Board Involvement in International Joint Ventures

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ABSTRACT

The last two decades have witnessed substantial scholarly interest in corporate boards, yet little research has been devoted to boards of international joint ventures (IJVs). We combine the corporate governance and alliance governance literatures in order to study this important ex post governance mechanism for IJVs and investigate the determinants of board involvement. We argue that there is a fundamental tension inherent in IJVs, which arises from the unique features of this organizational form, and this also influences the level of involvement by their boards. Specifically, international joint ventures are hybrid organizational forms that can require administrative control to facilitate monitoring and coordinated adaptation in the presence of exchange hazards, yet the fact that IJVs operate in different host countries can make it efficient to delegate authority to local management for certain collaborations. In investigating the determinants of IJV board involvement, we therefore consider this underlying tension and examine characteristics of IJVs that reflect the unique features of this organizational form. Empirical evidence indicates that boards are more involved for IJVs engaged in R&D activities, and boards are less involved when significant national cultural differences and environmental uncertainty in the host country are present. Board involvement therefore reflects efficiency considerations in individual ventures, and the administrative control provided by boards is an important dimension of IJV governance.

Keywords: International Joint Ventures, Corporate Governance, Boards of Directors