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**INTERNATIONAL JOINT VENTURE ACQUISITION  
BY A FOREIGN OR LOCAL PARTNER**

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**Keywords and phrases:** international joint venture (IJV); IJV acquisition by one of the partners; determinants of IJV acquisition by one of the partners.

**Abstract:** managing on international joint venture post-formation is a critical decision for both foreign and local managers. Reviewing the literature in international and strategic management, the authors discuss recent findings of research on international joint venture acquisition by a foreign or local partner over the past 15 years. In doing so, the authors provide an in-depth review of theoretical foundation of IJV acquisition by one of the partners, the dominant determinants and a framework of research on IJV acquisition by a foreign or local partner. This proposed framework groups eight determinants and integrates the antecedents of IJV formation – described by complementary assets between partners and previous experience of a foreign and local partner, initial IJV characteristics influence – described by ownership structure, control and bargaining power, shifts of IJV characteristics – by three previous determinants and IJV performance, moderators – uncertainty, learning and new experience influences, and the decision of IJV acquisition by one of the partners. As a conclusion, the authors provide several recommendations for future research.

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## Introduction<sup>1</sup>

How firms manage their collaborations is a central concern of strategy researchers (Tong & Li 2013). Forming international joint ventures (IJVs), a form of strategic alliances, remains a well acknowledged and frequently implemented international market entry strategy (Nemeth & Nippa 2013), especially in emerging markets (Lu & Ma 2008; Abramkov & Panibratov 2012). Yet they are also known to cause substantial management challenges, conflicts of interests, drawbacks, and inefficiencies; many strategic alliances fail to realize their expected potential (Nemeth & Nippa 2013; Kumar 2014). Following (Preffer & Nowak 1976), researchers defined joint ventures (JVs) as “legally and economically separate organizational entities partially held by parent organizations that collectively contribute resources to pursue strategic objectives”. The JV becomes an international joint venture (IJV), when it involves at least one foreign partner (Lukas, 2013). In cases when new entity is started, a foreign firm can enter greenfield IJV with local partner by shearing the IJV’s ownership with him. When taking over existing local firm, a foreign firm can also form IJV through partial acquisition with the current owner by acquiring only partial equity of the target (Chen & Hennart 2004).

IJVs had attracted significant research attention during the last decades. Thereby, the initial focus of research was on IJV formation (Chung & Beamish 2010) – a variety of key objectives and aspects have been studied from different theoretical perspectives – see the literature reviews in (Makino et al. 2007; Beamish & Lupton 2009). Generally, IJVs provide foreign companies with advantages to rapidly expand their presence in new geographical markets, share risks and create economies of scale, learn new skills and get new experience in host markets, receive needed resources and facilitate effective resource sharing between partners (Park & Ungson 1997). But while IJVs offer these opportunities, they at the same time are also well known to cause various challenges (Kaplan et al. 2010; Ernst & Bamford 2005; Dyer et al. 2004). For example, researchers have examined inter-partner conflicts (Chung & Beamish 2010), challenges with knowledge transfer (Steensma et al. 2008), partner’s potential opportunistic behavior (Puck et al. 2009) and utilization of partner’s resources outside the venture for private benefits (Kumar 2010b). The paradox in this regard is that the same advantages that IJVs provide also make them particularly sensitive to additional challenges (Kumar 2010b).

As the research field on IJV formation reached a certain level of maturity, the focus shifted towards IJVs’ post-formation (Chung & Beamish 2010). Research on IJV post-formation – according to previous literature reviews on this topic (see Zeng & Yan 1999; Nemeth & Nippa 2013; Beamish & Lupton 2009) – finds its foundation in pioneering study by Franko (1971). It has been 16 years since Zeng & Yan (1999) have published the first literature review on this subject. While research examining IJVs has greatly enhanced our understanding of IJV post-formation since then, many scholars are still concerned about the dominance of static perspective in several topics, such as IJV research on collaborative learning (del Mar Benavides-Espinosa & Ribeiro-Soriano 2014), on ownership structure (Iriyama et al. 2014; Chung & Beamish 2010) and on bargaining power (Contractor & Reuer 2014). Moreover, they mention the lack of precise differentiation of IJV post-formation modes, i.e., acquisition by one of the partners, dissolution, or sale to a third firm (Nemeth & Nippa 2013) and the debated conceptualization of IJV performance and its determinants (Ren et al. 2009).

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<sup>1</sup> The preliminary results of this review have been presented by the second author on the XVII April International Academic Conference on Economic and Social Development (19-22 April 2016) in Higher School of Economics (Moscow, Russia) URL: <https://conf.hse.ru/en/2016/program> (Session R-09. Strategy and development factors of companies’ competitiveness). The previous version of this review is free for download from the HSE site. The final version of this review has been substantially modified, developed and published as the following working paper. Specifically, the authors have restructured the article, developed a framework of IJV acquisition research, rethought the section of future directions of research, etc.

