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How do Family Firms manage International Joint Ventures?"

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Abstract (English)

International joint ventures can be an important form of international growth for family businesses. However, this form of organization brings with it considerable risks. The presence of transaction costs, together with the presence of socio-emotional considerations, makes the evaluation of IJVs particularly interesting for family firms. Despite the theoretical and managerial importance of this topic, the management of IJVs by family firms has been little investigated in the literature. In this study, I analyze the management of two joint ventures by an Austrian family firm in China and Taiwan, both of which were completed a few years ago. The evidence from this study may provide important managerial insights into the management of IJVs by family firms.

Keywords: International Joint Venture / Joint Venture / Family Firms / Family Firm Internationalization / Internationalization / International Business / IB / Challenges / Case Study

Abstract (German)

International Joint Ventures können für Familienunternehmen eine wichtige Form des internationalen Wachstums sein. Allerdings birgt diese Form der Organisation auch erhebliche Risiken. Transaktionskosten, in Verbindung mit sozio-emotionalen Einlussfaktoren, machen das Inbetrachtziehen von IJVs für Familienunternehmen besonders interessant. Trotz der theoretischen und betriebswirtschaftlichen Bedeutung dieses Themas ist das Management von IJVs durch Familienunternehmen in der Literatur wenig untersucht worden. In dieser Studie analysiere ich das Management von zwei Joint Ventures eines österreichischen Familienunternehmens in China und Taiwan, die beide vor ein paar Jahren abgeschlossen wurden. Die Ergebnisse dieser Studie können wichtige Erkenntnisse über das Management von IJVs durch Familienunternehmen liefern.

Schlagwörter: International Joint Venture / Joint Venture / Familienunternehmen / Familienfirmen / Familenfirmeninternationalisierung / Internationalisierung / International Business / IB / Herausforderungen / Case Study

1. Introduction

In a more and more globalized market that changes at quite a fast pace, the right entry mode in a new market is quite an important choice for a company. Among other entry modes, the International Joint Venture can be very promising, as it combines the share of risk with the share of knowledge, assets, and investments. Yet, the formation of the Joint Venture naturally comes with its risks, as two business partners form a new business unit. Such might be opportunistic behavior, hold-ups, information asymmetry, or others.

The International Joint Venture is a particularly important form of internationalization for Family Firms, as the Family Firm might sometimes lack assets for a successful market entrance in a different country. It might not have the social capital, financial assets, or enough knowledge about legal regulation in a host country. In these situations, the Joint Venture will come in quite handy. In addition, in risk analysis and partner relationship management, socioemotional considerations play an important role, characterized by trust, loyalty, and long-term orientation; but also, the fear of losing control, choosing control over the financial success of the firm, or emotional attachment to the firm. However, despite the importance of this topic for Family Firms and the unique circumstances of two Family Firms forming a Joint Venture, this topic has been little addressed in the literature. Even though there are research papers that investigate isolated factors at the beginning, middle, and end of an IJV (for example the factor trust), a beginning-to-end development including challenging, but also facilitating factors cannot be found.

This study aims to answer the following research question: How do family firms manage International Joint Ventures? To answer this research question I develop an in-depth case study analyzing two International Joint Ventures formed by an Austrian Family Firm in China and Taiwan. The Joint Ventures came to a termination differently, even though they were a financial success and both reached their economic goals that were set by the business partners. The research showed that while trust is a key factor in the formation and duration of an IJV between family firms, it must not be taken for granted, as business partners may lose trust (or trustworthiness) over time. The Joint Venture in China struggled with a peaceful termination due to the impossibility of the board sitting together to discuss the dissolvement, as it took place during the COVID crisis, and travels to China were not possible. The IJV in Taiwan on the other hand was missing an expat altogether, which would have been crucial, as trust was lost over time and information flow between the IJV and its parenting firms was not ensured anymore. In both cases, the lack of a Human Resources department diminished the likelihood of success of the business units.

This thesis contributes to a deeper understanding of Family Firm Internationalization through IJVs by integrating all facilitating and challenging factors of the IJV between two Family Firms and expanding the up-to-date knowledge as to why IJVs of Family Firms get terminated. The research further provides valuable inputs for academic researchers, as well as practitioners, in the field of International Business and Family Firm Internationalization and offers guidance on forming IJVs with other Family Firms and overcoming hazards in doing so. The research is carried out through the theoretical lens of the Transaction Cost Economics combined with the Socio-Emotional Wealth.

2. Literature Review

2.1. Transaction Cost Economics

To describe the intrinsic motivation for the formation of an International Joint Venture, it is important to understand the theory of Transaction Cost Economics, first introduced by Williamson (1998). In its initial stages, Williamson (1998) describes that the firm must decide whether it wants to integrate vertically or purchase externally, given the fact that the integration takes place unproblematically. The make-or-buy phenomenon was first applied to the decision-making of vertical integration (Cuypers, Hennart, Silverman, & Ertug, 2021).

Furthermore, Transaction Cost Economics describes that all human agents have an opportunistic behavior by nature. Combined with bounded rationality, it results in the fact that contracts are unavoidably incomplete. After all, humans are “intendedly rational, but only limited so”, as Simon famously stated (1961, p. xxiv). The goal of a manager is proposed as follows: reach an agreement for receiving a quantity of goods (or services) with a desired quality to a minimum of costs (Poppo & Zenger, 2002).

By looking beyond daily affairs to long-term contracting, the drivers of the TCE propose that ex-ante choices of governance will reduce ex-post hazards. This kind of approach is of utter importance for acting in a market, since the firm, regarded as a governance rather than a production function, is part of a market in which transactions take place regularly (Williamson, 1998).

The transaction by itself must be observed under the dimensions of the frequency of transaction, the uncertainty, and, probably most importantly, the asset specificity (human, site-specific, technological, temporal, etc. assets) (Williamson, 1998). A firm can choose between the following Governance Mechanisms:

- Markets
- Hierarchies
- Hybrids

It is advised for example that a transaction of high specificity is internalized (Hierarchies), as these assets are most likely of very high costs. If the asset-specific transaction increases the competitive advantage of a company, a hierarchical transaction is highly recommended. A highly uncertain transaction on the other hand should rather be purchased on the market, as an asset of high uncertainty will lead to a higher risk. If it is uncertain for example if the asset will still be needed after a certain period, it would be counterproductive to internalize the transaction. Last, the frequency of transactions is also a determinant, which should be evaluated situationally. A transaction that is carried out very seldomly should not be internalized, as the internalization process would take more resources than purchasing on the market, even if the costs are high. A very frequent transaction can be internalized if the costs can be reduced in doing so. (Williamson, 1998)

Cuypers et al. (2021) have collected the extensions to the TCT that have been contributed to in the last few years, as shown in Figure 1 (Cuypers et al., 2021; p.128). The result is a rather pluralistic view of the Transaction Cost Theory, complementing the behavioral assumptions with “bounded reliability”; the Transaction Characteristics with the Characteristics of Interdependence; and the Governance Mechanisms with the Institutions and Alternative Views. As an example of Governance Mechanisms, researchers have moved away from the static three categories “Markets”, “Hierarchies”, and “Hybrids”. They have shown that an institution that could mix the hierarchy and markets could be a Joint Venture, merging contracting with relational governance in a hybrid form.

