CEO Organizational Identification, Inter-Party Cooperation, and International Joint Venture Performance

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Abstract
The literature on cooperation in the alliance literature has traditionally focused on external and structural factors. In this study, we examine how an internal, psychological factor – CEO organizational identification – may impact cooperation and the performance of international joint ventures (IJVs). We argue that while IJV CEO identification with the venture has a direct positive effect on venture performance, identification with the parent firms enhances IJV performance indirectly through the positive influences on the cooperation between the IJV and the parent firms. Results based on a sample of 185 IJVs in China supported our model. We discuss implications for theory and research on JVs and organizational identification.

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INTRODUCTION

Since early 1980s, inter-firm collaboration, as exemplified by joint ventures (JVs), has gone through a rapid growth in the worldwide market. JVs help firms expand internationally, create economy of scale, reduce risks, and acquire know-how and technologies (Contractor & Lorange, 1988). While JVs can be useful vehicles, there is a great difficulty in managing the cooperative relationships in these ventures, and this hinders the achievement of intended collective goals (Doz, 1996; Park & Ungson, 2001; Kanter, 1994). Indeed, it has been reported that the failure rate in JVs is very high - at least 50% - and partners experience adverse outcomes from unsuccessful collaboration (Das & Teng, 1998).

Because JVs essentially involve coordinating two or more partners to pursue shared objectives, satisfactory cooperation is vital to their success (Doz, 1996; Kanter, 1994). According to (Das & Teng, 1998), cooperation implies that the partners are willing to pursue mutually compatible interests rather than act opportunistically. Strategic alliances theorists have given considerable attention to the role of partner cooperation in the study of JVs. Prior research has investigated cooperation mainly from transaction cost economics and agency theory perspective (Luo & Park, 2004; Park & Ungson, 2001; Parkhe, 1993; Kumar & Seth, 1998), and researchers have identified external and structural factors that affect the cooperative relationship among different parties, such as the degree of resources interdependence, goal congruence, degree of partner rivalry, and number of parents. Left largely unexplored are internal, psychological factors that have the potential to influence the cooperation among partners. Such factors are of considerable theoretical and practical importance in that they represent a separate class of potential determinants of cooperative
relationships in JVs.

In the current study, we seek to address this broad limitation of the alliances literature by focusing on one important psychological factor of the boundary spanners in JVs – CEO organizational identification. Following the literature on organizational identification, we refer “CEO organizational identification” as the degree to which the CEO’s self identity is intertwined with the identity of the organization, or the degree to which the CEO defines him/herself in terms of the attributes of the organization (Ashforth & Mael, 1989; Dukerich, Golden, & Shortell, 2002). CEO organizational identification is of considerable theoretical and practical importance in that it is a potential antecedent to cooperative behavior and a potential determinant of the agency problem. Specifically, we examine JV CEO identification with the venture and with the parent firms. We apply the social identity theory (SIT) and self-categorization theory (SCT) to show how JV CEO organizational identification may facilitate the cooperation between the parent firms and the focal JV, and how such enhanced cooperation leads to better JV performance.

By examining how the organizational identification of JV CEOs is likely to promote the cooperation between parties, this study makes noteworthy contributions to the strategic alliances literature. Most broadly, this study is among the first to systematically demonstrate how an internal, psychological factor like CEO organizational identification can facilitate the cooperative relationships and enhance performance in the setting of JVs.

Moreover, the context of JVs provides us a novel and interesting research setting to extend the organizational identification theory. For the CEOs of JVs, they face multiple target organizations that they can identify with – the JV, and the parent firms. While theory and
research on organizational identification suggest that CEO identification with the organization that he or she leads will enhance the performance of the focal organization (Boivie, Lange, McDonald, & Westphal, 2009), little is known about the effect of CEO identification with another entity, the parent firms in the case of JVs, on the focal organization’s performance. Much of the literature assumes that identification with other entities may hinder the performance of the focal organization. The current study extends the literature by showing the positive effect of CEO’s identification with another entity (i.e., the parent firms) on the focal organization’s performance (i.e., the JV), and explore the conditions under which the effect is stronger or weaker. This study, therefore, extends the organizational identification theory by using JVs as a novel, unique context.

**MODEL AND HYPOTHESES**

Figure 1 summarizes our hypothesized model. We propose that JV CEO identification with JV has a direct positive impact on JV performance, while JV CEO identification with parent companies has an indirect impact on JV performance through better cooperation between the JV and parents.

