent companies have very compatible organizational cultures

Top management in the parent companies have similar leadership approaches

Managers from all the parent companies share a common understanding of how to do business in their markets

The parent companies have compatible communication styles

The organization of work in the two main parent companies is similar

The parent companies have different degree of emphasis on human resources

The parent companies have compatible decision-making practices

Scale for Partner-JV Connectedness

The scale measuring partner-JV connectedness was in principle adopted from Jaworski and Kohli's (1993) work. Moreover, an extra item, namely "plentiful social events are held for JV people to meet members of the parent companies" was added to reflect the JV-specific context. This resulted in a scale of eight items, which were measured on a 7-point scale, with anchors at 1 = "very strongly disagree" and 7 = "very strongly agree" (please see below).

Below are some descriptions about the relationship between the JV people and members of the main parent companies. Please circle the number that best indicates the situation in your JV.

In this JV...

- it is easy for people to talk with virtually anyone they need to, even to members of the parent companies
- there is ample opportunity for informal 'hall talk' between JV people and members of the parent companies
- people feel comfortable calling members of the parent companies when the need arises
- people are discouraged from discussing work-related matters with members of the parent companies
- it is easy for JV people to reach members of the parent companies
- communications between JV people and members of the parent companies are expected to be routed through 'proper channels'
- JV people can easily schedule meetings with members of the parent companies
- plentiful social events are held for JV people to meet members of the parent companies

Scale for JV's Financial Performance

The single-item measure for JV's financial performance was adopted from Homburg and Pflesser (2000). Below is a reproduction of the question which appeared in the questionnaire.

Over the last three years, how do you rate your JV's average annual return on sales relative to your competitors? (Please circle the number of your choice on the scale.)

Very poor	1	2	3	4	5	6	7	Very outstanding
-----------	---	---	---	---	---	---	---	------------------

Appendix 4.8:
Measure for Assessing Social Desirability Bias

Pre-Tests Results

In order to build in a measure to assess the impact of social desirability bias, one of the short versions the Marlow-Crowne social desirability scale (Strahan and Gerbasi, 1972) was used (Figure A4-8.1). This scale was first of all administered in the personal pre-test interviews. However, the JV managers were rather concerned that the scale consisted of some sensitive issues geared at the personal level. Besides, they also commented that this scale appeared to go beyond the stated research objectives. In consideration of the wide applicability of this scale in past research, it was still put through to the mail survey pre-tests.

Figure A4-8.1: Measure for Social Desirability Used in Pre-Tests

The following "true or false" questions are intended for warming ups. There are no right or wrong answers. Please circle "True" or "False":

True/False	I never hesitate to go out of my way to help someone in trouble.
True/False	I sometimes feel resentful when I don't get my way.
True/False	There have been times when I felt like rebelling against people in authority even though I knew they were right.
True/False	I can remember "playing sick" to get out of something.
True/False	When I don't know something I don't at all mind admitting it.
True/False	I am always courteous, even to people who are disagreeable.
True/False	I would never think of letting someone else be punished for my wrong doings.
True/False	There have been times when I was quite jealous of good fortune of others.
True/False	I am sometimes irritated by people who ask favors of me.
True/False	I have never intensely disliked anyone.

At the end of the mail survey pre-tests, a very unsatisfactory response rate was recorded (see Table A4-8.1). In general, the missingness rate ranged from 52% to 61%. The non-respondents tended to skip the entire section.

Table A4-8.1: Missingness Rate Recorded for the Marlow-Crowne Social Desirability Scale

	Item Descriptions	Valid	Missing	Missing (%)
q1	I never hesitate to go out of my way to help someone in trouble.	11	12	0.522
q2	I sometimes feel resentful when I don't get my way.	9	14	0.609
q3	There have been times when I felt like rebelling against people in authority even though I knew they were right.	9	14	0.609
q4	I can remember "playing sick" to get out of something.	9	14	0.609
q5	When I don't know something I don't at all mind admitting it.	9	14	0.609
q6	I am always courteous, even to people who are disagreeable.	9	14	0.609
q7	I would never think of letting someone else be punished for my wrong doings.	9	14	0.609
q8	There have been times when I was quite jealous of good fortune of others.	9	14	0.609
q9	I am sometimes irritated by people who ask favors of me.	9	14	0.609
q10	I have never intensely disliked anyone.	9	14	0.609

Main Survey Results

In view of the poor response rate, the decision was made to find another scale which could serve the same purpose with less sensitive questions. Accordingly, the RD16 (Schuessler, Hittle and Cardascia, 1978) was adopted. Although this scale was longer, the items have been screened so that they preclude racial and educational differences (Paulhus, 1991). Besides, the items have been designed in a more tactful way (most items prompt respondents to state their opinions on some general principles towards self and others in society). Accordingly, this scale was sent to the JV managers for reviews and comments. These managers also agree that the new scale was less sensitive in the way that most of the items asked respondents to give opinions about issues that are not directly focused on their personal conducts. Therefore, it was believed that the RD16 scale would be less likely to arouse defensive or even negative feelings on the part of the potential respondents (see Figure A4-8.2).

