

National and Organizational Culture Differences and International Joint Venture Performance

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This study examines the effect of dimensions of national and organizational culture differences on international joint venture (IJV) performance. Based on data from a survey of executives from joint ventures between Indian partners and

partners from other countries, we found that the presumed negative effect from culture distance on IJV performance originates more from differences in organizational culture than from differences in national culture.

Growth in global markets and technologies has led to a dramatic rise in cross-national joint ventures even though joint ventures are considered to

be risky (Blodgett, 1992; Geringer and Hebert, 1989; Parkhe, 1993b). An estimated 37-70% of international joint ventures (IJVs) are reported to suffer from

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performance problems leading to costly failures (Deloitte, Haskins and Sells International, 1989; Fedor and Werther, 1995; Harrigan, 1985). Culture differences between joint venture partners have usually been considered a major factor that might influence venture failure or unsatisfactory performance (Cartwright and Cooper, 1993; Harrigan, 1985).

This study adopts the notion of cultural distance to examine how the performance of joint ventures are affected by the distance on given cultural dimensions at both the national and the organizational levels. It departs from past studies in two ways. First, joint venture research has focused primarily on the influence of national culture distance and has not adequately examined the role of organizational culture distance. Harrigan (1988, p. 222) notes: “. . . comments from interviewed managers lead me to suspect that cultural homogeneity among sponsors is more important to venture success than symmetry in their national origins.” By simultaneously studying cultural distance at both levels, we seek to: (1) gain more confidence that the findings at one level are not confounded with potential effects of the other level; and (2) assess the relative effect of organizational versus national cultural distance on IJV performance.

Second, the majority of past studies used macro measures of culture, such as nationality and ethnic differences (Adler and Graham, 1989; Cullen, Johnson, and Sakano, 1995), or a single culture distance index (Kogut and Singh, 1988; Park and Ungson, 1997), which could not differentiate effects caused by individual culture dimensions. In this study, in addition to the general indices of organizational and national cultural distance, we adopt specific indices on mul-

tiple cultural dimensions. Having both types of indices would allow us to unpack cultural distance so as to better deal with the possibility that different cultural dimensions may influence IJV performance differently.

CULTURAL DISTANCE AND JOINT VENTURE PERFORMANCE

Despite different definitions of culture, there is a general consensus among organizational researchers that culture refers to patterns of beliefs and values that are manifested in practices, behaviors, and various artifacts shared by members of an organization or a nation (Hofstede, 1980; Trice and Beyer, 1993).

Because organizations are, in many ways, embedded in the larger society in which they exist, research on culture differences of cross-national businesses should examine both national and organizational cultures. But with few exceptions (Hofstede et al., 1990; Newman and Nollen, 1996; Weber, Shenkar, and Raveh, 1996) past studies have not been concerned with culture distance at both levels. Hofstede et al. (1990) found that, whereas organizations from different nations differ in fundamental values, organizations from the same nation differ only in organizational practices. The authors therefore concluded that when both national and organizational cultures are examined, the former should be operationalized in terms of values, and the latter in terms of core organizational practices. Weber et al. (1996) also found that in international and domestic mergers and acquisitions, national and organizational cultures are separate constructs with variable attitudinal and behavioral correlates. As such, although national and organizational cultures have been regarded as separate constructs, it is also widely accepted that

organizational culture is nested in national culture. Newman and Nollen (1996) reported that work units perform better when their management practices are compatible with the national culture. They advocate that management practices should be adapted to national culture for high performance.

In the context of both mergers and joint ventures, scholars have generally argued that alliances between culturally similar partners are more likely to be successful than alliances between culturally dissimilar partners. Cartwright and Cooper (1993) define culture as "social glue," which serves to bind individuals and creates organizational cohesiveness. They state that in alliances "selection decisions are generally driven by financial and strategic considerations, yet many organizational alliances fail to meet expectations because the cultures of partners are incompatible" (Cartwright and Cooper, 1993, p. 57). Indeed, cultural incompatibility may cost more than strategic incompatibility in organizational alliances. Different culture types create different psychological environments for the joint venture or the merged company, and differences in practices have a negative influence on performance (Cartwright and Cooper, 1993). Thus, "the degree of culture fit that exists between combining organizations is likely to be directly correlated to the success of the combination" (Cartwright and Cooper, 1993, p. 60).

National Culture Distance and IJV Performance

Cross-national joint ventures have been reported to suffer from communication, cooperation, commitment, and conflict resolution problems caused by partners' value and behavior differences, which in turn cause interaction prob-

lems that adversely influence joint venture performance (Harrigan, 1988; Mohr and Spekman, 1994; Parkhe, 1991; Ring and Van de Ven, 1994). Values and behavioral differences between culturally distant partners influence interpretation and responses to strategic and managerial issues, compounding transactional difficulties in international joint ventures (Park and Ungson, 1997).

Lane and Beamish (1990) state that the problems in IJVs often stem from the unobtrusive influence of national culture on behavior and management systems that often create unresolved conflicts. For example, cooperation-generating mechanisms vary between individualist and collectivist cultures because of the differences in their instrumental and expressive motives (Chen et al., 1998; Wagner, 1995). In the context of IJVs, diversity along each cultural characteristic can be instrumental in erecting significant barriers to effective cooperation (Parkhe, 1993c).

Commitment generating mechanisms are also different among different cultures, and cultural differences make it difficult to generate commitment between partners in joint ventures (Cullen, Johnson, and Sakano, 1995). For example, Cullen et al. (1995) found that while both U.S. and Japanese partners related their level of commitment to perceived benefits (satisfaction and economic performance), they differed in their perception of satisfaction. The Japanese partners perceived long-term organizational performance as an indicator of satisfaction and emphasized the nature of relationships as an important factor for commitment, while the U.S. partners were concerned with more immediate results. Further, on the assumption that personal relationships based on trust would lead to commitment, the Japanese managers,

in contrast to the Western managers, preferred to personalize business practices and de-emphasize formal contracts (Cullen et al., 1995). Overall, cross-cultural partners seek commitment based on different expectations and mechanisms.