**JV CEO Identification with the Venture and JV Performance**

The construct of organizational identification is rooted in social identity theory and self-categorization theory, both of which deal with identifications with social entities. Organizational identification (OI) is a special case of identification. We follow the literature on organizational identification, and define “CEO organizational identification” as the degree
to which the CEO’s self identity is intertwined with the identity of the organization, or the degree to which the CEO defines him/herself in terms of the attributes of the organization (Ashforth & Mael, 1989; Dukerich et al., 2002). Identification has been conceptualized to include the cognitive, affective, evaluative and behavioral components (Van Dick, Wagner, Stellmacher, & Christ, 2004; Jackson, 2002): (1) A cognitive component, which is the knowledge of being a member of a certain group, (2) an affective component, which is the emotional attachment to that group, (3) an evaluative component, which describes the value connotation assigned to that group from inside and/or outside, and (4) a behavioral component, which describes the behaviors that are associated with being part of the group. All these components are assumed to be interrelated.

Organizational behavior scholars have provided convincing theoretical arguments and empirical evidence suggesting that people who manifest high levels of organizational identification are particularly willing to voluntarily engage in actions that help their organization and its other members (e.g., Ashford & Barton, 2007; Bartel, 2001; Bergami & Bagozzi, 2000; Dukerich et al., 2002; Riketta, 2005). The SIT literature suggests that individuals tend to choose activities congruent with their identities, and these activities induce positive results for the focal organization. Stryker and Serpe (1982) found that individuals whose religious role was salient spent more time in that role, and derived satisfaction from it. Mael and Ashforth (1992) showed that the identification of alumni with their alma mater predicted their donating to that institution. Boivie et al (2009) argue that CEOs with high organizational identification will avoid pursuit of personal gains that can harm the firm and its image, and their empirical results support the arguments.
Once JV CEO is identified with the venture, he perceives himself as a member of the venture (cognitive component), and also feels strong affective ties towards this group (affective component). He or she positively evaluates the venture’s characteristics (evaluative component), and is ready to stand for the group and to behave in a way which is supportive of the group (behavioral component). The CEO who identifies with the joint venture personalize the organizations’ successes and failures, and is energized to cooperate with other members to achieve its strategic goal. Thus, we hypothesize:

\textit{Hypothesis 1: JV CEO identification with the joint venture is positively related to the performance of the JV.}

\textbf{JV CEO Identification with Parents and Parent-JV Cooperation}

While it is quite straightforward that JV CEO identification with the venture should enhance the performance of the JV, it is less clear whether and how JV CEO identification with parent firms many affect JV performance. Overall, we expect that JV CEO identification with parent firms should enhance the cooperation between parent firms and the JV, and that such cooperation should in turn enhance JV performance.

Researchers have pointed out the potential agency problem in equity-based joint ventures (EJVs) (Luo & Park, 2004). Agency problem may exist between parent firm (the principal) and JV venture management (the agent) due to the partial goal conflict and risk sharing differences between the two parties (Eisenhardt, 1989; Geringer & Hebert, 1989; Park & Ungson, 2001). Parent firms and venture managers may have different goals (Yan & Gray, 2001), and the goal conflicts are even more problematic in international joint ventures.
(IJVs) (Shenkar & Zeira, 1992). While a parent firm may have clear agenda of its own, IJV managers may be caught between the interests of multiple parties, including the foreign parent and local parent. These diverse interests are not always in line with each other. Moreover, IJV managers themselves may bring along personal experiences and biases that is at odds with the parent firm (Luo & Park, 2004). On the other hand, as JV managers invest in their human capital specific to the JV venture, they may have different risk preferences compared to the parent firm (Arrow, 1970; Jensen & Meckling, 1976). For the parent firm, the focal JV may be just one of the several investment ventures and it can diversify risks relatively easily. In sum, because of the partial goal conflict and risk sharing differences, parent firm usually has to rely on various control mechanisms (Geringer & Hebert, 1989; Yan & Gray, 1994) to make JV management cooperate in order to fulfill its strategic goal.

When the CEO of the JV strongly identifies with the parent firm, the potential agency problem is mitigated as the two reasons – self-interest and goal conflict - underlying the potential agency problem are alleviated. Agency theory assumes self-interests for the predictions from the theory to be held, and the assumption, together with the goal conflict between the principal and agent, gives rise to the agency problem (Eisenhardt, 1989). To extend the predictions from the theory, scholars maintain that the assumption of goal conflict between the principal and agent may be relaxed either in a highly socialized or clan-oriented firm (Ouchi, 1979) or in situations in which self-interests give way to selfless behavior (Perrow, 1986). According to social identity theory and self-categorization theory, when people identify with an organization, there is a self-categorization effect – an individual’s identification moves from the personal level to the collective level. It is a “shift towards the
perception of self as an interchangeable exemplar of the social category and away from the perception of self as a unique person (Turner, Hogg, Oakes, Reicher, & Wetherell, 1987: p.253)”. Research has demonstrated that when individuals categorize themselves in terms of the organization, they are likely to think and act in collective ways. Because of the self-categorization effect, individuals view them more through the lens of collective identity, and, when the identification with an organization is strong, self-interested behavior in the principal-agent scenario is reduced.

