

Ownership and trust in the governance structures of Spanish-Moroccan SMEs constituted as international joint ventures

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Abstract The choice of a specific governance structure can be related to different aspects. This structure can be critical in the success of a firm. In SMEs constituted as international joint ventures (IJVs) the governance structure may depend on different elements to large firms and they should be described. The relationship between partners can be decisive in determining these structures. So, the ownership, the participation of partners in different levels of governance, and trust are key factors in determining the choice of the governance structure. The results, from 210 SMEs constituted as Spanish-Moroccan IJVs, reveal the importance of the ownership concentration and the overlapping of roles in the choice of governance structures. Control and trust are important issues. The existence of a board or a sole administrator allows aligning the interest of partners and managers, limiting the possible situations of opportunism by managers. The existence of owner-managers in Spanish-Moroccan IJVs is positively related with the existence of a board, possibly because there is no convergence of interests between partners. The results show that trust and the control exercised via the governance structure are substitutive mechanisms.

Keywords International joint ventures · Corporate governance structure · Small and medium sized enterprises · Ownership · Control mechanism · Trust

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1 Introduction

International joint ventures (IJVs) are a common and standard means by which companies, including SMEs, can become established in other countries. In an international context, IJVs facilitate access to new geographic markets and avoid entrance barriers and restrictions on ownership (Freeman et al. 2006); in addition, they allow companies to share costs and spread risks (Barkema and Vermeulen 1997).

However, research into IJVs in international markets rarely examines SMEs (Kirby and Kaiser 2003), although they are very common. Moreover, the results that have been obtained from research in large companies are not directly transferable to small ones (Etemad 2004), and thus it is necessary to examine the particular circumstances affecting SMEs. Among the various types of strategic alliance to be found is that of equity-based alliances. In this context, there is considered to exist an equity-based JV when at least two of the partners are from different countries (Gong et al. 2007) and when they contribute investment capital (Geringer 1988).

IJVs between SMEs may adopt diverse forms of governance structure. The studies that have been made of SMEs tend to focus on their boards (Huse 2000), but there are other forms of organization, such as the existence of a sole administrator, that should also be analysed.

Structures of corporate governance can be studied from various theoretical standpoints. In recent decades, the one most often applied has been that of agency theory (Durisin and Puzone 2009). Another possible approach is provided by transaction cost economics (TCE), which enables the researcher to consider other aspects that affect governance structure and to create a more flexible model, as well as incorporating asymmetry and opportunism. The basic idea of TCE is to recognize that, in a world of positive transaction costs, exchange agreements must be governed and that, depending on the transactions in question, some forms of governance are better than others (Macher and Richman 2006).

In published research on IJVs, TCE has mainly been applied in examining forms of entry to markets and agreements on capital structure (Brouthers 2002; Delios and Henisz 2000), but no detailed work has been done on the question of governance structure. Nevertheless, this is a fundamental issue in any analysis of corporate success. The choice between one form of governance and another is no simple matter. Types of contracts may depend on the uncertainties and the possible appearance of opportunist behaviour and the appropriation of value by one of the parties (Williamson 2000). In the context of SMEs, the forms of governance adopted may be a sole administrator or a board, depending on the type of control and the relationship established between the partners. Furthermore, it should be taken into consideration that in SMEs the different roles (ownership, management and board) sometimes overlap, although in the case of IJVs, they may be independent. These factors may influence the governance structure adopted, which makes it necessary to analyse how they may influence the choice of governance structure, as a prior step to evaluating the efficiency of one structure versus another.

We focus our study on Spanish-Moroccan IJV. Morocco is an emerging country. Previous studies have mainly analysed corporate governance structures in developed countries (Daily et al. 2003; Rajagopalan and Zhang 2008), but it is important to study

in a context of emerging economies. Most of them have weak legal structures (La Porta et al. 2000) and firms must organize their governance structures to defend the interests of the partners. Cultural factors (such as trust or control relationships) can influence these structures.