Shenkar and Zeira (1992) argued because priorities and expectations of their parent firms may be different, managers of joint ventures are prone to role conflict. Methods of resolving conflicts may also vary across different cultures (Henderson, 1975). For example, whereas American managers prefer to use direct and confrontational legal tactics in dealing with other firms when other methods fail, Japanese executives prefer to be flexible in responding to unfolding problems and to avoid using formal, detailed contracts that stress strict performance and enforcement (Henderson, 1975). Research also suggests that conflict resolution methods cannot be applied effectively from one culture to another. Johnson, Sakano and Onzo (1990) studied the role of cultural differences in conflict resolution between U.S. and Japanese firms and found that aggressive influence, as practiced in western channels, is not effective with the Japanese counterparts.

Overall, the underlying uncertainty due to cultural differences makes it costly to negotiate and transfer management practices and firm-specific technologies. Since national culture is perceived to be the fundamental differential factor in an IJV, even superficial differences might result in the partners choosing national culture as a primary form of identity (Salk and Brannen, 2000). A salient social identity leads to accentuation of similarities and differences between partners, perhaps causing individual differences to be associated with national-

ity (Salk and Brannen, 2000). Accordingly, IJV partners from different national cultures experience greater difficulty in their interactions (Lane and Beamish, 1990), which would adversely influence joint venture performance.

Hypothesis 1: National culture distance between partners negatively influences joint venture performance.

Organizational Culture Distance and IJV Performance

Hofstede et al. (1990) suggest six core organizational practices that differentiate organizations in their management orientation: process versus result; employee versus job; parochial versus professional; open versus closed system; loose versus tight control; and normative versus pragmatic. The organizational culture dimensions outlined in these six practices identify managerial tendencies in an organization, typified by a set of desirable and expected behaviors. When organizations in a joint venture differ in their practices, these differences result in conflicting behaviors, leading to misunderstandings and interaction problems. Below we highlight how each dimension of organizational culture is grounded in a management principle for which partners' differences would lead to interaction problems.

The process versus result orientation dimension opposes a concern for means (process oriented) with a concern for goals (result oriented), which are respectively associated with Burns and Stalker's (1961) mechanistic and organic systems (Hofstede et al., 1990). These two management systems represent opposite ways of approaching tasks. While mechanistic systems focus on rigid division and allocation of tasks, organic systems focus on the overall task, allowing vari-

ations in the organization of sub-tasks. When partners in a joint venture differ on this dimension, they differ in the methods and practices adapted towards communication, goal achievement, career systems, power structures, and they face a conflicting set of job roles, expectations and practices. These differences lead to conflicting behaviors that would adversely influence joint venture performance.

The employee versus job orientation dimension contrasts a concern for people (employee oriented) with a concern for getting the job done (job oriented). Hofstede et al. (1990) relate this dimension to the managerial grid developed by Blake and Mouton (1964). The position (9,1) on the grid represents the task management style in which a manager is an exacting taskmaster who expects schedules to be met and people to do what they are told. Disagreements are ruled out and suppressed rather than settled (Pugh and Hickson, 1989). On the other hand, the position (1,9) on the grid represents the employee management style, in which managers do not push people for production and overlook their mistakes because members are considered to be doing the best they can. People try to avoid direct disagreements or criticisms of one another, and production problems are glossed over (Pugh and Hickson, 1989). Such differences between partners in an IJV represent opposing styles of superior-subordinate interaction, which would result in conflicting communication methods and organizational commitment problems (Jablin et al., 1987), adversely affecting joint venture performance.

The parochial versus professional orientation dimension analyzes organizations based on whether employees derive their identity from the organization

(parochial) or from the type of job (professional), which corresponds to internal versus external frames of reference (Hofstede et al., 1990). These two types of organizations represent two different forms of governance that are suitable and efficient in contrasting environments: "clan" form for parochial and "market" form for professional (Ouchi, 1980). The differences in these two forms of governance result in practical differences that make one set of objectives and practices irrelevant in the alternative context (Ouchi, 1980). When IJV partners differ on this dimension, conflicts in their job structure, job expectation, reward systems and coordination mechanisms would result in conflicting behaviors from members and adverse consequences for IJV performance.

The open versus closed systems orientation dimension differentiates organizations based on their communication climate (Hofstede et al., 1990). An organizational communication climate is structured around common organizational practices (Jablin et al., 1987). That is, differences in organizational practices are reflected in the communication climate and vice versa in an ongoing dynamic process of structuration where communication climate and organizational systems evolve continuously (Poole, 1985). Thus, in an IJV, when the communication climate is strained due to incongruent organizational practices between partners, differences in partners' expectations lead to conflicting behaviors and cause a mismatch in interaction processes (Jablin et al., 1987).

The loose versus tight control orientation dimension classifies organizations based on their amount of internal structuring and management control (Hofstede et al., 1990), and represents a conflict between individual autonomy and orga-

nizational control (Hofstede, 1967). Excessive differences between control orientations of partners would influence their patterns of communication. These patterns often become rigidly circumscribed and formalized, fostering negative attitudes, suspicion, and dissociation between groups (Putnam and Poole, 1987). Thus, a mismatch in the levels of organizational control may cause interaction problems between joint venture partners.

The normative versus pragmatic orientation dimension separates organizations into rule oriented (normative) and customer oriented (pragmatic) organizations (Hofstede et al., 1990). The organizations in pursuit of excellence, according to Peters and Waterman (1982), stick to the principle of staying obsessively close to the customer, and organize their systems and practices accordingly. Organizations differ in their practices depending on how committed they are to implementing this principle. The differences are all encompassing, influencing members' behavior in every aspect of the business (Peters and Waterman, 1982). In joint ventures, differences in implementing this principle also cause pervasive differences in the partners' practices, resulting in conflicts between them.