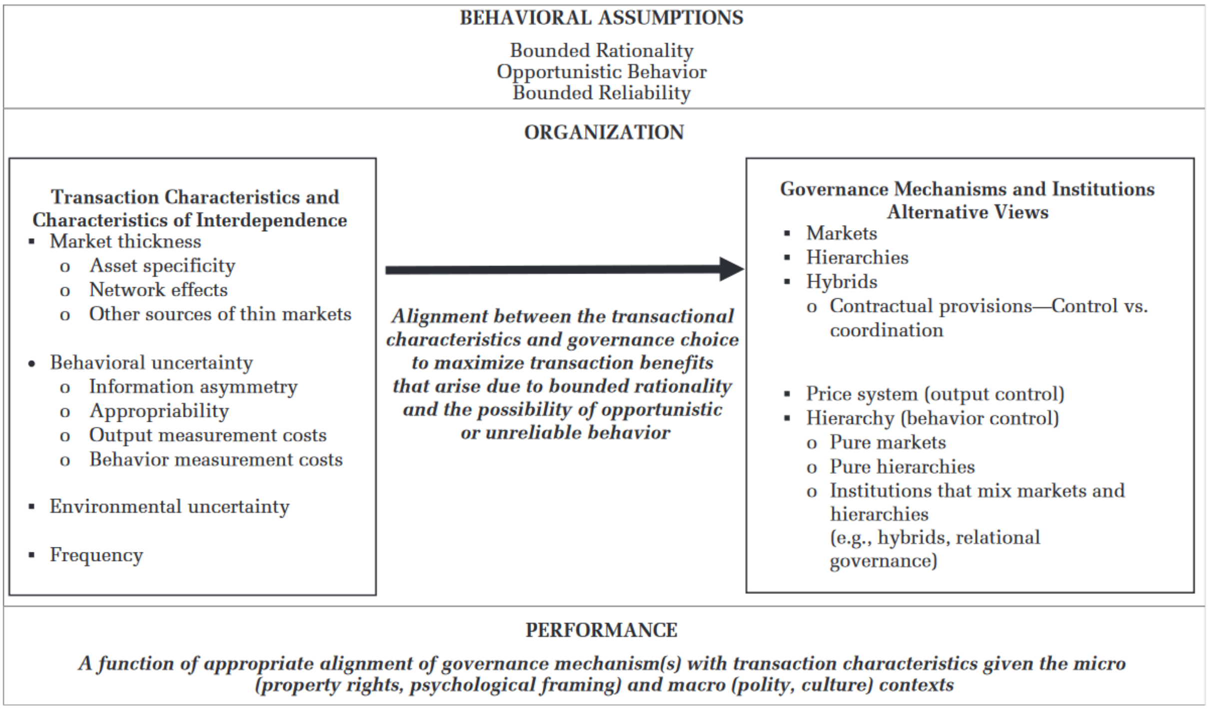

Figure 1: Current and Future Approaches to TCT

An important part of the pluralistic view is the proposition of Poppo and Zenger (2002), encouraging firms to find the right balance between contracts and relational governance. With the implementation of a thorough contract, the TCE suggests that the longevity of a contractual relationship is promised, as offenses of the exchange are kept to a minimum through the threat of penalties (Poppo & Zenger, 2002). The relationship between business partners enrolled in the transaction should be fixed contractually, given the possibility that the contract may be adjusted to situations accordingly (Williamson, 1991). However, a contractual relationship with business partners is very likely to come with hazards: asset specificity, measurement difficulty, and uncertainty. If these hazards are given, it is proposed to introduce so-called contractual safeguards, or form a vertical integration altogether: the bigger the hazards are, the more complex the contract will become (Poppo & Zenger, 2002).

In addition to contracts, research of the TCE proposes for business partners to integrate a relational government, as it positively influences overcoming exchange hazards. The phenomenon occurs because firms form more flexibility, information exchange, as well as solidarity when involved in a positive relationship with each other (Poppo & Zenger, 2002). When the thorough contract is not able to minimize opportunism, the issue can be tackled with trust. Trust is a key factor in an inter-organizational positive relationship (Cao & Lumineau, 2015; Poppo & Zenger 2015).

However, some researchers suggest that contracts of a too thorough nature might influence trust and relational governance negatively and even trigger opportunistic behavior (e.g.: Ghoshal & Moran, 1996), which is why the approach of both, contracting and relational governance, is encouraged. A complementary approach can successfully increase performance, which includes satisfactory pricing, quality, as well as responsiveness (Poppo & Zenger, 2002).

Recent researchers have pointed out that, even though Williamson’s TCE is described (and criticized for being) static, a dynamic interpretation is quite plausible. Cuypers et al. (2021) for example point out that the choice of governance can be readjusted according to a changing environment over time. Such changes may also be smaller, for example changing the composition of the board in an International Joint Venture instead of moving away from it and purchasing on the market completely.

The reason for adapting the form of governance could be either external (Nickerson & Silverman, 2003) or internal (Hennart J., 2009). Finer-grained changes of governance due to minimizing transaction costs should be seen complementarily to the original Transaction Cost Theory. This will give researchers the chance to understand the choice and change of governance in an evolving environment (Cuypers, Hennart, Silverman, & Ertug, 2021), which becomes more and more important in a fast-globalizing world.

2.2. The International Joint Venture

When following the TCE, a firm should consider vertical integration, depending on the asset specificity, uncertainty, or the frequency of a transaction. Opportunistic behavior is proposed to be minimized by contracts combined with relational governance, including (reciprocal) trust as a key component. All these arguments lead, among others, to the concept of the International Joint Venture, which can be chosen over the Wholly Owned Subsidiary, if the circumstances allow so. This section will scrutinize the promising factors and suggestions for a successful IJV and describe its advantages, but also the hazards that might come along with the Joint Venture.

The International Joint Venture is a quite popular entry mode for companies that want to achieve their strategic goals across the national borders of their home country. By definition, the IJV is a cross-border alignment with an autonomic administration that is based on an equity arrangement formed by two parent firms (Nippa & Reuer, 2019). According to research, finding the right business partner is one of the key factors to ensure a business unit's success (Hitt, Dacin, Levitas, Arregle, & Borza, 2000) including the knowledge of the potential business partner. This is subject to the condition that such knowledge is available to the guest firm (Loehde, Calabrò, Torchia, & Kraus, 2020).

Starting a new subsidiary across national borders, however, is always connected with obstacles that do not have to be dealt with to the same extent if a local company is involved in the foundation of the subsidiary. Nonetheless, the Joint Venture, too, has hazards that must be considered. Among other facilitating factors, with the right composition of a board, hazards can be overcome (Cuypers et al., 2017).

- Opportunistic behavior: In the IJV, it is quite possible that business partners have fundamental differences, and that one partner behaves opportunistically

(Parkhe, 1993). Factors that are linked to opportunistic behavior might be mistrust or information asymmetry.

- External environment: The business partners must thoroughly examine the external environment of the host country where the Joint Venture is situated (Cuypers, Ertug, Reuer, & Bensaou, 2017). Such might be:
    - Political situation
    - Cultural differences
    - Legal and regulatory risks
- Competitive overlap: Researchers believe that competitors of a specific market who form International Joint Ventures might be at risk of behaving opportunistically and forming hold-ups, as they try to get their interests through at their competitor's (and now business partner's) expense (Oxley & Sampson, 2004).
- (Missing) Exit strategy: When the business partners don't agree on an exit strategy at the beginning of the Joint Venture journey, difficulties are likely to happen, when the termination of the IJV is due. (Walters, Peters, & Dess, 1994)

When the International Joint Venture is implemented successfully, however, firms can achieve significant competitive advantage through joint knowledge, joint costs, and overcoming cultural differences (Huang, Han, & Macbeth, 2020).

The core advantages the IJV holds for a firm are as follows:

- The gain of support from local partners – Having a business partner in a guest country can provide support in different areas, such as: getting staff more easily, overcoming cultural boundaries during the formation of new business alliances, understanding the local commercial laws, building a local social capital, etc.
- The share of risks and costs (see 2.1. Transaction Cost Economics) – By sharing a business unit with another company, risks and costs can be cut by half.
- The development and sharing of tacit knowledge (Nippa & Reuer, 2019) – Tacit knowledge is crucial for success and competitive advantage. By creating a joint business unit, tacit knowledge from two different companies can be used.

- Less government interventions due to a local company involved in the IJV (Pinkham & Peng, 2017). The government interventions are likely to be higher if the guest company tries to operate by itself, as in the case of a green field investment.

The overall number of International Joint Ventures has continued to increase significantly (Nippa & Reuer, 2019) and the reasons mentioned above likely have a great impact on this growth rate.

One reason a firm wants to go forward with the formation of an IJV might be the lack of capabilities needed for the extension of the firm (Hennart & Zen 2005), for example lacking expertise or social capital. In such cases, an International Joint Venture is a helpful tool to integrate vertically or horizontally, as it can make use of the social capital or the expertise of a different company across the national border and reduce the transaction costs at the same time.

A key factor that is of utmost importance for the formation of an International Joint Venture is the social capital according to the social exchange paradigm, incorporating benevolence, reciprocity, and most importantly trust and commitment (Kwon, 2008). If one partner is more committed than the other, the cooperation is in danger of becoming unstable, or even subject to failure.

Isidor et al. (2015) on the other hand believe that reciprocity is one of the key components of a successful commission of the International Joint Venture. In other words, all other mentioned assets above (trust, commitment, benevolence) must be symmetrical and reciprocal. There are at least two partners in an IJV who are (potentially) exposed to the risk of opportunistic behavior (as suggested by the Transaction Cost Theory, see also 2.1.) (Khalid, Ali 2017). Hence trust plays a significant role in the formation, especially for the company that operates in a guest country. Successful cooperation that includes trust as an asset (in this case relational governance) offers hazard protection that cannot be set in a contract (Poppo & Zenger, 2002), for example, opportunistic behavior. It is of mutual understanding in the research field of International Business that trust in an International Joint Venture can determine the success of a newly formed business unit. Deriving from the theory, trust should be built through the three important structural factors (Hennart & Zen 2005; Khalid & Ali, 2017):

- **(Balanced) interdependence** – An interdependent relationship between the IJV business partners motivates them to rely on each other with the implementation of relational governance. If the interdependence is balanced, the positive relation to trust is increased.
- **Ownership share** – A rather equal ownership share has a positive relation to trust, as opportunistic behavior is compounded. This will naturally increase trust, as opportunistic behavior from the other party is not expected.
- **Resource complementarity between partners** – If resources are complementary, chances are lower that one business partner is more dependent on the other, increasing the importance of the reliability of both.

Hennart and Zeng (2005) believe that interdependence arises naturally when companies invest assets in a Joint Venture, hence, to reduce opportunistic behavior, the investment of assets should be rather equal. However, the study of Khalid and Ali (2017) shows that neither balanced interdependence nor balanced ownership share have an impact on the building of trust. It is estimated that the reason for this finding is the necessity of the business partners to create a hedge against the other party's opportunistic behavior (Khalid & Ali, 2017). Furthermore, it appears that even though resource complementarity is set to enhance trust in the inter-organizational relationship (Hennart & Zen 2005), it is not fully agreed on whether this statement is true. Research shows that it is positively related to commitment rather than trust on the one hand, as, naturally, both business partners commit resources to the IJV (Kwon, 2008). On the other hand, different research showed that resource complementarity is positively related to the generation of trust, as it creates an interest on both sides of the firm to act non-opportunistically and the "necessity of each other's resources" (Khalid & Ali, 2017).