The Moroccan economy has facilitated the entry of foreign firms by means of equity JVs with local partners. Geographical proximity, existing agreements and business relations maintained for several decades—during which Spain has represented Morocco's second largest export market—have contributed to a significant proportion of these JVs being created with Spanish companies. Therefore, we can get a significant sample.

The aim of the present study is to analyse the aspects that affect the choice of governance structure within Spanish-Moroccan SMEs constituted as capital IJVs. Diverse governance structures are used by these companies to reduce their risk exposure (Williamson 1991). Economic transactions can be governed in different ways, and so it is necessary to determine the reasons underlying each choice made (Turnbull 1997).

The choice and adaptation of governance structure depend on mutual expectations, and on the possibilities of opportunist behaviour by one or both partners (Mellewigt et al. 2007). Governance is a means of introducing order, alleviating conflict and benefiting all parties (Williamson 1991). The possibilities of opportunist behaviour may be determined by ownership-related and the relations and contracts that are established on this basis. Non-economic factors—and especially the degree of trust between the partners—are complementary to the economic factors with respect to the governance of business relations (Lazerson 1988) and can influence the contracts established. In this paper, we examine whether the structure and characteristics of ownership, and the degree of agreement between the partners, measured via trust-building mechanisms, are associated with the governance structure adopted.

The results could be extensible to other African or Arabian countries. Specifically, they could be useful for other IJV experiences in countries with weak legal structures, cultural differences or markets with similar characteristics: trade agreements between countries, geographical proximity or facilities to foreign investment.

2 Background and hypotheses

Governance structure is generated on the basis of the control and relations established, and this structure depends on the needs and interests of the partners and on the relations between them.

2.1 Governance structure

Transaction cost theory seeks to explain when and why some institutional structures are more efficient than others in governing inter-organizational relations (Mellewigt et al. 2007). The complexity of the contract depends, on the one hand, on the possibilities for opportunist behaviour and, on the other, on the cost of the mechanism (Poppo and Zenger 2002). In IJVs, the partners exercise control in order to protect their

investments, to avoid opportunist behaviour by the other party, and to achieve their goals (Chen et al. 2009). By means of TCE, it is possible to analyse the characteristics that give rise to different forms of governance and diverse transaction costs.

The governance structure adopted by IJVs is determined by the complexity of the relations between the partners and by the possibility of opportunistic behaviour. Sometimes, the governance structure of an SME that is constituted as an IJV is based on the existence of a board (Huse 2000), but the partners may prefer to appoint a sole administrator. Such a figure represents the formal link between owners and management and in SMEs this role is sometimes played by one of the owners (Cowling 2003).

A board may be constituted of various members due to the existence of conflicts between partners, thus requiring a formal structure in company interactions (Lin and Germain 1998). The board is not just a reflection of capital ownership but can also provide a means of ensuring positive relations among its members (Garrow et al. 2000). The decisions taken by this body are reached by consensus, and so control at board meetings is not just a question of votes, but also one of skilful opinion swaying (Schaan and Beamish 1988).

On the other hand, the existence of a sole administrator may produce greater approximation, both to the organization and to ownership. This form of governance may be an indicator of the absence of conflict between partners. However, if the owners possess a larger share of the company, the sole administrator could represent the interests of this partner over the other ones.

2.2 Ownership structure

One of the factors that may influence the choice of a given form of governance structure is that of ownership. The ownership structure of an IJV is seen by its partners as the most important element in reaching an agreement (Delios and Beamish 1999). The proportion of ownership corresponding to each partner may be considered an essential aspect in maintaining control and influencing the decisions taken (Blodgett 1992).

A majority ownership belonging to one of the partners may facilitate the alignment of the IJV's goals with those of this partner (Das and Teng 2001). The existence of such a majority owner, predominating in company relations, might contribute to the existence of a sole administrator. When a foreign investor holds the majority of the ownership, this could reduce the scope for opportunistic behaviour by the local partners and also reduce potential conflicts (Blodgett 1992). Thus, the structure adopted would be influenced by whether the majority partner was foreign or local.

