

PERCEIVED FAIRNESS, DECISION CONTROL, AND COMMITMENT IN INTERNATIONAL JOINT VENTURE MANAGEMENT TEAMS

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Previous research examining the effectiveness of international joint ventures (IJVs) has focused on differences in the backgrounds and bargaining power of IJV parent firms, while little attention has been given to the IJV itself. This study takes a different perspective by examining the relationship between IJV parent firms and the IJV. Specifically, we examine how IJV and parent involvement in strategic decision-making influences the IJV management team's commitment to the IJV and to the parent firms. We hypothesize that the IJV management team tends to be more committed to the IJV than to the parent firms, and that there is a strong positive relationship between procedural justice, strategic decision control, and organizational commitment. A field study involving 51 IJVs supported our hypotheses. We discuss the implications of organizational commitment and procedural justice for managing IJVs. Copyright © 2002 John Wiley & Sons, Ltd.

Equity joint ventures (JVs) have been identified as a difficult form of alliance to manage since they involve shared ownership and control (Beamish, 1988; Inkpen and Beamish, 1997; Hennart, Roehl, and Zietlow, 1999; Parkhe, 1993a). Further, the performance of JVs often falls short of expectations (Beamish, 1988), with reported failure rates from 30 percent to 70 percent (Bleke and Ernst, 1991; Franko, 1971; Kogut, 1988). Yet, despite such high reported failure rates, the JV remains popular (Inkpen and Beamish, 1997). Given the persistence of the JV, it is not surprising that much research has been devoted to examining the problems of JV management, especially international joint ventures (IJVs). We define an IJV here as a legal entity created by two or more organizations (the 'parents'), at least one of which is headquartered in another country. We examine in this paper

why the creation of an IJV poses strategic challenges for parents beyond those ordinarily associated with implementation of cooperative strategies. Our position is that parents of IJVs are continually faced with the issue of maintaining the requisite commitment of the IJV management team to the goals of the parents.

Differences in national backgrounds, language, cultural values, and management styles accentuate inherent conflicts of interest between IJV parents and between parents and IJV managers (Hennart *et al.*, 1999; Inkpen and Beamish, 1997). Studies of IJV success and failure often attribute performance to behaviors or attitudes of the parents (e.g., Steensma and Lyles, 2000). Indeed, many studies leave the JV itself entirely out of the equation. Studies focusing on parental relationships include those dealing with parents' relative bargaining power (Park and Ungson, 1997; Yan and Gray, 1994), their relative equity holdings (Blodgett, 1987, 1992), and shifts in their equity holdings (Franko, 1971). Some look at parents' ability to learn from one another (e.g., Shenkar and Li, 1999; Hamel, 1991), while others focus

Key words: international joint venture; commitment; procedural justice

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on the effects of competitive rivalry between parents (Kogut, 1988). Studies have also looked at the impact of parents on the IJV, examining such factors such as support from the parents (Steensma and Lyles, 2000), the mechanisms used to control the JV (Geringer and Hébert, 1989; Yan and Gray, 1994), parents' previous JV experience (Barkema *et al.*, 1997), and their history of other cooperative relationships (Blodgett, 1992; Ring and Van de Ven, 1994).

Studies that explicitly take into account the JVs' characteristics or activities often attribute JV outcomes to parent-related factors: e.g., changes in parents' view of the strategic importance of the JV (Harrigan and Newman, 1990) or changes in the foreign partners' need to acquire local knowledge from the JV (Inkpen and Beamish, 1997). Although these do recognize that an equity JV is a distinct entity (e.g., Inkpen and Beamish, 1997: 178, 179), by focusing on the goals and perspectives of the parents they tend to underplay the role of the IJVs' top management team in establishing a unique identity with its own purposes and routines (Kogut and Zander, 1996).

It is understandable that research on JVs and IJVs should focus attention on the impact of parents' goals, parents' commitment to the JVs, and rivalry between the parents. After all, JVs are created to satisfy the strategic purposes of the parents (Reuer and Leiblein, 2000). However, little work has directly addressed the difficulty of gaining an IJV top management team's (TMT's) commitment to the goals of the IJV, and to the goals of each of its parents (Hambrick *et al.*, 2001; Pearce, 1997). We define 'top management team' as the senior executive in charge of the IJV (typically, the President or General Manager) and the senior managers who report directly to him/her—that is, the managers who are responsible for the day-to-day operations of the venture. If we are to understand why some IJVs succeed and others fail, we need to examine more closely the role of the IJV's TMT itself, which serves as the linchpin between the IJV and its parents (Hambrick *et al.*, 2001). Indeed, IJVs might be better understood through an examination of the factors that create or undermine the organizational commitment of the IJV TMT to its key constituencies: the IJV itself and the parent firms.

Research suggests that organizational identification builds organizational commitment and trust (Kogut and Zander, 1996) and that a high level

of organizational commitment is associated with greater efforts to achieve strategic goals (e.g., Guth and MacMillan, 1986; Mowday, Porter, and Steers, 1982). Organizational commitment and trust create social capital, which in turn fosters and supports knowledge creation and organizational learning (Nahapiet and Ghoshal, 1998), often the explicit motivations of parent organizations for creating IJVs (e.g., Inkpen, 1998; Hamel, 1991). Researchers have at times emphasized the need for JVs to develop their own culture and identity (e.g., Inkpen and Beamish, 1997; Kogut and Zander, 1996). Such a development has the motivational benefits both of creating a unified sense of direction and of limiting the potential factionalism that may be caused by the separate pulls of multiple parents (Pearce, 1997). At the same time, if parents cannot expect IJVs to achieve parents' goals, their creation will be fruitless. In the ideal, then, IJV TMTs will foster commitment not only to the IJV as a separate entity but also to the goals of parents. However, the likelihood is that some level of goal conflict will exist in such an arrangement. If the IJV drifts too far from attending to the purposes for which the IJV was created in order to pursue objectives of its own, the stability of the triadic relationship will be undermined. Thus, IJV parents are faced with the challenge of maintaining the commitment of the IJV TMT both to its own purpose and to those of its parents.

Our central research question was whether strategic decision-making processes affect the IJV TMT's commitment to the IJV itself and to each of the parents. We view the decision-making process through the lens of procedural justice, which has recently emerged as an important factor in strategic decision-making and governance (Korsgaard, Sapienza, and Schweiger, 2001; Korsgaard and Sapienza, in press). Studies have found a strong positive correlation between procedural justice in strategic decision-making and strategic decision-makers' commitment to organizations (Kim and Mauborgne, 1991) and to strategic decisions reached within and across organization boundaries (e.g., Korsgaard, Schweiger, and Sapienza, 1995; Sapienza and Korsgaard, 1996). Moreover, research indicates that the level of decision control affects TMTs' level of commitment (Korsgaard *et al.*, 1995; Sapienza and Korsgaard, 1996; Wooldridge and Floyd, 1990). Organizational commitment is closely linked to effective strategy implementation, too. How managers respond to the

processes that are used to reach strategic decisions has been found to be critical to the level of cooperation that the management team achieves in implementing those decisions (Korsgaard *et al.*, 1995). Therefore, decision-making processes that enhance IJV TMTs' commitment to the IJV and its parents should also result in more effective strategy implementation.

While most research on organizational commitment has focused on individual commitment, our focus is on the commitment of the TMT to the IJV and to the parent firms. We expect that the commitment of individual TMT members will vary, at times quite dramatically. Differences in managers' prior experience, national origin, involvement in decision-making, and length of tenure in the IJV are all likely to impact their individual level of commitment to the IJV and its parents. However, because members of a top management team function as a group, their commitment as a team is relevant, apart from individual variation in commitment. Thus, we do not assume that all individuals have the same level of commitment to any of the organizations involved, but we do assume that TMT members will have an overall sense of the commitment of the team to the goals of the three focal entities. The distinction between individual and team commitment is an important one and is analogous to the distinction between self-efficacy, an individual's belief about his/her own capacity to perform a task, and group potency, the collective belief by a group that it can be effective (Guzzo and Shea, 1990). Although individual team members' self-efficacy may vary, group potency research suggests that the group *as a whole* shares a belief regarding its capabilities. Similarly, while individual-level commitment to an organization may vary within the team, members have a shared understanding of what the team's commitment to the organization is, whether high, low, or somewhere between the two.