We view the JV management as the agents for the parent firms. The CEO of the JV is the key person who is in charge and can potentially have tremendous influences on the vertical relationship between the venture and parent firm. As we argued earlier, there is a potential agency problem between the JV management and the parent firm. And the agency relationship could be potentially more problematic than that in the unified ownership structure (Luo & Park, 2004; Yan & Gray, 2001). When the CEO of the JV identify strongly with the parent firm, however, he or she may view the parent firm as part of his or her identity, and, therefore, cooperate with the parent firm. In this situation, the CEO is not “forced” or “monitored” to be cooperative in the daily operations, but is willing to do so. As the CEO is the leader of the venture management, it can be expected that the cooperative relationship between the parent firm and the JV management is also enhanced.

CEO identification with parent companies may also enhance vertical cooperation between the parents and the JV through the identification-based trust (Lewicki & Bunker, 1995). Trust plays a prominent role in the emergence of cooperation among groups (e.g., Dawes, 1980; Edney, 1980; Kramer & Brewer, 1984). It has also been identified as the most
important antecedent to cooperative relationships between parties or organization entities (Smith, Carroll, & Ashford, 1995). Organizational behavior scholars identify three types of trust: calculus-based, knowledge-based and identification-based trust (Lewicki & Bunker, 1995). Calculative trust occurs when farsighted parties recognize the potential benefits of their continued interaction and expect that the other party will behave predictably. In knowledge-based trust, one person relies on another because of direct knowledge about their behavior. Parties with identification-based trust, develop social bond with each other based on appreciation on each other’s needs. Applying social identity and self-categorization theory, we argue that organizational identification will induce identification-based trust through the following four mechanisms.

First, social categorization has a positive effect on individuals’ perceptions of other people’s trustworthiness. Research has shown that people tend to perceive members of their own social groups in relatively positive terms (Brewer, 1979). In-group members are typically viewed, for instances, as being more honest, and more trustworthy than members of other groups. Thus, all else being equal, people expect more positive behaviors from those with whom they share the same categories.

Second, social categorization enhances perceived similarity among individuals within a social category (Tajfel, 1974). Because of this enhanced perception of similarity, individuals may presume that other members of a collective perceive a given trust dilemma in similar terms and will act in similar fashion. The trust dilemma refers to the situation where the individual who engages in cooperative behaviors bears all the burdens of cooperation, while the benefits are enjoyed by each of the group members (Kramer, 1993). Individual group
members, therefore, need some basis to believe that other members will reciprocate. The enhanced perception of similarity gives individual group members the basis to form such a belief.

Third, research on psychological contracts (Rousseau, 1989) suggests that group members often possess a variety of more or less tacit understandings regarding the norms, obligations, duties and rights that govern their relationship with other group members. The presumption that a psychological contract is in force also helps individual member to solve the trust dilemma. One major psychological barrier that underlies the reluctance to trust is the fear of exploitation. As Rotter (1980) observed, the belief that other group members will not be willingly violate the psychological contract may reduce individuals’ fear that unilateral initiatives on their part will leave them “exposed”.

Finally, social categorization also affects individuals’ causal attribution about others’ motives and intentions – important considerations when determining the risks of engaging in trusting behavior. Research has shown, for instance, that individuals are more likely to attribute in-group members’ negative behavior to external, unstable factors, whereas the same behavior by an out-group member is more likely to be attributed to stable, internal factors (Brewer & Kramer, 1985; Hewstone, 1994). Because of these attributional biases, when individuals confront with negative information of other in-group members that might be diagnosed of lack of trustworthy, they tend to discount the doubt. In this way, trust within the group remains intact. Conflicts and misunderstandings are abundant in JV’s daily operations, and they can induce downward spirals to do harm to relationships if not handled properly (Hambrick, Li, Xin, & Tsui, 2001). When JV CEO identifies strongly with the parent
companies, it is easier to maintain the trust relationship in face of conflicts and misunderstanding between the two, and, hence, the cooperative relationship.

The above reasoning shows that psychological and social process associated with organizational identification increase individuals’ propensity to confer trust on other members in the relevant organization and their willingness to engage in trusting behaviors themselves. The development of such identification-based trust enables the parties to work out ambiguities in the contract, correct errors, cope with uncertainties and achieve integrative outcomes better (Crocker & Masten, 1988; Mohr & Spekman, 1994; Yan & Gray, 2001).