As a result, there are still several often-debated issues on this topic, especially on IJV acquisition by one of the partners.

In this study, we focus on phenomenon of IJV acquisition by one of the partners, which lies at the intersection of three fields – strategic management, corporate governance (a transfer of property rights) and corporate finance (IJV performance). We consider two-partners IJVs. Generally, a local partner is more likely to have an extensive network in the host country (clients, suppliers, business groups, etc.). In contrast, a foreign partner will find it more difficult to access such networks, but it has more advanced technologies and management skills. The initial purpose for IJV formation was in achieving a synergy between two partners. Suppose that an IJV agreement did not provide one of the partners with an explicit right to acquire the stake of another one. After exercising the venture for some time, under what conditions are the partners more likely to decide to transfer the equity stake of one partner to its counterpart? Why a giving partner, rather than its counterpart, is more likely to acquire the partner's stake and will obtain full equity control of the venture?

This review differs from the previous ones in two significant ways. First, it provides a synthesis on IJV acquisition by foreign or local partner as a distinct IJV post-formation mode. Second, it discusses the major determinants of IJV acquisition by one of the partners. IJV acquisition by one of the partners means that one partner acquire the other partner's share (Bleeke & Ernst, 1991; Hennart et al. 1999) and obtains full equity control of the venture (Brouthers & Bamossy, 2006). Studies using such labels as internalization by one of the partners (Park & Ungson, 1997), conversion of joint ventures into wholly owned subsidiaries (Steensma et al. , 2008; Puck et al., 2009; Chang et al., 2013), one partner acquires the JV business (Inkpen & Beamish, 1997), decision to buy out or sell off an IJV (Reuer, 2002), acquisition of joint venture (Kogut, 1991; Chi & McGuire, 1996; Chi, 2000; Folta & Miller, 2002; Reuer & Tong, 2005; Li et al, 2010; Iriyama & Madhavan, 2014) and joint venture buy-outs (Marjit & Chowdhury, 2004; Habib & Mella-Barral, 2007; Sinha, 2008; Hek & Mukherjee, 2011; Lukas, 2013) tend to explore the same management phenomenon and are included to this review.

Two main factors motivated this review of the research on IJV acquisition by a foreign or local partner. First, while several scholars continue to add new and diverse insights on IJV acquisition by one of the partners (Chi & Seth 2009; Mata & Portugal, 2015), and other scholars call for revising previous research (Makino et al. 2007; Nemeth & Nippa 2013; Iriyama et al. 2014), the field would benefit from an overview of the dominant determinants of IJV acquisition by one of the partners. There is need for a framework to integrate research on IJV acquisition by one of the partners and provide direction for future research. Second, notable findings in research on IJV acquisition by one of the partners from related disciplines, such as finance (Habib & Mella-Barral, 2007; Lukas, 2007; Banerjee & Mukherjee, 2010; Lukas, 2013), accounting (van der Meer-Kooistra & Kamminga, 2015), economics (Sinha, 2001; Hek & Mukherjee, 2011), and behavioral economics (Marjit & Chowdhury, 2004; Sinha, 2008), have not been integrated into the management literature. Applying a modeling approach, researchers from these disciplines offer unique perspectives on IJV acquisition by a foreign or local partner.

The goal of this review is to systematically examine the theoretical foundation of the issue that has been covered the past 15 years, to identify determinants of IJV acquisition by one of the partners, and to suggest important areas of future research. Additionally, we develop a framework of research on IJV acquisition by one of the partners. On the basis of this review and discussion of the literature, we propose several suggestions for future research on IJV acquisition by one of the partners.

## Background

Traditionally, multinational companies (MNCs) have formed joint ventures with local partners to enter emerging markets, exploit the opportunities they present, and acquire skills and knowledge about the local environment. Until the end of the 1990s, IJVs accounted for over 60% of foreign direct investments (FDIs) in developing markets (Kale & Anand 2006). In a research conducted by Gulati et al. (2008), it has been noted that in 2000 about 10,200 alliances (equity and non-equity) were formed worldwide, furthermore, by 2007 almost 80% of Fortune 1000 CEOs said strategic alliances (and IJVs as a part) have been responsible for more than 25% of their companies' revenues. Additionally, government regulations play an important role in influencing the formation and structuring of IJVs in several emerging markets, where regulatory restrictions typically mandated the formation of IJVs in these countries till the mid-1990s (Kale & Anand 2006). For example, foreign ownership regulations have been established in several industries in India, the industrial policy in South Korea had a great impact on foreign equity participation, and IJVs were the only available entry mode to foreign companies in most industries in China (Lu & Ma 2008). However, later subsequent regulatory restrictions were relaxed in most emerging economies that influenced on existing IJVs and new ones – such as in India many existing IJVs have been terminated; also, in China, many IJVs were acquired by foreign partners (Kale & Anand 2006; Chang et al. 2013; Athreye et al. 2009). Additionally, while until 1997 IJVs were the dominant mode of ownership chosen by foreign firms in China, firms entering after 1997 preferred to establish WOSs. In 2004, about 50% of existing FDIs in China were organized as IJVs and approximately 40% as WOSs, however, in the same year only 27% of new investment projects were still formed as IJVs, while more as 70% started as WOSs (Puck et al. 2009).

