Upward Influence in Joint Ventures

Marjorie A. Lyles
Rhonda Kay Reger
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Marjorie A. Lyles, Assistant Professor
Department of Business Administration

Rhonda Kay Reger
University of Illinois-Chicago
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Abstract

This paper addresses how joint venture managers can gain control over a joint venture's destiny and what methods can be used to influence and gain compliance from parent firms. The 30 year history of an international joint venture is analyzed. Causal maps and control categories of upward influence techniques are developed. We propose that joint venture autonomy may be beneficial to the parent firms and identify that entrepreneurial leadership and stakeholder support are the most influential techniques for gaining that autonomy.

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UPWARD INFLUENCE IN JOINT VENTURES

Upward influence in joint ventures exists as a matter of necessity. Joint venture (JV) managers must be able to communicate upward to the parent firms what must be done to keep the joint venture viable and competitive. At some point of upward influence, however, the joint venture management begins to gain strategic control vis-a-vis the parent firms. To gain strategic control means to acquire the authority to make decisions about the joint venture's areas of business, product-market scope, resource deployment, research and development, and competitive skills (Lorange, Scott Morton & Ghoshal, 1986). Although it has been documented in a number of studies on joint ventures that the JV management may attempt to gain control (Franko, 1971; Reynolds, 1984), no research has addressed the methods for achieving it. Our objective is to analyze the process of upward influence in joint ventures in order to better understand the process, how it is achieved, and the implications of it to joint venture management and research.

Strategic control and upward influence are important issues in joint ventures for three reasons. First, power and influence are important in organizations in general (Pfeffer & Salancik, 1978). In joint venture relationships, the parent firms are forced to share strategic control with each other and consequently, must influence each other. Second, a joint venture is an ongoing, evolving business, and therefore, the amount of strategic control each parent and the JV management can and should exercise changes over its life cycle. Finally, the JV agreement results in a new, legally independent organization. The JV management is also interested in influencing the strategic direction of its operations. Thus, important issues
in managing joint ventures are the amount of control and influence which are achievable and the amount of control and influence which are desirable for each parent firm and for the joint venture management.

Previous work on JV control has been limited in three ways. First, work has only considered strategic control issues at the JV’s inception (Harrigan, 1985; Reynolds, 1984). Second, previous work has assumed that parent firms desire to maximize their strategic control of joint ventures (Harrigan, 1985; Killing, 1982). Finally previous work has concentrated on downward influence: how parent firms can control the JV, but have ignored upward influence of the JV management on its parent (Harrigan, 1985; Lyles, 1986). Upward influence refers to the ability of the JV management to change the actions or decisions of the parents in some intended fashion (Mowday, 1978).

The current research, on the other hand, considers upward influence issues over the thirty year life of a joint venture. We also do not assume maximum parental control is possible or desirable. The decision to joint venture implies that the parent firms realize they do not have all the skills necessary to be successful or they are unwilling to assume all of the risks of the venture (Harrigan, 1985; Lyles, 1987). Therefore, parents should not expect to control a JV or to impose their preferences upon the JV as completely as they could an internal unit. In fact, in some cases, it is possible that parent firms stifle a JV by overcontrol (Hladik, 1985). For instance, if the JV is in new product or market areas, or is formed to explore an unfamiliar technology, it may be desirable for the JV to have considerable autonomy in strategic decision making. The parent firms are unlikely to possess the necessary expertise to make wise strategic decisions for the JV, and the JV may fail due to overcontrol.
Finally, it is likely that the JV management will perceive the need for autonomy before the parent firms are willing to relinquish control. Therefore, it is likely that the JV management, for the good of the joint venture, will desire to take actions to limit parental control and to increase the JV autonomy. Upward influence of joint venture managers on parent firm managers is an important and to date, unexplored issue.

Our objectives in this paper are twofold: to examine how the management of a particular JV gained control of its strategy by limiting the influence of the parent firms and to build a theory of how JV managers use upward influence to gain strategic control. Focusing on upward influence by JV management contributes to both the theory and practice of management of joint ventures. JV upward influence may be a determinant of JV success and effectiveness (Hladik, 1985). Consequently it is important to learn more about this neglected area. In addition, since the JV management is in a relative power disadvantage, the achievement of control and influence in strategic decision making becomes an interesting organizational phenomenon in itself. In order to study upward influence, we analyze the 30 year life of a joint venture to provide a comprehensive set of categories of upward influence and explore their effectiveness. Cognitive mapping techniques (Axelrod, 1976) are used to analyze transcripts of interviews with high ranking officials involved with the JV and to analyze company documents.