To summarize, vertical cooperation between the parent companies and the JVs is essential and difficult to achieve (Das & Teng, 1998; Yan & Gray, 2001). When JV CEO identify with the parent companies, however, the potential agency problem is mitigated, and the voluntary cooperative behavior is expected, and the vertical cooperation between the parent company and the venture is enhanced. Thus, we hypothesize:

Hypothesis 2a: JV CEO identification with the local parent is positively related to the cooperation between the local parent and the JV.

Hypothesis 2b: JV CEO identification with the foreign parent is positively related to the cooperation between the foreign parent and the JV.

Parent-Venture Cooperation and JV Performance

Research on inter-firm relationships has linked inter-firm cooperation with firm performance (Smith et al., 1995; Combs & Ketchen Jr, 1999). The resource-based view (RBV) predicts that firms can enrich their resource endowment by means of inter-firm cooperation,
and gain competitive advantage in the market (Erramilli & Rao, 1993; Hamel, 1991; Borys & Jemison, 1989; Ingham & Thompson, 1994).

JVs represent a cooperative organization form among independent firms. One important motivation to form an equity-based JV (EJV) is to transfer organizational knowledge (Kogut, 1988; Hennart, 1988). From the transaction-cost-economics logic, EJV is chosen when there is market imperfection in transacting knowledge, and to internalize the knowledge under a unified ownership (e.g., through merger or acquisition) is too costly to manage (Hennart, 1988, 1991). Towards a similar end, but from a different logic line, the knowledge-based view (Kogut & Zander, 1992; Zander & Kogut, 1995; Kogut & Zander, 1996) sees EJV as a means by which firms learn or seek to retain their capabilities (Hamel, 1991; Inkpen & Dinur, 1998). In this view, firms are consisted of a knowledge base, which is not easily diffused across the boundaries of the firm. EJV is, then, a vehicle by which the ‘tacit knowledge’ (Polanyi, 1967) is transferred.

Research in strategic alliances has documented that the knowledge transferred from the parent company to JV is essential for the JV to operate and compete successfully (Dhanaraj, Lyles, Steensma, & Tihanyi, 2004; Lyles & Salk, 1996; Steensma & Lyles, 2000). In the context of IJVs, knowledge from the foreign parent and the local parent are both important for the venture. While the foreign parent usually contributes managerial expertise and technology know-how, the local parent often brings local market knowledge and local social network. (Dhanaraj et al., 2004) examined the influence of the vertical knowledge transfer in IJVs in Hungary, and showed empirically that the knowledge from the both the local and foreign parents are beneficial to the IJVs.
A cooperative vertical relationship between the parent firms and the JV is important for the venture to obtain knowledge, independent of an IJV’s cognitive capacity (Dhanaraj et al., 2004; Lane & Lubatkin, 1998; Kale, Singh, & Perlmutter, 2000). Arm’s length market relationships are often facilitated through high order incentives (Williamson, 1991). Within hierarchies, shared values and high-order systems play a critical role in the transfer of knowledge (Kogut & Zander, 1992; Brown & Duguid, 2001). Within hybrid organizational forms, such as a JV, however, contract based high order incentive is far from complete, and top-down fiat based on hierarchy is not always working (Yan & Gray, 2001; Crocker & Masten, 1988). Thus, building trust-based cooperation, in the case of hybrid, is essential for the knowledge transfer to take place. Vertical cooperation provides opportunities for the JV to absorb knowledge from its parent firms, and the transferred knowledge lays a solid foundation for the venture to perform successfully. In sum, the vertical cooperation between parent company and JV venture is an important antecedent to its performance. Therefore, we hypothesize:

*Hypothesis 3a: The cooperation between the foreign parent and the JV is positively related to JV performance.*

*Hypothesis 3b: The cooperation between the local parent and the JV is positively related to JV performance.*

**Indirect Effect of JV CEO Identification with Parents on JV Performance**

Organizational identification theory suggests that identification with a particular entity will benefit the performance of that entity. Theory and research, however, has been silent on the effect of organizational identification with another entity (e.g., the parent firms in this study)
on the performance of the focus entity (e.g., the joint venture in this study). We propose that
JV CEO’s identification with the parent company can potentially enhance JV performance
indirectly through enhancing the vertical cooperation between the two parties.

First, as we discussed earlier, we expect that JV CEO’s identification with the parent
comp any will be positively associated with the cooperation between the parent company and
the venture. When JV CEO is identified with the parent company, he personalizes the success
and failure of the organization, and sees greater goal congruence between the parent and the
venture. This helps mitigate the potential agency problem. Moreover, when JV CEO
identifies himself with the parent company, identification-based trust is induced in the
relationship, and an enhanced cooperation between two parties – the JV management under
his leadership and the parent company that he identified with, can be expected.