Nevertheless, IJVs are still one of the most important alternatives for companies pursuing international market entry strategies (Makino et al. 2007; Nemeth & Nippa 2013). A study conducted in 2009 by the professional service company KPMG reported that 50% of the surveyed companies expected an increase in joint venture involvement over the next two years, with more than half of these being international (Joint Venture ..., 2010). More recently, in 2014 an American multinational management consulting firm, McKinsey, reported that international joint ventures are still associated with growth in the coming years. In fact, 68% of companies from the survey expect an increase in their joint-venture activities over the next five years (Rinaudo & Uhlaner, 2014). Similarly, in 2015 a multinational professional services firm, PricewaterhouseCoopers, reported that forming JVs with local partners has remained a viable option for MNCs in recent years (for example, 78% of the interviewed companies expressed their willingness to enter new partnerships in China). According to data from China's Ministry of Commerce, IJVs remain the second-largest ownership mode for utilizing foreign direct investments after WOSs (China Deals ..., 2015).

IJVs, on average, create value for partners (Kumar 2010a), especially partner-IJV business relatedness and R&D activity are found to have a great impact (Merchant & Schendel 2000). This value creation has been proved by a number of research examining stock price reactions to JV formation, e.g. (Reuer 2000; Tong et al. 2008; Kumar 2010a; Merchant 2014). However, many studies have shown that IJVs also confront a high rate of acquisition by one of the partners (see Table 1). Although, Kogut (1991) have used such metaphors for describing IJV as an “*instrument* to manage the dependency of the partner firms on the uncertainty of resources”; a “*bridge*” and “*a platform* for possible future development”. Some researchers have agreed that IJVs are associated with a temporary organizational mode (Steensma et al. 2008).

**Table 1**  
**Tabulation of Research on IJV Acquisition by One of the Partners**

<b>Authors</b>	<b>Location</b>	<b>Years</b>	<b>Findings</b>
(Bleeke & Ernst 1991)	USA, Europe, Japan	1960-1990	49 IJV in the sample, 75% of which were acquired by one of the partners.
(Kogut 1991)	IJV located in USA, which had at least one American partner	1975-1983	92 IJV in the sample, 30% of which were terminated by dissolution, 40% by acquisition.
(Park & Ungson 1997)	USA, Japan	1979-1988	186 IJV in the sample, 42% of which have been terminated by acquisition, 43% by dissolution, and others were censored.
(Folta & Miller 2002)	IJV in USA	1978-1999	285 IJV in the sample, 8% of which were terminated by acquisition of one partner, 12% - were terminated by acquisition of the third party, 30% - were dissolved, 50% - remained the IJVs.
(Steensma et al. 2008)	IJV in Hungary	1996-2001	150 IJV in the sample, 42% of which were converted into wholly-owned subsidiary of MNE partner, 41% remained the IJVs, 17% were liquidated.
(Puck et al. 2009)	IJV in China	2002-2006	94 IJV in the sample, 29% of which were converted into wholly-owned subsidiary of MNE partner, 71% remained the IJVs.
(Cui et al. 2011)	JV located in USA (mixed sample of IJVs and domestic JVs)	1990-2001	150 JVs in the sample, 49% of which were terminated by acquisitions, 9% - by dissolution.
(Chang et al. 2013)	IJV located in China	1998-2006	19,557 minority international joint ventures, 4.3% of which were converted to wholly-owned subsidiaries of MNE partner, others remained joint ventures.
(Iriyama & Madhavan 2014)	IJV with one Japanese partner	1986-2003	218 IJV in the sample, 63% of which were acquired by one of the partner.
(Mata & Portugal 2015)	IJV located in Portugal	1983-2008	3697 IJV in the sample, 45% of which have been terminated by acquisition; 32% by closure.

*Source:* created by the authors.