Although ownership may determine the level of influence exercised by a partner, it can also be an indicator of the degree of collaboration and commitment acquired by each partner (Mjoen and Tallman 1997). When ownership is equally shared, there could be greater commitment and participation by each partner (Mjoen and Tallman 1997; Steensma and Lyles 2000).

A situation of balance between the partners could increase the level of perceived security and minimise the fear of exploitation (Steensma and Lyles 2000). Joint ventures require continual interactions among partners among which, inevitably, disagreements may occur (Schaan and Beamish 1988). Conflicts can also arise as a result

of differences between partners on a specific occasion. In this case, a board might be thought necessary, in order to ensure owners that their goals will be achieved.

The degree of concentration of capital may be considered, thus, a crucial element in the configuration of the corporate governance structure. Accordingly, we propose the following hypotheses with respect to ownership:

- Hypothesis 1a. There is an inverse relation between the concentration of ownership within Spanish-Moroccan IJVs and the existence of a board.
- Hypothesis 1b. The existence of a balanced degree of ownership between the partners of Spanish-Moroccan IJVs is inversely related to the existence of a board.

The governance structure of SMEs presents a series of specific characteristics that can be transferred to IJVs. Firstly, the ownership, the board or sole administrator and the senior managers are often, in fact, the same person, or are persons within the same family (Brunninge et al. 2007; Mustakallio et al. 2002; Miller and Simmons 1992). There might be said to be a convergence of interests between managers and owners. In an opposing sense, although in a context of small and family-owned companies, the separation of ownership and control is not a typical feature (Claessens et al. 2000); among multinational concerns, in which at least some of the owners are not usually present, this is a question to be taken into account.

Although they tend to be closely held companies, or ones in which the partners are family businesses, control might not be exercised directly. The fact that the key management positions are filled by partners is an important element in the structure of control (Killing 1983). If there are not an overlap of roles between owners and managers, the governance structure may be a board. In this understanding, we propose Hypothesis 2a:

- Hypothesis 2a. The existence of owner-managers of Spanish-Moroccan IJVs is inversely related to the existence of a board.

The board (or the sole administrator) constitutes a link between shareholders and managers (Adjaoud et al. 2007). The separation between ownership and control of the company places shareholders in a weak position and can exist an opportunistic behaviour by the company managers (Jensen and Meckling 1976), which makes it necessary to create a governance structure aimed at aligning the interests of managers and shareholders. Such a structure would perform diverse functions including control, establishing strategies, and advising (Adams and Ferreira 2007); it would be responsible both for the governance of the company and for defending the partners' interests (Walsh and Seward 1990).

At board level, or that of sole administrator, too, there could occur an overlapping of roles, with the occurrence of a coincidence of identity between the members of the board (or the sole administrator) and the owners. The participation of the partners could ensure the defence of their own interests and then the board might be redundant (Turnbull 1997), to the extent that the owners could obtain internal information about the company's affairs, and influence the decisions taken. Such a situation could lead them to prefer the existence of a sole administrator.

- Hypothesis 2b. The existence of board members or owner-administrators in Spanish-Moroccan IJVs is inversely related to the existence of a board.

2.3 Trust

In an IJV contract, it is not possible to specify all the contingencies that may subsequently occur (Bernheim and Whinston 1998), and so cooperation is a fundamental mechanism in mitigating possible conflicts (Gong et al. 2007). Cooperation fosters a climate of openness and trust. The relation thus established between ownership and mechanisms of control – in the present case, via the governance structure – is of limited use in revealing the complexity of relations within an IJV, and so it is useful to consider the real level of trust (Madhok 2006). It has been observed that the level of trust in a contractual relation increases the model's predictive power (Zaheer and Venkatraman 1995).

Mechanisms of control and trust are interrelated in various ways (Bachmann 2001). Some authors believe they are antithetical and that the exercise of formal control can undermine levels of trust (Das and Teng 1998). In this sense, companies would have to choose between managing their business with an emphasis on control structures or, alternatively, on the basis of trust. From another standpoint, a more balanced outlook on the relation between the partners in an alliance reveals that cooperation and conflicts can coexist, with a relative equilibrium between the two movements, varying in time both via other alliances and within the same one (White and Lui 2005).