History of The Joint Venture

A short history of the joint venture is presented in Table 1. The joint venture EIM was founded in 1946 by seven firms in order to manufacture specialty industrial machine tools. At its inception, the goals of the parent
firms varied. One American firm, ACE, desired to enter the European market with its existing products and technology. The other American firm and the European firms were interested primarily in assuring a reliable supplier to their main business area. Therefore, ACE was using the joint venture for horizontal geographic expansion; for the other firms the joint venture was a way to backward integrate. In addition, the top management of the parent firms had developed friendships with each other through their previous business associations and desired to be part of a cooperative agreement that would help rebuild war-torn Europe. All the parent firm managers had economic goals (enter new markets, assure a reliable supplier), but they also had strong social and collegial goals.

For most of the life of the joint venture, it was managed by an American entrepreneurial president who attempted to maintain the autonomy and growth of the JV. Upon his retirement in 1968, he was replaced by an ACE-supplied manager. In 1978, after 32 years as a joint venture, ACE acquired 100% ownership. The JV was highly profitable throughout all of its life (except the first years before the American manager arrived) and all parent firm managers believed the JV was successful in meeting all of its goals.

THEORETICAL DEVELOPMENT OF UPWARD INFLUENCE

This section reports on the previous theoretical literature of influence relationships within organizations. Most of the literature does not deal with joint venture-parent relationships, but the general theoretical concepts are useful to our analysis. We will address influence relationships in general,
and upward influence and specific influence techniques in particular.

Influence Relationships

Power and influence have been largely addressed as a function of legitimate power within hierarchical systems (Child, 1973; Cyert & March, 1963; Pfeffer & Salancik, 1978). This research base recognizes that an influence relationship can be downward from supervisor to subordinate (Stogdill, 1974), lateral between peers (Strauss, 1962), or upward from subordinate to superior (Mechanic, 1962). The ability to influence stems from the personal characteristics of the individuals, from their location within the organization, their role in the decision making process, and the resources available to them (Mechanic, 1962; Patchen, 1974). The influence relationships can be formal or informal (Mechanic, 1962).

The model of influencing relationships in Figure 1 shows the direction of the relationships inherent in a JV arrangement. Among the parent firms, their stakeholders, and the JV stakeholders, we find lateral relationships. Each is assumed to be of relatively equal status, of about the same rank; however, each also has its own specialized viewpoints. Within the lateral relationships, the participants are theoretically equal in their ability to influence each other: there are no hierarchical role expectations (Strauss, 1962).

The downward relationships show the JV as the target of influence by the parent firms. Normally a downward relationship represents a dependent relationship, in this case, because of the legitimate authority and the
resource control that the parent has over the JV. There are built in expectations that the JV does not have power and will defer in recognition of the higher rank of the parent firms.

Upward influence from the JV to the parent firms automatically assumes a disparity in power since the expectation is that the parent has more power in decision-making than the JV. However, upward influence has been shown to be necessary by subordinates in order to get the job done and to execute agendas (Kanter, 1977; Kotter, 1986).

In a JV, it may be assumed that the legitimacy of the parent firms' managers is not as readily accepted as in typical superior-subordinate relationships for several reasons. First, the JV is legally a separate independent corporation. Frequently the equity is divided among the parent firms, and there is no dominant parent. Also the JV is often geographically remote from the parent firms, giving the impression of independence and of increased knowledge about the host country and the JV customers and markets. These factors lead to an increased expectation that the JV management has a legitimate right to exercise upward influence in order to affect parental decisions that may affect the perceived goals of the JV management.

JV Upward Influence

It is thus expected that the JV management will attempt to influence the parent firms because it is their responsibility to make sure that the JV accomplishes its purposes and achieves its goals. They are the ones closest to the operation of the JV.

The upward influence and strategic control literature provides some guidance concerning how a JV manager might go about gaining autonomy and
influencing parent firm managers. Schilit and Locke (1982) and Mowday (1978) have provided an initial categorization of the types of methods that might be used by a subordinate to influence his superior. These include: rational presentation of ideas, informal exchanges, upward appeal, threats, manipulation, formation of coalitions, and persistence or assertiveness.

