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BRINGING CORPORATE GOVERNANCE TO INTERNATIONAL JOINT VENTURES

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Large gaps appear to exist between the evolving corporate governance practices of organizations and those of international joint ventures (IJVs). Some of these gaps might well be appropriate given some of the unique features of IJVs, while others might require new consideration and attention by organizations engaged in alliances. The expansive literatures on corporate governance and IJVs have developed separately from one another, and there are important opportunities to combine them. We argue that a need exists for a new generation of IJV governance research that considers IJVs' boards of directors as well as other dimensions of governance. We highlight some research opportunities that are illustrative for the research agenda that we are calling for that builds bridges between the literatures on corporate governance and IJVs. Copyright © 2011 Strategic Management Society.

INTRODUCTION

The last two decades have seen many important changes in corporate governance practices as well as calls for reform by institutional investors, shareholder activists, and governments. Corporate governance clearly has many different facets, and our aim is not to identify all the contours of these changes around the world. However, one development in corporate governance that is useful to note here is the prominent movement to improve the credibility and accountability of boards of directors (e.g., Denis and McConnell, 2003; Monks and Minow, 2008), with a particular emphasis given to increasing the independence of boards and their committees. Moreover, associations of CEOs (e.g., the Business Roundtable), lawyers (e.g., the American Law Institute), and executive search firms (e.g., Korn/Ferry International), among others, have taken the broadly understood roles of boards (e.g., monitoring and advice) and derived more specific sets of director responsibilities in attempts to develop and codify best practices. Mirroring these developments for corporations and in the public policy sphere is an extensive and expanding literature in management and finance on the structure, functions, and performance implications of corporate boards (see reviews by Dalton *et al*., 1998; Daily, Dalton, and Cannella, 2003; Hillman and Dalziel, 2003; Hambrick, Werder, and Zajac, 2008).

It is striking to us that few, if any, of these developments have been extended or adapted to the

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domain of international joint ventures (IJVs), despite the economic importance of this organizational form. However imperfect the governance practices of corporations may be, initial indications suggest that the gap with the governance practices of joint ventures is large. As one example, McKinsey reports that governance in joint ventures is often informal and that standards vary widely. Based on their consulting engagements as well as their interviews carried out with more than 500 executives, Bamford and Ernst (2005: 63) conclude that 'corporate governance has become a top priority for executives of public companies. Yet too few of them have raised the bar for governing joint ventures, whose financial-management systems, most executives tell us, just aren't as good as those of wholly owned businesses.' Bamford, Ernst, and Fubini (2004: 96) similarly observe:

> In the wake of Sarbanes-Oxley, companies have increased their attention to transparency, risk management, disclosure, and performance management in their wholly owned businesses. But our research shows that companies don't evaluate the performance of their JVs as diligently as they do their wholly owned businesses with equivalent assets. That's a mistake; parents need to treat their ventures and their wholly owned units similarly. This means, for large joint ventures, putting in place an audit process like the ones used at the best public companies.

Challenges exist for developing and putting to use IJV performance metrics for many reasons, partly because joint ventures are formed in uncertain market contexts, for purposes other than increasing accounting profits (e.g., learning, acquiring capabilities, etc.), and for short time periods. In addition, parent firms can hold divergent objectives—the joint venture itself might do well but a parent firm does not (or vice versa)—and transfer pricing and ancillary agreements also complicate performance measurement and monitoring (e.g., Anderson, 1990; Ariño, 2003). These problems suggest that enhancements to performance metrics and systems will likely need to complement any other improvements in joint venture governance in coming years.

Ernst and Bamford (2005) go on to call for establishing minimum governance guidelines for joint ventures, in the same spirit of those used by the California Public Employees' Retirement System (CalPERS) for corporations. As examples, they point to having at least one outside director on the joint venture board in order to inject discipline, and having a nonexecutive chairman or lead director serving as a counselor and performance coach to the joint venture's general manager. Therefore, their findings and conclusions raise fundamental questions about whether governance practices in corporations can or should be extended to IJVs, what domain translation issues need to be attended to when adapting governance practices for the IJV context, and how changes in governance should be implemented in cross-border collaborations.