Second, we expect that vertical cooperation will be positively related to JV performance.
The success of a joint venture is highly dependent upon the pooling of the resources from the
parents. The knowledge from parent firms is among the most valuable resources. Knowledge
transfer is essential yet making the parent transferor vulnerable in the context of JV (a hybrid
form). While market and hierarchy under unified ownership has high incentive and
coordination mechanisms, those mechanisms are not readily in place or similarly workable in
a hybrid form, like the JV (Yan & Gray, 2001; Crocker & Masten, 1988). Under this
circumstance, the trust-based cooperation between the parties of the knowledge exchange is
critical. When parents cooperate with the venture, they may be more willing to transfer
managerial and technological know-how to the venture. Beyond knowledge transfer, parent
firms may be willing to consider the needs of the venture and give more support in general.
To sum up, JV CEO identification with the parent firms should have an indirect effect on JV performance though the mechanism of parent-venture cooperation. Therefore, we hypothesize:

*Hypothesis 4a: JV CEO identification with the local parent will have an indirect effect on JV performance through the cooperation between the local parent and the JV.*

*Hypothesis 4b: JV CEO identification with the foreign parent will have an indirect effect on JV performance through the cooperation between the foreign parent and the JV.*

It should be emphasized that we do not expect and therefore do not hypothesize any direct effect of JV CEO identification with the parents on JV performance. JV CEO identification with the JV, which according to the organizational identification theory, energizes the CEO to strive for the goals of the JV, and, therefore, should directly enhance JV performance. CEO identification with the parents, on the other hand, has an indirect impact on JV performance through better cooperation between the IJV and the parents.

**METHODS**

**Sample**

We tested the hypotheses using IJVs operating in China. China represents an appropriate empirical context for several reasons. First, China is now the world’s largest foreign investment recipient and approximately 60 percent of the investment comes from equity (JVs) and contractual based strategic alliances (Nations, 2006). Second, JVs in China presents a rich research setting – ripe for examination of cooperation antecedents, behaviors, and
outcomes - given the cultural differences between foreign and local parties, and market
dynamics during structural transformation.

We collected data were through two different channels. In the first channel, a professor at
Nangjing University gained access to 103 joint ventures mainly in the Jiangsu province. The
professor then directed a team of graduate students to actually visit the sample joint ventures
to conduct the survey. Surveys were distributed, completed, and collected on the spot.
Respondents were informed that their responses would be kept confidential and used for
research purpose only. In the second channel, a professor from CEIBS gained access to the
alumni database which provided information for identifying IJVs. From the database, 115
were identified as IJVs and, thus, invited to participate. A graduate research assistant then
sent questionnaires, through express delivery, fax, e-mail, or on-site visit, to 109 IJVs that
agreed to participate. The respondents were assured that their responses would be kept
confidential and used for the research purpose only. Respondents returned completed surveys
to the professor’s business address through mail, fax, or email. After three rounds of
follow-up, we received responses from 82 IJVs. In both data collections, there was one pair
of questionnaires (one for the CEO/general manager, and one for a senior vice-president) for
each IJV. The pair of questionnaires was assigned a unique number for the matching purpose.

The participants were the CEO and a senior vice-president from each IJV. To ensure that
they were the ones who completed the questionnaires, we first contacted them to make the
appointment, and our research assistants then conducted the survey on the spot in the first
channel. In the second channel, our research assistant verified with them that they completed
the survey after we received the competed surveys.
Measurement

The JV CEO reported their identification with the parent firms (i.e., the local, and the foreign parent, respectively) and the cooperation between the parent firms and the JV. The senior vice-president reported the performance of the JV. All the items were rated in a five-point scale. The items were translated into Chinese following the back translation procedure (Brislin, 1980) except when they had been subject to the procedure in previous studies. We gave the respondents the English version surveys when requested.

**CEO organizational identification.** We adapted a multi-item measure of organizational identification developed and validated in prior research. We included all six items from Ashforth and Mael (1992), which has been used extensively in prior studies (Ashforth, Saks, & Lee, 1998; Bergami & Bagozzi, 2000; Dukerich et al., 2002).

**Parent-venture cooperation.** Cooperation was measured using nine items from (Luo & Park, 2004). Both CEO identification and parent – venture cooperation were rated by the CEO. We believe that the CEO is the best informant to rate his or her own identification and the cooperation between the venture and the parents. Their ratings were more likely to represent the true scores than ratings from other sources. Nevertheless, we took extra steps to check potential common method bias. Specifically, we conducted the Harmon’s one factor test (Podsakoff & Organ, 1986). We subjected CEO identification with the local parent, CEO identification with the foreign parent, cooperation between the local parent and the JV, and the cooperation between the foreign parent and the JV to one factor analysis. Results indicated that no one single factor emerged. Nor was there a factor that accounted for the majority of the variance. We also observed that CEO identification with the foreign parent
had a moderate correlation only with the cooperation between the foreign parent and the JV (r = .23, p < .05). Moreover, it had no significant correlation with the cooperation between the local parent and the JV (r = .05, ns). If there was a significant common method bias that typically inflates relationships, we would have observed a stronger correlation. The same observation applies to CEO identification with the local parent. Overall, we conclude that common method bias was not a serious concern in the current study.