Some research has addressed headquarters' control of subsidiaries, in particular, control of joint ventures. Prahalad and Doz (1981) report that as foreign subsidiaries mature, they become harder to control by headquarters. They discuss the dilemma of MNCs in maintaining control over joint ventures and suggest that headquarters cannot maintain control of the JV by relying on control of strategic resources. As the JV matures it becomes independent by developing control of its own resources: management, technological skills, marketing knowledge, and innovative ideas. Looking at this argument in reverse, as the JV or the subsidiary matures and gains these strategic resources, it will be easier for it to gain influence vis-à-vis the parent firms in strategic decision-making.

Harrigan (1985) also discusses parent or headquarters control over the joint venture. Again the focus is on how the parent can control the joint venture. She discusses the problems that autonomy of the joint venture brings to the parent firm. According to Harrigan (1985), these problems include coordination problems, unfulfilled synergies, technological development problems, as well as other management problems.

Pfeffer and Salancik (1978) provide some insights regarding how to control stakeholders and to increase autonomy. Their perspective identifies the importance of social controls and of managing the environmental demands. In the case of JVs, environmental demands come from parent firms, customers,
suppliers, competitors and governments. It is possible to establish a culture for control (Jaeger & Baliga, 1985) and to create coalitions of the stakeholders that may influence the parents of the JV. For example, JV customers may tell the parent firm that they will only deal with the JV directly or the host country government may be influenced by the JV to protect the JV autonomy.

Upward Influence Techniques

Drawing on this literature, five distinct ways exist for the JV to gain autonomy. Table 2 summarizes the mechanisms JV managers can use to influence parent firms and to gain autonomy. First the JV can seek support from outsiders by influencing, coalescing, and gaining information from its customers, suppliers, licensors, competitors and government (Porter, 1980; Harrigan, 1985; MacMillan & Jones, 1986; Pfeffer & Salancik, 1978). All of these transactions can increase the JV's ability to negotiate with and influence its parent firms. Furthermore, the JV can utilize its stakeholders to directly influence the parent firms through the stakeholder-parent lateral influence relationship.

--- INSERT TABLE 2 ABOUT HERE ---

Second, formal relationships with the parent firms can be used to gain autonomy. These include structural reporting lines, dependency on parental resources, product/market overlap, and technology. The more the JV differentiates itself from its parents in terms of products, markets, suppliers, and technology, the more autonomy the JV will have in making decisions (Harrigan, 1985).
Third, there are also informal mechanisms by which the JV can influence the parent firms. It can play one parent against the others. Establishing trust, applying pressure (sometimes threats), using informal contact and agenda setting, and establishing a JV culture constitute methods for upward influence (Jaeger & Baliga, 1985; Mowday, 1978; Schilit & Locke, 1982).

Fourth, the characteristics of the JV also influence its autonomy and its resulting ability to control. For example, independent facilities, internal functional areas, separate information systems and remote physical location influence the ability of the parent to control the JV (Harrigan, 1985; Lyles, 1986; Ouchi, 1977).

Finally, the personal characteristics of the JV manager affect the ability of the JV to influence the parent firms (Fiol, 1986; Lyles, 1986). The more entrepreneurial the JV manager, the more he will attempt to gain autonomy and to influence the parent firms. The more entrepreneurial he is, the more he will want the JV to grow and to become a viable business on its own.

Thus, the five categories of upward influence techniques identified are gaining support from stakeholders, formal and informal relationships with the parent firms, JV characteristics, and personal characteristics of the JV manager. The following research was undertaken to study the relative importance of each method of influence and how each interrelates to increase or decrease JV autonomy and upward influence.

**METHODOLOGY**

This study describes an in-depth analysis of one joint venture and the methods used by the president of the joint venture to gain autonomy. An
attempt was made to track the points in the history of the joint venture that affected the ability of the President to influence the parent firms, to understand the relationship among the tactics used and their impact, and how these influenced the destiny of the joint venture. The purpose of the study is theory-building. To the extent that the decision situations (topics and process) are similar to those faced by other managers, the findings may be generalizable to other JVs.

A triangulation of data collection methods was used. In-depth interviews were conducted with all managers and ex-managers of the JV, with ex-members of the Board of Directors representing the parent firms, and with staff members of the parent firm of ACE who had responsibility for the JV. The first author has an ongoing research relationship with ACE in which she has been granted access to managers and archival data on the firm's various joint ventures. In all, about 50 interviews were conducted in both the United States and in Europe, and these lasted an average of two hours or more. The companies and the people were very cooperative and allowed the researcher to return several times for interviews. The researcher had the opportunity to raise additional questions, to clarify certain events, or to probe deeper regarding the events during follow-up interviews.

