THE DYNAMICS AND EFFECTIVENESS OF INTERNATIONAL JOINT VENTURES

by

J. J. REUER*

97/108/SM

* Assistant Professor of Strategy at INSEAD, Boulevard de Constance, 77305 Fontainebleau Cedex, France.

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Jeffrey J. Reuer
INSEAD
Boulevard de Constance
77305 Fontainebleau Cedex
FRANCE
Tel: (33) (0)1 60 72 44 73
Fax: (33) (0)1 60 74 55 00
E-mail: jeffrey.reuer@insead.fr

17 October 1997

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This article addresses the instability of international joint ventures (IJVs) from a corporate strategy perspective. Data on 272 terminated IJVs are presented by way of illustration. The empirical patterns demonstrate IJV termination most often involves a reallocation of IJV ownership between existing parent firms, and these changes in ownership and resource commitments are a function of both firms' relationships to the venture. The article submits the transitory character of IJVs often stems from the nature of parent firms' strategic intents when forming IJVs. This suggests IJV instability is not always tantamount to collaborative failure as is widely assumed.

Keywords: international joint ventures; alliance dynamics; IJV instability

INTRODUCTION

What influences the success or failure of international joint ventures (IJVs)? How should firms define and measure IJV effectiveness in the first place? Managers and academics have grappled with these fundamental questions for many decades, yet no consensus or clear-cut answers have emerged. If anything, the challenges for firms implied by these questions continue to increase as the number and diversity of IJVs has grown in recent years.

Discussing IJV effectiveness and IJV management on an abstract level is complicated by other factors. Accounting guidelines for IJVs and other strategic alliances are presently not well-developed. Parent firms often establish IJVs with non-financial, and less measurable, objectives in mind such as obtaining know-how or monitoring competitors. Parent firms may experience a rather uncertain start-up period during which the IJV's scope may shift as trust develops. These considerations and others can make objective performance indicators appropriate for wholly-owned subsidiaries less suited to assessing IJV effectiveness.

The challenges firms face in controlling IJVs and making them effective may contribute to IJVs' short average lifespans. Parent firms' dissatisfaction rates with IJVs are also quite high, reaching sixty percent or more in developing countries.[1] Studies on IJVs place their failure rates between thirty and seventy percent.

As a result, it is not surprising that academic writings and the popular press often regard venture survival, longevity, and harmony as indicators of IJV success. Terminated ventures are commonly seen as "failures," whether this label is applied explicitly or implicitly. Courtship and marriage are the most common metaphors in circulation, encouraging managers to seek lifetime association, facilitate trust-

building, and stabilize ventures in order to overcome cultural, learning, and other barriers.[2] Prominent successful IJVs – such as Fuji-Xerox in Japan, Dow Corning, and CFM International, the cross-border aircraft engine venture between GE and SNECMA – appear to bear out these prescriptions. Whether these guidelines apply to all or even most IJVs is open for question, however.

The purpose of this article is to suggest that a narrow focus on IJV longevity or stability has a downside, however. In some cases, emphasizing IJV longevity and stability may result in suboptimal IJV investment decisions, poor planning for post-formation events and opportunities, or a constrained view of the role IJVs might play in organizations. Data from 272 IJVs terminated during the 1985-1995 period illustrate the way IJVs end. Empirical patterns demonstrate parent firms' differing interests in IJVs, the importance of viewing IJVs from a corporate perspective, and the need to think through the IJV endgame.

The discussion revolves around three main points. First, while it is common to speak of "IJV instability" in general, parent firms actually experience IJV instability in a number of distinct ways. Second, IJV instability is not necessarily indicative of failure on the part of parent firm or venture managers. Third, IJVs are often transitional organizational forms by nature. The article underscores the importance of viewing IJVs as means to ends rather than ends *per se* as implied by an emphasis on IJV longevity, survival, or stability.

