Sustaining Satisfactory Joint Venture Relationships: The Role of Conflict Resolution Strategy

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INTRODUCTION

Academics and practitioners have devoted increasing attention to the conditions fostering satisfactory relationships in various forms of strategic alliances including international joint ventures (IJVs) (Lane and Beamish, 1990; Spekman et al., 1996; Osland and Cavusgil, 1996). The timeliness of IJV partner satisfaction (where partner is defined at the organizational as opposed to at the individual level) lies in the growing importance of IJVs coupled with unsatisfactory performance (Killing, 1982; Beamish, 1985). To meet this challenge, research attention has been directed to context variables which are central in predicting IJV performance (i.e., satisfaction). These include: (1) cultural similarity between IJV part-

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The authors would like to thank Professor Yin Guoyou at National Center for Management Development, Professor Chang Yongqing at Chinese Academy of Social Sciences, Mr. Huang Yiding, senior reporter at China Information Press, and Mrs. Guan Ming, general manager of Beijing Optimum Bio-Tech Co. for assistance in data collection in China.
nners, since excessive partner diversity leads to misunderstanding and degraded performance (Parkhe, 1991); (2) dominance by one IJV partner, since IJVs with equitable management structures tend to be less stable over time (Killing, 1983); and (3) age of an IJV, since relationship duration may correlate with experience which allows IJV participants to learn each other's idiosyncrasies (Anderson and Weitz, 1989). Figure 1 presents the overall framework of the study. As indicated by path A, we model three dimensions of IJV context (cultural similarity, relative power, and relationship age) as direct predictors of performance. The relationship of context to performance, however, may be much more complex than this. There is a growing realization that IJVs should be managed as a process, since successful relationships rely not only on how an alliance is initially structured concerning equity, how similar the partners are culturally, and how old the relationship is, but also on how IJV partners manage daily operations, resolve internal conflicts, and formulate long term strategies. An important behavior in IJV management is conflict resolution (Parkhe, 1993; Madhok, 1995). IJVs often demand intensive daily interaction between partners in which disagreements inevitably occur (Schaan and Beamish, 1988). These must be resolved because high exit barriers (from equity sharing, for instance) provide powerful incentives to continue the relationship (Dwyer, Schurr and Oh, 1987). When conflicts are not effectively resolved, the IJV may deteriorate (Beamish, 1984; Lane and Beamish, 1990). In contrast, when conflict resolution processes are properly managed, IJVs are often energized (Madhok, 1995).

As the overall conceptual framework shows (see Figure 1), the role of conflict resolution behavior is complex. Specifically, we propose that behavior of this sort mediates the effect of context upon performance. Mediation by conflict resolution behavior will be partial if both direct effects (path A) and indirect effects (paths B and C) are significant. The mediation will be complete if only the indirect effects are significant. It is in disentangling these effects, with the caveat that we are interested in IJV behavior and performance at the organizational level, that we are able to offer insights to IJV managers and international business researchers.

In the section that follows, we develop specific hypotheses. We then test empirically the model using a survey of U.S.-China IJV managers. We describe the empirical findings and discuss managerial implications, limitations, and future research needs.

**FIGURE 1**

**CONCEPTUAL FRAMEWORK**

A(H4)

CONTEXT VARIABLES
- Cultural Similarity
- Relative Power
- Relationship Age

CONFLICT RESOLUTION STRATEGY
- Problem-solving
- Compromising
- Forcing
- Legalistic Strategy

B (H1-H3)

PERFORMANCE
- Satisfaction

C (H5)