Similarly, a large gap exists between the expansive literature on corporate governance and the growing body of research on international joint ventures. The IJV literature has long acknowledged the importance of boards to the overall governance of joint ventures, but little research has been devoted to this topic (see e.g., Björkman, 1995; Kumar and Seth, 1998 for exceptions). For example, early research on IJVs has suggested in broad terms that parent firms can control joint ventures through IJV boards and by taking the lead in key staffing decisions (e.g., Killing, 1983; Schaan, 1983; Harrigan, 1985; Glaister, Husan, and Buckley, 2004), but research has not begun to tackle specific issues related to the size, structure, dynamics, processes, and implications of joint venture boards and investigate these issues in systematic empirical research as part of the IJV governance agenda in the field.

Lacking rich data on alliances' governance characteristics, prior research has instead tended to resort to very broad proxies for organizational form (e.g., non-equity versus equity alliance) or the division of ownership in order to investigate governance. Such indicators are only indirectly associated with IJV governance mechanisms, and they are associated with many other aspects of alliance design and management, including partners' incentives, bargaining power, decision rights, contracts, managerial commitments, and so forth (e.g., Mjoen and Tallman 1997; Dhanaraj and Beamish, 2004; Choi and Beamish, 2004; Barden, Steensma, and Lyles, 2005; Zhang *et al*., 2007; Beamish and Lupton, 2009). We believe that while the large literatures on corporate governance and international joint ventures have generally developed in isolation from one another, considerable promise exists for cross-fertilization in coming years. In this article, we wish to provide some illustrations of how this cross-fertilization might begin to occur. As we will explain, research in this broad direction would represent an important

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Table 1. Evolution of organizational economics research on alliance governance

Generation of research	Theoretical focus	Key question	Core challenges
First	The alliance investment decision	When should a firm invest in a joint venture (or some other alliance) compared to other arrangements (e.g., M&A, organic growth, exports, etc.)?	Boards play an important role in organizational economics theories of alliances (e.g., in reducing information asymmetries or in contending with hazards such as knowledge misappropriation), but boards have not received empirical attention in subsequent empirical research using these theories.
Second	The alliance type decision	Conditional upon the decision to partner, when should a firm invest in an equity versus non-equity alliance?	• Research has relied on coarse proxies for governance and control by boards (e.g., equity versus non-equity, ownership level, etc.). • Monitoring and incentives are tangled together in these proxies.
Third	The alliance design decision	Conditional upon the choice of alliance type, how should the firm design the alliance in detail (e.g., contract)?	• Boards are covered in alliance contracts and provide a means of addressing incompleteness in alliance contracts. • Boards can shape the emergence of relational norms and *ex post* opportunism.

fourth generation of scholarship on alliance governance and could address limitations in prior research. In the sections that follow, we note some of the most important theoretical stakes that exist in organizational governance research on IJVs, and we highlight some of the promising research directions and questions that are available for scholarship on alliance governance.

ALLIANCE GOVERNANCE RESEARCH: THEORETICAL STAKES AND OPPORTUNITIES

Some of the stakes and opportunities for IJV research become clear when this body of work is placed in historical perspective. Table 1 offers a brief summary of the organizational economics research on alliance governance. For brevity, we use the term 'IJV' to refer to a particular type of alliance, but we also wish to note that important insights and contributions relevant to IJVs have been made in studies that did not distinguish international and domestic collaborations, or only focused on the latter, and studies that analyzed other types of collaborations also provide insights applicable to equity joint ventures.

The IJV literature experienced important theoretical advances beginning in the late 1980s as scholars started to shift attention from IJV trends, motives, and the costs and benefits of IJVs that characterized some of the earliest research on interfirm collaboration in international business, management, and the associated disciplines. This new research on *alliance investment decisions* represented a *first generation* of research on alliance governance and began to tackle the more fundamental question of when joint ventures are efficient relative to, or in comparison with, other governance arrangements, such as acquisitions, market transactions, or organic growth, all of which can be the basis of international expansion or confer other benefits such as access to complementary resources or growth opportunities (e.g., Gatignon and Anderson, 1988; Hennart, 1988; Williamson, 1991; Dunning, 1995; Teece, 1996; Villalonga and McGahan, 2005; Castañer, Garrette, and Dussauge, 2009). In brief, IJV research was intersecting with work on the theory of the firm, and alliances came to be viewed as hybrid organizational forms along the market-hierarchies continuum to explicate their unique governance properties.