Employing organizational commitment, identification, and exchange theories, we argue first that the commitment of the IJV TMT to the IJV will be greater than its commitment to either of the parent firms. Second, drawing on procedural justice theory, we posit that the commitment of the IJV TMT to both the IJV and its parents will be greater when (1) decision processes are perceived as just, and (2) when the

IJV TMT has greater control over how strategic decisions are made. These arguments extend previous theoretical work on IJVs by developing and testing hypotheses about the role of the IJV itself. Moreover, this study also holds significant practical value for the management of IJVs in that it examines the relationship between a crucial IJV management process—strategic decision-making—and the IJV management team's commitment to the attainment of the goals of all parties.

THEORY AND HYPOTHESES

The literature on organizational commitment may be placed within the scope of exchange theory. For example, employees' commitment has been seen as an exchange of effort and loyalty for economic benefits and social rewards (Etzioni, 1961; Gould, 1979; March and Simon, 1958; Mowday, Steers, and Porter, 1979). In creating an IJV from their combined resources, the parent firms contribute a set of inducements and design processes aimed at motivating the IJV management team to commit itself to accepting the goals and values jointly established for the new entity (i.e., the IJV). Following Mowday *et al.* (1982), we define commitment as the belief in and acceptance of organizational goals and values, a willingness to exert effort on behalf of the organization, and a desire to maintain organizational membership. Commitment of this type is beyond 'calculative' commitment based solely on self-interest; rather it suggests a level of 'affective attachment' based not only on self-interest, but also on the norm of reciprocity and on mutual attraction (Eisenberger, Fasolo, and Davis-LaMastro, 1990; Gouldner, 1960).

Top management commitment has been seen as essential to the survival and health of complex organizations (Perrow, 1986; Selznick, 1957). Inkpen and Beamish (1997: 193) argue that the IJV management team's commitment is critical to outcomes desired by parents: they hold that commitment is necessary if the parent firms are to reap the local knowledge benefits from the IJV. Although Inkpen and Beamish (1997) also suggest that goal conflicts and unstable power relationships may underlie JV ineffectiveness, they offer little in the way of prescriptive advice about how JV parents may manage the relationships to mitigate such destructive forces.

Multiple commitments in international joint ventures

Studies show that people exhibit different levels of organizational commitment within and across organizational boundaries, such as to an employer, to a union, or to a professional body (Fukami and Larson, 1984; Gordon and Ladd, 1990; Tuma and Grimes, 1981). Among multinational corporations, Gregersen and Black (1992) identified four categories of commitment among expatriates ('going native,' 'hearts at home,' 'dual citizens,' and 'free agents') according to whether the expatriate was primarily committed to the foreign affiliate, to the parent, to both, or to neither. This categorization suggests that expatriate 'dual citizens' are equally committed to the subsidiary and its parent; balanced commitment is likely to lead either to the attainment of the goals of both organizations or to the search for compromise to satisfy both parties. While this literature shows that individuals can hold varying levels of commitment to different entities, it does not address the commitment of the team as a whole or whether an IJV team's commitment to the IJV and the parent firms vary in any systematic way. We propose that the team's commitment to the IJV and its parents will reliably differ such that the team will tend to be more committed to the IJV than to either of its parent firms.

The process of organizational identification provides some insight into why the management team should be most committed to the IJV. The concept of organizational identification is based on social identity theory, which concerns the process by which individuals come to identify with and form bonds to various groups and organizations (Ashforth and Mael, 1989; Deaux, 1996; Dutton, Dukerich, and Harquail, 1994; Kogut and Zander, 1996). Organizational identification refers to '...the degree to which a member defines him- or herself by the same attributes that he or she believes define the organization' (Dutton *et al.*, 1994: 239). With organizational identification comes a greater sense of loyalty and commitment to the organization (Kogut and Zander, 1996; Mowday *et al.*, 1979). Therefore, the more strongly IJV managers identify with the IJV, the greater the team's commitment to the IJV.

While identification can develop based on mere membership in a group over a relatively short period of time, several factors influence the strength of organizational identification.

For example, organizations that have attractive attributes (e.g., high status) or distinctive attributes (e.g., unique culture) are likely to inspire stronger identification on the part of its members (Dutton *et al.*, 1994). Additionally, organizational identity is likely to be stronger to the extent that the organization is important to the team member (Deaux, 1996). The organization's importance may be based on material reasons, such as providing valuable career experience, or on symbolic reasons, such as enhancing a team member's self-esteem or image. The strength of identification also depends on the salience of membership in the organization; thus the more frequent the contact with the organization, the stronger the identification (Dutton *et al.*, 1994). Salience and importance are apt to figure strongly in managers' identification with the IJV.

Individuals often identify with multiple groups or organizations, but their loyalties are thought to be ordered based on the strength of the identities (Ashforth and Mael, 1989; Deaux, 1996). Because of their membership in the IJV team, IJV managers are likely to identify with the team and with the IJV as an organization. Similarly, IJV managers are also apt to identify more or less with a parent firm to the extent that they have some association with that firm. However, because membership in the IJV is likely to be more salient and important to the team as a whole, so the IJV management team as a whole is likely to identify more with the IJV than with either of the parent firms. Many of the IJV management team's activities involve only the IJV, thereby making managers' membership in the IJV more salient than their connections to the parent firms. Moreover, the fate of the IJV management team is closely linked to the outcomes of IJV, which underscores the significance of the IJV to the management team. In short, we would expect the IJV management team's identity to be aligned most closely with the organization with which it is most immediately and frequently concerned: the IJV.

The above arguments are not meant to suggest that all teams will be highly committed to the IJV in the absolute sense; rather, we expect the team's commitment to the IJV to be greater relative to its commitment to either parent firm. Further, our rationale is not meant to imply that, as individuals, all team members will be highly and uniformly committed to the IJV. Indeed, individuals can be identified with a group or organization

without being a highly cohesive unit (Mael and Ashforth, 1995). Prior affiliation or incentives built into compensation structures may induce individual managers to be more or less loyal to the IJV and parent firms (Pearce, 1997). While individuals comprising the IJV TMT may vary in their commitment to their own and to the parent organizations, we expect that, on average, the team as a whole is likely to become most committed to the IJV itself. Thus, we offer our first hypothesis:

Hypothesis 1: The IJV management team's commitment to the IJV will be higher than its commitment to the local or foreign parents.

Procedural justice, decision control, and the IJV management team's commitment

Procedural justice theory focuses on how decision-making procedures affect those who have a stake in, but limited control over, the outcome of the decision. Several procedural factors contribute to the perception of procedural justice. Leventhal (1980) identified six principles that promote perceptions of procedural justice: consistent application of criteria, suppression of bias, use of accurate information, opportunity for error correction, representativeness, and ethical treatment. Extensive empirical research indicates procedural justice has a substantial impact on organizational attitudes and behaviors independent of the effect of decision outcome (Lind, 2001), exerting a particularly strong influence when the outcome of decision is unfavorable (Brockner and Wiesenfeld, 1996).

There are numerous explanations for why individuals respond so strongly to procedural justice. Two motivations that are relevant to the present investigation are material self-interest and relational concerns. First, individuals care about the fairness of decision-making procedures because just procedures assure people that a structure exists to protect their material self-interests in the long run (Lind and Tyler, 1988). Additionally, individuals value fair procedures because such procedures affirm their standing in relationships within groups and organizations, (Lind, 2001; Tyler and Blader, 2000). Such affirmations are *inherently* valued because individuals' identities are based at least in part on their membership in groups. Fair procedures thus help protect and strengthen individuals' identification with the group or organization.