## Theoretical Perspectives

Research on IJV acquisition by one of the partners explains this phenomenon by drawing mainly on *transaction cost economics* (TCE), e.g. (Park & Russo 1996; Park & Ungson 1997; Dhanaraj & Beamish 2004; Puck et al. 2009; Chang et al. 2013), *real option theory*, e.g. (Kogut 1991; Folta & Miller 2002; Kumar 2005; Reuer & Tong 2005; Tong et al. 2008; Chi & Seth 2009; Cuypers & Martin 2010; Tong & Li 2013; Iriyama & Madhavan 2014; Chi 2000; Chi & McGuire 1996), *bargaining theory*, e.g. (Inkpen & Beamish 1997; Reuer 2002; Brouthers & Bamossy 2006; Steensma et al. 2008; Mata & Portugal 2015; Chi & Seth 2009) and *learning theory* (Cuypers & Martin 2007; Habib & Mella-Barral 2007; Kumar 2010a; Chang et al. 2013; Iriyama & Madhavan 2014; Mata & Portugal 2015). Several researchers implement these theories in complementary manner, for example (Chi & McGuire 1996; Inkpen & Beamish 1997; Chi & Seth 2009; Iriyama & Madhavan 2014; Dhanaraj & Beamish 2004).

### *Transaction Cost Economics (TCE)*

According to TCE, IJV formation occurs due to the lower transaction costs compared to alternative international entry modes (Nemeth & Nippa 2013). Foreign firms are more likely prefer the formation of an IJVs, when a local firm offers complementary knowledge – such as a deep understanding of local markets or access to distribution channels and natural resources, which cannot be easily purchased on the host market (Chang et al. 2013). While TCE can explain the adaptation of governance structures to changing circumstances (Cuypers & Martin 2007), it has been criticized for its static perspective (Cuypers & Martin 2007). Following the TCE perspective, Park and Russo (1996) and Chang et al. (2013) found that high assets specificity and the high ratio of intangible assets – in case of incorporated R&D activity into IJV – is positively associated with IJV acquisition by one of the partners. Although Puck et al. (2009) documented that the decrease of perceived external uncertainty – political, legal, economic, and social – is positively associated with IJV acquisition by foreign partner. Analyzing another ex ante determinant, Dhanaraj and Beamish (2004) proposed that high initial equity stake by one of the partner will be a signal of his dominance in a conflict dissolution and higher control within the IJV that can has positive effect on propensity of IJV acquisition by dominant partner.

### *Real Option Theory (RO)<sup>2</sup>*

RO theory deals with decision making under various types of uncertainty. According this theory, IJV partner (as a call option holder) will hold the option open either until it expires or until the value of the underlying asset exceeds the strike price at which the firm can increase its equity share (Cuypers & Martin 2007). According to this perspective, IJVs are associated with organizational mechanism that help partners manage different types of uncertainty (exogenous and endogenous) in a proactive manner (Reuer & Tong 2005). B. Kogut in (Kogut, 1991) was the first who implemented the RO theory to the issues of IJV acquisition by one of the partner by examining the effect of demand uncertainty on the timing when one JV partner will acquire the stake of the other one (in other words, exercise call option). After this paper a number of researchers have examined IJV acquisition by one of the partners either theoretically, applying mathematical models, e.g. (Chi & McGuire 1996; Chi & Seth 2009; Chi 2000) or empirically, e.g. (Folta & Miller 2002; Kumar 2005; Reuer & Tong 2005; Tong et al. 2008; Cuypers & Martin 2010; Tong & Li 2013; Iriyama & Madhavan 2014).

While some researchers (Kogut 1991; Chi & McGuire 1996; Chi 2000; Chi & Seth 2009; Iriyama & Madhavan 2014) assumed that all IJVs – both with explicit and implicit call options – can capture the growth option value for partners, other researcher (Reuer & Tong

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<sup>2</sup> In Russian literature the comprehensive synthesis of real option's application to strategic management and research development see in (Bukhvalov, 2004a; 2004b).



2005; Tong et al. 2008) criticized this assumption. Explicit call options are contractual clauses conferring a partner in an IJV the legal right to acquire equity stake of its counterpart (Tong & Li 2013). According to this point of view, without a explicit call option clause the gains from IJV acquisition by one of the partners may be partially or fully appropriated by the selling partner, who may also appreciate the business's enhanced value (Reuer & Tong 2005).