Trust however might be penetrated if the contract gets too thorough. According to the TCE, contracts must always be involved in transactions, be it an internalization (a transaction in a hierarchy) or a transaction on the market. To not provoke opportunistic behavior, it is suggested to use contracts and relational governance complementarily (Poppo & Zenger, 2002).

Trust seems more of a learning process throughout a collaboration (Isidor et al. 2015) rather than an asset that can be built before starting an IJV through the structural factors, which are more likely to be an assurance for commitment. Nonetheless, whether it is in combination with trust or commitment between the business partners, it is undeniable that Hennart and Zen's presented structural factors have a positive effect on the success of the International Joint Venture. Furthermore, whether trust can be set before the formation of a subsidiary or built throughout the process of collaboration, researchers agree clearly on the necessity of this asset for a functional joint venture.

By comparing the studies, one of course must not forget the different settings in which the studies were conducted, as, in this case, one study was made with IJVs between Nordic firms and partner companies of different origins (European, Asian, and American), the other with purely Asian IJVs.

This gives the studies a limitation, and for a clearer insight, more factors would have to be taken into consideration, for example

- Information of all partners of the IJVs respectively
- Broader ranges of countries of origin for both host countries and guest countries (to get a better idea of the cultural embeddedness)
- Long-term observations of the IJVs' formation
- The evolving process of inter-organizational relationship establishment

2.3. Human Resource Management in IJVs

The International Joint Venture can often be a complicated business unit due to the cultural and geographic distance between business partners and the newly formed business unit. Thus, one must not forget about an important management tool that shouldn't be missing in any enterprise: Human Resource Management.

Since control is an important asset in an International Joint Venture (which is also the case in Family-owned businesses) (Swinth & Vinton, 1993), Human Resources are a management tool that can be used to enable control without limiting the second parent firm through legal agreements or equity ownership (Geringer & Frayne, 1990). The authors propose four simple HR Management tools carried out by parenting firms, through which the goals of the IJV can be achieved by minimizing potential conflicts and performance problems that might come with them. Those management tools are as follows:

- **Effective recruitment** (especially the staff of the business unit's management, e.g. the general manager (GM))
- **Training and Development** (minimizes deficiency of staff and enhances the JV's performance, encourages behavior according to the parent firms' company culture and forming the unique IJV culture, improves employee's comprehension of the parent firms' objectives)
- **Performance Appraisals** (indicates the performance level of employees to parenting firms, encourages employees to continue successful performance, information helps to tailor the training)
- **Compensation and Reward Strategies** (encourages maintenance of consistency, encourages loyalty of employees towards the JV, should be laid out according to the IJV's objective)

According to Baughn et al. (2011), loyalty issues can arise from the formation of a new business unit by two geographically distant firms, which urges the development of social capital in the JV, especially promoting trust and loyalty. By training the staff (Geringer & Frayne, 1990) in language and culture, communication can be improved between the IJV and the parenting firms, as well as within the business unit itself. Cultural differences, which can have a negative influence on social capital, could therefore also be minimized, increasing the overall performance of the Joint Venture (Baughn, Neupert, Anh, & Hang, 2011).

2.4. Instability of IJVs

Sections 2.1 to 2.3 give clear insights into the motivation for forming an IJV when it makes sense to form one and assets that are a necessity for the JV's success. Nonetheless, Joint Ventures can, like other business units, be unstable or even fail. The following section will give a deeper insight.

Research has shown that a significant number of IJVs don't remain successful business units. According to Agrawal and Hollensen (2002), it is estimated that 30 to 60 (!) % of all International Joint Ventures fail. Around 50% of the overall IJVs with firms in emerging markets get dissolved within the first five years (Cui & Kumar, 2012).

There seem to be different reasons why an IJV might fail. First, Pedada et al. (2021) have first researched what increases or decreases the probability of the termination of an IJV. The likelihood of termination is higher if the guest firm from a developed country has majority control and a low scope (number of functional areas of a business unit, e.g.: R&D, marketing, sales, etc.), but the likelihood of termination decreases with a majority control and a high scope.

Second, a reason for the instability of an IJV appears to be a change of commitment of one of the partners throughout the collaboration (Isidor, Schwens, Hornung, & Kabst, 2015); this study investigates the development from the starting point of the IJV to the point of termination. This is of utter importance, as commitment is seen as a basic asset for a functioning IJV (Cullen, Johnson, & Sakono, 1995; Fey & Beamish, 2001) throughout the entire process of formation and duration of a joint venture. This means that having a level of commitment at the initiation point of the IJV is not enough – if an asymmetry of the level of commitment occurs, the IJV is in danger of suffering instability or the termination of the collaboration. (Isidor, Schwens, Hornung, & Kabst, 2015) Hence, it is important that business partners of the IJV put their work into maintaining reciprocal trust and commitment. Furthermore, business partners need to take into consideration that a guest firm with majority control and low scope can also negatively influence the success of the Joint Venture. In addition to this, factors that influence the IJV positively must be put into operation.

After looking at the IJV in general, one gets the idea that this form of governance is a business unit with the potential to gain a serious competitive advantage when operated successfully. To get to that point, the business partners would have to overcome some ex-ante hazards and boundaries, e.g. gaining trust during the formation or minimizing the threat of opportunistic behavior. The next section will put the knowledge gained so far into a context: What happens if at least one of the business partners of the IJV is a family firm? Does this fact change the probability of success? If yes, what are the reasons?

2.5. The Family Firm

The family firm research field has proposed a variety of definitions in the past. Chua et al. (1999, p. 25) set a focus on the firm's behavior, defining the family firm as follows:

> *"The family business is a business governed and/or managed intending to shape and pursue the vision of the business held by a dominant coalition controlled by members of the same family or a small number of families in a manner that is potentially sustainable across generations of the family or families."*

This definition includes not only the family ownership but also the intention that lies behind the business, which is the pursuit of the family firm's business vision. Understanding this behavior of the family firm, in addition to the family involvement, helps the achievement of the company's goal, as Chua et al. (1999) propose.

More generally speaking, the family firm is a business unit in its unique way, which also makes internationalization and its process an interesting research topic. It usually has a long-term orientation and is most commonly characterized by loyalty and trust (Arregle et al., 2016). These characteristics are, among others, indicators that it is a good candidate for a Joint Venture, as it will be loyal and trustful towards the business unit shared with a business partner.

Habbershon and Williams (1999) have used the Research-based View on the family firm to explain why the family firm might have a competitive advantage compared to non-family businesses. A list of defined resources forms among others the "familiness" of the business:

- increasing trust
- enhancing reputation
- culture
- socialization
- beliefs
- boosting commitment

"Familiness" describes the resources that result from the successful interaction between the Family, the Business, and the Individuals. **Figure 2** (Habbershon & Williams, 1999, p. 16) shows the developed model applying the Research-Based view in linking the resources of a family firm and the firm performance. The system of the "familiness" and its advantages are rooted in a distinctive Organizational Social Capital (according to Leana & Van Buren (1999, p. 538, as cited in Arregle et al., 2007) “a resource reflecting the character of social relations within the firm”). It is the result of a strong Family Social Capital (the social linkages among family members, where trust, reciprocity, exchange, and other valuable attributes are created). Arregle et al. (2007) point out nonetheless, that a Family Social Capital that is too strong might dominate the firm’s Organizational Social Capital and influence it negatively. This phenomenon can occur if the decline of the FSC is followed by a decline of the OSC.

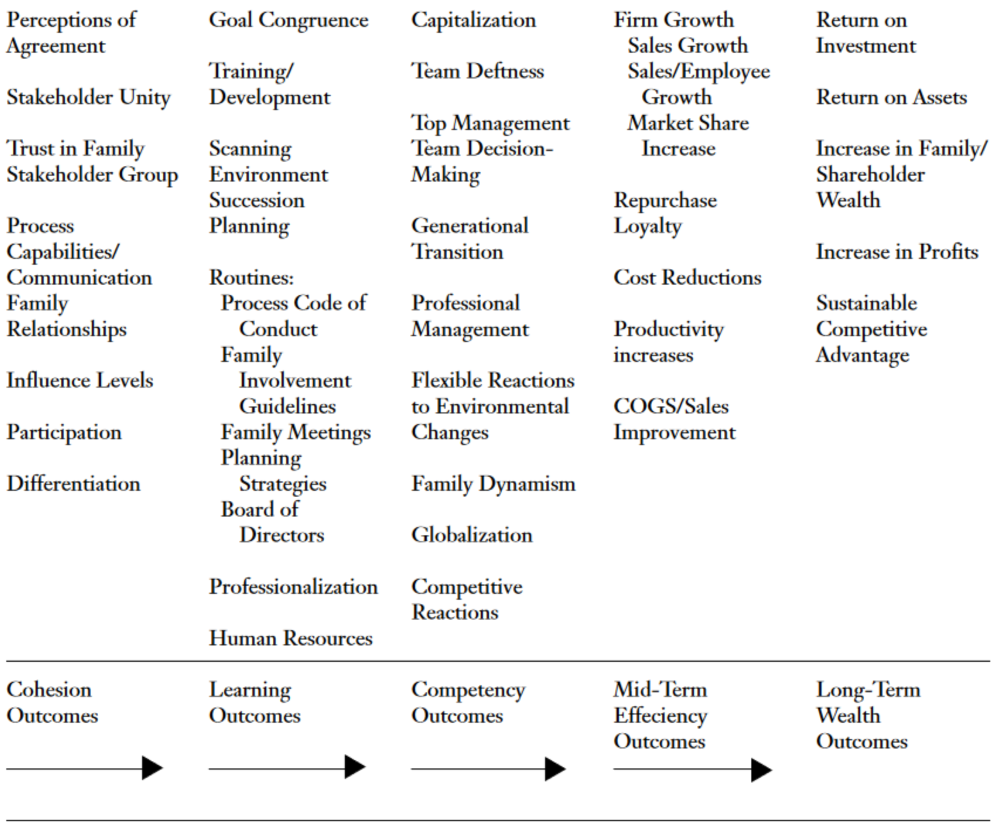

Figure 2: A model linking family firm resources to firm performance.