Scholars routinely took an acquisition as a baseline and identified certain conditions under which an acquisition would be less efficient and, hence, a joint venture would be preferable. Examples include situations in which cultural integration costs would be significant, targeted assets inalienable, or sunk costs and uncertainty large (e.g., Hennart, 1988; Kogut and Singh, 1988; Kogut, 1991; Hennart and Reddy, 1997;

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Yin and Shanley, 2008). Thus, the economics-based theory of alliances in large measure became a theory of acquisition failure, much as the theory of the firm was a theory of market failure (rather than vice versa). This framing continues to this day in organizational governance research on joint ventures. For instance, scholars often use a representative acquisition (and joint venture) to draw out the governance properties and efficiency implications of joint ventures. Therefore, it has become important to examine the heterogeneity among each of these organizational forms to advance this comparative organizational analysis and identify more sharply the boundary conditions for each. In the case of joint ventures, this means directly investigating their boards and other facets of governance in order to understand these hybrid governance arrangements more deeply and then be in a position to compare different types of joint ventures with different types of acquisitions that differ in terms of managerial authority, incentive structures, and decision rights.

Interestingly, as this literature began to develop, boards actually played an important role in the theories of joint ventures. For instance, Balakrishnan and Koza (1993) suggested that when a firm encounters information asymmetries and the risk of adverse selection, or overpayment, when contemplating an acquisition, the firm can opt for a joint venture instead to lessen these problems. Not only can a joint venture involve less sunk investment, but firms can use the joint venture to reduce information asymmetries over time before making a larger commitment to a resource or market prospect in the future. In particular, the incentives conferred by a joint venture, such as the threat of termination and shared ownership, can encourage knowledge sharing and reduce asymmetric information. In addition, Balakrishnan and Koza (1993) observed that the joint venture's board enables firms to monitor assets and facilitate knowledge sharing through greater joint control of the business. As a second illustration, Pisano (1989) used arguments from transaction cost theory and suggested that firms can exert their rights via the board, thereby reducing *ex post* exchange hazards such as knowledge misappropriation. These illustrations indicate an important feature of alliance research: the joint venture board figured importantly into the economic theories of joint ventures and their governance, even if IJV boards have not received attention in subsequent empirical studies that have relied on these same theories from organizational economics.

Pisano's (1989) work, and the *second generation* of alliance governance research on firms' *alliance type decisions*, moved beyond the implicit assumption or treatment of alliances as homogenous organizational forms by capturing essential features of the numerous types of alliances that are available to organizations. While no consensus existed, or now exists, on a way to categorize diverse types of collaborative agreements, the most commonly used, as well as parsimonious, taxonomy distinguishes non-equity alliances on the one hand from equity alliances on the other hand (Oxley, 1997; Contractor, Woodley, and Piepenbrink, 2011). Compared to a non-equity alliance, a joint venture is a type of equity alliance involving shared ownership and a joint board overseeing a separate business entity. Minority equity partnerships are also equity alliances, but they do not involve a separate business entity, so a parent firm owns a fraction of another firm in its entirety and may or may not have a seat on that parent firm's board (Robinson and Stuart, 2007).

While the joint board figures importantly in the design of an IJV as well as the in theoretical literature on alliance types (Pisano, 1989), inferences are ultimately difficult to draw regarding monitoring or other functions these boards might serve because joint ventures simultaneously have other features, including incentive alignment through shared ownership and a separate business entity. When interpreting results in this mature research stream, an important point, therefore, needs to be emphasized: the monitoring and incentive dimensions of control are conflated when drawing comparisons across non-equity alliances and joint ventures, so it is difficult for alliance research to address two of the most central features of joint ventures. Therefore, questions that arise include the following: (1) To what extent are prior findings on the determinants of equity versus non-equity alliances driven by monitoring and/or incentive considerations?; and (2) When might firms use greater monitoring but less incentive alignment or vice versa, and when are high levels of monitoring and incentives required?