CORPORATE STRATEGY AND IJVs

Just as there are multiple levels of strategy, IJV effectiveness can be evaluated along different dimensions. For instance, at the functional level the firm can assess a

venture's impact on a division's marketing programs. Firms can undertake IJVs to solicit the assistance of a local partner to tailor marketing communications to a different cultural context and speed the time to market. The firm might also appraise the IJV as a business entity competing with other firms or ventures in a host country or even internationally. Increasingly IJVs are performing a full set of value-chain activities ranging from R&D to production to marketing.

This section highlights several concerns with the use of IJV longevity, survival, or stability as signals of IJV effectiveness. Even if these indicators are useful in characterizing individual IJVs, issues arise because effectiveness is gauged from the venture's perspective rather than from a parent firm's perspective.

First, when the venture is viewed in isolation from parent firms' corporate strategies, the IJV is seen as an end in itself rather than a means for satisfying the parent firms' broader objectives. Focusing on the venture as a distinct business entity can be problematic because of the failure to account for positive or negative spillovers on parent firms that may cause a firm to over- or under-invest in certain IJV activities such as R&D or exporting, at least when viewed from the JV's perspective as a stand-alone business.[3] The more important these activities, the more important it is for the firm to judge the IJV within a wider context that accounts for its effects on the firms' other operations.

Second, firms judging performance at the level of the IJV can also discount the broader collaborative and competitive context of the venture. Frequently the firm has multiple alliances with a partner, has a portfolio of IJVs with an underlying logic, or is indirectly connected to others in a business network. Firms such as Corning and General Motors maintain scores of mutually-supporting alliances. Network structures

within semi-conductor and other industries compete against each other (e.g., Sun vs. Mips). At least two implications follow: First, behavior and performance outcomes in one alliance can depend upon activity in other alliances in the network. Second, the firm's flexibility derives from its portfolio of relationships, any one of which may or may not be durable, rather than from the adaptability or survival of individual alliances.

Finally, emphasizing IJV longevity or stability fails to explicitly account for parent firms' unique IJV payoffs. What is good performance for one parent firm may well be poor performance for a partner with different objectives or ties to the venture. For instance, an important source of differential payoffs in alliances is the different rate at which firms can learn and apply IJV knowledge in other parts of the organization. As a second example, payoffs to a firm acquiring an IJV may be quite different from the payoffs to a partner withdrawing from the venture.

DATA ON IJV TERMINATION

Several of these points are brought out by Table 1, which provides a sample distribution of 272 IJVs that terminated during the 1985-1995 period. Termination announcements for these IJVs appeared in the Lexis-Nexis database or Predicast's Funk and Scott Index database. The IJVs involve two parent firms, at least one of which is a U.S. parent firm arbitrarily chosen as the focal firm for categorizing IJVs according to five specific types of termination. For example, the focal firm could internalize the IJV by acquiring the venture (i.e., Type I). Alternatively, the focal firm could withdraw from the IJV by either selling out to a partner (i.e., Type II), selling its equity position to a third party (i.e., Type III), joining with the partner in selling the

IJV in its entirety to an outsider (i.e., Type IV), or liquidating the venture's assets (i.e., Type V). The table shows the total number of IJV terminations remains relatively stable each year over the eleven-year period, though the number of IJV internalizations becomes larger toward the end of the sample window.

Insert Table 1 Here

More importantly, the table reveals IJV termination is predominantly effected by ownership reallocations between existing parent firms in the IJV: 83.8 percent of the ventures ended by one parent acquiring the IJV from its partner. Hence, venture termination is often an asymmetric, or parent-specific, phenomenon in the sense that one firm typically expands its resource commitment to the business while a partner simultaneously reduces its stake in the business. Of the IJV withdrawals, 135 of 179 (or 75.4 percent) involved the focal firm selling out to a partner. Alternative types of IJV withdrawal such as selling an equity stake to a third party, selling an IJV in its entirety, or liquidating a venture were far less common (representing 6.1, 4.5, and 14.0 percent of the sampled IJV withdrawals, respectively).

Table 2 further illustrates firms' different interests in IJVs as evidenced by parent firms' relationships to the IJV and the mode of IJV termination. The table indicates whether or not the IJV operates in the focal firm's and/or partner firm's core business (i.e., based on three-digit SIC industries) and presents a distribution of the five different types of IJV termination within each of the four cells of the matrix.