In order to verify these verbal reports, two other kinds of data were utilized: publicly available information such as annual reports and newspaper clippings, and company archival data such as minutes from all the board meetings from 1958-1978, memos and other documents. These were all in English.

The interviews were semi-structured. The participant was asked to reconstruct the period of time in which he was directly involved with the JV.
Questions regarding the impact of the JV President on the parent firms were straightforward. For example, parent firm executives were asked to "tell me all you can about Casey's management of the joint venture." Interviewees were all fluent in English so all interviews were conducted in English by the first author and were tape recorded. Tapes were transcribed by research assistants. The accuracy of transcripts were checked by the first author against the original recordings. The authors independently coded the interviews and data to reflect the techniques, their impact, and the interrelationships. Any uncertainty regarding the timing, the techniques, or the impact was verified by going back to the archival data, by returning to the interviewees, or by consensus between the researchers.

ANALYSIS AND RESULTS

Since the main focus of the present research effort is to better understand the process of upward influence and the various techniques used to achieve it within the context of an international joint venture, the data were first coded into the upward influence techniques identified in the literature. These represent gaining support from stakeholders, formal and informal relationships with parental firms, the JV characteristics and the personal characteristics of the JV president. How often each influence category was employed and its impact on the joint venture's autonomy were noted and results are summarized in Table 3.

INSERT TABLE 3 ABOUT HERE

As is evident from the table, the joint venture management used a wide variety of techniques in seeking to gain autonomy. The JV sought support from
outsiders 11 times, usually through licensing of products. Both formal (24 instances) and informal (16 instances) relationships with parent firms were important vehicles through which the JV attempted to control its parents. Finally, the JV characteristics were important determinants of the amount of upward influence the JV president attempted to exert (18 instances). Overall, the JV president was very interested in increasing his autonomy and used a wide variety of techniques to exert upward influence.

This table also summarizes the impact of each of the upward influence attempts. The JV manager was quite successful in gaining upward influence, as 49 of the 69 influence techniques that were coded proved successful (71%). The entrepreneurial leadership of the JV president was most successful (100%), followed by seeking support from outsiders (72%), resource independence (69%), strategic differentiation (68%) and informal relationships with parents (68%). The use of structural reporting lines was the least effective techniques for gaining autonomy (62%).

Although it proved impossible to develop a simple coding scheme of the interaction of variables, we believe that the complex interaction of multiple techniques used simultaneously by the JV president is responsible for the high level of success of his upward influence attempts. For example, many upward influence techniques were used concurrently and over several years. Thus, the "playing parents against each other" while "influencing the parent's stakeholders" and while "creating a superior product" created a strong pressure point to influence the parent firm, certainly more than each technique used singularly.

In order to explore these interrelationships further, the data were then divided into 17 separate episodes in which the JV President attempted to gain
autonomy from one or more parent firms. The nature of these are listed in the Appendix.

For each episode, a separate causal map was developed which graphically depicts the interaction of factors that accounted for the success or failure of the attempt (Axelrod, 1976; Roos & Hall, 1980; Weick & Bougon, 1986). Cause maps were formed by coding causal assertions about the relationship between variables pertaining to each of the 17 episodes. Following Axelrod (1976), the concepts that people use are represented as points and the causal links between these concepts are represented as arrows. A positive causal link is denoted with a + sign, a negative causal link with a - sign.

For each episode, transcripts from a number of informants and archival data were coded for causal assertions concerning the episode. The earliest maps, drawn by the second researcher, followed Axelrod's (1976) advice to use the person's own wording of concepts and separate maps were drawn for each informant. The authors synthesized the individual perceptions of the episode into a group map (Eden, Jones & Sims, 1979, 1983) and wording of concepts were fitted, as far as possible, to that of the theoretical categories. In some cases, the synthesis and recoding was simple and straightforward: the perceptions of the various informants were similar and they employed terminology similar to that of the theoretical categories. In other cases, there existed multiple beliefs about an episode. In these cases, the two researchers discussed the events and maps at length, occasionally returning to informants for clarification, before a group cause map for the episode was agreed upon. Group maps formed in this manner are called composite cause maps (Weick & Bougon, 1986).