Our position is that, through the mechanisms of self-interest and relational concerns, procedural justice in IJV decision processes enhances the IJV management team's organizational commitment to all three parties. The argument for increases in organizational commitment to the parents is relatively straightforward. To the extent that parent firms adhere to the principles of procedural justice (e.g., consistency, use of accurate information), the IJV management team will perceive that its interests are being protected in the long run and that it is valued by these organizations. Justice theory thus suggests that such perceptions are likely to result in a more positive evaluation of the parent firms controlling the decision-making process (Lind and Tyler, 1988). Effects of perceived fairness in decision-making on commitment have been demonstrated by Kim and Mauborgne (1991), who found organizational commitment of subsidiary managers in multinationals positively related to the procedural justice of the strategic decision process, and by Korsgaard *et al.* (1995), who found decision-making teams more committed to decisions when the leader of those teams behaved in a procedurally fair manner. Thus, IJV teams' perceptions of parents' fairness are expected to affect their commitment to the organizations.

We expect that procedural justice in decision-making will also enhance the IJV management team's commitment to the IJV itself. Guth and MacMillan (1986) modeled middle management commitment to implementation along expectancy lines. They argued that in order to be committed to projects, middle managers had to feel as if their views mattered in the decisions reached. In support of this perspective, Wooldridge and Floyd (1990) found that middle managers' participation in strategic decisions was not enough to secure their committed support to projects: they had to believe their ideas were given adequate consideration by top management. Such effects could be explained in terms of the procedural justice mechanisms that promote organizational identification. Treating the IJV managers in a procedurally fair manner should help to legitimize their status as team members while verifying the importance of the IJV itself. As a result, the IJV should be viewed as a more attractive and self-enhancing organization for IJV managers to be affiliated with, which in turn should strengthen their identification with and commitment to the IJV.

In summary, perceptions of procedural justice in strategic decision-making should enhance IJV managers' belief that their interests are protected and that they are valued by the parent firms; such a belief leads to greater commitment to the parent firm. Similarly, fair processes will lead to a greater identification with the IJV, enhancing their commitment to the IJV itself.

Hypothesis 2: Procedural justice in IJV decision-making is positively related to the IJV management team's organizational commitment; specifically, procedural justice is positively related to commitment to: the IJV itself, the local parent, and the foreign parent.

Closely related to issues of procedural justice in the decision-making process is decision control (Tyler, Rasinski, and Spodick, 1985). Control is the process by which one entity influences the behavior and output of another entity (Ouchi, 1977). Influence may be exerted through authority (Barnard, 1938), power (Etzioni, 1961), or through informal mechanisms (Ouchi, 1980). Organizations strive to maintain autonomy (Gouldner, 1960); in an alliance, each partner must balance a desire for autonomy with a growing interdependence with its partner (Van de Ven and Walker, 1984). It is the tension caused by this dichotomy that often leads to conflict between multinational enterprises or between alliance partners. In an IJV context, the relationship between the IJV and its parents adds a further dimension of potential conflict as the IJV managers seek greater autonomy over their operations. The IJV literature provides little guidance on the effect of decision control on JV outputs and none on the effect of decision control on JV decision-making processes. Killing (1983) noted that the main source of complexity in an IJV is the presence of multiple parents and hypothesized that dominant control of the IJV by *one* parent would be correlated with greater IJV success. Beamish (1988) found no support for this hypothesis in less developed countries, while Geringer and Hébert (1989) found that IJVs in Canada with *shared* control significantly outperformed IJVs with dominant control by one parent. These studies focus on parent-parent power struggles, but we assert that an IJV management team's decision control relative to parents will have a significant impact on the team's decision-making

process and, consequently, on the team's organizational commitment.

First, when parents accord an IJV management team little control over strategic decisions affecting the IJV, the parents are more likely to be perceived as self-serving and less interested in the welfare of the IJV. Further, norms of reciprocity imply that when individuals are accorded more influence over decisions affecting their own welfare, they respond by trusting and being more committed to the decisions. This view is supported by the work of Korsgaard and colleagues (Korsgaard *et al.*, 1995; Sapienza and Korsgaard, 1996), who found that influence on strategic decisions by members of the decision-making team was positively related to team members' trust in the leaders and commitment to their strategic decisions. In addition, Eisenberger *et al.* (1986, 1990) argued that perceived organizational support—the extent to which individuals believe that the organization supports and encourages them—strengthens individuals' effort-outcome expectancy and results in greater organizational commitment. When the IJV management team can control the strategic decisions affecting the IJV, it will respond to the parent firms' demonstration of trust in it with higher levels of commitment to the parent firms.

Second, because decision control may enhance expectations of positive outcomes for the IJV, the IJV management team's commitment will be greater to the extent that the team controls strategic decision-making. When the IJV management team can control the strategic decisions affecting the IJV, it will expect that it can direct efforts to achieve what it wants. Consequently, it will become more committed to the IJV. Guth and MacMillan's (1986) study of strategic implementation showed that when middle managers were given more autonomy in decision-making they were more likely to expend additional effort to achieve agreed-upon goals.

In summary, because the IJV management team is likely to view greater decision-making authority as a signal of respect, it is likely to be more committed to the parents. Further, control will enhance the team's expectations that it can achieve its own goals. Thus, the IJV team should be more committed to the extent that it has control over the strategic decision-making process.

Hypothesis 3: The IJV management team's control over decision-making is positively related to

organizational commitment. Specifically, the IJV management team's control over IJV decision making is positively related to commitment to: the IJV itself, the local parent, and the foreign parent.

Procedural justice theory suggests that when individuals have little control over decisions affecting them, they become especially sensitized to the decision processes (Leung and Li, 1990). That is, greater attentiveness to how decisions are made results when individuals have little hand in making the decisions. This effect occurs for reasons of self-interest and relational concerns. The less input a team has in decisions, the less it can ensure that decisions are made in a manner that protects its long-run interests. Hence, it becomes sensitized to signals that decision-makers are fair and trustworthy and that the team's own interests are protected (Korsgaard *et al.*, 1995). Lack of decision control may lead IJV teams to be sensitized to relational treatment in the decision process as well. Decision control is a relatively clear signal of status and value to the organization. The IJV management team with little decision control is likely, therefore, to gauge its 'worth' and status in the alliance by how it is treated in decision processes.

The above logic has received support in empirical work on strategic decision-making. Korsgaard *et al.* (1995) found the impact of procedural justice on decision-making team members' commitment to decisions to be stronger for teams with less influence on leaders' decisions. Similarly, Eisenhardt (1989) observed that top management teams who had little input into leaders' decisions were particularly concerned with leaders' fairness and lack of bias. Kim and Mauborgne (1993a, 1993b) found that procedural justice had a positive impact on subsidiary managers' organizational commitment in general; further, it had a greater impact on subsidiary managers in global industries than on those in multidomestic industries. This result is consistent with our arguments: 'global' strategies require greater centralization of decisions in order to coordinate effort across the multinational company than 'multidomestic' strategies, which are more controlled by subsidiary managers (Ghoshal and Noria, 1989; Porter, 1986).

In summary, the IJV management team's commitment to the IJV and to the parent firms will be enhanced when strategic decisions are reached in

a procedurally just manner. When the IJV management team has little control over strategic decisions, procedural justice assumes greater salience as a signal of the protection of their interests, the integrity of decision-makers, and of their value to the organization. As a result, procedural justice in strategic decision-making is likely to have a particularly strong impact on commitment when the IJV management team lacks control over strategic decision-making.