In summary, organizational culture differences differentiate partners based on their management practices, which are deemed essential for the functioning of their respective organizations. Differences in practices represent conflicting expectations and incompatible organizational processes. Partners with dissimilar organizational cultures may expend time and energy to establish managerial practices and routines to facilitate interaction, and may incur higher costs and more mistrust than culturally similar partners (Park and Ungson, 1997).

Brown, Rugman, and Verbeke (1989) also concur that compatibility in partners' organizational cultures and practices could be a significant determinant of the performance of IJVs. Research on organizational climate similarity and performance also indicates that firms selecting a partner that has a similar organizational climate will have superior performance (Fey and Beamish, 2001). Therefore, we hypothesize that differences in organizational culture would adversely influence joint venture performance.

Hypothesis 2: Organizational culture distance between partners negatively influences joint venture performance.

METHODS

Sample

Data were collected from executives of joint ventures between Indian partners and partners from 21 other countries. Joint ventures were identified from the India Investment Center's (IIC) monthly publication, Center for Monitoring Indian Economy (CMIE), *Business Today* magazine, and suggestions from participating managers. We identified most of the newly formed IJVs from the monthly reports in IIC between 1992-1997 and the old IJVs from personal references and various reports about their current activities in business publications. Small joint ventures were deleted from the list because they mostly represented technology licenses and single owner firms, not suitable for this study. After deleting joint ventures smaller than 0.3 million dollars, a total of 334 joint ventures were identified, out of which 127 agreed to participate in our study. Most (75%) of joint ventures were located in four major cities: Delhi, Bombay, Calcutta, and Hy-

derabad. The sample consisted of ventures of varying sizes (\$0.5 to 2,000 million), ages (6 to 850 months), and industries (25). To control for the influence of industry specific cultures, only those joint ventures in which both the partners belonged to the same industry have been included in the sample.

The data were collected through structured interviews by four graduate students, during which respondents filled out questionnaires. The interviewers were offered substantial training prior to the interviews to maintain consistency among them. The questionnaire was pre-tested in ten organizations, and was modified to accommodate relevant comments. A senior executive from each joint venture was requested to identify three executives who were associated with the joint venture for a considerable time and had ample interaction with their foreign counterparts. A total of 202 executives participated in the survey; 61 joint ventures had multiple participants, thus allowing a test of reliability of responses.

Measures

National Culture Distance. Four dimensions of national culture—individualism, power distance, uncertainty avoidance, and masculinity (Hofstede, 1980)—were used to operationalize cultural differences between the IJV partners. The individualism-collectivism dimension refers to the tendency to put more values on individual interest or group interest. The power distance dimension explains the acceptance of unequal power distribution among parties. The uncertainty avoidance dimension regards the extent to which people perceive anxiety under uncertain circumstances. Lastly, the masculinity-femininity dimension refers to the tendency of

whether economic success based on accumulation of material wealth is valued or whether interpersonal sensitivity based on concern for the welfare of others is valued.

Differences in national culture were calculated by the absolute difference along each dimension; i.e., $|NI_1 - NI_2|$ where NI_1 and NI_2 represent respective national culture indices of the partners from Hofstede's (1997) study. We also applied an aggregate index to measure national cultural distance (NCD) following the Kogut and Singh's (1988) formula:

$$NCD_j = \sum_{i=1}^4 \{(I_{ij} - I_{id})^2 / V_i\} / 4,$$

where I_{ij} stands for the index for the i^{th} cultural dimension and j^{th} country, V_i is the variance of the index of the i^{th} dimension, d indicates India, and NCD_j is national cultural distance of j^{th} country from India. Foreign partners in our sample are mostly from the U.S. (40 JVs), Japan (20 JVs), Germany (14 JVs), England (13 JVs), and France (8 JVs). While Netherlands, Singapore, and Switzerland represent three JVs, the rest of the countries are tied with one or two JVs. Overall, about 85 percent of the JVs were with foreign partners from developed countries.

Organizational Culture Distance. Six dimensions of organizational culture reported by Hofstede et al. (1990) were used to operationalize differences in organizational culture, which were calculated by the absolute difference along each dimension; i.e., $|OI_1 - OI_2|$ where OI_1 and OI_2 represent respective organizational culture indices of the partners. Three items for each dimension of orga-

nizational culture were selected from the study of Hofstede et al. (1990), based on their relevance to joint ventures. Reliability coefficients (Cronbach-alphas) for measures of organizational culture dimensions ($n = 202$) ranged between .55-.64, which were similar to those used by Hofstede et al. (1990); reliability coefficients for multiple responses from the same joint venture ($n = 61$) ranged between .60-.79, which alleviate a concern for potential self-report bias with our data.

We conducted confirmatory factor analysis on six organizational cultural dimensions using LISREL 8 (Joreskog and Sorbom, 1993). We used all 18 items, i.e., three items representing each of the six dimensions. As seen in Table 1, the overall goodness-of-fit indexes suggest that the six-factor model fits the data well. Furthermore, loadings for all items onto their respective intended latent factors are highly significant ($p < .001$). Additionally, we tested the one-factor model in which all 18 items of organizational culture were loaded onto a single factor. The one-factor model showed inadequate fit with the data ($\chi^2_{135} = 261.76$, $p < .01$; NNFI = .77; CFI = .80; IFI = .80; RMSEA = .07). Because the one-factor model is nested within the six-factor model, we conducted a chi-square difference test. A significant chi-square difference between two models ($\Delta\chi^2 = 98.16$, $\Delta d.f. = 15$) suggests that the six-factor model is more appropriate than the one-factor model. Taken together, we concluded that, despite the apparent low reliability coefficients for dimensions of organizational culture, their measurements have appropriate convergent and discriminant validity. Following a similar formula as NCD, we also applied an agree-

gate index for organizational cultural distance (OCD).