Three representative examples of attempts to gain autonomy are presented
to illustrate the analysis and the results obtained.

Micro-Map 1. The first micro-map (Figure 2) summarizes a situation where the joint venture found itself competing directly against one of its parent firms. In this situation, the joint venture was competing with a superior product against one of the parents in the parent's home territory. The main upward influence issues illustrated by this case were compliance with parental wishes, the joint venture's use of upward influence tactics and the autonomy of the joint venture manager to make decisions against the direct wishes of one of the parents. As shown in the first diagram below, the joint venture was able to develop a product superior to its parent's because it had developed its own R & D independently of the parent. The joint venture management then enlisted the support of the parent's stakeholders, in this case, customers, to help influence the parent to accept a decision that was not to the parent's liking.

--- INSERT FIGURE 2 ABOUT HERE ---

Micro-Map 2. The second episode illustrates eight separate attempts by the joint venture president to gain autonomy through resource independence. Over the years, the joint venture developed its own internal R & D, marketing and manufacturing capabilities. It also gained financial independence by paying off parental loans and becoming extremely profitable. It did not rely on the parent for information about the technology, customers or product design. The JV achieved parent compliance by getting the parent to go along with or comply with the JV management's goals and direction. The parent firm did not control critical resources that it could withhold from the JV to gain its compliance.
As the second micro-map shows (Figure 3), resource independence in this case led to parental compliance with the president's decisions. The joint venture was not dependent upon the parents to aid in implementation of the JV's strategy. In addition, resource independence allowed the joint venture to follow a product strategy that increased its profitability which increased the parent's desire for control. Ultimately, one parent which desired greater control because the JV was so profitable, but which was unable to gain the control through other methods, increased its equity position.

Micro-Map 3. The final micro-map illustrates the use of leadership influence. Although the JV manager came from one of the American partners, he acted independently and in an entrepreneurial manner throughout his tenure. In this example, one American parent told him that it had formed a new Spanish JV because the American parent thought it was impossible for a foreign firm to set up a wholly-owned subsidiary in Spain. Without seeking approval from the parent or his own board of directors, the president went to Spain and set up a wholly-owned subsidiary of the joint venture. Although initially angry at the president for acting on his own, the American partner soon began directing their Spanish business through his subsidiary. The willingness of the JV president to take an entrepreneurial leadership role was a significant factor in the overall autonomy of this JV.

Global Causal Map. These three episodal causal maps, or micro maps, were
combined with causal maps developed for each of the other 14 attempts to gain joint venture autonomy to form a global causal map (Figure 5). The global map also constitutes a composite map (Weick & Bougon, 1986) in that it represents the collective causal beliefs of all informants as it links the 17 episodes into a macromap of causal relations. Although the map is drawn to primarily show the factors affecting joint venture autonomy, the complex and circular interaction of all of the variables suggest that joint venture autonomy results from the interplay of various influencing variables. This research suggests that joint venture autonomy and upward influence attempts at high levels in organizations may be more complex than previously believed. The analysis suggests that the relationships are neither simple, nor unidirectional, nor linear.

--- INSERT FIGURE 5 ABOUT HERE ---

The relationships evident in the micro-maps also hold in the global map. However, the relationships are even more complex and interconnected than found in any one episodal map. For instance, both JV leadership and resource independence led to product proliferation. Although represented as independent variables, it is most likely that product proliferation will occur when both leadership and resource independence are present. The interaction of other variables in the causal map follow similar patterns.

As the causal map in Figure 5 suggests, successful upward influence is a complex phenomenon. The coding summarized in Table 3 also suggests that a wider variety of techniques are available than any previous research project has considered. The success of the various techniques may depend on the use of several techniques simultaneously.
CONCLUSIONS

The results of this study indicate that a JV that is controlled by its own management can be successful and independent at the same time. Although informants involved in the research believe the joint venture success is related to JV autonomy, this is difficult to prove.

The success of the JV management in upward influence may be partially determined by the mixed goals of the parents which allowed one parent to be pitted against another to the JV's advantage. Financial success was not the sole goal of the parent firms. In this case, the parent firms had a variety of goals that influenced their involvement in the joint venture. These ranged from the desirability of establishing a presence in Europe to social goals of being part of a cohesive group. A joint venture that faces united parents may be less successful in gaining autonomy.