Insert Table 2 Here

Several patterns are noteworthy. First, given that IJVs are often used by diversified firms and by firms seeking access to new markets, it is not surprising that 149 of the 272 IJVs (or 65.8 percent) do not operate in the core business of either parent firm. The other IJVs are more uniformly distributed across the remaining three cells of the matrix.

Second, the IJV's relationships with both parent firms affect which parent will acquire the IJV and which firm will sell out when the venture ends through a buyout. The relative frequency for IJV internalization by the focal firm is greatest when the IJV operates in the focal firm's core business, but the IJV does not operate in the partner's primary industry (i.e., 50.0 percent for Type I versus 25.6, 30.1, and 34.5 percent in the other cells). The relative frequency of IJV internalization by the focal firm drops, however, when the IJV also operates in the core business of both parent firms (i.e., from 50.0 to 34.5 percent for Type I). Conversely, the relative frequency for selling out to a partner is greatest when the IJV does not operate in the focal firm's primary line of business, but the IJV does operate in the partner's core business (i.e., 64.1 percent for Type II versus 50.7, 51.7, and 36.2 percent in the other cells).

Finally, the table again emphasizes the lower frequency of the other three types of JV withdrawal. Nevertheless, the occurrence of IJV liquidation appears to be more important when the IJV is unrelated to both parent firms (i.e., 15 IJVs or 60 percent of the liquidated ventures). The same result holds for the small number of IJVs sold in their entirety to an outside party (i.e., 7 IJVs or 87.5 percent of the ventures acquired by a third party).

For firms engaged in IJVs or planning for IJVs, these results raise important issues for managers' consideration. Among them are the following:

Anticipating the Ending

First, is the likely mode of IJV termination consistent with the firm's interests? With parent firm managers spending the majority of their time quickly setting up IJVs rather than implementing them or thinking through possible evolutionary paths,[4] this question is often addressed after the fact. While a few powerful parent firms may be able to unilaterally determine the fate of an IJV, this might be the exception rather than the rule. The ending for many IJVs is apt to be more uncertain and contentious, especially when the venture plays a more central role in both firms' corporate portfolios. In these cases the stakes of IJV termination are also higher for parent firms.

Failing to take into account both firms' interests in the IJV and their relative bargaining strengths could mean one firm is unwittingly losing control over an important strategic asset. For instance, research on international alliances contends Japanese firms tend to approach such collaborative arrangements with a strategic intent of acquiring new market or technological knowledge, while U.S. firms are more apt to emphasize short-term financial results.[5] In the present sample, 83 IJVs represented U.S.-Japanese pairings, and roughly two-thirds of these ventures (i.e., 62.7 percent) ended by the Japanese firm acquiring the IJV from the U.S. partner. The percentage of IJV internalizations by the Japanese parent firm increases when the venture operates in the U.S. (i.e., 71.4 percent) rather than in Japan (i.e., 58.8 percent), notwithstanding the cultural differences between the two countries.

Pricing the Venture

Second, what pricing mechanism(s) should parent firms use to reallocate their IJV ownership positions? If the attractiveness of the business increases and a parent

firm wishes to expand by acquiring the venture, the purchasing party may have to pay dearly to buy out the partner. Especially if the selling party has significant bargaining power, the seller can appropriate a significant portion of the value of expanding the business.

In cases of IJV termination involving a venture buyout, the acquiring firm might have benefited from negotiating a call option on the IJV. This option gives the firm the right, but not the obligation, to acquire the venture. The purchase price can be negotiated at the time of IJV formation. Siemens has argued that an option clause was the most important component of its IJV agreement with Allis-Chalmers. In 1985 Siemens took full control over its Siemens Allis Power Engineering joint venture with Allis-Chalmers.[6]

Firms might implement other pricing mechanisms when there is uncertainty about the JV's prospects and how it might end. For instance, the objective of shotgun, or Russian roulette, clauses is for parent firms to overcome valuation obstacles in an equitable manner.[7] Under such arrangements, a parent firm can name a price and the partner elects to acquire the IJV or sell out at this price. Apart from these pricing mechanisms, firms can negotiate other items into IJV contracts such as dispute resolution procedures, the timing of reviews, and the allocation of property rights and other resources upon termination, among others.