Joint Venture Performance. Different measures of joint venture performance (e.g., dissolution, duration, financial gains, goal attainment, and satisfaction) have been used in the past, and there has been no consensus regarding the best measure (Geringer and Hebert, 1991; Park and Ungson, 1997; Parkhe, 1993a). Financial measures have been faulted because: (1) financial data are only included in consolidated corporate data and thus are unavailable for IJVs; (2) parts of IJV financial returns are generated through mechanisms such as supply contracts, management and licensing fees, royalty and transfer pricing, which are seldom incorporated into calculation of IJV performance (Geringer and Hebert, 1991); and (3) they evaluate only one dimension of IJV performance (Anderson, 1990). Considering these shortcomings, some researchers have advocated perceptual performance measures that include social commitments and entanglement of partners, preservation of socially embedded relationships, and meeting the needs of partners over the long term (Lane and Beamish, 1990; Park and Ungson, 1997; Ring and Van de Ven, 1994). In support of perceptual measures, Geringer and Hebert (1991, p. 258) found that "international joint ventures perceived by their parents as performing more successfully were more likely to remain in operation than those international joint ventures that were evaluated as being less successful."

We used perceptual measures from studies by Geringer and Hebert (1991) and Parkhe (1989), and developed questions based on 5-point scales to collect data on joint venture performance. To identify performance dimensions, we performed exploratory factor analysis

TABLE 1
RESULT OF CONFIRMATORY FACTOR ANALYSIS OF DIFFERENCES IN
ORGANIZATIONAL CULTURE^A

Factors and Items	Factor loadings (Lambdas)
Process vs. result dimension	
Typical employee is fast at work	.60
Typical employee takes initiative	.52
Style of dealing with each other is informal	.39
Employee vs. job dimension	
Decisions are centralized at top	.38
There is little concern for personal problems of employees	.52
Organization is interested only in the work of employees	.64
Parochial vs. professional dimension	
People's private life is treated as their own business	.39
Job competence is the only criterion in hiring people	.37
Think (plan) three years ahead or more	.57
Open vs. closed dimension	
Only specific kind of people fit in the organization	.44
Organization is closed and secretive	.38
New employees need more than a year to feel at home	.45
Loose vs. tight control dimension	
Everybody is cost-conscious	.52
Meeting times are kept punctually	.57
Employees always speak seriously of organization and job	.43
Normative vs. pragmatic dimension	
Employees tend to be pragmatic in matters of ethics	.46
Major emphasis is on meeting customer needs	.41
Results are more important than procedures	.46
Goodness-of-fit indexes	
Chi-square (df)	163.60(120)
p <	.01
NNFI	.91
CFI	.93
IFI	.93
RMSEA	.04
<p>^AAll factor loadings in the table are from an unstandardized solution. They are all significant at $p < .001$. The chi-square for the null model from which the relevant statistics were calculated is 782.11 with 153 degrees of freedom.</p>	

with varimax rotation. As seen in Table 2, we identified three factors whose eigenvalues were greater than 1.0. Factor 1 consists of nine items measuring the Indian partner's satisfaction with the foreign partner and with management of the joint venture. This factor was labeled *satisfaction with joint ventures*. Factor 2

includes five items measuring the joint venture's contribution to financial efficiency and product portfolio. We named this factor *efficiency*. Factor 3 consists of two items measuring the extent to which joint ventures enhance competitiveness against other competitors. We labeled this factor *competitiveness*.

TABLE 2
RESULT OF FACTOR ANALYSIS OF DEPENDENT VARIABLES^A

Items	Factor loadings		
	Satisfaction with JV	Efficiency	Competitiveness
Satisfaction with commitment of the partners towards each other	.87	.07	.03
Satisfaction with cooperation between partners	.86	-.03	-.03
Satisfaction with trust between partners	.84	.12	.05
Overall satisfaction of the Indian partner with the joint venture	.84	.19	.03
Satisfaction with commitment of the partners towards the joint Venture	.80	.13	.12
Satisfaction with conflict resolution between partners	.78	-.02	.02
Satisfaction with adequacy of interaction between partners	.76	.16	.08
Satisfaction with communication between partners	.76	.11	-.07
Satisfaction with management practices in the joint venture	.68	.10	.15
Fixed cost reduction	.20	.79	.04
Lower total capital investment	.02	.78	.11
Lower average cost from larger volume	.12	.65	.19
Sourcing & Access to capital	-.08	.64	.34
Product portfolio diversification	.16	.53	-.18
Aggressive joint venture to increase costs or to lower market share for a third company	.12	.07	.87
Defensive joint venture to reduce competition	.07	.21	.87
Eigenvalues	6.21	2.54	1.38
Percentage of variance explained	38.79	15.90	8.65

^aBold numbers indicate the items for each factor.

Control Variables. We controlled for organizational size and age that would potentially affect IJV performance (Park and Ungson, 1997). We also controlled for frequency of contact between partners and the number of executives from both partners that are involved in the joint venture operation. These variables affect the process and level of acculturation between cross-cultural partners and potentially the outcome of a joint ven-

ture (Berry et al., 1992). Equity sharing has been studied as a critical factor in the outcome of joint ventures (Geringer and Hebert, 1989; Blodgett, 1992). While a balanced ownership, i.e., 50-50 equity sharing, may require an extensive level of inter-partner communication, it would be able to avoid dominance, and potential opportunistic hazard, by one of the partners. Along with equity sharing, we also included the origin of foreign part-

ner as a control variable that may reflect a difference in partners' motivation in IJVs with Indian partners. We measured: *size* by investment or sales turnover (\$ in millions); *age* by the number of months that partners were interacting; *frequency of contact* by the number of average weekly contacts between partners by phone, fax, or email; *number of executives* by the total number of executives from both partners involved in a joint venture; *equity sharing* by the percentage of ownership by Indian partners; and *origin of partner* by a dummy variable indicating developed countries according to the OECD membership.