Getting into the details of *alliance design* is important for advancing and testing theory on alliances, and the *third generation* of research on alliance governance sought to do so by investigating the contractual foundations of collaborative agreements (e.g., Parkhe, 1993; Luo, 2002; Carson, Madhok, and Wu, 2006; Vlaar, Van Den Bosch, and Volberda, 2006; Reuer and Ariño, 2007; Ryall and Sampson, 2009). Indeed, the heterogeneity of contractual provisions

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that firms might put into their alliances suggests that it is plausible that parents might have substantial safeguards and coordination mechanisms for some non-equity alliances compared to IJVs, which challenges the conventional simple ordering of non-equity and equity alliances along the markets-hierarchies continuum (Reuer and Ariño, 2007). This work also began to examine how formal and informal governance arrangements relate to one another, particularly since trust is often seen as a key component for the success of a collaborative agreement. While formal governance mechanisms are generally thought to drive out trust or substitute for relational governance, it is possible for formal governance mechanisms to promote expectations of cooperative behavior by reducing near-term payoffs from opportunism and thereby promote the self-enforceability of agreements (Poppo and Zenger, 2002). Prior relationships can also help partners learn about each other, new opportunities for exchange, and relevant contingencies affecting their cooperative relationship, all of which can lead to an elaboration of contractual detail in the future (e.g., Mayer and Argyres, 2004; Argyres, Bercovitz, and Mayer 2007).

The work on the contractual foundations of alliances in this third generation of research suggests at least two potential research challenges for the future. First, this work provides an analogy for any research that would investigate alliance governance mechanisms in detail: just as contracts provide a keyhole through which alliance design issues can be investigated, joint venture boards or other dimensions of governance can offer a similar opportunity to understand the details of alliance design. Second, it is possible that the neglect of boards in IJV research has impeded theory development and testing because IJV boards are covered in alliance contracts, they provide opportunities for private ordering under contractual incompleteness, and they are structures that can shape cooperative norms and processes between firms as well as *ex post* opportunism. This suggests that IJV boards potentially represent an important omitted variable in studies on alliance contracts and governance.

TOWARD A FOURTH GENERATION OF ALLIANCE GOVERNANCE RESEARCH

A few studies examine how the corporate governance of *parent firms* affects their alliance investment behavior, such as the decision to engage in alliances or the selection of alternative modes of foreign market entry (e.g., Gulati and Westphal, 1999; Datta, Musteen, Herrmann, 2009; Musteen, Datta, and Herrmann, 2009). These contributions have taken valuable steps in bringing together the expansive literatures on corporate governance and strategic alliances. However, we believe there are many additional opportunities for cross-fertilization between these large literatures, and we would like to encourage investigation of other potential points of connection between them. For example, we would like to suggest that there are attractive research prospects for examining governance practices at the level of the *international joint venture* itself (e.g., Björkman, 1995; Kumar and Seth, 1998), rather than at the level of the parent firm(s), including IJVs' boards of directors as well as other internal governance mechanisms (such as compensation and performance evaluation systems). Table 2 summarizes important research domains on the boards of IJVs and flags a few research questions that are part of the larger agenda we are calling for in this article.

Boards of directors in IJVs

Functions of IJV boards

To begin with, there are many avenues for research to study the functions of boards in the IJV context. For instance, it would be interesting to consider how particular roles of board members (e.g., monitoring, advice, resource provision, strategy crafting, etc.) vary across joint ventures, as well as draw comparisons of board members' activities across IJVs, unitary organizations, foreign subsidiaries, or other organizational forms. For instance, in contrast to companies having a diffuse set of equity investors, the prototypical joint venture has two direct owners. In principle, this concentrated ownership structure addresses a free rider problem and encourages active monitoring by the parent firms themselves rather than the board, but owners' collaborative motives and their interests outside of the alliance agreement can diverge greatly, making the board an important governance body through which the parties can exert their interests. Given the heterogeneity in IJV ownership structures, it would also be valuable in future research to separate the effects caused by the distribution of incentives and the effects due to monitoring by the board as they are conflated in the broad

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Table 2. Illustrative research opportunities on boards of directors in international joint ventures