2.6. Socioemotional Wealth

First introduced by researchers in the 2000s, socioemotional wealth is a rather young theory. Main drivers were among others Gomez-Mejia et al. (2007). Since the inception of this theory, it has been used to explain numerous phenomena that occur in the research field of family firms. Gomez-Mejia et al. (2007) first pointed out the fact that family-controlled firms will put family control above everything, even if it means that the firm will suffer financial losses. Several researchers have backed up this theory in the past (for example Jones, Makri, & Gomez-Mejia, 2008; Cruz et al., 2010; Zellweger, Kellermanns, Christman, & Chua, 2011). The research carried out so far has shown that the motivation of keeping the firm control within the owners of the firm is much higher among family firms than non-family firms, even if that means putting the firm at risk (Gomez-Mejia et al. 2007). Hence, the family firm will do everything to uphold the socioemotional wealth and choose SEW over financial wealth or competitive advantage.

In later years, Berrone et al (2012) launched their research paper and along with it the theory of FIBER, which is still used today to explain the concept of socioemotional wealth (Berrone, Cruz, & Gomez-Mejia, 2012). Berrone et al.'s developed theory is explained as follows:

- "**F**amily control and influence" – the family that stands behind the company controls the firm and makes the key decisions. Family control is also commonly chosen over financial goals (Gomez-Meija et al., 2007).
- "Family members' **I**dentification with the firm" – the firm is seen as an extension of the family. Hence, family members identify themselves with the company as well. The connection between family members or the firm owner and the company is intensified if the company carries the family name (De Massis, Kotlar, Mazzola, Minola, & Salvatore, 2018).
- "**B**inding social ties" – it is believed that the Social Capital and the social ties of Family Firms are quite strong, which will go beyond the strong ties among family members. Uhlaner (2006) for example suggests that a family firm's business partners over a long period might be viewed as an extension of family as well. The firm's strong connection and promotion of belonging overlap with employees not related to the family, which gives rise to them staying loyal to the company.
- "**E**motional attachment" – because the family firm is a family extension, family members are emotionally attached to the company. The emotional attachment however might also take a negative turn, such that the family firm might become dysfunctionally biased (Berrone et al., 2012). This would cause them to employ family members rather than non-family members, even if a non-family applicant is better qualified.

- "**R**enewal of family bonds to the firm through dynastic succession" – the goal of the family firm is succession. Family firm owners want to hand down the business to the next generation (Zellweger & Astrachan, 2008). (Note: This last dimension can be interpreted as the family firm's longevity, proving that the goal of the firm is creating a long-lasting business unit. For the formation of an IJV, this attribute might be interesting for future business partners, as it creates trust that the Family Firm is willing to commit to a new business unit)

With these five keywords, FIBER describes the five dimensions of socioemotional wealth, in which the active endowment of the family business is represented. The family firm aspires to be long-lasting, hence passing the firm on to future generations. The firm is seen as an extension of the family, over which the family will maintain control. Emotions in the firm play a key role in decision-making, for example choosing family control over financial success. And (note: a very important asset for the formation of a Joint Venture) the family firm highly values trust within the firm, as would also be the case within a family. (Berrone, Cruz, & Gomez-Mejia, 2012)

A closer look from Berrone et al. (2012) at prior research (Surveys, Content Analyses, but also Case Studies) gave evidence of the existence of SEW in the aforementioned dimensions. Furthermore, research proposes to use SEW as a theoretical lens for describing every behavioral phenomenon that occurs in the research field of family firms (Berrone et al. 2012). This is because there is so much undeniable evidence that socioemotional wealth can be found in family firms and profoundly influences the process of decision-making of shareholders.

Yet, as Berrone et al. (2012) pointed out, there is a lack of the correct measurement of Socioemotional Wealth. Debicki et al. (2016) for example suggest that the importance that is attributed to SEW should gain more attention than the SEW itself. Gomez-Mejia et al. (2010) on the other hand use SEW for explaining phenomena, but only rather superficially. Overall, an in-depth insight into SEW and a correct measurement of its impact on a family business is lacking.

Nonetheless, by reviewing the literature on SEW, one can state the clear importance of researching the SEW to understand the family firm and further understand the family firm internationalization.

2.7. Family Firms and IJVs

In recent years, researchers have focused on the entry mode of Family Firms in foreign countries, in addition to the non-equity mode of exports. Boellis et al. (2016) for example have found that, compared to a non-family firm, family-owned businesses will rather choose to form a new business unit when they internationalize than acquire an existing one. A highly preferred mode of entry is the greenfield investment. Yet, the choice of entry mode depends on different factors, for example on the board composition or the generation making the decision (Mariotti, Marzano, & Piscitello, 2021). They argue that a company in the second generation with non-family members on the board will be more successful in choosing the right internationalization strategy and entry modes.

As the International Joint Venture is a business unit that requires sharing control, and the SEW suggests that Family Firms are not prone to doing so, it is not listed often in the chosen modes of entry. However, Loehde et al. (2020) found that Family Firms do choose the IJV for several reasons (as discussed further in this section). Debellis et al. (2021) suggest that this (first) hazard of family firms being hesitant to share the control over a family business and forming a Joint Venture can be overcome by opening the board of the family firm to external agents. This is because the board has a significant impact on crucial decision-making (for example the equity-involving international expansion), which can be facilitated by an external manager.

This already forms a paradox: an external board member would increase the firm's sensitivity. However, as known already from the SEW theory, family firms are rather hesitant in accepting external managers into the control of the firm (e.g.: Gomez-Mejia et al., 2007; see 2.5. Socioemotional Wealth) and therefore the board. The phenomenon is also known as the bifurcation bias (Verbeke & Kano, 2012): The family firm diverges the employees into family- and non-family assets, and in practice even treats them asymmetrically. The bifurcation bias becomes dysfunctional and therefore dangerous if the company favors family members over potential employees from outside the family, regardless of their competencies of working for the firm. However, even though the risk of dysfunctional bifurcation bias is quite high in the family firm, it is important to point out that not every family firm is necessarily dysfunctionally bifurcation biased.

Other researchers propose as well that a firm can profit significantly if it gets an outside point of view by bringing in outside directors. The outside director can positively influence the success of a firm through strategic decision-making because of their human and social capital (Kor & Sundaramurthy, 2009). The knowledge they gain through training and education, and the network of social ties they acquired in the past, can be of high value for the firm. Because the board of a company holds this strong position in the decision-making process, the Family Firm needs to compose the right board of decision-makers (Voordeckers, Van Gils, & Van Den Heuvel, 2007) and profit from everybody's social and human capital.

When applying the theory of the outside director to a family firm, it is suggested that the family firm might be more prone to forming an IJV if the boards also include a non-family member. Optimally, the firm will hire an outside director. If the outside director is not possible, a non-family member internal manager in the decision-making board can already bring the company valuable insights. This will bring strategic advantages and minimize the bifurcation bias at the same time (Debellis, De Massis, Petruzzelli, Frattini, & Del Giudice, 2021).

The manager from outside the family with their human and social capital will enhance the family firm's reception of the IJV and the willingness to get engaged in a joint business unit, hence increasing their strategic agility which is crucial for the perception of a good business opportunity (Debellis et al., 2021). An outside director can make use of their social capital by being involved in different boards (Kor & Sundaramurthy, 2009). In practice, strategic ideas from other companies could be integrated into the family firm, with the potential of gaining a competitive advantage.

Due to the bifurcation bias, the danger of managers of a family firm holding a decision-making position that is only linked to the relation to the family rather than their human capital, family firms are strongly suggested to gain non-family members to their decision-making board. Family firms tend to be tied to home markets and lack knowledge of foreign markets (Graves & Thomas, 2008), lack skills that are required for a particular country, or lack required monetary assets. These setbacks combined with the unwillingness to get external human capital (Hennart, Majocchi, & Forlani, 2019) may negatively affect the internationalization of the family firm. Thus, for a family firm to gain absorptive capacity, company owners must find an equilibrium of their influence (Kotlar, De Massis, Frattini, & Kammerlander, 2019). In other words, the firm earns the capacity to gain, comprehend, internalize, and make use of external knowledge (Cohen & Levinthal, 1990). Not only does the external knowledge from an outside director increase the company's strategic sensitivity, but it also increases the overall agility.