Implications for Upward Influence Theory

This study illustrates that JV managers, despite a relative power disadvantage, have a variety of techniques that may be successfully applied to influence decision-making about the JV's future. The findings indicate that JV managers may do a number of things to become independent of their parent firms; e.g., develop its own resource base, develop multiple products different from the parent firms, or develop products superior to the parent firms'. The findings also indicate that JV managers utilize a variety of techniques to influence the decisions made, such as personal interactions, the development of a social culture, and the cooperation of those outside the formal authority structure.

Referring back to Figure 1, the findings show that the JV management
successfully utilized its stakeholders and the parent firms' stakeholders to create pressure on the parent firms. Clearly as the power of buyers and/or suppliers increases, they will be able to exert more influence on the parent firms (Harrigan, 1983). The JV management found that it could successfully influence the decisions about its future by influencing its stakeholders which were, for all purposes, outside the chain of command. These findings support the research of Mowday (1978) on educational organizations.

The JV management successfully utilized indirect lateral relationships to influence strategic decisions. This demonstrates that influencing through a lateral relationship may be relatively easy because of perceived equivalency in power and that those in a lateral relationship may be more likely to cooperate than those in an upward relationship. If the stakeholders are dependent upon the JV for products or services, they may be very willing to cooperate with the JV if they think that they will gain from the decisions made. Clearly, the timing of these influence techniques must be appropriate.

The findings do not indicate that the JV management developed a systematic plan for gaining influence nor that the choices among alternative methods of influence were well thought out. In fact, this study suggests that despite an unplanned, opportunistic approach to upward influence, the combination of techniques and the timing of them proved effective.

Implications for Parent Firm Managers

The implications of the study to parent firm managers are many. JV parents need to make overt decisions regarding the desirability, degree and areas of joint venture independence and autonomy (Lyles, 1986). These decisions should be reviewed periodically as the environmental conditions for
the JV changes and as the JV matures and is better equipped to make wise strategic decisions on its own. In this particular case, the JV management was gaining control through upward influence techniques while the parent firms were only somewhat aware of what was happening. At one point the JV president said, "We wanted to protect our own business and we were going to develop it. The parents knew it and that was an open thing." However, several parent firm executives expressed the belief that JV independence was not acceptable, and some parent firm managers did not fully appreciate the future ramifications of the JV's independent action.

Parents should also be aware what skills they are contributing to the JV and thus, which activities they might control. There are also areas outside the parent firm's expertise that they should not tightly control but rather parents should choose JV partners partly for the areas of expertise they bring to the venture. Firms must trust their JV partners to effectively control their own areas of expertise in the JV.

Finally, decisions regarding the amount of desired JV autonomy must be made. Especially as the JV gains viability, it will be advantageous for it to be allowed to make certain decisions on its own. Thus, the parent firm can use the JV to learn new skills from the other parents and from the JV itself (Lyles, 1967).

The findings of this study shed preliminary light on issues regarding parental control and self-control of joint ventures. The benefits of high control to the parent firm are that it can control the direction of the joint venture and limit its activities. Nonetheless, there are also benefits to be gained by minimizing parental influence. These benefits are the entrepreneurial spirit of the JV, the potential for innovation and
technology development, the enhancement of the image of the parent firm as a cooperative partner, and the continuation of the relationships with the other partner firms.

There is a wide variety of factors that potentially may affect the optimal amount of parental control and JV autonomy. The following factors are suggestive of these:

The purpose of the JV is an important determinant of the optimal level of JV autonomy. For instance, a JV formed to exploit new technology might require more autonomy than a marketing-based JV.

Expertise of the parent firm and expertise of the other parents also determines the amount and areas of control the parent should attempt to exercise. Parents should only attempt to control areas of the JV business that it understands, let other parents control the areas they understand and give the JV autonomy in new areas in which parents have no expertise.

Competence of the JV management should also determine the degree of autonomy the JV should enjoy. If parents agree that the JV should be autonomous, it is imperative that they install entrepreneurial managers. On the other hand, if the parents want centralized control, they should choose administrators who can be more easily controlled. This also suggests that JV autonomy should increase over time as the competence of the JV management increases.