Research domain	Core questions	Unique governance issues in the IJV context
Boards of directors in IJVs	• What functions do boards serve? • What are the causes and consequences of different board structures? • What dynamics and processes do boards follow?	• How do parent firms' governance practices influence IJV governance? • How do governance practices of IJV boards differ from corporations, wholly owned subsidiaries, and other types of organizations? • How do governance practices differ across greenfield and acquisitive IJVs? • What is the demography of IJV boards? What responsibilities do directors on IJVs take on? • How does the parent-subsidiary relationship shape IJV board roles (e.g., monitoring, offering advice, providing resources, etc.)? • How does the presence of two or more dominant owners influence board structures (e.g., size, duality, insiders from parents, independence) and their effects? • How do other formal and relational governance mechanisms (e.g., contractual safeguards, trust, etc.) substitute or complement board governance? • How do IJV governance and management coevolve as ventures change and terminate?

proxies for alliance governance used in many studies (e.g., equity versus non-equity alliances, ownership splits, etc.). Disentangling monitoring and incentives is, therefore, critical in studying the control function of IJV boards emphasized by agency theory. We need to know the extent to which the board actively monitors the IJV's performance, is involved in succession planning and potentially firing managers, and is involved in overseeing the legal compliance of the joint venture.

Interesting differences are also evident across IJV and corporate boards when directors' roles are seen from a resource dependence perspective. For example, young and small organizations lacking financial capital, legitimacy, or other resources are apt to be dependent on external organizations and can rely on outside directors for assistance in obtaining such resources (e.g., Pfeffer and Salancik, 1978; Mizruchi and Stearns, 1988). While greenfield IJVs are also new organizations, they do have access to financial capital, information, legitimacy, and other resources possessed by the parent firms. In the case of acquisitive IJVs, the business has already been situated within one of the parent firm's hierarchies prior to another organization taking an equity stake in the business. It would, therefore, be worthwhile to explore the extent to which IJV board members provide advice or other resources from the parent firms versus other organizations in the venture's operating environment. This also suggests that the composition of IJV boards and the roles of directors will likely be different compared to other organizations and that the functioning of boards might vary across greenfield and acquisitive ventures.

Finally, the fact that international joint ventures are foreign subsidiaries, or are hierarchically related to the parent firms, also potentially changes the functions fulfilled by IJV boards (e.g., Leksell and Lindgren, 1982; Kriger, 1988; Zaheer and Hernandez, 2011). Board members' roles are likely to be shaped by the parent firms' strategies as well as their IJV capabilities and experience in the host country. Kumar and Seth (1998) found that involvement by boards in IJVs is a function of the strategic interdependence between the IJV and its parent firm, and Björkman's (1995) study of 33 Sino-Western IJVs found their boards to be active in setting dividends, drawing up strategic plans, and approving budgets. In addition, he reported that foreign companies rely upon the relationships of the chairman and other board members in solving important issues and building new relationships in China. Therefore, it would be interesting to investigate the mixture of directors' roles (e.g., monitoring, advice, resources, etc.), draw comparisons across IJVs, and contrast them with other types of foreign subsidiaries (e.g., greenfield wholly owned subsidiaries as well as acquired companies or units of firms).

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IJV board structures and processes

The literature on corporate board structures is enormous and remains vibrant (e.g., Beekun, Stedham, and Young, 1998; Lynall, Golden, and Hillman, 2003; Hambrick, Werder, and Zajac, 2008), and it would be valuable to conduct parallel work on the structure of IJV boards. Recent research in corporate finance, for instance, has examined the theoretical determinants of corporate board size (e.g., Boone *et al*., 2007; Linck, Netter, and Yang, 2008), and similar research could determine how the size or composition of IJV boards reflects parent firms' information needs, monitoring costs, or other theoretical considerations. It would also be valuable to investigate other dimensions of board structure such as duality, committees, or two-tier structures involving executive and nonexecutive directors (e.g., Baliga, Moyer, and Rao, 1996; Westphal, 1998; Maassen and Van Den Bosch, 1999; Ellstrand, Tihanyi, and Johnson, 2002; Adams, Hermalin, and Weisbach, 2009). Many of the findings on board size, demography, and so on are mixed in prior research, so the IJV context might also provide a fresh testing ground for these research questions in the corporate governance literature at large.