#### *Bargaining and Learning Perspectives*

The initial ownership structure in an IJV is the outcome of negotiations, in which relative bargaining power is a deciding factor; subsequently, the relative bargaining power between both partners explains deviations from full ownership in an IJV (Cuypers & Martin 2007). The authors (Inkpen & Beamish 1997) were the first who studied the dynamics of bargaining power between partners after IJV formation. They have proposed that learning is the most important determinant of changes in relative bargaining power between IJV's partners. Previously, authors have used various metaphors to describe IJVs (Kumar 2010a), for example, a "learning race" by Hamel (1991) – as knowledge and know-how are acquired from the partner, the dependence of one partner on the other is reduced and the likelihood of IJV acquisition by this partner increases (Cuypers & Martin 2007; Steensma et al. 2008; Mata & Portugal 2015). However, other authors (Hennart et al. 1999; Habib & Mella-Barral 2007; Kumar 2010a) have found no evidence of learning races between the IJV partners. Additionally, contrary to the expectation of the learning perspective, Chang et al. (2013) have found that older IJVs are less likely to be acquired by one of the partners.

### **A Framework of Research on IJV Acquisition by One of the Partners**

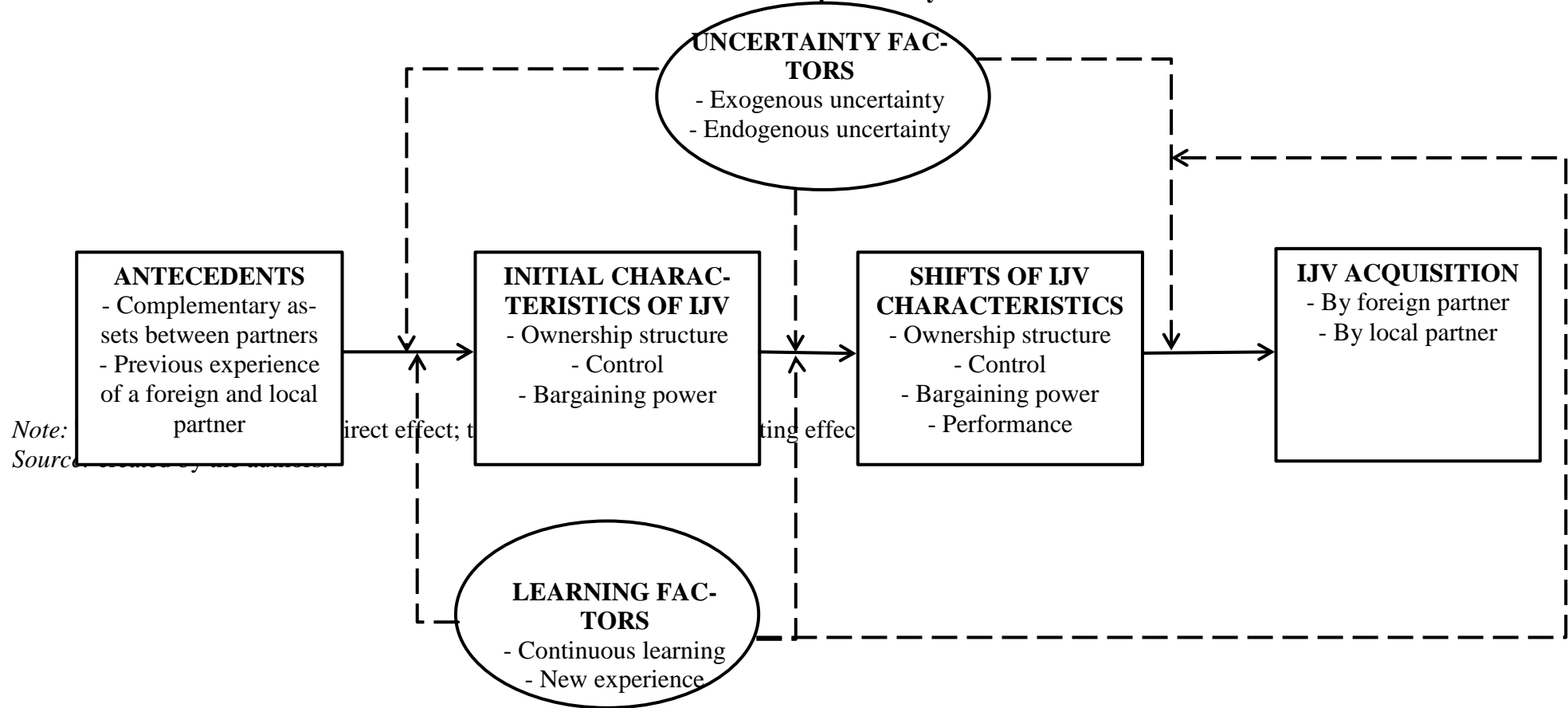
The authors identified eight determinants of IJV acquisition by foreign or local partners: complementary assets, ownership structure, control, bargaining power, experience, learning, uncertainty and IJV performance. Each of these determinants is reviewed in detail below, and the discussion on research using each determinant is offered. As a result of this review, a framework of research on IJV acquisition by one of the partners has been developed (see Figure 2). The proposed framework groups eight determinants and integrates the antecedents of IJV formation (complementary assets between partners and previous experience of a foreign and local partner), initial IJV characteristics influence (described by ownership structure, control and bargaining power), shifts of IJV characteristics (three previous determinants and IJV performance), moderators – uncertainty, learning and new experience influences, and the decision of IJV acquisition by one of the partners.