**JV performance.** It is a thorny issue to conceptualize and measure IJV performance (Yan & Zeng, 1999). Previous research has used objective (e.g., duration, and financial gains) and subjective measures (e.g., goal attainment, and satisfaction) (Park & Ungson, 1997). We utilized an index based on a senior vice-president’s subjective ratings in five areas as compared to major competitors. The items covered the diverse concerns of local and foreign parents or JV management in evaluating venture success. The subjective approach in this study is appropriate as this measurement approach has been shown to correlate with objective measures with a high degree of reliability (Chandler & Hanks, 1993). Cronbach’s alpha was .85 for the scale.

**Control variables.** Venture size often affects the firm’s market power over competitors, and it also influences the potential to increase economy of scale and access profitable industries in China (Luo & Park, 2004; Luo, 1997). IJV size is defined as the size of the total assets of the venture. Length of operations reflects the level of organizational learning and experience, which can potentially influence the path and extent of competitive success. As partners interact over a long period of time, there is a better mutual understanding of strategic goals and managerial practices, which could make it easier to improve cooperation. We use dummy
variables to control the industries in which IJVs operate. The dummy variable differentiates IJVs in manufacturing industries from those in other industries.

Previous studies have addressed cultural distance between foreign and local partners as an important factor affecting cooperation and performance (Park & Ungson, 1997). Barkema & Vermeulen (1997) demonstrate that cultural distance between partners is a prominent determinant in establishing international cooperation and learning. In this study, we controlled the differences on the national culture values between the two parents with the highest ownership shares in IJVs.

Literature on cooperation among different partners has identified several structural factors that could influence the cooperative relationship, including number of partners, resource complements among partners, goal incongruence between partners and prior cooperation experience between partners (Kumar & Seth, 1998; Luo & Park, 2004; Smith et al., 1995). We controlled these factors in current study. We captured the degree of resource complements between foreign and local partners by using an item with a five-point Likert scale. We used a dummy variable to record whether foreign and local partners have prior cooperation experience before.

**RESULTS**

Table 1 presents descriptive statistics and zero-order correlations among the major variables in this study. The relationship between vertical cooperation and JV performance was positive ($r = .35$, $p<.01$ for the foreign parent; $r = .18$, $p<.05$ for the local parent). JV CEO identification with the local parent was positively associated with the cooperation between
the JV and the local parent \( (r = .44, p < .01) \). A strong positive correlation also existed between the CEO identification with the foreign parent and the cooperation between the JV and the foreign parent \( (r = .23, p < .01) \). The correlation between JV CEO identification with the joint venture and JV performance was also positive \( (r = .24, p < .01) \).

Hypothesis Testing

To test the hypotheses, we followed the three steps outlined by Baron and Kenny (1986). In step 1, we examine the relationship between JV CEO organizational identification and the cooperation between the venture and corresponding parent. In step 2, we examine the relationship between JV CEO organizational identification and JV performance. In step 3, we add parent-venture cooperation variables (i.e., the cooperation between the local parent and the JV, and the cooperation between the foreign parent and the JV) to the equation in step 2.

The regression results for step 1 are presented in Table 2. Model 1 and 2 provide results for cooperation between the JV and the foreign parent. The control variables were in Model 1, and the CEO organizational identification with the foreign parent was in Model 2. The regression coefficient for the CEO organizational identification with the foreign parent was significant \( (\beta = .26, p < .01) \) in Model 2. Models 3 and 4 provide results for cooperation between JV and the local parent. In model 4, the regression coefficient for the CEO organizational identification was significant \( (\beta = .38, p < .01) \). Thus, H1a and H1b were fully supported.
Results for steps 2 and 3 are presented in Table 3. In Model 1, we entered the control variables. In Model 2, we added JV CEO identification with the joint venture. In model 3, we added JV CEO identifications with the foreign parent and with the local parent to the regression equation. In Model 4, we added the cooperation between the JV and parent companies to the Model 3 equation. Results indicated that the main effect of CEO identification with the joint venture on JV performance was significant ($\beta = .27, p< .05$). Hence, H1 was fully supported.

In model 3, results indicated that JV CEO identification with both foreign parent and local parent were not significant. The cooperation between the JV and the foreign parent was significant ($\beta = .27, p<.01$), while the cooperation between the JV and the local parent was marginally significant ($\beta = .13, p<.10$). H2a was fully supported while H2b was marginally supported.