As another example, there is a substantial literature on the antecedents and consequences of outside directors serving on corporate boards (e.g., Westphal and Zajac, 1997; Golden and Zajac, 2001; Anderson and Reeb, 2004; Coles, Daniel, and Naveen, 2008), and it would be interesting to examine director independence for IJV boards. Bamford and Ernst (2005) report that joint ventures rarely have outside directors on their boards and, indeed, they call for joint ventures to have at least one outside director to ask difficult questions and help partners reconcile their different interests. Their observation also raises the broader question of why current IJV governance practices might be insufficient for some collaborations or why the state of affairs for IJV governance is so far out of equilibrium based on their recommendations and the best practices for other organizations. In other words, what is keeping firms from adopting certain governance practices for their IJV boards, if these practices would enhance efficiency (e.g., Nickerson and Silverman, 2003)? It would also be useful to examine which specific managers from the parent firms or affiliated companies serve on IJV boards, what capabilities they possess, and how they are involved on these boards. To have a richer understanding of these boards, such work might consider directors' appointment process, turnover rates, and compensation. Carrying out related work on staffing top management positions within joint ventures would be valuable for similar reasons.

Several of the unique features of IJVs as hybrid organizations could be connected with board characteristics to advance the theory of alliances and contribute to recent debates in this literature. Questions exist, for instance, as to whether and when formal governance arrangements and relational governance mechanisms operate as substitutes or complements (e.g., Poppo and Zenger, 2002). Debate also exists on the relative importance of structural aspects of alliances versus collaborative processes, as well as on the relationship between the two (e.g., Bell, den Ouden, and Ziggers, 2006; Hennart, 2006; Ariño and Ring, 2010). Given that this work has often focused on governance elements such as alliance type or contractual complexity, it would be valuable to bring the IJV board into this literature as an important omitted structural aspect of collaborative agreements that is also potentially bound up with certain collaborative processes. Research questions that might be addressed in this vein include the following: (1) How might monitoring by the IJV board substitute for or complement relational governance?; (2) To what extent do the functions performed by IJV boards reflect contractual agreements versus *ex post* gaps in these agreements due to contracting costs at the alliance design stage?; (3) What are the conditions, if any, under which significant monitoring by the IJV board increases the odds of opportunism in a vicious cycle rather than a virtual cycle (e.g., Ghoshal and Moran, 1996)?; and (4) To what extent can the involvement of directors independently advance certain collaborative outcomes (e.g., facilitating intended knowledge transfers, curbing knowledge misappropriation, mitigating other exchange hazards, enhancing coordination) (e.g., Anand, forthcoming), or how much can *ex ante* incentives (such as ownership sharing) alone accomplish these or similar objectives?

Another key feature of hybrid governance structures such as IJVs is that they are transitional or unstable forms of organization (e.g., Williamson, 1991; Reuer, 2001; Makino *et al*., 2007). This observation raises natural questions about how firms can govern temporary organizational forms as well as when parent firms make changes in their boards in response to changes in alliances or their environments. It is understood that parent firms often renegotiate alliance contracts and make changes in their

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boards and other committees (e.g., Reuer, Zollo, and Singh, 2002; Bamford and Ernst, 2005), but research is needed to determine: (1) how firms prioritize changes in different aspects of IJV governance (e.g., boards, contracts, ownership structures, etc.) and management (e.g., scope, staffing, functional policies, etc.); (2) how the management strategies of parent firms and governance of hybrid organizations evolve; and (3) whether certain changes in IJV boards or other aspects of governance promote stability or hasten the internalization or dissolution of collaborative agreements (e.g., Doz, 1996; Ariño and de la Torre, 1998; Koza and Lewin, 1998; Young-Ybarra and Wiersema, 1999). While corporations also evolve in scale and diversity and other ways, it would seem that the instability of many alliances is of central importance in designing and executing their governance.