Trust reflects the degree to which each party believes its needs will be met by the future actions carried out by the other (Lin and Wang 2008; Zaheer and Venkatraman 1995). The existence of mutual trust reduces the need to control, because there will be less opportunist behaviour by the partners (Lado et al. 2008). The existence of a level of trust would be associated with a lower level of hierarchic governance, because trust would act as a substitute for hierarchic control (Zaheer and Venkatraman 1995). Accordingly, we propose Hypothesis 3:

- Hypothesis 3. In Spanish-Moroccan IJVs, trust is inversely and significantly associated with the existence of a board.

3 Methods

3.1 Sample selection

There is little published information on IJVs between SMEs, and so survey techniques must be used (Huse 2000). The survey carried out for the purposes of this study was addressed to CEOs in SMEs, specifically Spanish-Moroccan IJVs. The study population was defined in September 2009, with a total of 645 IJVs, in accordance with the information provided by the Moroccan Ministry of Foreign Trade.

The questionnaire was comprised of 25 questions, in which a total of 48 question items were posed. 231 replies were obtained, a response ratio of 32.5 %. 21 replies were discarded because they were incomplete or incorrectly completed, and so the final sample was comprised of 210 valid replies received from the SMEs (65 % were small companies, and the remaining 35 %, medium sized). This response ratio is considered satisfactory for surveys of this type addressed to CEOs (Geletkanycz 1997). A 95 % confidence level was assumed, and the sampling error was thus 5.6 %.

3.2 Magnitudes and variables

3.2.1 *Dependent variable*

The dependent variable taken in the present study was that of *governance structure*, GOVERNANCE. In SMEs constituted as IJVs, the governance structure can consist of a sole administrator or a board (Huse 2000). The latter format introduces a hierarchic structure in the decision taking process. The dependent variable GOVERNANCE is constructed as a dichotomous variable that takes a value of 1 when the IJV has a board and a value of 0 when it has a sole administrator.

3.2.2 *Independent variables*

The *company ownership* and the degree of its dispersion may influence the structure and the composition of the organization's governance. The ownership structure is described in the model by means of four variables: the first of these, OWNERSHIP, measures the degree of concentration of ownership, distinguishing between the case of a majority partner and that in which ownership is evenly divided (Mjoen and Tallman 1997). A value of 0 is awarded when one partner has majority participation, a value of 1 when the ownership is evenly shared between two partners, and a value of 2 in any other case.

A second variable, NAC_OWNERSHIP is applied to take into account the nationality of the majority partner (Blodgett 1992), with a value of 0 if the latter is Spanish, 1 if this partner is Moroccan, 2 if the ownership is evenly divided and 3 in any other case.

In order to consider the possible overlapping of roles played by either of the ownership partners, two additional variables are proposed (Mustakallio et al. 2002): a dichotomous variable to address the possibility that the directors or the sole administrator are ownership partners, BOARD/SOLE_OWNERSHIP; this variable takes a value of 1 if the latter is the case and a value of 0 if there is no such overlap. Another dichotomous variable, CEO_OWNERSHIP, considers the possible existence of a link between ownership and the CEO; this takes a value of 1 if the CEO or his/her family members are partners and a value of 0 if this is not the case.

The variable TRUST measures the degree of trust between the partners in strategic alliances (Lin and Wang 2008; Mellewigt et al. 2007). It can be assessed using the measure proposed by Luo (2008). Specifically, the trust between partners was measured by means of the following six items: decision confidence; abiding by agreements; commitments when contractual specifications are ambiguous; honouring commitments; mutual support; flexibility. The internal consistency of the variable was tested using Cronbach's Alpha (0.81).