#### *Complementarity*

One of the most structural parameter that may influence the decision of JV acquisition by one of the partners is the degree of resource complementarity between partners, defined as "the extent to which the resources of foreign and local companies are dissimilar yet potentially combinable to generate synergies" (Cui & Kumar 2012). According to Kumar (2010a), these complementary resources may include technical knowledge, production knowledge, financial resources, and knowledge related to a target market such as customer characteristics, distribution channels, knowledge of culture and institutions, etc. While IJVs enable partners to combine complementary knowledge and exploit various opportunities (Kumar 2005; Kumar 2010b), this is not a sufficient condition: it does not guarantee a positive joint value for both partners (Chi & Seth 2009; Kumar 2014). Although, the divergence in complementary assets between the IJV partners is more likely leads to potential divergence between the partners' understanding of the IJV value (Tong & Li 2013). These researchers have found that the greater a firm's complementarity with the IJV compared to its partner, the more likely this

partner will acquire the stake of the other partner (Tong & Li 2013). On the other hand, according to learning perspective the proportion of resource complementarity between IJV partners will differ in time (Chi & Seth 2009; Fang & Zou 2010) – as more partners learn about each other, the initial conditions will evolve (Inkpen & Currall 2004). Besides looking at the direct relationship between complementarity and IJV acquisition by one of the partners, some studies have investigated the indirect impacts of complementarity on IJV acquisition by one of the partners through other underlying mechanisms such as learning and experience (Chi & Seth 2009; Iriyama & Madhavan 2014).

**Figure 2**  
**A Framework of Research of IJV Acquisition by One of the Partners**



### *Ownership structure and control*

Other important determinants that influence the decision of IJV acquisition by foreign or local partner are the ownership structure and control. The ownership structure of IJV partners determines the division of control between them (Makino et al. 2007). According to Ren et al. (2009), control is associated with the amount of decision power, which each partner implements in influencing the IJV in order to achieve its goal. Several researchers noted that equity has been interpreted as a measure of control and dominance in an IJV – major control of the partner leads to the less propensity for conflicts, because major decisions can be easily made by a dominant partner (Dhanaraj & Beamish 2004; Mata & Portugal 2015). While others argued that equal split of ownership creates more interdependence between partners, because the balanced ownership structure creates impetus from both sides to save the cooperative partnership (Chung & Beamish 2010), especially under high uncertainty about partner capabilities (Chi & Seth 2009).

As larger equity stake do not necessarily lead to better IJV performance (Beamish & Lupton 2009; Ren et al. 2009), as researchers differ substantially in their findings with regard to the link of ownership structure and IJV acquisition by one of the partners. For example, Puck et al. (2009), Iriyama and Madhavan (2014), Mata and Portugal (2015) demonstrated that majority ownership structure is associated with the high likelihood of IJV acquisition by the dominant partner. On the contrary, Tong et al. (2008), Cuypers and Martin (2010), Tong and Li (2013) empirically found that minority partner will have the higher propensity for IJV acquisition. More specifically, Chang et al. (2013) found that the relationship between the ownership structure and the likelihood of IJV acquisition by foreign partner is an inverted U-shape. This lack of consensus on the link of ownership structure and IJV acquisition by one of the partners has affiliated researchers to adopt a different view of ownership effect. For instance, Steensma et al. (2008) observed a moderating effect of conflicts on the relationship between ownership structure and propensity of IJV acquisition by foreign or local partner. Future research is encouraged to continue this path to examine the other factors that influence the relationship between ownership structure and IJV acquisition by one of the partners.