Hypothesis 4: The impact of procedural justice on organizational commitment is moderated by the IJV management team's control over decision-making. Specifically, the lower the decision control the stronger the impact of procedural justice on commitment to: the IJV itself, the local parent, and the foreign parent.

Differential effects of procedural justice on organizational commitment

Our foregoing arguments have assumed that organizational commitment is not a zero-sum game: commitment to all three organizations is expected to change in concert as opposed to creating trade-offs. However, we have not addressed the issue of whether the *strength* of the effects will be the same for all three. Hypothesis 1 predicted that the 'normal' state of affairs would be for the IJV management team's commitment to be greatest to the IJV itself. If procedural justice affects commitment to all three entities in the same proportions, an 'unbalanced' condition would persist regardless of the parents' use of procedural justice.

Our position, however, is that procedural justice will have its greatest effect on the IJV management team's commitment to the parents. Further, we expect that the greatest equivalence of commitment across organizations will occur at high levels of procedural justice. These positions stem from the logic in previous hypotheses. First, as outlined for Hypothesis 1, the IJV management team's commitment to the IJV itself will be generally high. Further, the IJV management team's commitment to the IJV is more strongly anchored to the IJV than it is to the parents—anchored by team members' identification with the IJV through their shared fate in IJV outcomes, their day-to-day interactions, and through the shared culture that evolves in the

IJV (Ouchi, 1980). In short, many factors *outside* the strategic decision processes shape the IJV management team's identification with and commitment to the IJV, whereas its relationship with the parent organizations is likely more fully dependent on the strategic decision process as the key means by which its members' identification is maintained, built, or undermined. In short, because identification with the IJV is strongest and depends least on interactions with the parents to be maintained, the effects of procedural fairness in decision processes will have its greatest impact on its identification with and commitment to the parents:

Hypothesis 5: The impact of procedural justice on commitment depends on the target of the commitment, such that the impact will be greater for commitment to the foreign parent and the local parent than for commitment to the IJV. Specifically, procedural justice will mitigate the discrepancy in commitment to the three entities (Hypothesis 1) such that the greater the justice, the more similar the commitment to all three.

METHODS

Data collection

The sampling frame consisted of manufacturing IJVs domiciled in the United States or Canada which were identified from secondary sources such as *The Directorate of Corporate Affiliations, Directory of Foreign Manufacturers in the United States*, and *Yearbook on Corporate Mergers, Joint Ventures, and Corporate Policy*. For the purposes of simplicity and comparability, we examined only IJVs with one local parent (i.e., a parent with headquarters in the same country as the IJV) and one foreign parent (i.e., a parent with headquarters outside the IJV's country), and IJVs that had been in existence for at least 2 years. One hundred and twenty-eight IJVs were identified, and questionnaires were sent to the general manager or president, who was asked to distribute a questionnaire to members of the IJV's top management team who were not also members of the IJV's board of directors. This procedure ensured that (1) only members of the top management team received a questionnaire; (2) that the respondents' perceptions of the IJV team's organizational commitment

would not be biased by their being a member of the IJV's board of directors. This procedure also ensured that the anonymity of each respondent was preserved.

Questionnaires were returned from 54 IJVs, a response rate of 42 percent. Multiple responses were received from 45 firms, while single responses were received from nine; the average number of respondents per IJV was 3.1. Most of the responding IJV teams were from Japanese-U.S. JVs ($n = 35$, 60%), followed by European/U.S. and Canadian/U.S. (11% and 7%, respectively). They represented a variety of industries, ranging from automotive and metals to aerospace. Twenty nonresponding firms were selected at random to check for nonresponse bias; we found no significant differences in industry, size or age of the IJV, or size of the IJV management team. Of the 54 IJVs that responded, three were owned by parent companies that were both located outside the United States and Canada; because these did not fit our sampling requirements they were dropped, yielding a final sample of 51.

We used a structured, self-report questionnaire to collect data from the IJV managers. Although interfirm studies often use a single key informant, this method suffers from several forms of informant bias (Kumar, Stern, and Anderson, 1993), so we chose instead to make the IJV *top management team* the unit of analysis rather than individual managers and we sought to obtain responses from more than one member of the management team within each IJV; aggregating the multiple responses provided a single indicator for each IJV management team for each measure. The interrater reliability estimates for the aggregated measures ranged from 0.84 (Decision Control) to 0.98 (Commitment to the IJV), suggesting a satisfactory level of interrater reliability. An Appendix contains the item measures and estimates of internal consistency (Cronbach's alpha).

Measures

Organizational commitment

We modified the Organizational Commitment Questionnaire (Mowday *et al.*, 1979) to measure three types of organizational commitment: to the IJV, to the foreign parent, and to the local parent. Each item was assessed on a 5-point Likert-type scale, and the wording of some

of the questions was changed to reflect the fact that IJV managers may perceive themselves as associated *with* rather than working *for* a parent organization. Individual assessments of organizational commitment were averaged for each IJV to provide an overall measure of each IJV management team's perception of procedural justice.

Since these measures had previously been developed to assess commitment at the individual level of analysis, we applied several tests to assess the validity of using them to measure commitment at the team level. First, because respondents were asked to give their perceptions of the management team's commitment to each of the organizations, the items were worded to assess *team commitment* rather than the individual's commitment. A preliminary draft of the questionnaire was reviewed by a panel of qualified scholars and amended in light of their comments and suggestions. A second draft was reviewed by senior managers of four IJVs based in the southeastern United States who confirmed that the items used to measure each construct appeared to capture the domain of that construct, thus establishing a satisfactory element of content validity. Because the measures sought to capture the respondents' perceptions of team commitment, the pretest respondents were quizzed about the ability of IJV managers to provide an accurate assessment of the overall team's commitment to the IJV and its parents. They confirmed that senior IJV managers should be able to answer all the questions with no difficulty. Following the pretest, the questionnaire was further refined to clarify the questions and instructions, and to eliminate potential ambiguity. None of the IJVs used in the pretest was included in the final study sample.

After the completed questionnaires were received from the respondents in the sample frame, two further types of test were performed on the items used for each commitment measure to satisfy the requirement that the items should correlate well with one another: tests of internal consistency, and factor analysis. As a result of these tests, two items were purged from each of the measures, leaving six items in the measure of commitment to the IJV, and eight items in each measure of commitment to the parent. The resulting measures (see Appendix) showed acceptable levels of internal consistency, with Cronbach alpha levels ranging from 0.81 to 0.98.

However, the aggregated measures of commitment were highly correlated (see Table 1), which suggested that they might in fact represent a unidimensional construct rather than three separate constructs. Therefore, we applied confirmatory factor analysis, using LISREL, to assess the divergent validity of the three measures (Campbell and Fiske, 1959), and we analyzed and compared the results for both a one-factor and a three-factor solution. The three-factor model achieved a much higher score on all measures of fit (e.g., adjusted goodness of fit index (AGFI) of 0.75 vs. 0.28) and a lower standardized root mean square residual (0.051 vs. 0.13), indicating that the three-factor model provided a better fit. Additionally, a χ^2 test of difference between the two models ($\chi^2_3 = 897$) was significant at $p < 0.001$. The results of the confirmatory factor analysis provided evidence that each of the three commitment measures did indeed capture a separate and distinct underlying construct.

Procedural justice

Procedural justice was measured with an instrument adapted from the 6-item scale developed by Kim and Mauborgne (1991), for which they found a high level of reliability and validity. There is strong theoretical support for this measure in the procedural justice literature (e.g., Folger and Bies, 1989; Folger, Konovsky, and Cropanzano, 1992). Procedural justice concerns the impact of procedure independent of outcomes; thus, measures of procedural justice focus on processes that do not involve direct control over decision outcomes. The procedural justice measure also included two measures of overall perceptions of procedural justice. Given that our investigation centered on the teams' collective perceptions, we therefore referred respondents to the collective (i.e., the IJV) in the instructions preceding the scale, which asked respondents to evaluate strategic decision-making procedures '... which affect [name of IJV]'. We did not alter the referent in the items themselves (three of the items used the singular referent 'I' whereas the remaining three contained no referent). This procedure is similar to that used in other studies of collective perceptions of procedural justice (Colquitt, Noe, and Jackson, 2002; Mossholder, Bennett, and Martin, 1998). Individual assessments of procedural justice were averaged for each IJV to provide an index of

each IJV management team's perception of procedural justice.