The parent firm performance implications of using an IJV are therefore not only a function of benefits and costs obtained from operating the business, but also the way in which the IJV's resources are priced upon termination. Even more broadly, the total impact of a venture on parent firms depends upon how firms manage all IJV

life-cycle stages, ranging from partner scanning to partner selection and negotiation to setting up and implementing the venture to the IJV's ultimate termination.

Transferring Resources

Third, what mechanisms are in place to ensure that changes in parent firms' commitment levels and the corresponding transfer of resources occur in an orderly fashion? Like international acquisitions, IJV internalizations involve a post-acquisition integration process, though typically on a much smaller scale. The process of IJV internalization can be similarly complicated by differences in the acquiring parent's and the IJV's administrative systems, organizational cultures, and so forth. Furthermore, the IJV's value chain configuration of sourcing, production, marketing, and other activities may need adapting if the business is no longer to depend on a closely-related selling partner. Acquiring and selling firms also need to deal with the possible relocation of IJV personnel and other potential disruptions to the business' operation. Unlike outright divestitures, however, parent firms in IJVs may be able to deal with some of these issues in a staged, incremental fashion.

Capturing Value

Finally, to what extent should a parent firm emphasize joint value creation (i.e., the size of the pie) versus value appropriation (i.e., the share of the pie)? Many IJV management issues such as those highlighted above concern this basic tension. Ideally, parent firms would like large shares of large pies. In reality, some parent firms will emphasize the share of the pie by focusing efforts on maintaining dominant ownership, control, and extensive contractual safeguards, perhaps at the expense of neglecting to develop trust or creatively combine parents' skills. Others will fall toward the size-of-the-pie end of the continuum, focusing instead on the development

of a stable business relationship, yet perhaps failing to adequately plan for IJV decisions and events like termination that involve divisions of assets. Of course, the gains or losses firms ultimately obtain from IJVs are a function of both value appropriation and joint value creation and the tradeoffs that both sides make during IJV life-cycle stages.

IJVs AS TRANSITIONAL ORGANIZATIONAL FORMS

Because the labels academics and managers use to describe changes in IJVs have negative connotations (e.g., "instability," "divorce," etc.), it is worth considering the limits of such metaphors and assumptions and when they may do injustice to our understanding of the phenomenon. While long-lived, stable, and harmonious ventures may serve parent firms well in many if not most cases, it need not always be so. This section offers some examples suggesting IJVs are often transitory due to the very nature of firms' objectives in entering into cross-border collaborations. In fact, the longevity of an IJV may be unrelated or inversely related to its strategic value in some instances.

Figure 1 provides a summary framework around which the discussion is organized. The first column illustrates various strategic intents firms may have upon IJV formation. The second column indicates triggering events that may arise once the IJV is established. These are tied to firms' initial motives for entering an IJV. Finally, the third column presents parent firms' responses. Parent firms might allow the IJV to continue as is or find its own way. Alternatively, parent firms may adapt the IJV to changing conditions by changing its business scope, the allocation of

personnel, the functioning of the board or other governance mechanisms, and so on. Finally, parent firms may elect to terminate the venture by one of several means.

Insert Figure 1 Here

Filling Corporate Gaps in Capabilities and Business Portfolios

The strategic intent of many firms using IJVs is to fill some gap in the firm's capabilities or business portfolio. Firms commonly use IJVs to shore up the organization's skills by seeking a partner with complementary resources. As the organization's knowledge base changes, either through IJV learning or learning outside of the relationship, the knowledge gap the IJV was intended to fill may no longer exist. The IJV becomes redundant, and the firm is prepared to go it alone.

This chain of events often occurs in foreign market entry IJVs in which the entrant provides a unique product or technological skills and the local parent firm offers market access. For example, Ralston Purina ended a 20-year IJV with the Taiyo Fishery Company after gaining experience with the local market and Japanese culture. Other firms in the present sample that have converted IJVs to wholly-owned subsidiaries in Japan include LSI Logic, Monsanto, and Rockwell, among others.