The amount of trust and the similarity of goals between parents also affect the amount of control each parent should be willing to relinquish. Parents that are unfamiliar with each others' goals, or who are establishing their first JV, are more likely to perceive the need to control a JV (Lyles,
Finally, the similarity of the JV mission to the parent's missions in terms of technology, markets, products and goals affects the optimal level of JV autonomy. The more similar the mission, the more control that is desirable and possible. With similar missions, the parent not only has skills needed to control and help the JV, but it also needs to protect itself from the JV which may one day become a competitor.

Implications for Researchers

Future studies in the area of upward influence in joint ventures should attempt to control for mixed motives among the parent firms to determine which upward influence methods are successful. Situational factors, such as number of parent firms, location and percent of equity ownership should also be examined and controlled. Finally, given the unique nature of each JV it is difficult to find comparison cases, but in the future it should be attempted.

The use of cognitive mapping as a methodology proved to be a successful technique for studying a complex phenomenon. It allowed the researchers the opportunity of explaining the actions of the JV management and the consequences of those actions. It proved a powerful method for indicating the relationships and the patterns that existed that led to the upward influence outcomes. The maps served as a guide to understanding and to making sense out of the actions taken.

One potential effect of this study is to raise the issue that JV autonomy may be a desirable goal for the parent firms. A second contribution is the identification of specific upward influence techniques and their impact. A final contribution is the longitudinal analysis which allows an in-depth view
and a richer understanding of the relationship of the factors affecting JV autonomy.
REFERENCES


APPENDIX

Listing of Influence Episodes in 30 Year Life of EIM Joint Venture

1. EIM obtains independent license without parental approval.
2. EIM adds new products and pays off shareholders' loan.
3. EIM adds further new products and licenses.
4. EIM modifies and improves AMC machine for local market.
5. EIM competes directly with English; major English customer decides to buy from EIM.
6. EIM's president uses informal persuasion over several years to gain English's compliance for EIM to sell competing product in their market.
7. EIM, under license from ACE, builds a product so superior to ACE's original, ACE buys them from EIM.
8. EIM produces a product superior to one of Dutch's. After two years of conflict, Dutch decides EIM's product is better and gives up fight.
9. EIM's superior technology allows them to make product better than German. German allows EIM to sell in their market without conflict.
10. EIM's R & D department modifies additional AMC products to make them superior for the European market.
11 - 13.

Without parental permission EIM takes three licenses from outside firms for products well out of parents' and EIM's previous product/market scope.
14. EIM sets up wholly-owned subsidiary in Spain without parental permission.
15. AMC attempts to gain strategic control through formal and informal downward influence attempts. Other parents back EIM, and AMC's efforts fail.
16. AMC purchases larger equity stake from other parents and attempts formal and informal influence attempts in order to gain strategic control. They are partially successful.

17. AMC replaces Mr. Casey (the entrepreneurial president of EIM) with an administratively oriented middle manager from AMC.
TABLE 1
European Industrial Manufacturing Company (EIM)

1946  EIM formed by seven firms: AMC 25%; ACE 25%; Belco 12%;
       English 9.5%; Dutch 9.5%; French 9.5%; German 9.5%.
       Basic Mission: To supply licensees of AMC with reliable, locally produced machines.
       Management provided by:
       Belco, President
       Dutch, General Manager
       ACE, Accountant
       Technology: Each product individually designed and manufactured; labor intensive. Location: One location near Belco. Products: Two products initially but not the one necessary to fulfill mission.

1956  Belco supplied president removed; Belco equity sold to Green Co.; ACE manager Mr. Casey made President.

1956-1959  Casey increased product lines using ACE products redesigned for European market; mission finally achieved; functional areas expanded to include research and development, product development, sales, and new plant locations.

1960  Casey increased ACE's equity position to 75%.

1960-1968  EIM competing directly with four parents; acquires three additional locations.

1968  Casey retires; Mr. Doyle, an ACE manager, now president.
**TABLE 1 (cont'd)**

European Industrial Manufacturing Company (EIM)

<table>
<thead>
<tr>
<th>Year</th>
<th>Event</th>
</tr>
</thead>
<tbody>
<tr>
<td>1968-1978</td>
<td>Product line reduced; EIM reporting to product division within ACE.</td>
</tr>
<tr>
<td>1978</td>
<td>ACE acquires additional 23%.</td>
</tr>
</tbody>
</table>
TABLE 2

JV Upward Influence Techniques

1. SEEKING SUPPORT FROM OUTSIDERS
   Influence, coalesce and gain information from parental stakeholders
   - Customers
   - Suppliers
   - Licensors
   - Competitors
   - Other parents
   - Government