### *Bargaining power*

Bargaining power among IJV partners is determined by each company's resource contribution to the IJV or the relative strategic importance of the IJV to each company (Ren et al. 2009). Researchers argued that the initial ownership structure reflects the initial distribution of bargaining power among partners and control over the firm (Yan & Gray 1994; Mata & Portugal 2015). Partner with greater equity stake may be advantaged in the negotiation with other partner because of greater bargaining power (Iriyama & Madhavan 2014). Researchers have found that a partner with greater bargaining power tends to acquire the equity stake of the other partner because it has higher control over the IJV and thereby can easily achieve its private benefits (Bleeke & Ernst 1995; Chi 2000; Chi & Seth 2009; Iriyama & Madhavan 2014; Mata & Portugal 2015). Furthermore, IJV acquisition associated with shifts in partners' bargaining power – “[t]he key understanding whether an alliance is likely to lead to a sale is to project how bargaining power will evolve” (Bleeke & Ernst 1995). The authors (Inkpen & Beamish 1997) have assumed that shifts in bargaining power occur when a partner of an IJV acquire sufficient knowledge and skills to eliminate a partner dependency. Most researchers studied bargaining power shifts, predominantly, from a foreign partner perspective of view. While some scholars have added that the decrease of MNC's bargaining power is associated, for example, with external uncertainty, especially in emerging markets (Reuer & Tong 2005; van der Meer-Kooistra & Kamminga 2015), most researchers associated greater bargaining power with MNCs, a-priori. However, some scholars concern about domination of such view and call for new studies on bargaining power shifts (Contractor & Reuer 2014).

Besides, according to Ren et al. (2009), Yan and Gray (2001), there are two types of bargaining power: resource-based and context-based. Resource-based power is “associated with partners' contribution of strategic resources and expertise to the IJV”; context-based bargaining

power mainly associated “with the alternatives available to each partner during the partner selection or negotiation stage and the perceived strategic importance of the IJV to each parent” (Ren et al., 2009). However, research, which we discuss previously, is often about resource-based bargaining power. The differentiation of bargaining power types may be fruitful for future research because, as it has been documented by Ren et al. (2009), the effect of the context-based may countervail the resource-based bargaining power, or otherwise.

#### *Learning and experience*

Knowledge is a critical resource, but access to specific knowledge is costly, especially in emerging markets. Additionally, valuable knowledge in general exists in a tacit form that raises difficulty in acquiring it (Nam 2011). In general IJVs are associated with “a window on their partners' broad capabilities” (Inkpen 1996). Learning is a central aspect of IJV acquisition by one of the partners. Specifically, collaboration within IJVs provides opportunities for inter-partner learning (Tong & Li 2013): the partners increase their understanding of each others' complementary contributions, competitive strategies, resources and capabilities, their strengths and weaknesses, organizational culture, and strategic objectives (Inkpen & Currall 2004).

As we discussed previously, several authors have found that as knowledge and know-how are acquired from the partner, the dependence of this partners on the other is reduced and the likelihood of IJV acquisition by such partner increases (Cuypers & Martin 2007; Steensma et al. 2008; Mata & Portugal 2015). However, other authors (Hennart et al. 1999; Habib & Mella-Barral 2007; Kumar 2010a) have found no evidence of this perspective between the IJV partners. Additionally, contrary to the expectation of the learning perspective, Chang et al. (2013) have found that older IJVs are less likely to be acquired by one of the partners. More specifically, Yang et al. (2011) have examined the moderating role of network embeddedness on the relationship between learning and IJV acquisition by one of the partners. However, IJVs' partners learn at different rates (Hamel 1991). Partner that learn faster may better exploit the learning potential in an IJV to their advantage, and therefore are more likely acquire the other's partner equity stake (Tong & Li 2013; Iriyama & Madhavan 2014). As partner's learning capabilities develop from its prior IJV experience, as the partner with greater prior IJV experience is more likely acquire the venture (Tong & Li 2013).

#### *Uncertainty*

Research on uncertainty has focused on different factors of uncertainty and investigated how these factors influences on IJV acquisition by one of the partners (Cuypers & Martin 2010). Unfortunately, researchers differ substantially in their findings with regard to the link of uncertainty and IJV acquisition by one of the partners. For example, Kogut (1991) demonstrated a significant impact of demand uncertainty on propensity of IJV acquisition by one of the partners. Specifically, Iriyama and Madhavan (2014) have found that prior partner experience moderates the relationship between demand uncertainty and propensity of IJV acquisition by a foreign partner. Researchers (Iriyama & Madhavan 2014; Cuypers & Martin 2010) have found that high exchange rate risk results in IJV acquisition by a foreign partner. Folta and Miller (2002) have found that low market uncertainty is associated with high propensity of IJV acquisition by a foreign partner. According to Puck et al. (2009) the low political and social uncertainty also leads to higher likelihood of IJV acquisition by foreign partner. On the contrary, Cuypers and Martin (2010) have found that high political and economic uncertainty corresponds with the high propensity of IJV acquisition by one of the partners. While Tong and Li (2013) have founded no any significant effect of political uncertainty on this subject. Additionally, Cuypers & Martin (2010) demonstrated that cultural uncertainty and uncertainty about partner's capabilities have no significant effect on IJV acquisition by one of the partners. On the contrary, Chi and Seth (2009) have found not only significant effect, but also demonstrated the moderating effect of bargaining costs on the relationship between uncertainty about partner's capabilities and IJV acquisition by one of the partners.