For such ventures, termination may signal the parent firm's accumulation of specific local skills rather than collaborative failure *per se*. While long-lived market entry IJVs can certainly create value for parent firms, IJV longevity may also indicate an entrant has been unable to acquire sufficient market knowledge to go it alone. In other cases, IJV continuance may be desired to tap into a partner's skills that free the firm to focus attention on core competencies. As a consequence, drawing inferences from IJV termination or stability is a risky business.

An international venture may also be used to fill a gap in the firm's business portfolio. Changes in the firm's other businesses, or additions or deletions to the firm's portfolio, might make the venture either redundant or less salient to the firm. For instance, airlines' code-sharing agreements and other alliances have come under pressure and changed in configuration as airlines like British Airways, Delta, Swissair, and United have shifted their market presence in the face of regulatory constraints, globalization, and bankruptcies during the late 1980s and early 1990s. In such cases, reconfiguration of alliances will not necessarily reflect the prospects of individual alliances.

Establishing Real Options

In contrast to the market entry IJVs into Japan discussed above, transitional biotech ventures display the opposite pattern. Here an established pharmaceutical company with downstream skills (e.g., in securing FDA approval, drug production and marketing, etc.) invests in a collaborative venture with a new entrant having unique technological capabilities. If the market or technology proves favorable, the established firm might increase its commitment to the business by acquiring the venture. In this industry and other highly uncertain investment contexts, the venture is seen as possessing characteristics of a real option. Just as termination can reflect collaborative failure, it can also be a manifestation of changing growth opportunities for a venture's technology.

In other circumstances, a firm may wish to provide the partner a call option. For instance, if a firm seeks to divest a noncore business that may have intangible resources or ties to other businesses, an outright divestiture can be difficult. Potential buyers may experience problems valuing the business and may discount their offer

prices as a result. This is the familiar case of the "market for lemons." Philips, for example, desired to exit the domestic appliances market and to that end entered into an IJV with Whirlpool in 1989. Philips gave Whirlpool an option to acquire the JV within three years, which it did after being convinced of the business' value and the dealer network's continuing loyalty.[8] In this case, IJV termination fulfilled each of the firm's objectives, while IJV continuance might have indicated obstacles to the planned sequential divestiture of the business.

Improving Governance Efficiency

It should be recalled that when an IJV is formed, the parent firm is selecting one of an array of alternatives for organizing an exchange relationship. Other options include licensing or franchising agreements, R&D contracts, acquisitions, solo greenfield expansions, and so forth. Selecting an IJV is therefore appropriate in specific situations. For instance, the proposed activity may involve bilateral know-how exchanges to a degree that arm's-length contracts are inefficient for governing the activity. Further, the desired complementary resources of another firm may represent a small portion of its total asset base. To the extent that such resources also cannot be readily extracted from the firm's other operations, an acquisition may also not prove feasible.

An IJV is seen an intermediate point on the continuum running from spot market transactions to internal organization. As such, IJVs involve a blending of the costs and benefits of both. Changes in the factors leading the firm to adopt an IJV over its alternatives therefore affect the desirability of remaining in the venture versus changing organizational forms. For instance, joint ventures appear to be particularly sensitive to parent firms' changing commitments and coordination needs.

Honeywell and Ericsson formed a 50-50 IJV, Honeywell Ericsson Development Company (HEDC), for the purpose of adapting a telecommunications switch to the U.S. market. After Honeywell began to learn the technologies needed to tie together its control and information systems businesses, it had less and less incentive to continue to devote marketing resources to the expanding venture. Ericsson, however, was particularly interested in a packet switch for e-mail and was becoming increasingly dependent on the IJV as the performance of its other U.S. operations deteriorated. As the venture grew and required greater coordination, Ericsson acquired Honeywell's equity position in HEDC in 1986, converting the IJV to an internal unit.[9]

As a second example, Xerox sought greater coordination of R&D activities in its long-standing IJV in Japan with Fuji. Rather than terminating the venture, however, the parent firms chose to enter an additional IJV and establish closer interfirm communication links.[10] These cases illustrate the point that parent firms may choose to respond quite differently to their changing needs as IJVs evolve. Again, it is difficult to draw inferences from IJV evolutionary outcomes directly.