Figure A4-8.2: Measure for Social Desirability Used in Main Survey *ability scale*

The following questions are intended for warming ups. There are no right or wrong answers. Please circle "Agree" or "Disagree":

Agree/Disagree	I find that I can help others in many ways.
Agree/Disagree	If the odds are against you, it's impossible to come out on top.
Agree/Disagree	Many people are friendly only because they want something.
Agree/Disagree	In spite of many changes, there are still definite rules to live by.
Agree/Disagree	Anyone can raise his standard of living if he is willing to work at it.
Agree/Disagree	Most people really believe that honesty is the best policy.
Agree/Disagree	In general, I am satisfied with my lot in life.
Agree/Disagree	At times I feel I am a stranger to my company.
Agree/Disagree	People will be honest with you as long as you are honest with them.
Agree/Disagree	It is difficult to think clearly about right and wrong these days.
Agree/Disagree	The future looks bleak.
Agree/Disagree	I feel that I am better off than my parents were at my age.
Agree/Disagree	I often feel that no one needs me.
Agree/Disagree	One can always find friends if he tries.
Agree/Disagree	I am so "fed up" that I can't take it any more.
Agree/Disagree	To get along with people one must put on an act.

Although the optimal practice is to conduct a second phase of mail pre-tests on the new scale before full-scale operation, this was considered impractical given the time and financial constraints of this project. More importantly, the decision to go straightly to the main survey was based on two major reasons. First, the JV informants were more comfortable with the items comprising the new scale for social desirability. Second, all other scales measuring the proposed variables were already finalized and ready for use. On consideration, the RD16 scale was thus adopted.

At the end of the survey, the rate of missingness was recorded in Table A4-8.2. It was about the level obtained from the pre-tests. A distinct pattern was observed that the non-respondents tended to omit the entire scale. One speculation was that the respondents considered the scale irrelevant to the research objective as stated in the cover letter (this had been cautioned by the JV informants from the very beginning).

Table A4-8.2: Missingness Rates Recorded for the RD16 Social Desirability Scale

	Item Descriptions	Valid	Missing	Missing (%)
q1	I find that I can help others in many ways.	102	89	0.466
q2	If the odds are against you, it's impossible to come out on top.	98	93	0.487
q3	Many people are friendly only because they want something.	87	104	0.545
q4	In spite of many changes, there are still definite rules to live by.	89	102	0.534
q5	Anyone can raise his standard of living if he is willing to work at it.	89	102	0.534
q6	Most people really believe that honesty is the best policy.	86	105	0.550
q7	In general, I am satisfied with my lot in life.	87	104	0.545
q8	At times I feel I am a stranger to my company.	86	105	0.550
q9	People will be honest with you as long as you are honest with them.	86	105	0.550
q10	It is difficult to think clearly about right and wrong these days.	89	102	0.534
q11	The future looks bleak.	87	104	0.545
q12	I feel that I am better off than my parents were at my age.	88	103	0.539
q13	I often feel that no one needs me.	88	103	0.539
q14	One can always find friends if he tries.	88	103	0.539
q15	I am so "fed up" that I can't take it any more.	88	103	0.539
q16	To get along with people one must put on an act.	87	104	0.545

Appendices to Chapter 5

Appendix 5.1:
Tables for Scale Items Inter-Correlations

Intelligence generation

	gen3	gen4	gen5	gen6
gen3	1			
gen4	0.576	1		
gen5	0.511	0.544	1	
gen6	0.464	0.546	0.640	1

Intelligence dissemination

	diss1	diss3	diss5
diss1	1		
diss3	0.421	1	
diss5	0.329	0.324	1

Responsiveness

	resp1	resp2	resp6	resp8
resp1	1			
resp2	0.338	1		
resp6	0.278	0.400	1	
resp8	0.198	0.347	0.357	1

Market performance

	p1	p2	p3	p4	p5	p6
p1	1					
p2	0.750	1				
p3	0.766	0.838	1			
p4	0.601	0.638	0.614	1		
p5	0.639	0.672	0.682	0.782	1	
p6	0.608	0.595	0.610	0.701	0.847	1