To sum up, while there was a significant relationship between CEO organizational identification and the corresponding cooperation variable, and between the cooperation variable and JV performance, the direct association between CEO organizational identification with the parent companies and JV performance was not significant. Researchers
recently argue that a significant total effect of the independent variable (i.e., CEO organizational identification) on the dependent variable (i.e., JV performance) is not necessary (James, Mulaik, & Brett, 2006). Given that our sample size was not big, we tested the indirect effect of CEO identification on JV performance through vertical cooperation by following the bootstrapping approach. Such a test would provide a direct test of the significance of the indirect effect. This test is more appropriate for small to moderate samples where the sampling distribution for the indirect effect is particularly unlikely to be normal (Hayes, 2009; Preacher & Hayes, 2004; Preacher, Rucker, & Hayes, 2007). The bootstrapping results indicate that the indirect effect of CEO organizational identification on JV performance through vertical cooperation was significant for the foreign parent ($\beta = .08$, $p<0.05$, 95% CI [.03, .20]). Hence, H3a is supported. The indirect effect for the local parent was not significant, H3b, therefore, was not supported.

**DISCUSSION**

International joint venture research largely omits the social and cognitive processes and their potentially important implications, with a few exceptions (Salk & Shenkar, 2001). In this study, we complements the IJV literature by considering how an internal, psychological factor – CEO organizational identification – may influence the cooperation between the venture and the parent firms, and hence impact venture performance in the context of cross-border joint ventures. Our model and results indicate that JV CEO identification with the parent firms is helpful to the inter-party cooperation and hence JV performance. We therefore identified an additional antecedent to vertical cooperation in strategic alliances.

Furthermore, IJV provides a unique research context to extend the organizational
identification theory. We extend the SIT and SCT in an IJV setting to show that when JV CEO is identified with another entity (i.e., the parent company), it has indirect impact on the focal organization (i.e., the joint venture) through the vertical cooperation between the parent company and JV. We further specify under what circumstances this indirect effect is more salient (i.e., when the goal incongruence between parent companies is not high).

**Implications for Theory and Research**

A joint venture is essentially a governance form to coordinate resource sharing, and effective cooperation is essential to its success (Doz, 1996; Kanter, 1994). While researchers have given considerable attention to the role of partner cooperation, the examination of the cooperation between the venture and parent firms has been rare (see Luo & Park, 2004 for an example of exception). In addition, previous research has examined the issue of cooperation mainly from the transaction cost economics and agency theory perspectives (Luo and Park, 2004; Park and Ungson, 2001; Parkhe, 1993; Kumar and Seth, 1998), and the main focus has been on external and structural factors that affect the cooperative relationship. What has been left largely unexplored is the role of internal, psychological factor in the cooperative relationships, especially in the vertical cooperative relationships. This current study addresses the limitation in the current literature, and investigates the role of CEO identification in the vertical cooperative relationship. We propose and find that internal, psychological factors are potentially important antecedents to a successful cooperative relationship. This finding may motivate researchers to pay more attention to the internal, psychological factors in the study of strategic alliances in the future. Our model and findings have a significant implication for
the agency- and transaction-cost-based approach to cooperation. Clearly, CEO identification
with the parent firms fosters the cooperation between the JV and parent firms, which should
reduce agency or transaction cost. The agency and transaction cost approach may need to
consider CEO identification as one key variable in studying cooperation in alliances.

Moreover, joint venture provides an interesting context to extend the organizational
identification literature. The unique structural feature of JV is that there are multiple parties
involved including at least the parent companies and the venture itself. These entities are
drawn together in a collaborative effort – the JV. Theory and research on organizational
identification suggests that organization identification with the focus organization will induce
cooperative behavior and efforts directed toward the focal entity (Mael & Ashforth, 1992;
Boivie et al 2009). However, it is unclear whether identification with another entity would
affect the performance of the focus organization, and, if so, in what ways. JV provides an
interesting setting to further develop the organizational identification theory and research. It
seems that identification with other entities may have an indirect positive effect on the
performance of the focal entity. And this indirect impact is more salient when the goal
incongruence between the parent companies is not high.

**Implications for Practices**

Our study demonstrates the importance of the psychological identification of JV CEO in
the cooperation between JV and parent firms. We propose that an effective way of dealing
with joint venture complexity is through the development of equal psychological
identification to target organizations. As we have more and more flexible cooperative
organizational forms, like strategic alliances, the visible tools may not be sufficient to handle all the contingencies. An equally complex psychological structure should be developed to understand the invisible minds that are actually in charge of the organizations.