Responding to Host Country Constraints

The ability of a firm to select an "optimal" entry mode into a foreign market, or change entry modes, depends upon constraints present in the host country's legal and political environments. For instance, a firm may wish to enter a host country with a wholly-owned subsidiary to maintain control over the foreign operation and coordinate its activities with those of other foreign subsidiaries. However, the firm may be unable to do so if the local government imposes investment or ownership restrictions on foreign firms. In these instances, entering the market via an IJV may

be an acceptable, yet second-best, solution. The presence of political turmoil risks or other political risks surrounding the repatriation of dividends, fees, and so forth might also discourage complete ownership.

As host country conditions change, however, the firm may elect to alter its commitment to the local market. For instance, firms have recently converted initial market entries to wholly-owned subsidiaries in the former Soviet bloc as legal systems have become more accommodating.[11] There is also speculation that entrepreneurial firms entering China will increasingly go it alone.[12]

The present data suggest firms are generally reluctant to increase their host market commitment levels through IJV internalization in the face of political risks. Approximately 89.3 percent of IJV internalizations occurred in countries with low political turmoil risks at the time of IJV termination as recorded by the Political Risk Service. Similarly, 93.5 percent of the IJV internalizations took place in host countries with an A- grade or better on direct investment ratings. Conversely, the percentage of IJV withdrawals were roughly double the percentage of IJV internalizations when this rating fell below an A- grade.

ACADEMIC EVIDENCE

The key points raised in the article are in accord with recent academic studies finding IJV termination neither enhances nor impairs the wealth of parent firms' shareholders on average.[13] The firm valuation effect of venture termination is positive in some identifiable contexts and negative in others, however. For instance, the stock market reaction to venture buyouts is greater when some of the factors known to favor complete control are present (e.g., extensive R&D resources, limited

cultural differences, etc.). Firms buying out IJVs also tend to be rewarded by the market if managers' interests are well-aligned with shareholders' interests, and the firm's debt utilization serves to curb expansions funded with free cash flows. These results are comparable to those reported for mergers and acquisitions and the initial formation of joint ventures.

CONCLUSION

This article addresses the instability of IJVs and suggests firms should view IJV instability not as a general or vague concept, but in terms of specific changes in parent firms' commitment levels and ownership positions. Seen in this light, instability can represent post-formation IJV investment alternatives, choices over which the firm has some discretion and for which the firm can plan ahead.

The empirical analysis examines five types of IJV termination, viewed from the perspective of a focal firm, and shows IJV termination most commonly involves an ownership reallocation among existing parent firms. This change in parent firms' commitments to the business is a function of both firms' interests in the IJV as reflected by their relationships to the venture.

The article also emphasizes that IJV instability is not necessarily an indication of failure on the part of parent firm or venture managers as is often assumed. The fact that many IJVs are short-lived can be attributed in part to their very nature and the strategic intents parent firms bring to cross-border collaboration. Parent firms may select an IJV as a temporary gap-filling mechanism, as a means of taking an option on an emerging technology or market, as a structural choice suited to features of

exchange at the time of market entry, or as a response to legal and political conditions in a host country.

Just as it is problematic to draw inferences from IJV longevity, it is equally risky to draw inferences from IJV termination, however. The article points out several ways in which firms may use transitional IJVs to create value, but clearly IJVs terminate for a variety of reasons, and IJV termination often does reflect failure by the venture or one or more of the parent firms. Just because a firm acquired a venture does not mean the firm exercised a call option. In developing countries many joint ventures never really get off the ground. In other cases, such as Bell Atlantic's recent withdrawal from its Infostrada telecommunications venture with Olivetti SpA, termination results from conflicts between parent firms.