As remarked above, the non-participation by partners in the different levels of governance could lead to the establishment of a board. In this context, it should also be clarified that the *nationality* in the different levels of governance is a factor that may influence the governance structure finally adopted. Accordingly, two variables were introduced to consider the possible influence on the governance structure of the nationality of the board members or sole administrator, on the one hand, and of the CEO, on the other: NAC_BOARD/SOLE and NAC_CEO, respectively (Killing 1983).

These categoric variables take a value of 0 in the case of a Spanish majority, a value of 1 when there is a majority of Moroccan nationals, a value of 2 when there is the same number of members of each nationality, and a value of 3 in any other case.

3.2.3 Control variables

Several control variables were applied. The SIZE of the company may affect the governance structure adopted; as a company grows, it may require a greater variety of skills and need to diversify functions, which would both call for a more complex governance structure (Kumar and Seth 1998). Company size is measured by the number of employees.

The SECTOR in which the company operates, and the duration of the IJV (AGE) are also important factors with respect to the governance structure (Huse 1990). The age of the IJV is measured in terms of the number of years elapsed from when it was established until the moment of reply to the questionnaire (Chen et al. 2009). The sector in which operations take place was considered on the basis of two categories (industry and services); in this case, a dummy variable was used, being given a value of 0 when the company was industrial and a value of 1 when it provided a service (Mellewigt et al. 2007).

The variable EXPERIENCE takes into consideration whether the partners have participated previously in other IJVs (Chen et al. 2009). If the partners have established previous, similar relations, or have prior knowledge of the market, as a result of other initiatives, this might influence the type of governance structure adopted. As occurred with age, the governance structure would depend on the experiences of the partners in previous initiatives. If these had been conflictive or subject to uncertainty, the partners in the new IJV would choose a board. This variable takes a value of 1 if the partners have participated in previous international ventures, and a value of 0 in any other case.

4 Analysis and discussion of results

Table 1 shows the matrix of correlations and the descriptive statistics of the variables. It can be seen that the correlation between governance structure and ownership is significant when the partners intervene in the different levels of governance. There is also a significant relation between ownership and trust; specifically, the existence of shared ownership is positively related with trust, a finding that is in agreement with those of previous studies (Steensma and Lyles 2000). There was also found to be a positive relation between trust and experience. Finally, ownership by members of the board and by the management team is related to the nationality of the CEO and of the board members, respectively.

The hypotheses were tested using logistic regression analysis, in accordance with the following model. The results obtained are shown in Table 2.

$$\begin{aligned} \text{GOVERNANCE} = & b_1 \text{OWNERSHIP} + b_2 \text{NAC_OWNERSHIP} + b_3 \\ & \text{BOARD/SOLE_OWNERSHIP} + b_4 \text{CEO_OWNERSHIP} + b_5 \\ & \text{TRUST} + b_6 \text{SIZE} + b_7 \text{AGE} + b_8 \text{SECTOR} + b_9 \\ & \text{EXPERIENCE} + b_{10} \text{NAC_BOARD/SOLE} + b_{11} \text{NAC_CEO} + e \end{aligned}$$

Table 1 Descriptive statistics and correlations for the variables

Variables	Mean	SD	1	2	3	4	5	6	7	8	9	10	11	12
1. Governance	0.36	0.48	1											
2. Ownership	1.16	0.45	0.11	1										
3. Nac_owner	1.59	0.83	0.02	0.79**	1									
4. BOARD/sole_own	0.68	0.47	-0.20**	0.12	0.26**	1								
5. CEO_owner	0.37	0.49	0.54**	0.18*	0.20*	-0.00	1							
6. Trust	4.08	1.22	0.12	0.17*	-0.01	-0.11	0.10	1						
7. Size	75.74	119.36	0.25**	-0.08	-0.09	-0.02	0.02	0.05	1					
8. Age	16.49	14.48	0.17	-0.42	0.14	0.12	0.07	-0.01	0.32**	1				
9. Sector	0.51	0.50	-0.34	0.02	0.03	-0.02	-0.07	-0.78	-0.35**	0.03	1			
10. Experience	0.61	0.49	0.19**	-0.14	-0.15	-0.06	0.01	0.20**	0.06	0.87	-0.00	1		
11. Nac_BOARD/sole	1.68	0.54	0.04	0.08	0.01	0.01	-0.18*	0.06	0.04	-0.13	-0.12	-0.03	1	
12. Nac_ceo	1.65	0.79	-0.00	0.06	0.18*	0.16*	0.08	0.09	0.17*	0.19**	0.16*	-0.06	-0.05	1