Decision control

Since this study focused on the strategy-making process, rather than any discrete functional decisions, respondents were asked to indicate the extent to which the parents or the IJV controlled the strategy-making process. Three items were used, with responses on a 5-point Likert-type scale, to assess the degree to which the parent firms or the IJV management team controlled the strategic decision-making process. Individual responses were averaged to produce an index of decision control for each IJV.

Control variables

Data were collected on a number of additional variables, such as the age of the IJV, its size (measured in revenues and in the number of employees), its industry classification (4-digit SIC), the size of the IJV management team, the length of tenure of the team, respondents' nationality, and respondents' previous experience working for either parent. Only Team Tenure, Local Parent Experience, and Foreign Parent Experience were highly correlated with the main variables of interest and these variables were included in the analyses and results below.

ANALYSIS AND RESULTS

The means, standard deviations, and zero order correlations of the variables are presented in Table 1.

Table 1. Means, standard deviations, and correlations

Variable	Mean	S.D.	1	2	3	4	5	6	7
1. Commitment to IJV	4.18	0.40							
2. Commitment to Local Parent	3.82	0.66	0.51*						
3. Commitment to Foreign Parent	3.76	0.64	0.59*	0.36*					
4. Procedural Justice	3.83	0.64	0.65*	0.57*	0.54*				
5. Decision Control	2.42	0.80	0.47*	0.14	0.10	0.42*			
6. Foreign Parent Experience	0.79	1.33	-0.03	-0.35*	0.04	-0.07	0.02		
7. Local Parent Experience	2.27	1.86	0.07	0.38*	0.02	0.24	-0.05	-0.38*	
8. Team Tenure	4.07	0.69	0.17	0.20	0.35*	0.29*	0.13	-0.01	0.18

* $p < 0.05$

In this investigation, the target of commitment (the JV, the local parent, or the foreign parent) was a repeated measures factor in that we had three observations of commitment per team, one for each target. Procedural justice and decision control were between-team variables with each team providing one assessment of each of these variables. The control variables, team tenure and parent experience, were also between-team variables. Given that repeated measures were employed, all hypotheses were tested using repeated measures regression (Cohen and Cohen, 1983; Hollenbeck, Ilgen and Sego, 1994). A variation on repeated measures ANOVA, this procedure allows for the estimation of effects of within (repeated measures)-team variables as well as the estimation of effects of between-team variables with the appropriate error terms. The error term for within-team effects is based on the residual variance within teams, whereas the error term for between-team effects is based on the residual variance between teams. The results of these analyses are presented in Table 2.

Hypothesis 1 predicted that commitment to the IJV would be higher than commitment to the local or foreign parent. Because target is a nominal variable of three levels, two dummy coded variables were used to assess the effect of target, which was tested in step 2 of the regression analyses. As indicated by the change in R^2 ($\Delta R^2 = 0.09$, $F_{2,98} = 14.58$, $p < 0.05$), together, these two variables significantly predicted commitment, indicating that commitment differed across the three targets. Of the two dummy-coded variables, the variable representing the difference between the IJV vs. the parents was significant ($B = 0.35$, $t_{98} = 3.64$, $p < 0.01$). As the means listed in Table 1 suggest, teams were more committed to the IJV

Table 2. Repeated measures regression on organizational commitment

	B	S.E.	t ^a	ΔR ²	F	d.f.
<i>Step 1: Between effects of control variables</i>						
Team Tenure	0.08	0.05	1.55			
Foreign Parent Experience	-0.03	0.05	-0.56			
Local Parent Experience	-0.03	0.04	1.12	0.10	3.32	3,44
<i>Step 2: Within effects target of commitment^b</i>						
Joint Venture Comparison	0.35	0.10	3.64**			
Foreign Parent Comparison	-0.07	0.10	-0.70	0.09	14.58*	2,98
<i>Step 3: Between effects</i>						
Procedural Justice	0.86	0.22	3.96**			
Decision Control	0.43	0.28	1.51			
Procedural Justice × Decision Control	-0.13	0.08	-1.68*	0.47	16.00*	3,44
<i>Step 4: Within effects of Target × Justice</i>						
Joint Venture Comparison × Justice	-0.18	0.13	-1.42+			
Foreign Parent Comparison × Justice	-0.05	0.13	-0.43	0.02	0.99	2,98
Model R ² for within effects ^c				0.10	7.79*	4,98
Model R ² for between effects ^c				0.57	9.96**	6,44

^a One-tailed t-test tests were employed.

^b As a nominal variable, target was coded into two dummy coded variables: the first comparing the joint venture to the parent companies and the second comparing the foreign parent to the joint venture and local parent.

^c The R²s for within-group effects are estimated relative to the variance within teams, whereas the R²s for between-group effects are estimated relative to the variance in commitment between teams (Cohen and Cohen, 1983). Therefore, the R²s for within and between effects are not additive.

+ p < 0.10; *p < 0.05; **p < 0.01

($m = 4.18$) than to the parents (foreign parent $m = 3.76$; local parent $m = 3.82$). Thus, Hypothesis 1 was supported.

Hypotheses 2 and 3 predicted positive effects of procedural justice and decision control on commitment, whereas Hypothesis 4 predicted that the impact of procedural justice would be moderated by decision control. These hypotheses were tested in step three of the regression analyses listed in Table 2. Note that these analyses assess the average effects of justice and decision control on commitment across the three targets. As a follow-up, we conducted separate regression equations for commitment to each target, which are summarized in Table 3.

Hypothesis 2 was supported in that procedural justice was significantly related to commitment ($B = 0.86$, $t_{50} = 3.96$, $p < 0.01$). Moreover, as shown in Table 3, procedural justice was significantly and positively related to commitment to all three targets. Hypothesis 3, on the other hand, was not supported; decision control was not significantly related to commitment overall at the 0.05 level, although the relationship was marginally significant ($B = 0.43$, $t_{44} = 1.51$, $p < 0.10$). As indicated in Table 3, analyses of the relationship

between decision control and commitment to each entity revealed that decision control was significantly related to commitment to the IJV only ($B = 0.11$, $t = 1.89$, $p < 0.05$).

Hypothesis 4 was supported in that the interaction of procedural justice and decision control was significantly related to commitment ($B = -0.13$, $t_{44} = 1.68$, $p < 0.05$). To interpret this effect, we employed the procedure outlined by Aiken and West (1991) to produce regression slopes of commitment on procedural justice. Two regression equations were computed: one under conditions of high decision control (1 S.D. above the mean on decision control) and one under conditions of low decision control (1 S.D. below the mean on decision control). The results, displayed in Figure 1, indicate that, as expected, procedural justice had a stronger relationship to commitment when decision control was low than when it was high.