For the IJV to be a successful business unit, research suggests that firms must have good leadership unity for a joint decision-making process (Debellis, et al., 2021). In a Joint Venture where family firms are involved, leadership unity is most likely guaranteed, as family firms tend to have a culture of togetherness and belonging. This is most likely because the firm's owners have a strong identification with the firm (Kotlar, et al., 2019) or even see the firm as an extension of the family (Berrone et al., 2012). Compared to the non-family firm counterparts, this makes the family firm a great candidate for a functioning IJV. It signals that the owners of the companies involved "care" more about the firm (Doz & Kosonen, 2010), which is the core attribute of leadership unity. In combination with opening the board to non-family managers, as well as resource fluidity, the high level of leadership unity will make the family firm more agile (Doz & Kosonen, 2009) and bear a higher chance of a successful joint business unit (Debellis et al., 2021).

Figure 3 Debellis et al. (2021 p. 3) depicts the successful integration of Strategic sensitivity, Leadership unity, and Resource fluidity of a family-owned business. The graph created by Debellis et al. also shows the so-called "willingness-ability paradox", which states the following: Once the family firm overcomes its hesitance to get an outside director, it has a high ability to form a functional International Joint Venture. This is, among other factors, due to the successful implementation of the three success factors mentioned above.

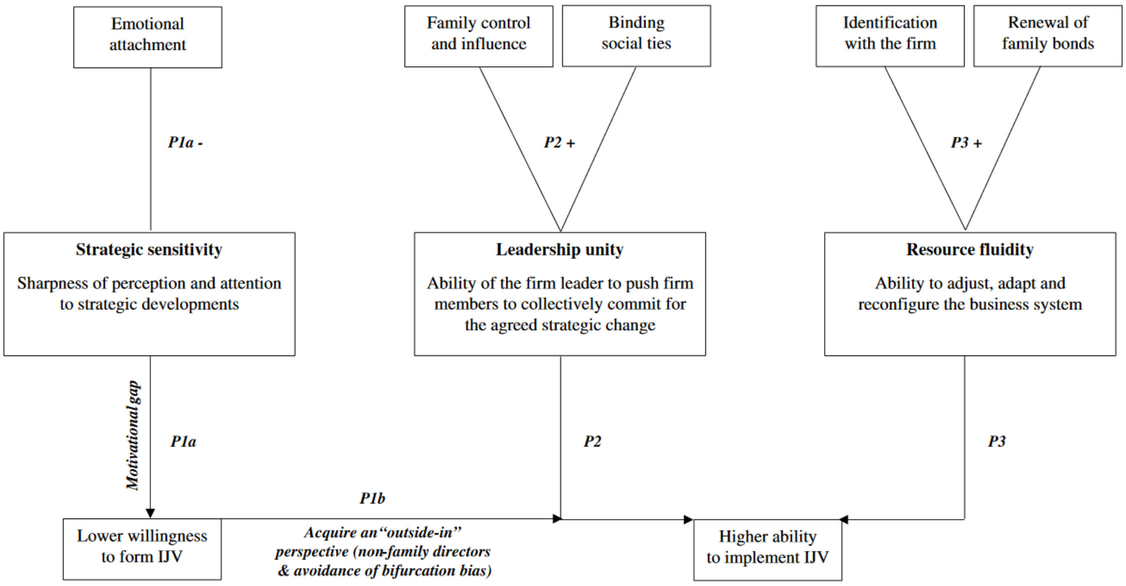

Figure 3: Willingness-ability paradox of IJVs in family firms (Debellis et al. 2021)

Resource fluidity describes a (developing) company's ability to relocate resources (human or financial resources) to strategic opportunities correspondingly. According to Doz & Kosonen (2009), resource fluidity will enable a firm to see opportunities and react to them faster, as they allocate resources accordingly. This can be enabled if the company has an integrative structure. In other words, the firm enables departments to be interconnected and allows such a structure that different departments are implemented in the overall company successfully. This will facilitate and speed up the decision-making process (Doz & Kosonen, 2009). When comparing the family firm to a non-family enterprise, the family firm has a higher resource fluidity due to the following factors:

- Long-term orientation – enabling the willingness to adapt to circumstances and relocate resources
- Identification with the firm – minimizing opportunistic behavior to "preserve the good name of the family firm" (Debellis et al., 2021)

However, prior research suggests that if a family firm enters a new geographic market, it evaluates the cultural (un)familiarity of the host country. If the host country is culturally highly unfamiliar, the family firm is very likely to choose the IJV as an entry mode compared to a wholly owned subsidiary (Loehde, Calabrò, Torchia, & Kraus, 2020). It can be assumed that the unfamiliarity of the host country motivates the internationalizing family firm to get help from a local company. It makes use of the local company's social capital, as well as other assets that are bound to the locality.

The study also supports Hennart et al. (2019) proposition that family firms indeed do take the risk of internationalizing, which seems here to have different reasons:

- Loehde et al. (2020) propose that cultural unfamiliarity is the language barrier and the unfamiliar business practices.
- A very complex legal environment
- Trust and the trustworthiness of the potential business partner positively influence the choice of forming an IJV. High trustworthiness seems to be found in the firm's long-term partners and friends.
- If the family firm already has experience in forming IJV's, they are also more open to choosing the IJV as an entry mode in an unfamiliar market (Loehde, Calabrò, Torchia, & Kraus, 2020).

These facilitating factors seem to outrange the fear of losing control over the firm when entering an unknown market. The fear of control loss however is substituted with trust (Fink & Kraus, 2007). Study shows here that just like in the IJVs of non-family firms, trust is as important, if not even more, in the potential formation of the IJV. The family firm is already hesitant to share control of a business unit; hence the trustworthiness of the potential business partner is of utmost importance.

The opposite views on the willingness and ability of family-firm internationalization and further the formation of IJVs can have different reasons. One of them, as pointed out by Hennart et al. (2019) is the company's choice of business model. It is described that family firms specialized in a global niche will naturally be more at ease in the internationalization process by establishing a high level of social capital, and hence trust (Hennart et al., 2019). With these assets, longevity (Arregle et al., 2007) and the formation of an IJV in a new market (Loehde et al., 2020) will be enabled and facilitated.

2.8. Family Firms – “The Better Players”

In addition to all the disruptive, but also facilitating factors of the formation of IJVs of family firms, the internationalizing company also takes into consideration the choice of business partner. Researchers propose that an International Joint Venture has higher chances of success if all companies involved in the Venture are family firms (e.g.: Sestu & Majocchi, 2020; Swinth & Vinton, 1993). This can be due to different reasons, which together make the family firm a unique form of governance worth investigating. **Figure 4** shows the success factors of an International Joint Venture, which includes many characteristics of the Family Firm. If the success factors are traceable in all business partners included, the probability of success is enhanced.

The following points will sum up and further explain the factors that are depicted in Figure 4.

- **Long-term orientation**

One of the top attributes of a family firm (and the source for several additional attributes that accelerate the IJV) is the long-term orientation (e.g.: Arregle et al., 2016; Le Breton-Miller & Miller, 2006; Debellis et al., 2021), which might be crucial for the formation and the duration of a Joint Venture. Not only does this attribute promise a long-lasting relationship with business partners, but it is also crucial for a successful IJV. This is because the IJV requires a significant commitment of time and resources. Additionally, due to long-term orientation, a firm’s resource fluidity is increased (Debellis et al., 2021), which facilitates carrying out the IJV by the relocation of resources more quickly.

- **Trust**

As researchers have pointed out thoroughly, trust is also among the key ingredients in a successful IJV (e.g.: Kwon, 2008; Isidor et al., 2015) along with other reasons because one of the firms is not present in the same country as the Joint Venture. Since most family firms are characterized by trust and trustworthiness (e.g.: Arregle et al., 2007), the formation of a Joint Venture between two family businesses is highly recommended.

- **Strong Relationships**

From the long-term orientation also derives the seeking of enduring and strong relationships (Le-Breton-Miller & Miller, 2006), an important attribute for a successful International Joint Venture. Mutual understanding and trust are key elements in such a partnership, which are provided by a strong relationship with a business partner.

- **Loyalty and Commitment**

Family firms are said to be, when compared to non-family firms, quite loyal and committed, which is linked to the firm's long-term orientation (Lumpkin & Brigham, 2011). Since the name of a family is behind the company (or even implemented in the name of the company), family firms tend to be more loyal to their customers and build a long-term commitment relationship to them, their customers, and their employees (Miller, Le-Breton Miller, & Scholnick, 2008). Because of these attributes, the successful execution of an International Joint Venture from two family firms can be expected.