** $p < 0.01$; * $p < 0.05$

Table 2 Coefficients of regression and statistics^a

Dependent variable	Model 1	Model 2	Model 3	Model 4	Model 5
GOVERNANCE	Control variables	OWNERSHIP	BOARD/CEO TRUST OWNER	TRUST	ALL VARIABLES
<i>Independent variables</i>					
OWNERSHIP		−0.94** (0.50)			−0.59 (1.65)
NAC_OWNERSHIP		−0.07 (0.45)			−1.2 (1.15)
BOARD/SOLE_OWNERSHIP			−1.86** (0.66)		−2.74* (0.86)
CEO_OWNERSHIP			4.80** (1.00)		6.63** (1.80)
TRUST				−0.23* (0.09)	0.10 (0.43)
NAC_BOARD/SOLE			−2.30 (0.97)		1.80 (0.90)
NAC_CEO			2.50** (0.90)		2.97** (0.45)
<i>Control variables</i>					
SIZE	0.04** (0.01)	0.04* (0.01)	0.09** (0.02)	0.04** (0.00)	0.01* (0.04)
EXPERIENCE	0.91* (0.39)	0.64 (0.37)	2.20* (0.65)	0.83* (0.38)	2.68** (0.79)
AGE	−0.01 (0.01)	−0.03 (0.17)	0.03 (0.02)	−0.01 (0.01)	−0.05 (0.03)
SECTOR	0.04 (0.46)	0.05 (0.48)	0.07 (0.06)	−0.15 (0.04)	0.17 (0.08)
χ^2	15.27**	9.70**	72.39**	17.64**	75.18**
−2Log likelihood	189.52	156.11	65.38	181.13	66.91
N	210	210	210	210	210

** $p < 0.01$; * $p < 0.05$ ^a Standard errors appear in parenthesis

Five models were created to test the hypotheses. Model 1 includes only the control variables, with the aim of considering their explanatory capacity and of analysing the variables found to be significant. In this model, it can be seen that only the variables of size and experience are related to governance structure. In both cases, there is a positive relation between company size and experience and the existence of a board.

In accordance with the findings of earlier studies, in these Spanish-Moroccan IJVs greater company size was associated with the existence of boards (Kumar and Seth 1998). This could be due to the fact that a greater diversification of tasks or greater

knowledge and skills in the decision-taking process are needed. With respect to experience, the partners who had previously participated in IJVs tended to adopt, in the case of Spanish-Moroccan IJVs, a board in the new company. The experience acquired in other relations leads these partners to determine structures aimed at limiting possible opportunist behaviour or conflicts of interest.

With respect to the other control variables, it was observed that the age of the IJV was not associated with the governance structure adopted, i.e. the fact that an IJV had a longer history did not influence in its governance structure. In the same way, the sector in which these Spanish-Moroccan IJVs operated was not related with the governance structure.

Models 2 and 3 were designed to analyse the influence of ownership on the governance structure of these Spanish-Moroccan IJVs. Model 2 considers the effect of the degree of concentration of the partners' ownership, on the one hand, and the nationality of the owners, on the other, on the governance structure (Blodgett 1992). Analysis of this model enabled us to test Hypotheses 1a and 1b. Model 3 examines the possibility that there may be an overlapping of roles, such that the partners are at the same time members of the board or the sole administrator; alternatively, the partners may be acting as managers. This model also addresses the influence of the predominant nationality among the board members and that among the management team on the company's governance structure.