The determinants of IJV instability and the factors influencing firms' gains or losses attributable to IJV continuance, adaptation, and termination are many. Some factors are partially within the firm's control (e.g., top management commitment, allocation of personnel, the mode of IJV termination, etc.), while others may be largely beyond the firm's control (e.g., political turmoil in the IJV's host country, demand shocks, etc.). Like other investment decisions, managing IJV termination appears to require firms to be responsive to uncontrollable factors and make tradeoffs.

Understanding these influences and how firms can exploit transitional IJVs leads to a greater appreciation of the roles cross-border ventures can play in firms' corporate strategies. This hardly means that firms should avoid long-lived, stable, and harmonious ventures. On the contrary, firms will arrive at their own conceptions of IJV effectiveness by considering all of the IJV's life-cycle stages, the key

contingencies affecting IJV dynamics, and the fit among the individual pieces across IJVs, partners, and time to create value from collaboration.

NOTES

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TABLE 1
Patterns and Modes of IJV Termination[a]

IJV Termination Mode	Year											
	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	Total
I	5 (41.7)	4 (26.7)	4 (21.1)	0 (0)	6 (23.1)	6 (20.7)	15 (39.5)	15 (55.6)	13 (50.0)	10 (37.0)	15 (46.9)	93 (34.2)
II	5 (41.7)	10 (66.7)	14 (73.7)	18 (85.8)	12 (46.2)	17 (58.6)	16 (42.1)	10 (37.0)	8 (30.8)	12 (44.4)	13 (40.6)	135 (49.6)
III	1 (8.3)	0 (0)	1 (5.3)	0 (0)	2 (7.7)	2 (6.9)	1 (2.6)	0 (0)	0 (0)	3 (11.1)	1 (3.1)	11 (4.0)
IV	0 (0)	0 (0)	0 (0)	0 (0)	1 (3.9)	1 (3.5)	2 (5.3)	0 (0)	2 (7.7)	1 (3.7)	1 (3.1)	8 (2.9)
V	1 (8.3)	1 (6.7)	0 (0)	3 (14.3)	5 (19.2)	3 (10.3)	4 (10.5)	2 (7.4)	3 (11.5)	1 (3.7)	2 (6.3)	25 (9.2)
Total	12 (100)	15 (100)	19 (100)	21 (100)	26 (100)	29 (100)	38 (100)	27 (100)	26 (100)	27 (100)	32 (100)	272 (100)

[a]Cell entries indicate the distribution of IJV terminations for each year. Column percentages appear in parentheses.

Termination Type	Description
I	Focal firm acquires IJV.
II	Focal firm sells out to partner.
III	Focal firm sells its equity stake to third party.
IV	Focal firm and partner sell IJV to third party.
V	Focal firm and partner liquidate IJV's assets.

TABLE 2
Parent-IJV Business Relatedness and IJV Termination Modes[b]

Focal Firm	Partner Firm: IJV in Core Business			Partner Firm: IJV not in Core Business		
IJV not in Core Business	I:	10	(25.6 %)	I:	44	(30.1 %)
	II:	25	(64.1)	II:	74	(50.7)
	III:	2	(5.1)	III:	6	(4.1)
	IV:	0	(0)	IV:	7	(4.8)
	V:	2	(5.1)	V:	15	(10.3)
	Total	39	(100)	Total	146	(100)
IJV in Core Business	I:	10	(34.5 %)	I:	29	(50.0 %)
	II:	15	(51.7)	II:	21	(36.2)
	III:	0	(0)	III:	3	(5.2)
	IV:	0	(0)	IV:	1	(1.7)
	V:	4	(13.8)	V:	4	(6.9)
	Total	29	(100)	Total	58	(100)

[b]Entries indicate the distribution of IJV termination types for each cell. Percentages appear in parentheses.

Termination Type	Description
I	Focal firm acquires IJV.
II	Focal firm sells out to partner.
III	Focal firm sells its equity stake to third party.
IV	Focal firm and partner sell IJV to third party.
V	Focal firm and partner liquidate IJV's assets.

FIGURE 1
Examples of IJVs' Evolutionary Paths