- **Flexibility and Adaptability**

Family firms tend to prefer informal over formal structures (which isn't always the preferred form of governance, as in the case of contracting, see 2.1, but is often facilitating in different situations), strong resources of social capital, and a sped-up decision-making process that is linked to trust. These characteristics enable the family firm to become highly flexible and adaptable (Broekaert & Debackere, 2016). Organizational flexibility allows firms to respond quickly in the changing market and adapt their strategies to different cultural contexts. Because IJVs are in accordance with the two latter characteristics mentioned (such as different legal systems, cultural norms, or business practices), the family firm is particularly suitable for the formation of such an alliance.

- **Shared values and vision**

The alignment of goals and objectives is facilitated in the Joint Venture through the rather rare situation of two companies sharing the values and vision. The probability of this event occurring is increased however if the companies are family firms (see section 2.5, the FIBER concept of Berrone et al. (2012) of Socio-Emotional Wealth). Additionally, Debellis et al. (2021) have recently argued that a family firm's members' shared values are positively linked to the **leadership unity** of a firm, also increasing the chances of a successful implementation of an IJV.

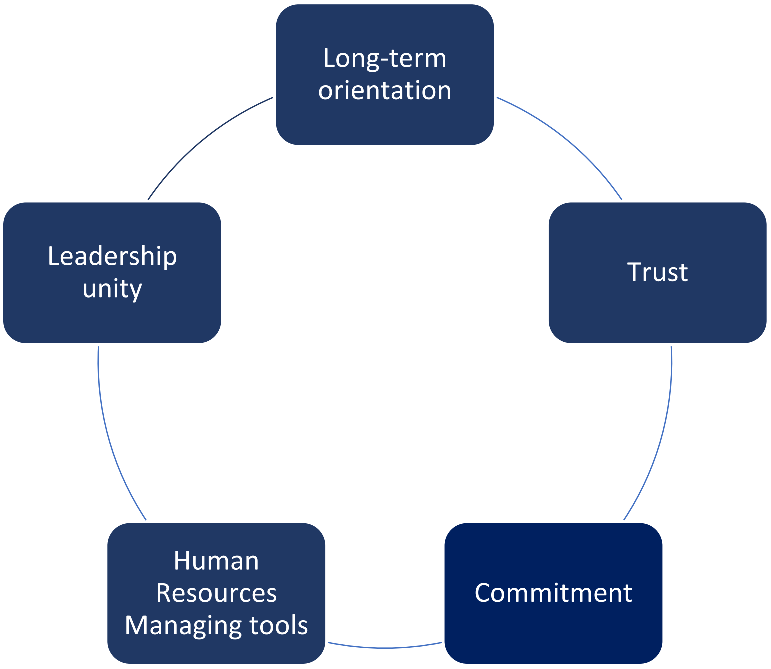

Figure 4: The JV's success factors.[1]

[1] Other characteristics that are linked directly to the Long-term orientation or Trust are left out in this graph.

3. Methods and Materials

3.1. Methodology

This thesis aimed to find the answer to the following research question: How do family firms manage International Joint Ventures? Furthermore, it also investigated the reasons that led to the termination of two International Joint Ventures, in which only Family Firms were involved. The methodology of this research was designed to investigate and understand the reasons behind the termination, as well as key factors that contribute to the success or failure of family firm IJVs.

To find the reasons, a qualitative case study method was applied, with a focus on two International Joint Ventures: one between TEPRAT and its business partner in China, and the other JV with TEPRAT and its business partner in Taiwan. The reason why the descriptive single case study was chosen was to show that there are cases where Family Firms do not succeed in the formation and maintenance of an IJV. The case study methodology also allows for a comprehensive and in-depth analysis of this specific phenomenon, as the termination of IJVs, especially those between family firms, is of a complex and dynamic nature. Because of the reasons mentioned above, the findings from this study contribute to the literature on family firm IJVs and their success story. Furthermore, the findings have the potential to inform managers of family firms that are engaged in International Joint Ventures about what should be taken into consideration. They can give instructions as to how potential hazards may be overcome and potentials of IJVs may be penetrated with the right set of management tools.

The basis of this thesis is another university research carried out by my colleagues and me in 2021. During an interview for that research project, the CEO of TEPRAT mentioned that the International Joint Ventures formed in the past have both been terminated, which was how the idea of the topic for this thesis first occurred. The reasons why this company was chosen for the single case study are the following:

- The company chosen is of a unique and rare nature. As opposed to other family firms, the growth rate during the pandemic was stable, if not increased. It has shown robustness to different crises in the last few years and hence qualifies for this case study.

- TEPRAT was highly accessible for research purposes. The company is situated in Upper Austria, and it was ready to share its experience on the former IJVs openly. The insights given are of high value for the research field of Family Firm Internationalization.
- During the literature review that led to this thesis, the fact emerged that there is no evidence on why International Joint Ventures get terminated or fail, especially not in the case of Family Firms. What can be found is information on how many IJVs have failed in the past, and so do theories on why family firms are particularly qualified candidates for IJVs due to their characteristics discussed in the literature review section. The fact that the investigated firm has terminated two International Joint Ventures, is a Family Firm, and was ready to share information on reasons and decisions that led to the termination, makes it a perfect candidate for the descriptive single case study.

3.2. Data Collection and Analysis

The data used for the thesis primarily came from interviews conducted from January to April 2023, as well as from interviews from 2021 for a different research project. In addition to that, data came from the webpage of the company, information communicated to me by coworkers, and the autobiography of the founding father of the family firm.

Before starting the interviews, the secondary data was put into a company history, and the key events were put in order in a timeline (see Table 2). After getting a clear picture of the company's development over time, the following interviews were conducted (see Table 1). Note that the company currently has two product managers (product managers A and B), however, it was only possible to get an interview with product manager A.

Table 1: Interviews

Position of the respondent	Date of interview	Duration	Place of the Interview	Language of the original interview	Pages of transcript
Head of Global HR	20.12.2021	28 min 12 sec	Zoom	German	6
CEO (only family member)	20.12.2021	27 min 36 sec	Zoom	German	6
CTO	22.12.2021	15 min 41 sec	Office Vienna	German	4
CEO (only family member)	19.01.2023	22 min 27 sec	Office Vienna	German	6
CFO	26.01.2023	21 min 51 sec	MS Teams	German	8
General Legal Counsel	08.02.2023	20 min 14 sec	MS Teams	German	7
Employee IJV Taiwan	09.02.2023	18 min 30 sec	MS Teams	English	6
Head of Global HR	13.02.2023	8 min 44 sec	Office Headquarters	German	4
Product Manager A (mainly gets goods from IJV A)	06.04.2023	21 min 07 sec	MS Teams	German	7
Head of Sales APEC	22.02.2023	28 min 19 s	MS Teams	English	8

The interviews mainly investigated the reasons why two International Joint Ventures of TEPRAT were terminated, as well as the development of the firm and the involvement of the founding family. Furthermore, questions about facilitating factors, the participants' involvement in the Joint Ventures, how cultural differences and potential issues due to geographic distances were overcome, and the relationship to the former business partners today were posed to the interviewees. The answers to the interviews were then structured into key themes and analyzed through the theoretical lens, while the literature review was adjusted and supplemented with new insights. The two steps were carried out in parallel until a theoretical saturation was reached.

4. Findings

4.1. The Company History and Background

This section will discuss the company's history. As the company is anonymized, the exact sources of the information gathered will not be stated as before. The information was taken from the company website, secondary data that had been given to me from the firm, the autobiography of the founding father, as well as interviews that had been carried out with members of the board and other employees.

TEPRAT was founded in 1974 by an English woman married to an Austrian man, both living in a small town in Germany. She was looking for an occupation for herself, as she was at home with her two kids, while her husband was a successful businessman of a global company in the electronics industry. After a while, her husband permanently took over the firm and made it a quite successful company. This led to the misconception that not the founding mother, but her husband founded the company. Nonetheless, for better understanding, both the founding mother and her husband will be named as “founders” in this research.

When founded first, the goal of the company was the distribution of products in the electronics industry, buying from suppliers and selling them to other firms. Initially, the company mainly sold goods to German firms. Sometimes, goods were even sold to England, as both the founding mother and her husband had good contacts with English companies in the electronic industry. Additionally, the founder had worked as a board manager for English companies before becoming self-employed.

Today, the firm is in the second generation. The headquarters was permanently moved to Upper Austria in 2014 after a development site had been created there already in 2003. The firm is considered a family firm, as all company shares currently belong to members of the founding family: the founder of the company, her husband, and their son. In the past, the founder’s daughter had shares in the company as well. This is not the case anymore today, as differences between father and daughter had taken place many years ago. The internal differences led to the founder’s decision to take away the 25% from his daughter and split it evenly between himself, his wife, and his son.

In 2004, the “real” Internationalization process of the company started: it first introduced a new subsidiary in Singapore, Asia. Two years later, in 2006, another huge milestone was set by forming the subsidiary in New York. This warranted the expansion of the company into the Americas. The Taiwan manufacturing facility was founded in 2012 in the form of a Joint Venture with TEPRAT’s long-term business partner, the Taiwanese company called “RINOR”. This marked the starting point of the vertical integration by first producing their own products. The Internationalization process has been continuing, new subsidiaries have been planted (one in Japan in 2014 and the other one in China in 2017) or bought (in Italy in 2019). Table 2 shows the company's history in the form of a timetable.