The separate regression analyses for each target listed in Table 3 revealed that the relationship between interaction of procedural justice and decision control and commitment to the IJV was not significant at the 0.05 level, although this relationship was marginally significant ($B = -0.11$,

Table 3. Moderated regression equations for commitment to the IJV, local and foreign parent

Dependent variable	Predictor	B	S.E.	t	ΔR^2	F
IJV Commitment	Step 1: Team Tenure	0.07	0.05	1.48	0.05	0.82
	Foreign Parent Experience	0.00	0.05	0.00		
	Local Parent Experience	0.01	0.03	0.39		
	Step 2: Procedural Justice	0.36	0.08	4.80*	0.46	20.78**
	Decision Control	0.11	0.06	1.89*		
	Step 3: Justice * Control	-0.11	0.07	-1.60 ⁺	0.03	2.52
Local Parent Commitment	Model R^2				0.53	8.36**
	Step 1: Team Tenure	0.09	0.07	1.32 ⁺	0.23	4.56**
	Foreign Parent Experience	-0.12	0.07	-1.70*		
	Local Parent Experience	0.10	0.05	2.04*		
	Step 2: Procedural Justice	0.57	0.13	4.48*	0.25	10.68**
	Decision Control	-0.08	0.10	-0.85		
Foreign Parent Commitment	Step 3: Justice * Control	0.01	0.12	0.06	0.01	0.01
	Model R^2				0.48	6.63**
	Step 1: Team Tenure	0.08	0.07	1.12	0.03	0.48
	Foreign Parent Experience	0.03	0.07	0.40		
	Local Parent Experience	0.01	0.05	0.23		
	Step 2: Procedural Justice	0.63	0.14	4.62*	0.32	10.93**
Model R^2	Decision Control	-0.14	0.11	-1.27		
	Step 3: Justice * Control	-0.28	0.12	-2.28*	0.07	5.16*
	Model R^2				0.42	5.22**

⁺ $p < 0.10$; * $p < 0.05$; ** $p < 0.01$

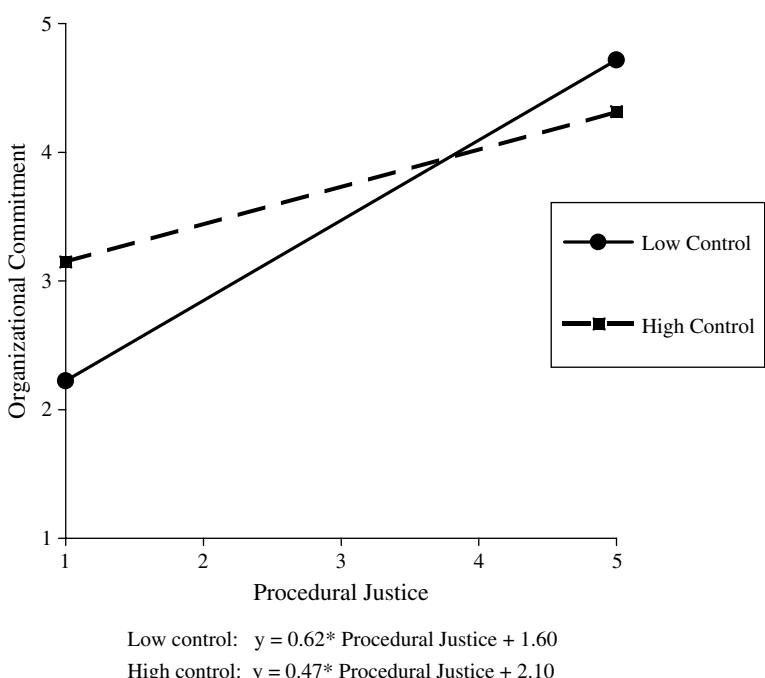


Figure 1. Simple regression equations illustrating the interaction of procedural justice and control on commitment

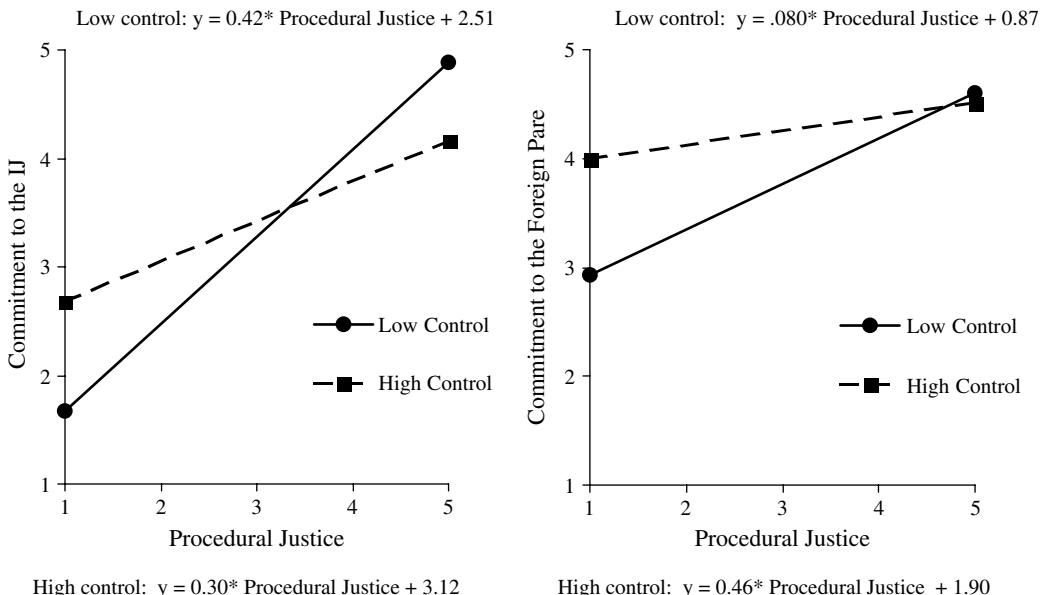


Figure 2. Simple regression equations illustrating the interaction of procedural justice and control on commitment to the IJV and foreign parent

$t = -1.60$, $p < 0.10$). Further, this relationship did not hold for commitment to the local parent ($B = 0.01$, $t = 0.06$, n.s.). In contrast, the interaction of procedural justice and decision control was significantly related to commitment to the foreign parent ($B = -0.28$, $t = -2.28$, $p < 0.05$). The patterns of interaction for commitment to the IJV and to the foreign parent are listed in Figure 2. Consistent with the findings across target, illustrated in Figure 1, the impact of procedural justice on commitment was stronger when decision control was low.

Hypothesis 5 predicted that the impact of procedural justice on commitment would be moderated by the target of commitment. Specifically, procedural justice was expected to mitigate the discrepancy in commitment to the three entities (Hypothesis 1) such that the greater the justice, the more similar the commitment to all three. This hypothesis was tested by the interaction of procedural justice and target tested in step 4 of the regression analyses. As indicated by the change in R^2 ($\Delta R^2 = 0.01$, $F_{2,98} = 0.99$, n.s.), the interaction of procedural justice and the target was not significant. However, the interaction of procedural justice and the dummy-coded variable representing the difference between the IJV and the parents was marginally significant ($B = -0.18$, $t_{98} = -1.42$, $p < 0.10$). To interpret this interaction, we computed separate

bivariate regressions of commitment on procedural justice for each target. As illustrated in Figure 3, the findings suggest that procedural justice mitigated the discrepancy in managers' commitment to the three entities in that at high levels of procedural justice, commitment levels are more likely to be similar. In contrast, at low levels of procedural justice, commitment levels are less likely to be similar.