RESULTS

Table 3 shows the means, standard deviations, and zero-order correlations of all variables. The table also reports the reliability coefficients for organizational culture and IJV performance variables. We applied multiple regression analyses to test hypotheses against perceived performance at the individual level. Tables 4 and 5 report the standardized regression results for hypotheses testing based on aggregate indices of cultural distances and distances in each cultural dimension, respectively. Because some of the independent variables are highly correlated, we tested for the effects of multicollinearity using variance inflation factors. These factors for all the models in Table 5 are less than 10, a threshold value indicating the presence of multicollinearity (Neter et al., 1985, p. 392).

Models 1-3 in Table 4 are the baseline models including only control variables. Size seems to have a mixed effect on perceived performance, with a negative and a positive effect on competitiveness and satisfaction, respectively. Age of partnership has a positive effect on competitiveness only. While frequency of

contact has a strong positive effect on all performance measures, number of executives involved in venture operation affects competitiveness positively, but satisfaction negatively. These results imply that age of partnership and frequent contacts among a large number of executives in a venture are signs of commitment from both partners contributing to its perceived market performance (i.e., competitiveness). However, the negative effect of number of executives on satisfaction may reflect high coordination costs, as more managers are involved in daily operations from both partners. Origin of partner has significant relationships with efficiency and satisfaction, suggesting that cooperating with partners from developed countries in India works positively for efficiency and mutual satisfaction. Equity sharing has no significant effect on any of the performance measures. Moreover, given the substantial missing value for equity sharing, this control variable is dropped in subsequent analyses for hypotheses testing.

Models 4a-6a (Table 4) and Models 4b-6b (Table 5) are to test Hypothesis 1 on the effect of national culture distance on IJV performance. Models 7a-9a (Table 4) and Models 7b-9b (Table 5) then include organizational cultural distance to test Hypothesis 2. Since organizational culture is nested in national culture, it is introduced following the model that includes national culture.

As shown in Models 4a-6a (Table 4), national culture distance has a positive effect on efficiency and competitiveness, but no effect on the level of satisfaction. On the other hand, organizational culture distance has a strong negative effect primarily on satisfaction at $p < .001$ (Model 9a). These results suggest that both national and organizational culture distances affect IJV performance, but

TABLE 3
MEANS, STANDARD DEVIATIONS, AND CORRELATIONS^a

Variable	Mean	s.d.	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	
1. Size	134.50	370.35	—																			
2. Age of partnership	119.12	142.40	.05	—																		
3. Frequency of contact	7.51	8.59	.17	-.00	—																	
4. Number of executives	38.87	50.48	.72	.18	.32	—																
5. Origin of the partner	.93	.26	.07	.08	-.16	.14	—															
6. Equity sharing	41.16	16.17	-.06	-.18	.06	-.23	-.17	—														
7. Individualism	27.61	15.27	-.30	.02	-.03	-.26	.10	.07	—													
8. Uncertainty avoidance	23.09	18.56	.33	-.06	.00	.31	-.02	-.25	-.86	—												
9. Masculinity	17.55	14.51	.28	.19	.00	.31	.15	-.12	-.56	.55	—											
10. Power distance	32.58	12.00	-.22	.16	-.05	-.17	.30	.16	.37	-.64	-.17	—										
11. Normative vs. pragmatic	.66	.67	-.08	-.12	.03	-.04	.09	-.11	-.09	.04	.03	.12	(.55)									
12. Loose vs. tight control	.90	.68	-.09	-.00	-.02	-.06	.07	-.16	.08	-.03	.03	.04	.50	(.61)								
13. Open vs. closed system	.63	.60	-.03	.05	-.12	-.04	-.13	-.12	-.03	.03	.03	.08	.40	.36	(.57)							
14. Parochial vs. professional	.74	.61	-.03	.05	-.06	-.14	-.14	.12	.08	-.13	-.03	.15	.24	.35	.56	(.58)						
15. Employee vs. job	.75	.65	-.12	-.16	-.11	-.14	-.01	-.07	.02	-.02	-.09	.11	.29	.40	.44	.38	(.82)					
16. Process vs result	.81	.64	-.04	-.05	-.03	-.04	-.19	-.07	.02	-.01	-.12	-.08	.31	.42	.32	.33	.37	(.65)				
17. Efficiency	10.64	3.92	.15	-.05	-.02	.08	.10	-.07	-.07	.13	.20	-.09	.02	-.03	-.17	-.14	-.04	-.14	(.72)			
18. Competitiveness	9.32	5.38	.14	.25	.09	.33	.07	-.15	.03	-.07	.11	.12	-.05	-.08	-.22	-.13	-.10	-.11	.30	(.78)		
19. Satisfaction with joint venture	3.60	.68	-.01	.01	.05	-.12	.06	.08	-.04	-.05	.11	.02	-.29	-.27	-.45	-.27	-.42	-.33	.20	.11	(.93)	

^an = 198-202 without equity sharing; n = 142-149 with equity sharing.
 Parentheses on the diagonal contain reliability coefficients for the scales.
 r > .15 is significant at p < .05, and r > .19 is significant at p < .01.