When the founder’s son, who is now the CEO of the company, wanted to get his management degree in England, he was given an ultimatum: since that degree was quite costly, he had to commit to working for the company for five years and internationalize the firm. He accepted his father’s offer quite willingly and agreed to the terms that were given to him. Today, he is the main decision-maker of the firm. In an interview carried out in 2021 with the family firm successor, I learned that the process of Internationalization was carried out by him as follows: He moved to different countries and searched in those countries for business partners. Those newly formed business relationships could follow different purposes. Some of them he connected with to sell to or buy products from, and others he contacted to form new business units. He would live there for a couple of years, establish a subsidiary, and find people he trusted. Those people were given the task of carrying on his work as the lead of the local subsidiary. After that, he moved to the next country and tried to find business partners there and establish a new business unit. This strategy was followed a few times until he decided to settle down in Upper Austria again and lead the globalized company from there.

During that interview, the now-CEO made a quite interesting statement about choosing his business partners. He prefers doing business with family firms due to their longevity. This is because he can make sure that his contact partner will stay for a longer time, while with a non-family firm, this isn’t necessarily the case. It has occurred in the past that he started a cooperation with a firm and after six months he had a new contact person, to whom he had to roll out his visions for the future once again. This process of changing partners was a hazard for him and his workflow. It resulted in the now-CEO preferring family firms as business partners over non-family firms.

So far, the strategy seems to have worked: The company has nine active business units on three different continents and has a global range of countries to which it exports its goods. To date, the company has been growing very fast. The annual growth factor has been between four and five in the last couple of years and sales are expected to grow in the future continuously. The sectors the company sells to include Automotive, Medical, Railway, Energy Industry, and others. The portfolio currently includes over 30,000 products and a total of 668 product families. Annually, the company introduces at least 25 new products. The initial purpose of TEPRAT, which is still part of the strategy today, is brand labeling, even though it has been minimized significantly. Because the company gradually increased the design of its own products, brand labeling has become redundant in more recent years.

The wish for longevity of the family firm can be seen in various aspects in this case. First, in the vitality of the subsidiaries that have been created so far, making sure that the company is in good hands before forming the next business unit in a different country. Second, the company has employees who have worked there for over 20 years. This lasting relationship with the employees is built on trust, loyalty, and relational corporal culture. The employee’s commitment and reliability are gained by assuring their trust and not carrying out a controlling form of governance. Additionally, the decision-makers of the company make sure that every employee is heard. The board tries to establish a culture of open communication and encourages employees to express their opinions and incorporate their expertise.

In 2016, the company started an International Joint Venture with a business partner (also a family firm) in China. Interestingly enough, despite the common belief that an IJV with at least one family firm has a quite high success rate due to the factors mentioned in section two, the business unit does still exist today, but not in the form of a Joint Venture. The IJV lasted until 2020 when the business partners decided to terminate their cooperation.

Table 2: Timetable

Year	Incident	Responsible person
1974	The foundation of the company in Germany	**Founding mother**
1974-2000	Sale of goods, primarily in the German market	**Founding father**
1997	The founders' son starts working at the family firm	**Founding father**
2000	Expansion of the export scale to the European market (especially France and Italy)	**Successor**
2003	Establishment of the development site in Upper Austria (now the headquarters)	**Founding father**
2004	Establishment of the subsidiary in Singapore, the first subsidiary outside of Europe	**Successor**
2006	Expansion of the Company to the USA	**Successor**
2012	First vertical integration: formation of the construction site in Taiwan in the form of an IJV	**Successor**
2014	Expansion to Japan	**Successor**
2016	Formation of the International Joint Venture in China	**Successor**
2019	Acquisition of the subsidiary in Italy	**Successor**
2020	Termination of the Chinese IJV	**Successor**
2021	Liquidation of the Taiwanese IJV	**Successor**
2022	Milestone: The company first becomes a 100-million-euro company. (Exact number: 118 million € turnover, including all subsidiaries, in 2022)	**Successor**

Today, TEPRAT has 288 employees worldwide. According to Human Resources, a key element of keeping employees in the company as long as possible is the promotion of a feeling of togetherness and belonging. The company is an extension of the family. Because the family lives in Upper Austria, it has a close relationship with employees of the headquarters, including the 3rd generation: two daughters of the ages nine and five. At company events, employees are welcome to bring their families as well, leading to a close relationship between all generations.

Fluctuations of staff are observed closely by the HR department to monitor reasons for leaving the company. Whenever there might be clusters, HR can identify the root cause quickly. If a leading role for example might be the reason for a lot of employees quitting their jobs, the company will learn about it fast and handle the challenge. In addition, HR staff is in constant contact with staff at the different subsidiaries. Frequent conversation topics are the well-being of staff, challenges that might occur, relations between employees, etc. At subsidiaries outside of Austria, HR has "ex-pats" at every subsidiary, who frequently report back to the head of the HR department at the headquarters.

4.2. The Joint Ventures

For a better understanding, the following table will show the different companies and the International Joint Ventures that were formed together. [2] The two International Joint Ventures will be discussed in further detail in the following two subsections.

Table 3: Company Names

Company name	Company Role	Year of Foundation	Year of termination
TEPRAT	Sample company investigated in the case study	1975	-
DITI	Partner firm of the IJV A in China	1996	-
Rinor	Partner firm of the IJV B in Taiwan	1987	-
IJV A	IJV in China	2016	2020
IJV B	IJV in Taiwan	2012	2021
TEPRAT China	Former IJV B, now a fully owned business unit by TERPAT	2020	-

[2] Note that for the purpose of anonymizing the firms involved, the names of all parent companies (including TEPRAT) as well as the ones of the IJVs were altered.

4.2.1. IJV A

One of the Joint Ventures, in this research paper, called the "IJV A" was formed by TEPRAT with its Chinese business partner DITI in 2016. The business partners first met at a fair for companies specialized in the niche market they both operate in. Since TEPRAT had already planned in the past to enter the Chinese market and both companies were willing to work together, they decided to form an International Joint Venture situated in China. This was TEPRAT's second experience with Joint Ventures, the first was "IJV B", which will be discussed in the section below.

When Product Manager A first started working at TEPRAT, all his products were produced by the business unit IJV B and TEPRAT's Taiwanese business partner RINOR. However, due to high costs in Taiwan, TEPRAT implemented a new IJV in Xiamen, China, where most of Product Manager A's products were moved step-by-step. The moving process took place as follows:

I. IJV B and RINOR kept producing the latest generation.
II. The market need was evaluated.
III. If needed, new generations were designed.
IV. The new generations were designed and produced in IJV B with lower transaction costs.
V. Eventually, the manufacturing of the oldest generation of the product family from Product Manager A was phased out, until the generation from IJV B and RINOR was not required by the market anymore.

(Steps II, III, and V are repetitive for all product families, however, steps I and IV are significant for this case, as the implementation of a new Joint Venture is involved in this case.)

Additionally, the design of new products was carried out there. Hence, IJV A was implemented to design new products, as well as manufacture goods from that product family. The products are sold in the global market and make a remarkable turnover today: According to the Legal Compliance of TEPRAT, 15% to 20% of the global turnover of the TEPRAT Group is due to the products developed in TEPRAT China (former IJV A). The business unit is not an IJV anymore, but a wholly owned subsidiary, after DITI decided to leave the cooperation in 2020. Even though IJV A was an economic success, there were still challenges that had to be dealt with. One of those challenges, mentioned in the interview with the head of sales APEC, was putting the brand label on the jointly produced products. Both TEPRAT and DITI were eager to put their own company name on the sold products, raising awareness of their firms as a marketing strategy. This conflict had gone so far as for TEPRAT being accused of brand labeling DITI's products, even though the products were designed and manufactured in the Joint Venture.

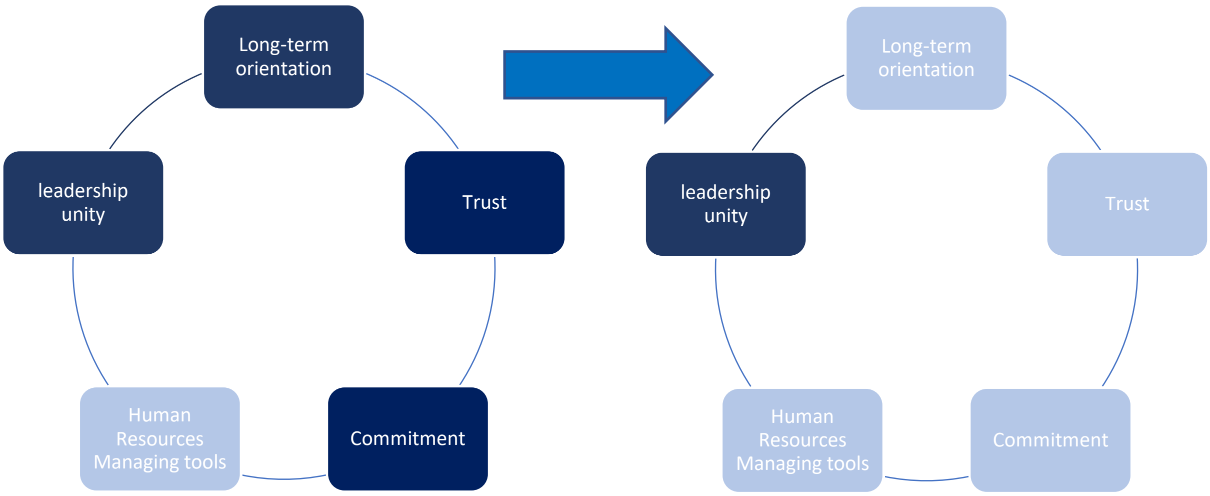

Figure 5: IJV A and its missing success factors

As proposed by the CEO, CFO, and the Legal Compliance Officer, the reason why DITI wanted to leave the Joint Venture was impatience. While the business unit was still a Joint Venture, TEPRAT presented a business plan and a goal for each year. In the first years, the goal was not set too high, but DITI still agreed to the formation. Although the firm had reached the economic goals in the first years according to the business plan, DITI did not trust that IJV A would eventually become an economic success. The lack of trust on the side of DITI led the firm to withdraw from the IJV in two steps, as discussed in section 4.3. Where the distrust came from remains rather unclear. However, one may suspect that due to the lack of measures that can be taken to enhance trust (as discussed in 2.4), the occasion of losing trust in the JV partner might occur.