DISCUSSION

The purpose of this study was to examine how strategic decision processes involving IJV management teams and their foreign and local parents affect the organizational commitment levels of the IJV management team. We posited that commitment to the IJV and to the parent firms exists at varying levels in IJV top management teams. Further, we posited that commitment to all three entities would be positively affected by perceptions of procedural justice and decision control, and that the impact of procedural justice would be stronger when decision control was low. Finally, we hypothesized that procedural justice has a greater impact on the levels of commitment to the parents than to the IJV. Data from the management teams of 51 IJVs largely support these

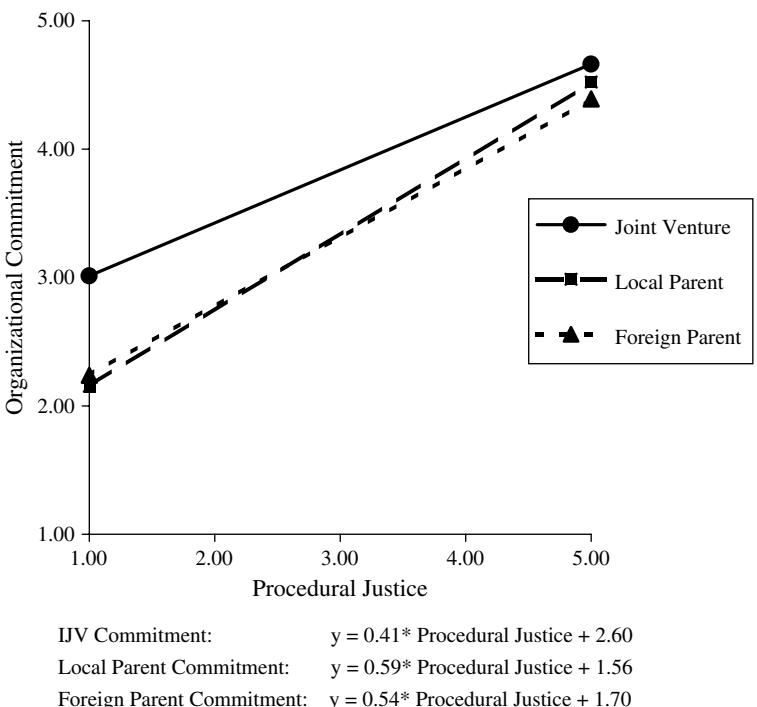


Figure 3. Regression equations illustrating the interaction of procedural justice and target on commitment

hypotheses. In general, the results offer empirical support for the position that the management team of IJVs is likely to identify more strongly with the IJV than with the parent firms (Inkpen and Beamish, 1997) and for the positive impact of procedural justice when managers have little or no control over the decision-making process (Kim and Mauborgne, 1991, 1993a, 1993b; Korsgaard *et al.*, 1995; Sapienza and Korsgaard, 1996). However, we found limited support for the effects of decision control and for the role of procedural justice in reconciling discrepancies in commitment to the IJV and parents.

The three hypotheses that received partial or weak support concerned the impact of decision control on organizational commitment, the interaction of procedural justice and decision control, and the interaction of procedural justice and the target of commitment. The weak relationship between decision control and commitment in our tests may be attributable to the strong correlation between decision control and perceptions of procedural justice. While we found the IJV management team's control over the decision-making process was positively associated with commitment to the IJV, control was not associated with commitment to

the parents. This result is consistent with Guth and MacMillan's (1986) expectancy arguments. Greater decision control appears to focus the management team's attention on what the IJV is capable of achieving, more than on how it is being treated by the parents.

Second, we found only weak evidence that the impact of procedural justice on team commitment was moderated by the level of decision control in that this effect was marginally significant for commitment to the IJV and nonsignificant for commitment to the local parent. There are several possible explanations for these findings. First, the weak interactive effect between procedural justice and parental control together with the significant main effect of procedural justice may indicate that, in comparison with procedural justice perceptions, control of strategic decision-making was not a major factor affecting IJV managers' organizational commitment. Further, organizational justice theory suggests that procedural justice has a stronger effect than distributive justice on attitudes about institutions or authorities, whereas distributive justice has a stronger effect on specific outcomes, such as job satisfaction or pay fairness (Lind and Tyler, 1988). Thus, decision

control may have more of an impact on reactions to decision *outcomes* than on attitudes towards organizations. It is interesting to note that commitment to both parents was affected by the same factors in all cases except that the joint impact of justice and decision control was significant for the foreign and not the local parent. Future studies might productively investigate the differential effects of decision control on commitment to local vs. foreign parent organizations.

Third, we found limited evidence that the relationship between procedural justice and commitment was moderated by the target of commitment. This relationship, tested by comparison of the relationship between procedural justice and commitment to the IJV vs. the partners, was only marginally significant. Nevertheless, the marginal trend, illustrated in Figure 3, is indeed consistent with the hypothesized relationship: greater differences in commitment levels to the IJV vs. the partners are observed for teams who perceived procedural justice to be low whereas commitment levels are more uniformly high among teams who perceived procedural justice to be high. Given the small sample size, it is possible that a significant finding was not obtained due to a lack of statistical power. Alternatively, it may be that the impact of procedural justice on commitment to the parents for some teams was not as strong as anticipated because the level of parental involvement was relatively low. As noted in Table 1, the mean level of decision control was slightly below the midpoint, indicating that the parents did not exert a high level of control over strategic decisions concerning the IJV. Thus, in cases where parental control was very low, the procedural justice of the decision-making process may have meant little to the management team regarding the relationship between the IJV and the parent firms.

Unlike previous research that focused on the parent firm's support of the IJV (Steensma and Lyles, 2000) or commitment to the IJV (e.g., Beamish, 1988; Geringer, 1988; Inkpen and Beamish, 1997), we focused on the commitment of the IJV management team. Our study indicates that differences exist in the levels of organizational commitment manifested by IJV top management teams. Such differences may influence IJV managers' willingness to implement initiatives depending on how they are framed: as parent enhancing, IJV enhancing, or both. The importance to JV performance of balance in goals and commitment has been an

implicit theme in much of the literature. Indeed, Hambrick *et al.* (2001) state that interventions may be needed to short-circuit the unproductive conflict that may occur within IJV TMTs, and Hennart *et al.* (1999) argue that JVs face a constant threat that one parent will attempt to exploit the JV at the other's expense. Our results suggest that managing the decision-making process may limit the likelihood that an IJV will fall prey to destructive imbalances.

Researchers taking a normative view of IJV management (e.g., Harrigan, 1985; Pearce, 1997) have suggested that the IJV should be structured to achieve the goals of both the IJV and the parent firms. An implicit assumption of such a view is that the IJV management team must maintain a level of commitment to all parties in order to deliver on those goals. Our findings indicate that the *dynamics* of the relationship between the IJV and its parents exert a potent influence on organizational commitment, perhaps through effects on identification processes (Kogut and Zander, 1996). Our findings suggest that procedural justice mitigates the tendency of IJV management teams to develop a significantly greater level of commitment to its own goals and values than to those of either local or foreign parents. Procedural justice not only increases the level of commitment to the IJV itself, but also creates a more evenly balanced identification with and commitment to all three entities.

Commitment has been identified as an antecedent to team cooperation in implementing strategic decisions (Korsgaard *et al.*, 1995), so we would expect that balanced commitment by an IJV management team is likely to result in effective strategy implementation in a way that will satisfy the needs and expectations of the IJV and its parents. Furthermore, Inkpen (1998) suggests that equity JVs are an effective tool for achieving interorganizational learning. Inkpen maintains that such learning is more likely to occur when the IJV is 'culturally aligned' with its parents—that is, when the IJV managers share with the parents the same assumptions about the purposes and goals of the IJV, and when all parties work together to avoid the 'us vs. them' situation that can lead to polarization and conflict (Inkpen, 1998: 77). The findings of our study indicate that IJV TMT members share a common sense of the team's commitment to the IJV and its parents, and that decision-making processes that are perceived to be

fair enhance the team's commitment to all three entities, promoting cultural alignment. Moreover, not only should balanced commitment provide an excellent basis for cooperation among the three organizations during the lifespan of the IJV, but it will also increase the viability of options for the termination of the IJV, when the option is not dissolution: the option for a buy-out whereby the IJV becomes totally independent of either parent, or for the options of being acquired by the foreign or the domestic parent.