### *IJV Performance*

The conceptualization of IJV performance and its determinants remains an often-debated issue in IJV research – for literature review on IJV performance (see Ren et al. 2009). Research on IJV acquisition by one of the partners lacks definitive answer on the relationship between IJV performance and IJV acquisition by one of the partners. Some scholars associated IJV acquisition by one of the partners with a failure of another partner, while others documented that IJV may be acquired by one of the partners because of successfully accomplished initial objectives of an IJV. There are only few studies which examined the relationship between IJV performance and IJV acquisition by one of the partners. Unfortunately, they differ in their findings with regard to this issue. For example, Steensma et al. (2008) have found that high IJV performance leads to IJV acquisition by foreign partner. On the contrary, Chang et al. (2013) documented that high IJV performance decreases the propensity of foreign partner to acquire the IJV's stake. Future research is encouraged to continue this path to examine the relationship between IJV performance and IJV acquisition by one of the partners.

### **Future Directions for Research**

This review identified several areas of future research for scholars interested in IJV acquisition by a foreign or local partner. Most important, new theoretical perspectives such as resource-based view can help to develop the field. For example, with the exception of articles (Chi & Seth 2009; Cuypers & Martin, 2010; Iriyama & Madhavan 2014; Num, 2011), application of resource-based view to the issue of IJV acquisition by one of the partners appears to be limited. The accumulated knowledge about how firms' resources and capabilities could be developed and influence the decision of IJV acquisition by one of the partners, and the combination of the resource-based view with other perspectives such as transaction cost or real option may be fruitful for the future research of IJV acquisition by one of the partners.

Great progress has been made in looking at IJV acquisition by foreign partner. For example, Chi and Seth (2009) argued that “we assume that it is economically infeasible for the local firm to acquire the MNE (e.g., owing to its lack of expertise in managing a much larger and more diversified company)”. Although, Iriyama and Madhavan (2014) noted that “the local partner may simply be reluctant to proactively acquire equity stakes from the MNE counterpart”. However, examination of motives of IJV acquisition by a local partner will help to identify new explanations for this phenomenon, especially in emerging markets.

Another area for future research is intersection of shifts in ownership structure, control and bargaining power and the decision of IJV acquisition by one of the partners. As researchers differ substantially in their findings with regard to the links of ownership structure, control and bargaining power and IJV acquisition by one of the partners, there are opportunities for scholars to further examine these influences. How do different types of bargaining power of each partner affect the decision of IJV acquisition by one of the partners? What resources and capabilities do both partners bring the IJV that might shape of ownership structure, control and bargaining power changes, and might influence the direction and timing of IJV acquisition by one of the partners?

Researchers lack definitive answer on the relationship between IJV performance and IJV acquisition by one of the partners. Sometimes firms are unprepared when they form an IJV in a new country, resulting in negative IJV performance, but continuing an IJV or acquiring the partner's stake in an IJV. In a contrast, sometimes firms have a positive IJV performance, but they are deciding to acquire the IJV. Investigating alternative motives for IJV formation and IJV acquisition by one of the partners also holds the potential for bringing new insights into the body of literature. In-depth interviews with executives of IJVs may improve previous knowledge of IJV acquisition by one of the partners.

This review indicates that researchers differ substantially in their findings with regard to the link of uncertainty and IJV acquisition by one of the partners. Future research might be enhanced by incorporating more extensive longitudinal studies. The relatively long history of IJV activities by MNEs in many countries both in developed and developing countries sets advantages for longitudinal studies. Another future research direction involves finding moderators between uncertainty factors and the decision on IJV acquisition by one of the partners. For example, Iriyama and Madhavan (2014) have found that prior partner experience moderates the relationship between demand uncertainty and propensity of IJV acquisition by a foreign partner. In sum, this review on IJV acquisition by one of the partners provides several contributions. First, the authors systematically examined the theoretical foundation of IJV acquisition by one of the partners that has been covered the past 15 years, such as transaction costs, real option, bargaining theory and learning theory. Additionally, this review has found the limited application of resource-based view on IJV acquisition by one of the partners. Second, the authors identified eight determinants and developed a framework of research on IJV acquisition by one of the partners. Third, the authors provided several opportunities for future research of IJV acquisition by one of the partners. While research has greatly enhanced our understanding of IJV acquisition by one of the partners; however, there are still several often-debated issues on this field. The authors expect that further examination and understanding of IJV acquisition by foreign or local partner, with sufficient depth of longitudinal empirical research and via the development of more complex theoretical models will advance the understanding of this phenomenon.

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