

IJV BOARD DIRECTOR ROLE: MYTHS AND REALITY

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Context and aims

- International Joint Ventures (IJVs): important means for companies to achieve their strategic goals in international business environment; however, a high record of failure of IJVs in terms of satisfying the strategic objectives of the partner companies - could be attributed to IJV "fragile" form of governance - shared sovereignty and incomplete contracting (Pearce, 1997; Filatotchev and Wright, 2011)
- Importance of IJV board directors for IJV success: the partners' control over IJV board directors more direct than that exercised by dispersed and anonymous shareholders because IJV partners are identifiable owners with a possible investment in strong corporate governance (CG) (Carver, 2000).
- Uniqueness and potential complexity of IJV board director role: IJV shared governance structure and the presence of two or more partner organisations of different national and organisational cultures and possibly divergent agendas about their IJV, require IJV board members maintain inter-partner relationships and manage different partners' agendas in the overall interests of the venture (Bamford and Ernst, 2005)
- However, academic debate limited in its understanding of IJV director role and contribution to board effectiveness.

The research has sought to:

- To examine how IJV directors contribute to board effectiveness, utilising a role theoretical framework (Katz and Kahn, 1978; Fondas and Stewart, 1994).
- Identify behaviour of individual IJV board directors and factors that affect and are affected by their behaviour.
- Propose a model that captures contribution to board effectiveness from an individual IJV board director's perspective.

Methods

- Qualitative exploratory case study (Eisenhardt, 1989)
- The case (unit of the analysis): an individual IJV board director
- Study design: multiple case study - 13 cases/board directors from 3 Serbian-foreign joint ventures based in Serbia
- Method for data collection: multiple (i.e., interviews, research of documentation, informal observation)
- Method for data analysis: qualitative (thematic analysis of data for each individual case and comparing the emergent themes between all the cases) in order to draw conclusions/propositions (Miles and Huberman, 1994).

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Analysis and Discussion

Role and Contribution: Different Concepts?

- The findings show that role and contribution are differentiated in the eyes of the participants: role refers to the pre-determined tasks and goal, whilst contribution is about how these tasks and goal are performed/fulfilled.
- Such a view of role differs from both structural and dynamic role theoretical views (Katz and Kahn, 1978; Fondas and Stewart, 1994): the participants in this research appear to share collective behaviour only in terms of "what is done" (that is, what tasks and goal are being performed/pursued); the "how" is more idiosyncratic/unique to each case; the processes and "outcomes" mentioned by the participants in relation to their contribution are not used for a renegotiating of their role expectations but for the purpose of fulfilment of pre-determined role expectations.
- Such a perception of role has a direct implication for the participants' view of role discretion.

IJV Board Director Role Discretion

- The findings show that an IJV board director's role and prime purpose are almost "rolled into one" and already determined: the participants see their role driven by board roles and IJV vision that are, in turn, set by the Law and the IJV partners; hence there is no discretion with regards to the role - the only discretion is in the way the director performs/achieves pre-determined tasks and goal, that is, in contribution.
- This is contrary to Anglo-Saxon CG research views board directors as having considerable role discretion as to what the role and prime purpose is (Huse, 2005; Roberts et al., 2005).
- Given the mixed views on IJV board director role discretion identified in the IJV literature (Shenkar and Zeira, 1992; Garrow et al., 2000; Gong et al., 2001; Li and Hambrick, 2005), the findings position the concept of role discretion.

IJV Board Director Role Conflict and Ambiguity: "Mystified"

- Issues identified in the CG literature in terms of the lack of clarity of roles board directors are expected to perform (Johnson et al., 1996; Hendry and Kiel, 2004) not applicable in this research context: the findings show that IJV board directors are clear about their role/tasks and goal/interest that they are expected to pursue, because board roles/tasks are set by the Law and the IJV vision is clearly articulated by the partners.
- Issues of IJV board director role conflict and ambiguity identified by the studies in the IJV literature (Shenkar and Zeira, 1992; Gong et al., 2001) appear somewhat "mystified" in this context: the findings show that potential contradictions and tensions between the partners and their (sometimes conflicting) expectations that the participants need to balance are not seen as relating to the participant's role/goal; this is due to the fact that the participants' view of different partners' agendas is not related to different partners' expectations about "what is to be achieved" (IJV vision), but about "how it is achieved" (IJV strategy).
- The findings confirm the importance of taking into account the impact of external context (e.g., country/CG system and company factors) on board director role, as advocated by the authors in the international CG literature (Denis and McConnell, 2003; Aguilera, 2005)

Importance of Context

- The findings show a strong impact of context on IJV board director behaviour: the very structured legal framework/statutory regulation of CG in Serbia and IJV context/the IJV partners' shared vision about the IJV, provide a framework in which IJV board directors operate- IJV board directors have formal tasks with a clear purpose
- This contrasts with the CG literature where an implicit assumption is that it is individual board directors who create "board role expectations" (e.g., Huse, 2005; Roberts et al., 2005) and where numerous attempts have been made to conceptualise and clarify roles that board directors perform (Johnson et al., 1996; Hendry and Kiel, 2004).

Integration of Role Theoretical Perspectives

- The findings show the importance of both an individual actor and the social structure in which they find themselves for IJV board director behaviour (role and contribution).
- The study incorporates both structural and interactionist/dynamic perspectives on role, in order to provide an integrated role analysis: a significant contribution to the role literature, where a presumed identification of role theory with interactionist/dynamic perspective leads to the failure of the studies in the field to acknowledge the importance of contextual limits/structural constraints, and/or clarify which role theoretical perspective they take.

Implications and Impact

The study makes a number of contributions to theory and practice, including:

- Enhancing our understanding of IJV board director role.
- Positioning of the concepts of role, contribution, role discretion, role conflict and ambiguity.
- Confirming the importance of contextual limits in considering IJV board director behaviour.
- Presenting a holistic picture of IJV director contribution to board effectiveness that integrates different perspectives on role identified in the literature.
- Broadening of the scope of role theory beyond the "uni-national" company.
- Given the lack of research on role of individuals in IJVs, this research may be unique in its choice of the IJV board director as the focal person in the role behaviour analysis.
- Extending of the study of board director role in the CG literature to a new area of interest - IJVs.
- Contribution to the studies of IJV boards which have been largely under-researched.
- Contributing to the practitioners' better understanding of the issues and nuances associated with governing of IJVs.
- Providing knowledge of IJV board director behaviour within the Serbian CG system.