In short, this study broadened the theoretical approach to IJV governance by examining potential process solutions to governance issues, and our results hold practical implications in that they suggest how IJV parents may maintain the requisite levels of commitment. Our findings were consistent with the line of argument developed by Kim and Mauborgne (1998). Using a procedural justice framework, they argued that strategic decision-making teams will overcome narrow self-interests and display a high level of voluntary cooperation when they feel that the processes have been fair. Their view was that procedural justice motivates individuals to 'subordinate their personal self-interests ... and unrestrainedly pursue the objectives of the enterprise' (Kim and Mauborgne, 1998: 323). Kim and Mauborgne's discussion focused on the tension between individual and overarching organizational goals, rather than the tension between IJV and parental goals, but their logic appears also applicable to IJVs. Our findings show that procedural justice in strategic decision-making can have a powerful effect in aligning the organizational commitment of IJV managers, resulting in a more balanced commitment to the goals of the IJV and its parents. By paying attention to how decisions are made, parents may be able to ensure that their own interests are served by the IJV managers.

Our findings also added to a growing body of evidence regarding the importance of collective perceptions, such as procedural justice climate (Colquitt *et al.*, 2002; Naumann and Bennett, 2000) or context (Mossholder *et al.*, 1998). These studies have documented the existence of shared perceptions of procedural justice in workgroups and the impact of such perceptions on satisfaction (Mossholder *et al.*, 1998), cooperative behavior (Naumann and Bennett, 2000) and performance (Colquitt *et al.*, 2002). Our findings add to this trend by demonstrating the influence of collective

perceptions of procedural justice on commitment in an interorganizational setting.

Recently, researchers have begun to argue that the positive effects of procedural justice in strategic decision-making may be cognitive as well as emotional (Kim and Mauborgne, 1998; Korsgaard *et al.*, 2001). These researchers posit that just processes in top management teams lead to thorough information exchange and thus enhance not only the will to implement decisions but also the quality of the decisions themselves. If such arguments are valid, even greater cause exists for the parents of IJVs to make every effort to establish and maintain procedurally fair strategic decision processes. The position that procedural justice may also enhance decision quality in top management teams remains a significant issue awaiting empirical verification.

Limitations and future directions

Although the findings of this investigation are promising, several issues remain unresolved. First, cross-sectional, self-report data were used, which are subject to respondent bias and lack clear evidence of causality. For example, it may be that strong mutual commitment between IJVs and their parents foster fairer decision-making procedures rather than the reverse. Future research involving longitudinal observation will allow for a stronger assessment of the impact of procedural justice on organizational commitment. Also, although commitment research broadly supports the view that greater organizational commitment leads to greater efforts to implement organizational decisions (e.g., Guth and MacMillan, 1986; Wooldridge and Floyd, 1990), we did not explicitly test this relationship in the study. Future empirical research should examine this relationship more closely in order to assess its magnitude and direction. Further, the sample size, 51 IJVs, was relatively small, which might account for some of the marginal effects that we observed; future research should aim to replicate this study with a larger sample. Also, the small sample size did not permit us to investigate cross-cultural differences: for example, between the level of organizational commitment to the parents of U.S./European vs. U.S./Asian alliances. Moreover, we did not examine intrateam factionalism (Pearce, 1997); the role of procedural justice in mitigating intrateam factionalism is a potentially fruitful avenue for future work.

Finally, researchers have acknowledged a need for further research into how alliance relationships evolve over time (e.g., Doz, 1996; Inkpen and Beamish, 1997; Osborn and Hagedoorn, 1997; Parkhe, 1993b). As Osborn and Hagedoorn observed, 'the important role of individuals in operating alliances remains virtually unexplored' (Osborn and Hagedoorn, 1997: 271). This study attempts to fill part of the void by examining the relationship between the IJV's management team and its parents, but additional research could link the processes that we observed to other outcomes, such as decision quality, implementation, and firm performance. Procedural justice may lead not just to greater commitment but, directly and indirectly, to higher-quality decisions (e.g., Kim and Mauborgne, 1995; Korsgaard *et al.*, 1995; Guth and MacMillan, 1986) which ultimately benefit the IJV's performance (Pearce, 1997). This assessment is consistent with Nahapiet and Ghoshal (1998), who assert that the quality of interpersonal relationships, through its effects on improved information sharing and greater cooperation, enhances the efficiency and effectiveness of decision making.

In summary, this study examined the impact of joint decision-making processes on multiple commitments in IJVs. Expanding the scope of earlier studies of organizational commitment and procedural justice from multinational firms to IJV management teams, this study is the first to demonstrate that IJV top management teams exhibit varying levels of organizational commitment. We found that greater procedural justice in strategic decision-making is associated with both increased levels of commitment and more balanced commitment of the IJV management team to the IJV and to the parents. The central implication of our study for the management of IJVs is clear: in IJVs that have established transparently fair decision-making procedures, organizational commitment to the IJV and its parents is greater and, as a result, more effective implementation of strategic decisions is likely to occur.

ACKNOWLEDGEMENTS

Support for this research was provided by the Center for International Business and Education (CIBER), University of South Carolina.

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APPENDIX: CONSTRUCT MEASURES

Part A concerns ‘the subsidiary’¹—that is, the organization for which you are directly responsible: **[name of IJV]**. **Part B** and **Part C** concern the organizations that own your subsidiary through equity holdings: **[name of parent 1]** for Part B, and **[name of parent 2]** for Part C.

Part A

1. Commitment to the IJV (Cronbach’s alpha = 0.81)

¹ During the pretest of the questionnaire, informants agreed unanimously that ‘subsidiary’ was a less ambiguous term when referring to the IJV.

'With respect to *the management team's* feelings about [name of IJV], please indicate the extent with which you agree with each statement.'

(1 = Not at all, 5 = To a very great extent).

- (1) We tell our friends that this company is a great one to work for.
- (2) The management team does not feel much loyalty to this organization. (R)²
- (3) We are proud to tell others that we work for this organization.
- (4) Deciding to work for this organization was a definite mistake on our part. (R)
- (5) There's not much to be gained by sticking out with this organization indefinitely. (R)
- (6) For us, this is the best of all organizations to be associated with.

2. Procedural Justice (Cronbach's alpha = 0.91)
 '...the extent to which the following statements are characteristic of the process used to determine the major strategic direction, goals and responsibilities of [name of IJV].'

(1 = Not at all, 5 = To a very great extent).

- (1) There was two-way communication in the decision-making process.
- (2) Decision-making procedures were applied consistently.
- (3) I was given the opportunity to challenge and refute the views of the decision-makers.
- (4) The decision-makers were familiar with and well informed about the situation(s) facing this subsidiary.
- (5) I was provided with a full account of the final decisions that were made which affected this subsidiary.
- (6) Decision-makers always treated me with respect and courtesy.
- (7) Overall, the procedures used for making strategic decisions were fair.
- (8) I am satisfied with the way in which major decisions were made for this subsidiary.

3. Decision Control (Cronbach's alpha = 0.83)

'...the extent to which: ...' (1 = Not at all, 5 = To a very great extent).

- (1) The way in which strategic decisions are made for this subsidiary is determined by the parent corporations.
- (2) This subsidiary has control over the strategic planning process. (R)
- (3) This subsidiary's parent corporations decide when and how changes should be made in the strategic planning process.

Part B and Part C

4. Commitment to Local Parent, Commitment to Foreign Parent³

(Cronbach's alpha = 0.98 for local parent, 0.95 for foreign parent)

'With respect to *the management team's* feelings about [name of parent], please indicate the extent with which you agree with each statement.'

(1 = Not at all, 5 = To a very great extent).

- (1) The team is willing to put in a great deal of effort beyond that normally expected in order to help this organization be successful.
- (2) We tell our friends that this company is a great one to be associated with.
- (3) We feel very little loyalty to this company. (R)
- (4) We find that our values and the company's values are similar.
- (5) We are proud to tell others that we are associated with this company.
- (6) Becoming associated with this company was a definite mistake on our part. (R)
- (7) We really care about the fate of this company.
- (8) For us, this is the best of all organizations to be associated with.

² (R) indicates items that were reverse-scored.

³ The same set of eight items was used to measure commitment to the local parent and commitment to the foreign parent; only the name of the parent was changed.