As regards the ownership, the fact that one of the partners held a majority participation was found to be negatively related to the existence of a board. Thus, Hypothesis 1a is accepted. In the Spanish-Moroccan IJVs, the existence of a majority partner who exercises predominant control tends to appoint a sole administrator. The greater concentration of ownership in one partner makes it possible to align the IJV's objectives with those of the majority partner (Das and Teng 2000).

With respect to the nationality of the owners, in the case of the Spanish-Moroccan IJVs, there was no association between the partners' nationality and the governance structure. In these relations, the ownership is a key factor in shaping the governance structure, independently of the nationality of the majority partner, on the contrary to what occurs in other cultural surroundings (Blodgett 1992; Killing 1983). In the area of SMEs, when one of the partners has a majority participation, and therefore greater control of the decision-taking process, the company does not adopt boards, which is in accordance with Hypothesis 1a.

In these Spanish-Moroccan IJVs, the existence of evenly shared ownership does not have a significant effect on the governance structure. The fact that the ownership is shared may sometimes lead to the existence of a board, and on other occasions to the appointment of a sole administrator. Accordingly, this factor is not an explanatory variable of the choice of a given form of governance structure. It appears that the latter decision would depend more on the situation of collaboration (Lin and Germain 1998) or of conflict (Schaan and Beamish 1988) present in the company in question. These results lead us to reject Hypothesis 1b.

In addition to ownership, Model 3 considers the overlapping of roles played by owners, management and board members. Firstly, it is apparent that ownership ceases to be an explanatory variable, possibly due to the greater explicative value, in this model, of the other ownership-related variables. With respect to the owners who

perform a management role, there is seen to be a positive relation with the governance structure; in other words, the existence of owner-managers is associated with the existence of boards. On the basis of these findings, Hypothesis 2a is rejected.

Furthermore, the fact that managers are of Moroccan nationality has a positive influence on the existence of a board. The existence of owner-managers in Spanish-Moroccan IJVs does not produce a convergence of interests, and the danger of opportunism or of conflicts might encourage the adoption of boards. When managers are at the same time owners, it is considered necessary to create boards to supervise their actions. Our study of the nationality of the managers highlighted the need for a board, to counter possible problems, or to address difficulties in negotiations or to combat opportunist attitudes (in the case of the Moroccan managers). Perhaps the distance separating the partners could tempt one of them to behave in an opportunist way (Mellewigt et al. 2007), and so control is exercised by means of a board. The overlapping of roles, thus, is an explanatory factor of the choice of a board as a governance structure.

In relation to the overlapping of roles between the owner and the board, or the sole administrator, this relation is an inverse one, and thus Hypothesis 2b is accepted. The board or the sole administrator form a link between partners and managers (Adjaoud et al. 2007; Brunninge et al. 2007), performing control functions, determining strategies, and advising, thus reducing opportunism and potential conflicts. The participation of the partners in the different levels of governance, and specifically in the board or acting as sole administrator, protects their interests. The owners obtain internal information about the company's activities (Turnbull 1997), which facilitates the possibility of negotiating and correcting the opportunist situations that may arise, and thus boards are not required.

Model 4 shows the relation between the variable TRUST and the governance structure. In these Spanish-Moroccan IJVs, greater trust is inversely associated with the existence of a board, and so Hypothesis 3 is accepted, although this variable, in fact, has a low explanatory power in the model. As remarked previously, trust and ownership are the elements that can be applied by the partners to ensure their aims are reached (Lin and Wang 2008). In the companies examined in this study, the level of trust was found to be inversely related with the existence of a board. The fact of a positive expectation regarding the partner's intentions (Rousseau et al. 1998) reduces the need to create boards (Lado et al. 2008). In the case of the Spanish-Moroccan IJVs, trust was viewed as a substitute for the hierarchic control, and thus reduces the fear of opportunist behaviour by the other party, a finding which is in accordance with previous studies (Mellewigt et al. 2007).