TABLE 4
STANDARDIZED REGRESSION RESULTS ON THE RELATIONSHIP BETWEEN AGGREGATE INDEX
OF CULTURE DISTANCE AND IJV PERFORMANCE^a

Predictors	Model 1 Efficiency	Model 2 Competi- tiveness	Model 3 Satisfaction with J.V.	Model 4a Efficiency	Model 5a Competi- tiveness	Model 6a Satisfaction with J.V.	Model 7a Efficiency	Model 8a Competi- tiveness	Model 8a Satisfaction with J.V.	Model 10 Efficiency	Model 11 Competi- tiveness	Model 12 Satisfaction with J.V.
Control variables												
Size	.09	-.36*	.35*	.04	-.30**	.13	.04	-.31**	.13	.04	-.30**	.13
Age of partnership of contact	-.12	.20*	.10	-.13†	.12†	.03	-.14†	.11	-.01	-.14†	.11	-.01
Frequency of contact	.19*	.18*	.35***	.13†	.23**	.27**	.11	.21**	.20**	.11	.22**	.20**
Number of executives	-.06	.55***	-.58***	.04	.50***	-.33**	.04	.50***	-.34**	.04	.50***	-.34**
Origin of partner	.22*	.09	.20*	.01	-.02	.08	-.01	-.05	-.01	-.00	-.04	-.00
Equity Sharing	-.04	.03	.04									
National culture distance				.15†	.14*	.04	.16*	.16*	.10	.13	.10	.06
(NCD)												
Organizational culture distance												
(OCD)												
Interaction terms (NCD × OCD)												
F-value	1.98†	6.72***	4.77***	1.87	9.43***	2.99**	1.71	8.57***	9.64***	.09	.16	.11
R ²	.08	.24	.18	.05	.25	.09	.06	.26	.28	.07	.26	.28
Change in R ²				.02†	.02*	.00	.01	.01†	.19***	.01	.00	.00

^an = 137-139 for Models 1-3, and 180-184 for Models 4a-12.
 †p < .10; *p < .05; **p < .01; ***p < .001.

TABLE 5
STANDARDIZED REGRESSION RESULTS ON THE RELATIONSHIP BETWEEN CULTURE DIMENSIONS
DISTANCE AND IJV PERFORMANCE^a

Predictors	Model 4b Efficiency	Model 5b Competitiveness	Model 6b Satisfaction with J.V.	Model 7b Efficiency	Model 8b Competitiveness	Model 9b Satisfaction with J.V.
Control variables						
Size	.02	-.26*	.09	.06	-.24*	.06
Age of partnership	-.13†	.09	.00	-.08	.13†	-.04
Frequency of contact	.15†	.21**	.27***	.08	.15*	.16*
Number of executives	-.00	.52***	-.32**	.00	.53***	-.29**
Origin of partner	-.01	-.04	.18*	-.15†	-.15†	.03
National culture distance						
Individualism	.31†	.06	-.44**	.40*	.14†	-.32*
Uncertainty avoidance	.27	-.14	-.64**	.38†	.03	-.35†
Masculinity	.25**	.14†	.20*	.26**	.17†	.16*
Power distance	.05	.09	-.26*	.11	.18	-.03
Organizational culture distance						
Normative vs. pragmatic				.16†	.07	-.13†
Loose vs. tight control				.05	-.01	.04
Open vs. closed system				-.26**	-.27**	-.28***
Parochial vs. professional				-.07	-.03	.01
Employee vs. job				.07	.07	-.23**
Process vs. result				-.11	-.01	-.13†
F-value	2.06*	7.04***	3.60**	2.21**	5.18***	7.68***
R ²	.10	.27	.16	.17	.32	.41
Change in R ²	.06*	.04*	.07*	.07*	.05†	.25***

^an = 180-184.

†p < .10; *p < .05; **p < .01; ***p < .001.

their effects differ depending on the type of performance measures. National culture distance appears to be a better predictor of performance measures reflecting operational and strategic outcomes of IJVs, while organizational culture distance is closely related to performance measure reflecting psychological satisfaction of employees.

Models 4b-9b in Table 5 present results for specific dimensions of national and organizational cultures. Masculinity is the only national culture dimension that has a consistently positive effect on all performance measures. All other dimensions, however, have significant negative effects on satisfaction at $p < .05$ (Model 6b). These mixed relationships between national cultural dimensions and satisfaction (Model 6b) may explain the insignificant results for the aggregate index of national culture distance (Model 6a). Overall, the results offer limited support for Hypothesis 1 on the negative effect of national culture on IJV performance. The analyses including national culture dimensions suggest that the positive effect of the aggregate index of national culture on efficiency and competitiveness (Models 4a and 5a) is attributed primarily to the distance in masculinity.

The results offer better support for Hypothesis 2 about the negative relationship between organizational cultural distance and IJV performance. The aggregate index of organizational culture distance is negatively associated with competitiveness and satisfaction (Models 8a and 9a, Table 4). Among the organizational culture dimensions, open vs. closed system is the only one that has significant negative relationships across all measures of performance at $p < .01$ (Models 7b-9b, Table 5). Three other dimensions, including normative vs. pragmatic, employee vs. job, and process vs.

result, also affect satisfaction negatively at $p < .10$ (Model 9b, Table 5).

We also tested interaction effects between national and organizational culture distance on IJV performance (Models 10-12, Table 4). None of the models show significant improvement in R^2 compared to Models 7a-9a; the interaction terms are nonsignificant across all types of IJV performance. To confirm, we also conducted a post-hoc ANOVA test, grouping cultural distances into a high and a low group according to the mean. ANOVA analyses showed similar nonsignificant results for the main interaction effect at $p < .10$. Similarly, Tukey tests showed no significant pair-wise relationships between high and low groups of national and organizational cultures. For further understanding of the interaction effect, we also examined the potential interaction effect between each dimension of national and organizational cultures on IJV performance. We first entered each of the 24 potential interaction terms one at a time into Models 7b-9b. From these 72 iterations (3 models with 24 interaction terms), there were only five interactions that had a significant effect on any performance measure: power distance with employee vs. job, open vs. closed, and normative vs. pragmatic; masculinity with employee vs. job; and individualism with normative vs. pragmatic. We then added these five individually significant interaction terms to Models 7b-9b; regression analyses resulted in significant model improvement only for satisfaction. Among the five terms, only the interactions between power distance and normative vs. pragmatic for satisfaction and between masculinity and employee vs. job for efficiency were significant at $p < .10$. Overall, our analyses suggest that the interaction between national and organizational

culture distance does not significantly influence IJV performance.