Beyond boards in IJV governance

While we have emphasized the value of studying boards of international joint ventures, clearly there are many other facets of governing IJVs that are worthy of research and would be valuable components of a research agenda developing other points of connection between the literatures on corporate governance and international joint ventures. We would like to highlight several of these other aspects of governance in IJVs in order to illustrate some of the research opportunities that exist at this interface. The research questions appearing in Table 3 are intended to be suggestive of the research futures that exist, rather than to be exhaustive of research that might be carried out on IJV governance. Moreover, given the potential for different facets of corporate governance to substitute for each other, equifinality is likely to

Table 3. Bridging corporate governance and international joint venture research

Research domain	Core questions	Unique governance issues in the IJV context
Managerial incentives	How do managerial ownership and compensation affect firm behavior and performance?	• To what extent are various high-powered incentives used in the IJV context? • How do compensation packages align managerial incentives to the success of one or more parent firms versus the IJV itself? • What are the consequences of different compensation systems for IJV outcomes (e.g., trust, learning, performance)?
Performance metrics	How should the performance of businesses and directors be appraised?	• What performance metrics are most useful for IJV governance and management? • How do parent firms reconcile their different motives and reporting systems? • How are audits conducted by various parties (e.g., parent firms, board committees, external organizations)? • To what extent do parent firms review and reward the performance of IJV directors?
Host country institutions	How do governance systems (e.g., property right protections, firm ownership structures, etc.) vary across countries?	• When and how do parent firms use IJV boards, alternative dispute resolution mechanisms, litigation, or other mechanisms to address conflicts? • What are IJV governance practices for ventures involving family firms, state-owned enterprises, nonprofits, etc.? • How do various external entities (e.g., media, financial intermediaries, regulators, etc.) or markets (e.g., product, capital, labor, etc.) affect IJV governance?
Theoretical flow-back	How can the joint venture domain advance the theory of corporate governance?	• How do multiple, nested principle-agent relationships affect governance? • What behavioral structures emerge in boards? • What are the determinants and implications of governance lower in organizations? • What are the causes and consequences of governance processes and dynamics? • How do contextual factors shape governance practices?

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exist in IJV governance practices such that the search for one best model of IJV governance is likely to be impossible, as in other areas of corporate governance (Aguilera and Jackson, 2010).

A substantial literature exists on managerial incentives in stand-alone organizations (Tosi *et al*., 2000; Wade, O'Reilly, and Pollock, 2006; Wright *et al*., 2007), yet very little is known about the incentives of IJV board members, executives, and other managers participating in collaborative agreements (Kumar and Seth, 1998). It would be interesting to determine how these agents' particular incentives are aligned with the interests of the international joint venture as a distinct business entity and/or with the interests of one or more of the parent firms. Ownership or incentive compensation can help align interests as well as alter agents' risk-taking behavior (e.g., Wiseman and Gomez-Mejia, 1998; Sanders, 2001), so the question is how compensation packages might be tailored to the parents' motives for collaboration (Contractor and Lorange, 1988), such as exploration versus exploitation (e.g., Koza and Lewin, 1998), pursuing growth opportunities (e.g., Kogut, 1991), or enhancing firms' competitive positions (Glaister and Buckley, 1996). It is worth pointing out that prior alliance research has emphasized the structure of incentives in terms of *parent firms'* ownership stakes rather than *managerial* ownership and compensation of employees working for a joint venture, so it would be valuable to investigate this aspect of IJV governance in a more micro fashion. This work could investigate the implications of managerial ownership and compensation for IJV outcomes such as trust and learning, and it could also examine the extent to which any differences in partners' compensation policies are accommodated or reconciled within the IJV.

We expect that improvements in IJV governance could also depend on advances in performance metrics and systems, a problem that has long been challenging for IJV research as well as practice (e.g., Ariño, 2003). While the measurement of performance in stand-alone organizations is arguably clearer and has seen the development of shareholder-friendly metrics such as economic value added (e.g., Young and O'Byrne, 2001), the measurement of IJV performance is notoriously difficult given two or more parents' different interests, the amorphous goals of some collaborative agreements, and the attributional challenges that partners encounter in complex deal structures or uncertain operating environments (e.g., Anderson, 1990). Therefore, research might consider whether particular IJV performance metrics or systems are more amenable to effective IJV governance than others, or how governance practices must be tailored to desired IJV outcomes. It would also be worthwhile as a practical matter to determine how parent firms, boards, committees, and external auditors evaluate the performance of IJVs.