2. FORMAL RELATIONSHIPS WITH PARENTAL FIRMS
   Structural Reporting Lines
   Dependency on Parental Resources
   Strategic Differentiation (Degree of product/market overlap)
   Technology

3. INFORMAL RELATIONSHIPS WITH PARENTAL FIRMS
   Playing Parents Against Each Other
   Persuasion/Information/Trust
   Establishing Separate Culture

4. JV CHARACTERISTICS
   Independent Facilities
   Internal Functional Areas
   Separate Information Systems
   Remote Physical Location

5. PERSONAL CHARACTERISTICS OF THE JV MANAGER
   - Entrepreneurial Leadership

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### TABLE 3

Frequency and Impact of JV Upward Influence Attempts to Control Parents and to Gain Autonomy

<table>
<thead>
<tr>
<th>Frequency</th>
<th>Impact</th>
<th>Uncertain or no Impact</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Increase Autonomy</td>
<td>Decrease Autonomy</td>
</tr>
<tr>
<td>SEEKING SUPPORT FROM OUTSIDERS</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Licensing from 3rd parties</td>
<td>8</td>
<td>5</td>
</tr>
<tr>
<td>Influence parent stakeholders</td>
<td>3</td>
<td>3</td>
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<tr>
<td>FORMAL RELATIONSHIPS WITH PARENTAL FIRMS</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Strategic Differentiation</strong></td>
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<td></td>
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<tr>
<td>New product lines</td>
<td>7</td>
<td>4</td>
</tr>
<tr>
<td>Superior product</td>
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<td>5</td>
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<tr>
<td>Direct competition with parents</td>
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<td>2</td>
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<tr>
<td>Complementary product</td>
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<td>2</td>
</tr>
<tr>
<td>Structural Reporting Lines</td>
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<td></td>
</tr>
<tr>
<td>Board of directors</td>
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<td>5</td>
</tr>
<tr>
<td>Negotiations</td>
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</tr>
<tr>
<td>Direct reporting to parents</td>
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<tr>
<td>INFORMAL RELATIONSHIPS WITH PARENTAL FIRMS</td>
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<td></td>
</tr>
<tr>
<td>Persuasion/information/trust</td>
<td>8</td>
<td>6</td>
</tr>
<tr>
<td>Establishing separate culture</td>
<td>4</td>
<td>3</td>
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<tr>
<td>Playing parents against each other</td>
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<td>2</td>
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TABLE 3 (cont'd)
Frequency and Impact of JV Upward Influence Attempts to Control Parents and to Gain Autonomy

<table>
<thead>
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<th>JV CHARACTERISTICS</th>
<th>Frequency</th>
<th>Impact</th>
<th>Uncertain or no Impact</th>
</tr>
</thead>
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<td>Resource Independence</td>
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<td></td>
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<tr>
<td>R &amp; D</td>
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<td>1</td>
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<tr>
<td>Financial</td>
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<tr>
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<td>1</td>
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<tr>
<td>Independent facilities</td>
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<td>1</td>
</tr>
<tr>
<td>Separate physical location</td>
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<td>1\frac{1}{9}</td>
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<tr>
<td>PERSONAL CHARACTERISTICS OF JV PRESIDENT</td>
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<tr>
<td>Entrepreneurial leadership</td>
<td>\frac{5}{5}</td>
<td>\frac{5}{5}</td>
<td></td>
</tr>
</tbody>
</table>

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Model of Influencing Relationships among a Joint Venture, its Parents and Stakeholders

1 = Lateral Relationship
2 = Downward Relationship
3 = Upward Relationship
4 = Indirect Lateral Relationship
FIGURE 2
Micro-Map 1

resource independence

JV developed superior & directly competitive product

conflict with parent

parental desire for control

enlisted support from parent's customers

JV autonomy

JV leadership

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FIGURE 3

Micro-Map 2

resource independence + parental compliance + JV autonomy -

+ product proliferation + profitability + parental desire for control +

decrease equity
JV leadership $\rightarrow + \rightarrow$ parental compliance $\rightarrow + \rightarrow$ JV autonomy
FIGURE 5
Global Causal Map

resource independence
+ product proliferation
+ JV leadership
+ parent conflict
- equity increase
+ profitability
+ JV autonomy
- parental desire for control
+ parent compliance
+