For further validation of our hypotheses, we also conducted a series of post-hoc analyses for an objective performance measure (i.e., longevity) at the venture level ($n = 112$). Longevity was measured as number of months from the inception of IJV up to the end of our observation, in June 1997. The results showed a marginally significant positive relationship with the aggregate measure of national culture distance, but a non-significant relationship with the aggregate measure of organizational culture distance. Among the specific dimensions of national and organizational cultures, masculinity was the only one that was significant at $p < .05$. The interaction term between national and organizational cultures also showed no significant relationship with longevity.

DISCUSSION

Previous research on joint venture culture has focused exclusively on the influence of national culture on joint venture performance, and the findings are not conclusive. This study contributes by directly comparing the effect of two levels of cultural distance, national and organizational, on IJV performance and offers a few important findings. First, aggregate indices of national and organizational culture distance influence organizational outcomes differently; that is, while national culture distance more significantly affect the efficiency and competitiveness measures of IJV performance, organizational culture distance is a better predictor of the satisfaction measure. Second, different dimensions of both national and organizational culture influence IJV performance differently. Finally, the presumed negative effect from partner dissimilarity on IJV perfor-

mance originates more from differences in organizational culture than from differences in national culture. This finding implies that inconclusive results of the effect of national culture difference on joint venture performance can partly be attributed to the omission of organizational culture difference.

In a recent study, Shenkar (2001) argues that the inconsistent findings in the relationship between cultural distance and subsidiary performance are due to conceptual and/or methodological properties of the cultural distance construct. Our findings suggest the levels of cultural distance, i.e., national vs. organizational, and the types of performance, i.e., psychological vs. economic, as additional sources of the confusion in studying the effects of cultural distance. It is critical to make a distinction across different measures of performance and different levels of analysis to draw reliable conclusions on the relationship between cultural distances and performance. The inconsistency in previous studies could also result from omission of the possible moderating variables. Therefore, although Shenkar's (2001) attribution of inconsistent findings to the problems in conceptualization of cultural distance may be reasonable, we call for similar attention to dependent and moderating variables.

Limitations

The study has several limitations that should be considered when interpreting its results. First, the study is limited to joint venture between India and other countries. As stated earlier, data were collected only from the Indian partners. Although Geringer and Hebert (1991) found support for their hypotheses that responses from any one of the partners would be a valid representation of joint

venture performance and recommended this data collection approach to profuse research on joint ventures, it is more desirable to collect data from both partners to limit biases. Recently, Sivakumar and Nakata (2001) have proposed a method for choosing country combinations to strengthen the application of Hofstede's national culture dimensions.

Second, we have tested the direct influence of cultural differences on IJV performance but have not examined their indirect influence through behavioral processes such as partnership trust. A number of studies underscore the importance of partnership trust in interorganizational relationships (McKnight, Cummings, and Chervany, 1998; Mohr and Spekman, 1994; Parkhe, 1993c; Ring and Van de Ven, 1994). Because it is still unknown how the different dimensions of national and organizational culture affect partnership trust, and, in turn, IJV performance, we recommend studies of partnership trust in cross-cultural joint ventures.

Third, although we tested longevity as a dependent variable, our analyses relied primarily on perceptions of performance (by asking the judgments of executives of Indian partners) to examine the effect of cultural difference on joint venture performance. Future research may explore the effects of cultural difference on more objective measures of organizational performance, such as survival, productivity, sales or profit growth.

In spite of these limitations, this study is among the very few that simultaneously examine national and organizational cultures. As such it provides interesting results that have important research and practical implications for understanding and managing IJVs.

Research Implications

In view of the findings of this study and previous research, organizational culture distance generally has a negative impact on organizational outcomes but national culture distance can have either a positive or a negative effect. Research in mergers and acquisitions (even friendly ones) has consistently showed negative effects of organizational culture differences (Cartwright and Cooper, 1993). The overwhelmingly negative effects may arise from the fact that organizational culture distance captures the on-going operational differences in the norms of organizational practices and behaviors. Such differences result in conflicting expectations, misunderstandings, and interaction problems that are dysfunctional to the joint venture operation.

In contrast, national culture differences between partners can potentially generate positive or negative effects because differences in fundamental beliefs and values as reflected in the national cultures may turn out to undermine or reinforce partners' collaborative efforts (Shenkar and Zeira, 1992). While some researchers found national culture differences causing conflicts and barriers (Lane and Beamish, 1990), others have found national culture differences a source of admiration and challenge, leading to higher level of communication and more sustained collaboration (Park and Ungson, 1997; Shenkar and Zeira, 1992).

The challenge for future research is to identify the conditions under which national culture differences between partners are or can become complementary. We identify three major factors that may modify the effects of cultural differences on organizational outcomes: the content

dimensions of national culture, the nature of organizational outcomes, and the joint venture organizational culture.