Model 5 takes all variables into account. It can be seen that the variables related with the control of ownership are of greater weight in this model, and so trust is not a statistically significant factor. Of all the mechanisms available, the one with greatest weight in the establishment of a given governance structure is that of ownership, expressed via its participation in the different levels of governance. Moreover, the role played by the owner is crucial in determining the governance structure adopted. Thus, various factors, considered independently, are found to be relevant in accounting for a given governance structure, but when all these variables are considered as a whole,

the participation of the owner in the management of the company is most strongly associated with governance structure in these Spanish-Moroccan IJVs.

5 Conclusions

In a context of weak legal structure, control is an important issue. This study shows that the main element determining a company's governance structure is that of ownership, in this case, via its participation in the different levels of governance. This participation assures the control of decisions. The existence of owner-managers in Spanish-Moroccan IJVs is positively related with the existence of a board, possibly because there is no convergence of interests between partners, and the managers align their actions with the interests of one partner (Lin and Germain 1998). A board will supervise and be independent of the managers, and will be capable of countering the possible negative effects of opportunist attitudes, or of problems derived from situations of uncertainty (Chen et al. 2009). Although in SMEs the overlapping of functions could reduce the need of a board (Cowling 2003), these conclusions cannot be extrapolated to the case of IJVs (Huse 2000).

The creation of an intermediate figure between owners and managers, either in the form of a board or that of a sole administrator, is important, as this will create a link between partners and managers, thus aligning their interests and limiting the possible situations of opportunism by managers. The owners, in forming part of this level of governance, obtain internal information and may influence the decisions taken (Geringer and Hebert 1989), which makes it possible to control any conflicts that may arise.

It can be seen, thus that owners who are at the same time board members or who act as sole administrators are considered to be more neutral elements, and more in line with partners' interests, than are owner-managers, to the extent that the existence of the latter is related to the existence of boards. This consideration is reinforced when the owner-manager is of Moroccan nationality. The greater distance of the foreign partner means that the governance structures established tend to be those that defend this distant partner's interests (Walsh and Seward 1990). The critical factor in determining the governance structure is not the existence or otherwise of a predominant type of ownership, as claimed by Turnbull (1997), but rather the roles played by the respective owners of the IJV.

Ownership and trust, considered independently, are associated with the configuration of the governance structure. A greater concentration of ownership under the control of one partner is inversely related to the existence of boards, which suggests that there is a stronger alignment between the IJV's actions and the partners' interests, and thus it is not necessary to create boards. These relations make it possible to reduce the mechanisms of control. Trust diminishes the fear of opportunist behaviour by one of the other partners. Positive expectations regarding the partners' intentions decrease the perception of risk, facilitate the simplification of governance structures. The results obtained in this study lead us to conclude that trust is viewed as a substitute for hierarchic control, although in our case there did exist a predominance of relations of control, rather than of trust.

Diverse studies have analysed the questions of ownership, trust and control. The joint consideration of these three factors reveals that in the IJVs in which there are two or more partners, ownership, and its participation in the different levels of governance, is the most relevant and significant element in determining the governance structure. While other studies have mainly considered the overlapping of roles as a single variable (Brunninge et al. 2007), in this paper we highlight the need to consider separately the overlapping of the role of owner with that of manager, or with that of board member, as these have differing effects on the governance structure.

Our model shows that size and experience are associated with the existence of boards. With respect to size, this might be related to the need for greater control, or to a greater business potential that facilitates the diversification of tasks. As regards experience, the occurrence of previous, similar experiences is associated with the existence of boards, as a means of combating possible opportunist behaviour or of controlling situations of uncertainty.

Although this paper focuses on Spanish-Moroccan IJVs, the results obtained could be applicable to similar contexts, e.g. IJVs between European and African partners or between European and Arab firms. Cultural factors (religion, trust, etc.) and contextual factors (weak legal framework, entrance barriers, etc.) do necessary to establish governance structures where control is a very important goal. Participation of ownership at different levels of governance and boards are important when trust is weak.

As limitation of our research, obtaining data by means of questionnaires does involve the risk of survey bias, although this has been countered to the best of our ability. As a possibility for generalising the results obtained in this study, and to reinforce the theoretical considerations made, we now propose to extend this analysis to other countries.

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