Finally, we believe it would be valuable for IJV research to consider how joint venture governance practices differ across nations based on countries' unique institutional environments and the external pressures on the governance of IJVs (e.g., Peng, Wang, and Jiang, 2008). For instance, it would be interesting to explore whether unique alliance governance issues exist for certain economic actors like state-owned enterprises, family firms, or nonprofits in different countries. The potential efficiency of certain IJV governance practices is also expected to turn upon property rights regimes, regulations, and market conditions that differ across countries (e.g., Shleifer and Vishny, 1997), so it would be valuable to examine how the institutional context shapes governance practices in international joint ventures.

A two-way bridge

While our focus has been on the ways in which the international joint venture literature can potentially be enriched by incorporating insights from the corporate governance literature, it is also worth noting the potential for corporate governance research to be advanced by conducting work in the joint venture context. Compared to unitary organizations studied in corporate governance research, joint ventures present many differences in degree (i.e., new ranges for existing theoretical constructs) as well as differences in kind (i.e., altogether new variables to investigate). Therefore, it is possible that new theoretical insights might be gained from studying joint venture governance, new life might be given to debates on the determinants or implications of particular aspects of governance (e.g., board composition), inconclusive results might be revisited (e.g., performance implications of board structures), and new boundary conditions could be identified for corporate governance theory (e.g., determinants of information needs and monitoring costs).

The embeddedness of joint ventures within the organizational hierarchies of two or more parent firms suggests that, in ways, the governance of joint ventures can be complex despite their small size. A joint venture has dominant equity holders who have

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an incentive to monitor the collaboration, but these owners are also likely to have divergent interests. The hierarchical relationship between the joint venture and the parent firms and, ultimately, the parents' shareholders, suggests a complex nesting of principal-agent relationships as well as potential conflicts among principals and conflicts among agents that might be studied. As a second example, IJV research could contribute to corporate governance research on power and politics by examining the behavioral structure of these boards and by identifying new dimensions of board heterogeneity rather than treating it as a homogeneous unit (e.g., Hambrick *et al*., 2008). The location of joint ventures lower in organizations also presents a potentially interesting contrast with the upper echelon perspective adopted in corporate governance studies.

Governance research in the joint venture domain could also enhance the emerging streams of research on internal board processes and their external context. For instance, Hillman, Nicholson, and Shropshire (2008) consider how directors' identities can influence their behaviors on boards. In the case of joint ventures, the degree to which a director identifies with a parent firm versus the joint venture itself over time might be influenced by employment relations, turnover, and a parent firm's specific collaborative motives. Given that joint ventures are often formed, adapted, and come to an end in a compressed period of time, this unique research setting could bring new insights on how organizational dynamics carry consequences for governance processes. As a final example, the embeddedness of joint ventures in different firms and nations indicates that they can be a useful research domain to better contextualize corporate governance research (e.g., Pugliese *et al*., 2009; Aguilera and Jackson, 2010).

CONCLUDING REMARKS

Over the past two decades, the literature on strategic alliances has benefited greatly from transaction cost theory's overarching principle that the 'action resides in the details' (Williamson, 2002: 187) of these hybrid organizational forms. What began as research on firms' selection of alliances versus other organizational arrangements (e.g., acquisitions or greenfield wholly owned subsidiaries) has progressed to analyses of different forms of alliances as discrete governance structures (e.g., equity versus non-equity collaborations) and to finer-grained investigations of their contractual foundations. While the joint venture board is commonly left in the background in current theorizing about alliances and has not been attended to in empirical studies using organizational economics in the alliance domain, we have shown that boards play an important role in these theories as boards enable parties to address exchange hazards, such as adverse selection, knowledge misappropriation, and other moral hazards. In addition, coarse proxies that are often used for alliance governance are inadequate, as they confound board monitoring with other considerations such as incentives or coordination. Joint venture board variables also require attention in empirical research, as they are related to other governance mechanisms such as contractual safeguards and control rights. Studying boards and other dimensions of alliance governance in finer-grained terms as we have suggested would, therefore, represent an important fourth generation of research on alliance governance, and this literature could be enhanced by drawing upon insights from corporate governance research.

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