Market dynamism

	md1	md2	md3
md1	1		
md2	0.520	1	
md3	0.485	0.625	1

Market oriented values

	vin1	vin2	vin3	vin4	vin5	vqt3	vqt4	vqt5	vsp1	vsp2	vsp3	vsp4
vin1	1											
vin2	0.740	1										
vin3	0.651	0.646	1									
vin4	0.718	0.774	0.678	1								
vin5	0.730	0.689	0.658	0.845	1							
vqt3	0.570	0.566	0.592	0.634	0.657	1						
vqt4	0.584	0.612	0.575	0.676	0.676	0.763	1					
vqt5	0.604	0.594	0.618	0.647	0.632	0.778	0.799	1				
vsp1	0.515	0.639	0.525	0.629	0.609	0.551	0.625	0.594	1			
vsp2	0.536	0.608	0.530	0.598	0.603	0.558	0.543	0.624	0.738	1		
vsp3	0.631	0.620	0.595	0.685	0.636	0.627	0.719	0.688	0.576	0.541	1	
vsp4	0.561	0.637	0.543	0.643	0.632	0.628	0.699	0.653	0.625	0.586	0.716	1

Norms for market oriented behaviors

	ncom3	ncom4	nspd2	nspd3	ncop1	ncop2	ncop3
ncom3	1						
ncom4	0.695	1					
nspd2	0.511	0.483	1				
nspd3	0.504	0.476	0.584	1			
ncop1	0.417	0.284	0.417	0.296	1		
ncop2	0.421	0.555	0.460	0.426	0.423	1	
ncop3	0.470	0.524	0.467	0.475	0.395	0.651	1

Partners' cultural sensitivity

	snt2	snt3	snt4	snt5	snt6	snt7	snt8
snt2	1						
snt3	0.532	1					
snt4	0.450	0.537	1				
snt5	0.476	0.451	0.678	1			
snt6	0.525	0.497	0.489	0.623	1		
snt7	0.475	0.460	0.456	0.619	0.734	1	
snt8	0.343	0.436	0.584	0.546	0.473	0.581	1

Partners' perception of vulnerability to opportunism

	pvo3	pvo4	pvo5	pvo6	pvo7
pvo3	1				
pvo4	0.560	1			
pvo5	0.352	0.484	1		
pvo6	0.343	0.451	0.751	1	
pvo7	0.243	0.386	0.530	0.593	1

Inter-partner trust

	trst2	trst3	trst4	trst5	trst6
trst2	1				
trst3	0.724	1			
trst4	0.690	0.647	1		
trst5	0.741	0.715	0.771	1	
trst6	0.724	0.686	0.720	0.840	1

Inter-partner commitment

	ict4	ict5
ict4	1	
ict5	0.548	1

Inter-partner dependence

	idep2	idep3	idep4	idep5
idep2	1			
idep3	0.507	1		
idep4	0.526	0.572	1	
idep5	0.520	0.628	0.746	1

Partners' commitment to JV

	pcmt2	pcmt5	pcmt6	pcmt7
pcmt2	1			
pcmt5	0.804	1		
pcmt6	0.725	0.810	1	
pcmt7	0.618	0.711	0.812	1

Partners' dependence on JV

	pdep2	pdep4	pdep5
pdep2	1		
pdep4	0.412	1	
pdep5	0.520	0.510	1

Partner-JV conflict

	pjcnf2	pjcnf3	pjcnf5	pjcnf6
pjcnf2	1			
pjcnf3	0.376	1		
pjcnf5	0.145	0.295	1	
pjcnf6	0.279	0.460	0.270	1

JV managers' outcome interdependence

	outdp3	outdp4
outdp3	1	
outdp4	0.610	1

JV managers' superordinate identity

	sid2	sid4	sid5	sid6
sid2	1			
sid4	0.571	1		
sid5	0.576	0.676	1	
sid6	0.393	0.317	0.474	1