National Culture Dimensions. Given the multi-dimensionality of culture, not all culture dimensions affect organizational outcomes in the same direction. While differences in some dimensions tend to generate negative outcomes, differences in others could generate positive outcomes. In our study, for instance, difference in masculinity showed consistent positive effect on all organizational outcomes whereas differences in the other dimensions showed mixed results. Considering performance satisfaction, masculinity has a positive effect whereas individualism and uncertainty avoidance both had negative effects. A close examination of our data indicates that about 75 percent of our Indian respondents' companies are involved in joint ventures with companies from nations whose masculinity score is higher than India. As defined earlier, the masculinity dimension refers to the extent of aggressiveness for economic success. We speculate that there might be an admiration effect on the part of the Indian executives who might have attributed higher IJV performance to their foreign partners' pursuit of organizational success. Exactly, which type of cultural distance will have a positive instead of a negative effect depends on the instrumentality of that cultural distance in terms of achieving a given objective of the IJV. For example, according to Shenkar and Zeira (1992), while differences in individualism-collectivism and uncertainty avoidance helped IJV CEOs lower their perception of role ambiguity, power distance and masculinity increased it. Shenkar and Zeira (1992) reasoned that differences in uncertainty avoidance stimulate more communica-

tion between the two parties, which in turn lower perceptions of role ambiguity. Whether the positive effect of a given type of cultural distance is attributed to the admiration of different cultural values or constructive behaviors stimulated by cultural differences, researchers in the future should incorporate certain moderators in their research model to explicitly test these post hoc explanations.

Types of Organizational Outcome. While the directional effect of cultural distance on a given organizational outcome depends on the cultural dimensions under study, it can also differ due to the type of organizational outcomes. In our study, the effects of individualism and uncertainty avoidance were contingent upon the type of outcomes (Models 7b-9b): positive on economic outcomes (efficiency and competitiveness) but negative on socio-psychological outcomes (satisfaction). This pattern of findings is consistent with diversity research in the United States, which found that heterogeneous groups typically experience more conflict and less satisfaction than homogenous groups even though the former might perform as well or even better than the latter (Adler, 1991; Cox, 1993).

The differential results depending on the type of outcomes could also be related to resource complementarity, and similarly to the strategic intent in IJVs.¹ For instance, the negative effect of organizational culture distance on satisfaction implies that differences in organizational culture could be a serious interference in the creation of synergy resulting from resource complementarity as partners become dissatisfied with the cooperative relationship (Dussauge, Garrette, and Mitchell, 2000; Kale, Singh, and Perlmutter, 2000). The success of capa-

bility-transfer joint ventures (e.g., link IJVs) thus could depend on compatibility in partners' organizational culture. On the other hand, efficiency-seeking joint ventures (e.g., scale IJVs) can still be effective despite significant differences in partners' national cultures. However, our call for attention to the type of outcomes goes beyond the broad distinction of economic versus psychological. We urge researchers to develop sound theoretical expectations on why a given national or organizational culture difference may be instrumental to one organizational objective but detrimental to another.

IJV Organizational Culture. We offer that the effect of any cultural distance is mainly generated in the interactions of the partners and is influenced by the relevant parties' approaches to cultural differences. The approaches to cultural differences may themselves be part of an IJV organizational culture. Previous research has found that cultural values of demographically diverse organizations are more likely to have substantive (e.g., product quality and timeliness) and relational (e.g., equality and respect differences) components (Chen and Eastman, 1998). In the international context, partners may approach cultural differences through cultural domination, submission, or integration (Adler, 1991). The partners who make conscientious efforts to explore integrative solutions, namely those that are sensitive to and compatible with different cultures, are more likely to be effective in solving cultural conflicts and maintaining positive relationships (Adler, 1991). Similarly, one could argue that the potential benefits of national culture differences depend on the extent to which the IJV partners develop a third culture of mutual accommodation, respect, and cooperation. In

our study we examined perceived cultural differences between the parent organizations but not the values of the IJV's culture as an independent entity. Future research should incorporate IJV organizational culture and examine its moderating effect on the partners' national or organizational culture differences.

The research implications proposed above are exemplary and by no means meant to be exhaustive. We hope they serve as a starting point to systematically theorize and research the potential positive effects of national and organizational culture differences, and help identify conditions that create the benefits and minimize the costs of culture differences.

Practical Implications

Given the high risk and high failure rate of IJVs, performance of joint ventures has always been the dominant concern of business executives. The findings of this study highlight the importance of organizational culture similarity for joint venture success, especially link IJVs to share capabilities, and suggest that, in forming IJVs, organizational culture should be considered along with financial and strategic factors.

Among organizational culture dimensions, we found that distance in the open versus closed system dimension negatively affects all measures of IJV performance. As previously mentioned, the open versus closed system dimension describes the communication climate of the organization. Communication climate is formed historically and is primarily determined by the philosophy of the founders and top executives (Hofstede et al., 1990). Some organizations develop a tradition of being closed, whereas others have a tradition of openness. In a special report on international

alliances, *Business Week* (1999) notes that the elements that make a joint venture successful include listening, paying attention, spending time, humility, and willingness to learn, and those that make it fail include mistrust and arrogance. The positive elements improve the communication climate and the negative elements worsen it. The climate influences the shared perception of daily practices, which is the core of an organization's culture (Hofstede et al., 1990), thus influencing the behavior of managers and members of an IJV.

A crucial characteristic of the open versus closed dimension is information sharing. If one partner engages in high information sharing activity (open system) and the other does not (closed system), partners can not capitalize on the synergy effect of joint venture, and the open system partner may come to suspect the closed system partner's commitment and loyalty toward the venture. As a result, IJV performance may suffer. Hence, the negative effect of the open versus closed system distance suggests that, in order to be successful, joint venture partners should have a similar level of information sharing tendency and foster an open communication climate.

In conclusion, this study contributes to a better comprehension of the influence of cultural differences, especially that of organizational culture distance, which has not been widely examined before. The results suggest that while joint ventures have little control over each other's national culture, they could nevertheless engage in shaping similar organizational practices. To the extent a joint organizational culture can be developed across national borders, research on the processes through which IJVs overcome national culture differences of their parents and develop management

practices acceptable to both partners can significantly contribute to IJVs success.

NOTE

1. We are grateful to an anonymous reviewer for this insight.

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