Based on the result of our study, joint ventures may want to increase the managerial identification with both parent firms. This can be achieved in a number of ways. Socializing employees about the parent companies, goals and practices could increase identification with each entity (Ashforth & Mael, 1989; Ashforth & Saks, 1996). Communication about the positive characteristics of both entities is another possibility, as prestige has been shown to enhance identification (Ashforth & Mael, 1989). In addition, firms may wish to find ways to weaken the impression of competitive situations between the parent company and the joint venture, while strengthen the complementary aspects of two entities.

Limitations and Directions for Future Research

There are several limitations to this study, which also provide directions for future research. First, this study uses a cross-sectional design, which precluded us from stating and testing the causal relationships among variables. Future research could benefit from a longitudinal approach to better establish causality. Second, we did not examine the antecedents of managerial organizational identification in the JV setting. Future research may further expand our knowledge by examining potential antecedents. Finally, we conduct the study using IJVs in China. This may pose a generalizability issue. Future research may examine our model in other countries.
REFERENCES


Boivie, S., Lange, D., McDonald, M., & Westphal, J. 2009. *Me or We: The Effects of CEO Organizational Identification on Agency Costs*.


Personality, roles, and social behavior: 199–218.


### TABLE 1
Means, Standard deviations, and Correlations among Major Variables

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<th>4</th>
<th>5</th>
<th>6</th>
<th>7</th>
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<td>-.08</td>
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<td>.15*</td>
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<td>-.08</td>
<td>.11</td>
<td>.26**</td>
<td>.16*</td>
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<td>.11</td>
<td>.04</td>
<td>.40**</td>
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<td>-.02</td>
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<td>-.08</td>
<td>.02</td>
<td>.12</td>
<td>.04</td>
<td>.10</td>
<td>.40**</td>
<td>.32**</td>
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*Significance level: .05; **Significance level: .01
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n=186.

+P < .1
*P < .05
** p<.01
# TABLE 2

Multiple Regression Analysis for Vertical Cooperation

<table>
<thead>
<tr>
<th></th>
<th>Cooperation between Foreign Parent and JV</th>
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<tr>
<td></td>
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<td>CEO identification - foreign parent</td>
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<td>CEO identification - local parent</td>
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<td>CEO identification – joint venture</td>
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<td>JV age</td>
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<td>JV size</td>
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<td>Culture distance</td>
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<td>Cooperation experience</td>
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<td>.08</td>
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<tr>
<td>Goal incongruence</td>
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<td>.06</td>
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<tr>
<td>Resource complement</td>
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<td>.18*</td>
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<tr>
<td>Number of parents</td>
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<td>- .03</td>
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<td>Model R^2</td>
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<td>.11</td>
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<tr>
<td>Change in R^2</td>
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<td></td>
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<tr>
<td>F</td>
<td>.88</td>
<td>1.91*</td>
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<tr>
<td>df</td>
<td>185</td>
<td>185</td>
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</tbody>
</table>

^aStandardized regression coefficients are reported.

+P < .1
*P < .05
** p<.01
### TABLE 3

Multiple Regression Analysis for JV Performance

<table>
<thead>
<tr>
<th></th>
<th>JV Performance</th>
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<tbody>
<tr>
<td></td>
<td>Model 1</td>
<td>Model 2</td>
<td>Model 3</td>
<td>Model 4</td>
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<td>CEO identification - foreign parent</td>
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<td>.01</td>
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<tr>
<td>CEO identification - local parent</td>
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<td>-.07</td>
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<tr>
<td>CEO identification – joint venture</td>
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<td>.22*</td>
<td>.19*</td>
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<tr>
<td>Cooperation between foreign parent and JV</td>
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<td>.28**</td>
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<tr>
<td>Cooperation between local parent and JV</td>
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<td>JV age</td>
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<tr>
<td>JV size</td>
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<td>.08</td>
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<tr>
<td>Culture distance</td>
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<td>-.16*</td>
<td>-.17*</td>
<td>-.14</td>
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<tr>
<td>Cooperation experience</td>
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<td>.16*</td>
<td>.16*</td>
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<td>Goal incongruence</td>
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<td>.04</td>
<td>.04</td>
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<tr>
<td>Resource complement</td>
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<td>-.06</td>
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<tr>
<td>Number of parents</td>
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<td>.08</td>
<td>.08</td>
<td>.07</td>
</tr>
<tr>
<td>Model R²</td>
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<td>.16</td>
<td>.27</td>
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<tr>
<td>Change in R²</td>
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Standardized regression coefficients are reported.

+P < .1  
*P < .05  
** p<.01
FIGURE 1

Hypothesized Model

 JV CEO Identification with local parent

 Cooperation between JV and local parent

 JV CEO Identification with joint venture

 JV CEO Identification with foreign parent

 Cooperation between JV and foreign parent

 Joint Venture performance