JV autonomy

	atn9	atn10	atn11
atn9	1		
atn10	0.463	1	
atn11	0.448	0.461	1

Appendix 5.2:
Table for Scales' Corrected Item-Total Correlations

Scales	Scale items	Corrected Item-Total Correlation
Intelligence generation	gen3	0.611
	gen4	0.667
	gen5	0.683
	gen6	0.659
Intelligence dissemination	diss1	0.458
	diss3	0.450
	diss5	0.387
Responsiveness	resp1	0.357
	resp2	0.502
	resp6	0.475
	resp8	0.403
Market performance	p1	0.763
	p2	0.799
	p3	0.803
	p4	0.771
	p5	0.852
	p6	0.781
Market dynamism	md1	0.557
	md2	0.663
	md3	0.631
Market oriented values	vin1	0.761
	vin2	0.797
	vin3	0.732
	vin4	0.843
	vin5	0.824
	vqt3	0.765
	vqt4	0.806
	vqt5	0.802
	vsp1	0.735
	vsp2	0.715
Norms for market orientation	vsp3	0.780
	vsp4	0.767
	ncom3	0.671
	ncom4	0.674
	nspd2	0.650
	nspd3	0.606
Partners' cultural sensitivity	ncop1	0.486
	ncop2	0.659
	ncop3	0.671
	snt2	0.594
	snt3	0.619
	snt4	0.695
	snt5	0.734
	snt6	0.716
Partners' perception of vulnerability to opportunism	snt7	0.717
	snt8	0.630
	pvo3	0.459
	pvo4	0.610
	pvo5	0.698
	pvo6	0.707
Inter-partner trust	pvo7	0.555
	trst2	0.808
	trst3	0.770
	trst4	0.788
	trst5	0.870
	trst6	0.837

Scales	Scale items	Corrected Item-Total Correlation
Inter-partner commitment	ict4	0.548
	ict5	0.548
Inter-partner dependence	idep2	0.592
	idep3	0.665
	idep4	0.729
	idep5	0.756
Partners' commitment to JV	pcmt2	0.776
	pcmt5	0.863
	pcmt6	0.868
	pcmt7	0.768
Partners' dependence on JV	pdep2	0.534
	pdep4	0.525
	pdep5	0.613
Partner-JV conflict	pjcnf2	0.355
	pjcnf3	0.537
	pjcnf5	0.309
	pjcnf6	0.468
JV managers' outcome interdependence	outdp3	0.610
	outdp4	0.610
JV managers' superordinate identity	sid2	0.624
	sid4	0.628
	sid5	0.724
	sid6	0.460
JV autonomy	atn9	0.533
	atn10	0.543
	atn11	0.532

**Appendix 5.3:
Scales Correlations Matrix**

Scales Correlations Matrix (Pearson Correlations)

Scales	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	16	18
1. MO values	1.000																	
2. MO norms	0.438	1.000																
3. Partners' cultural sensitivity	0.492	0.347	1.000															
4. Partners' perception of vulnerability to opportunism	-0.105	-0.094	0.011	1.000														
5. Inter-partner trust	0.515	0.208	0.521	-0.203	1.000													
6. Inter-partner commitment	0.229	0.273	0.273	-0.276	0.437	1.000												
7. Inter-partner dependence	0.214	0.095	0.323	-0.152	0.484	0.373	1.000											
8. Partners' commitment to JV	0.472	0.379	0.284	-0.241	0.370	0.390	0.467	1.000										
9. Partners' dependence on JV	0.314	0.190	0.245	-0.091	0.246	0.169	0.368	0.402	1.000									
10. Partner-JV conflict	-0.199	-0.103	-0.181	0.255	-0.274	-0.196	-0.131	-0.266	-0.199	1.000								
11. JV managers' outcome interdependence	0.264	0.046	0.291	0.003	0.301	0.052	0.036	0.113	0.097	-0.254	1.000							
12. JV autonomy	-0.153	-0.088	-0.173	-0.165	-0.129	-0.032	-0.180	-0.123	-0.159	0.000	0.009	1.000						
13. JV managers' superordinate identity	0.634	0.434	0.528	-0.101	0.483	0.297	0.272	0.554	0.352	-0.264	0.195	-0.142	1.000					
14. Intelligence generation	0.258	0.344	0.145	-0.197	0.124	0.241	0.175	0.378	0.140	-0.275	0.041	-0.008	0.253	1.000				
15. Intelligence dissemination	0.378	0.288	0.175	-0.301	0.344	0.377	0.194	0.458	0.259	-0.276	0.117	-0.002	0.487	0.409	1.000			
16. Responsiveness	0.081	0.059	0.023	-0.253	0.089	0.199	0.103	0.161	0.064	-0.404	0.018	0.119	0.193	0.231	0.216	1.000		
17. Market performance	0.500	0.320	0.265	-0.203	0.429	0.332	0.306	0.466	0.282	-0.142	0.115	-0.090	0.382	0.199	0.342	0.154	1.000	
18. Market dynamism	0.228	0.353	0.171	-0.164	0.211	0.188	0.204	0.291	0.100	-0.137	0.094	-0.053	0.191	0.352	0.261	0.000	0.316	1.000