Figure 5 shows the missing success factors of IJV A: the left graph shows the beginning point, and the right graph the ending point of the alliance. While the dark shade shows what elements of the success factors were given in the Joint Venture, the light shades represent the missing elements. The potential success factors faded away and were completely lost over time, as the comparison of the starting point versus the ending point represents. However, these missing elements are to be attributed to the side of DITI, not the overall Joint Venture. This means that the withdrawal was only one-sided, and the Joint Venture was, from a financial point of view, a successful implementation that reached TEPRAT's economic goals.

4.2.2. IJV B

During the TEPRAT CEO's studies in England, he met a Taiwanese friend, who later became a manager of the company RINOR, founded in 1987. They remained friends over many years, while they both worked for a company in the electronics industry, which has been a niche market. Through their friendship, they also formed a commercial collaboration. RINOR produced products and TEPRAT brand-labeled products and sold them in the international market. In 2012, TEPRAT and its Taiwanese business partner RINOR decided to take the collaboration one step further: they formed an International Joint Venture in Taiwan which is called the "IJV B" in this research paper.

IJV B was originally implemented to produce a crucial electronic part of a product family, Product Manager B works with. This part was sold to RINOR, who assembled the produced part and sold the finished goods to TEPRAT. In 2021, IJV B was liquidated, because, according to the CEO, CFO, and the legal compliance, the goal was reached. The initial idea was to implement a new production procedure, including getting new equipment to do so because RINOR didn't have the means to produce the critical parts for the products that were sold to TEPRAT. When the goal was reached, the IJV was dissolved, and all the equipment was moved to RINOR. After recent events, the exact development as with Product Manager A's product line can now be seen at Product Manager B's products. Product Manager B is phasing out the production at RINOR and is moving it to TEPRAT China. The decision was also made due to transaction costs.

A lot of insights were given into the difficulties when the interview with the employee who worked at the IJV in Taiwan was carried out. According to the interviewee, the initial purpose of the International Joint Venture was to control the quality of the products delivered by RINOR. The business unit had a lot of manufacturing capacity. This was not used to its full potential, as it only produced an electrical part that was mandatory for the production of the product family for Product Manager B.

In the beginning, the employee was sent from the subsidiary in Singapore (his former workplace) to Taiwan to carry out quality tests on the products, so they could accord with the quality requirements of TEPRAT. However, after some time, the employee took over the role of an expatriate, as difficulties in the relationship between RINOR and IJV B arose. This information was quite surprising since the CFO had emphasized in his interview that trust between parenting firms is the most significant attribute in an IJV relationship and that no ex-pats were sent to Taiwan or China. This step was not needed because there was enough trust among the partner firms. According to the IJV B employee, the trust, and hence the information flow, between RINOR and IJV B was significantly compromised.

Figure 6 shows the information flow between TEPRAT and IJV B, as well as RINOR and IJV B, while the latter information flow was compromised.

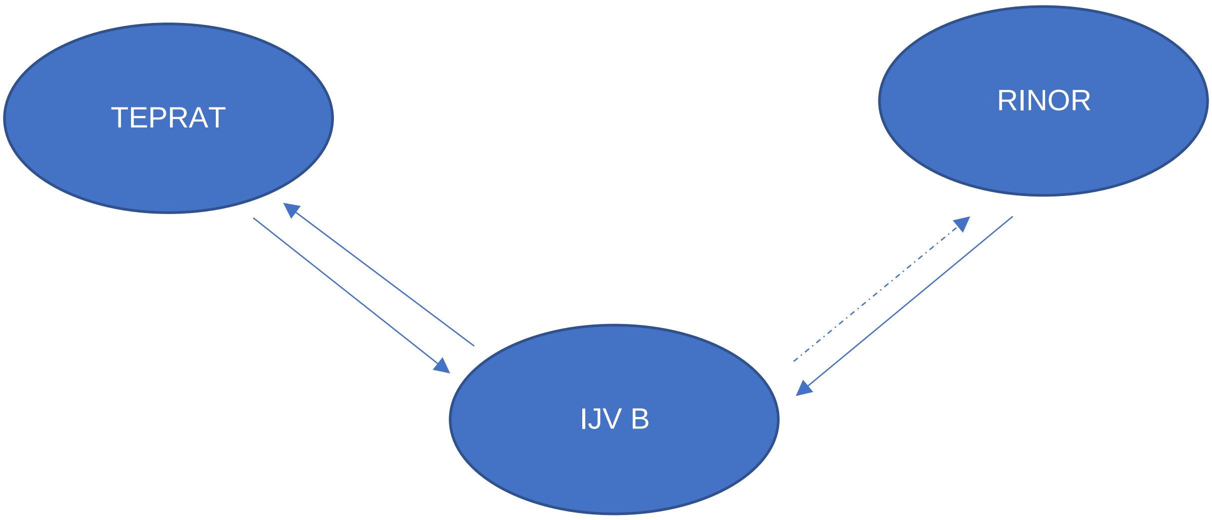

Figure 6: information flow

When the employee was asked about the reason for the lack of information flow, he mentioned that RINOR had issues trusting TEPRAT, among other reasons because TEPRAT held 51% of the IJV. This caused RINOR to be anxious about the share of information, as TEPRAT would technically be able to get insights into RINOR over the

Joint Venture. Accumulated with a poor communication level, IJV B was not utilized to its full potential and the cooperation level was too weak. These reasons led to financial losses according to the interviewed employee. Eventually, the business unit was not efficient anymore and the parent companies decided to liquidate the Joint Venture, the production equipment was taken over by RINOR.

> *"[The JV would still make a profit] Because if there was really a different cooperation between [RINOR] and the JV, I think, the JV is really a valuable asset. […] Now they are running the [former] JV. […] And now they can see the benefit because this JV now is producing more now than what the production line at [RINOR] can handle."* Quality engineer situated at IJV B in Taiwan.

Today, the production process developed in the IJV is still used by RINOR to manufacture critical parts for TEPRAT. However, since RINOR has all of the production machines and learned to make use of the jointly implemented manufacturing processes, the machines are also used to produce for different companies and gain a competitive advantage. While the IJV was not utilized to its full potential at the time, the capacity of the production equipment is overloaded for RINOR today. It produces more critical parts than RINOR can assemble.

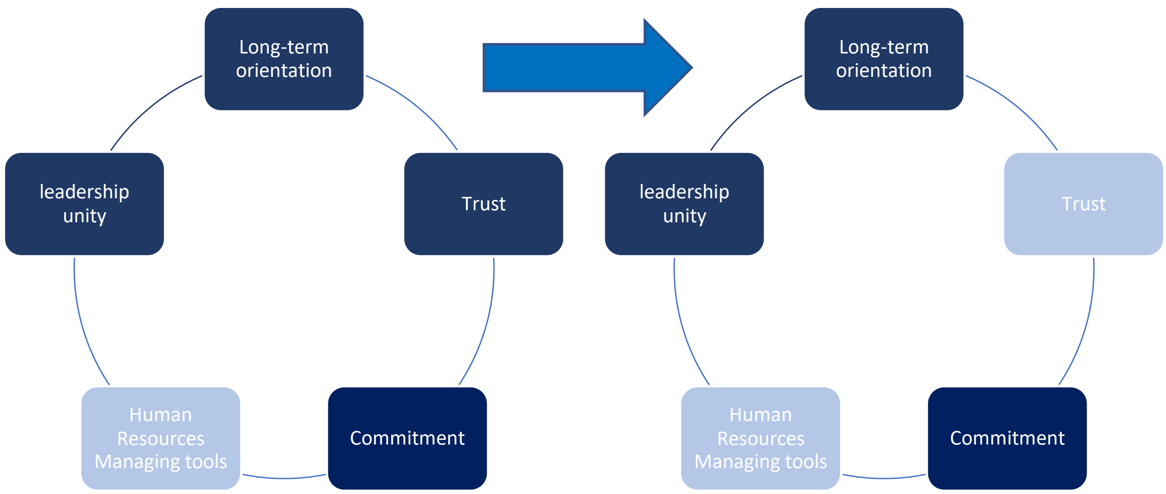

Figure 7: IJV B's missing success factors

Figure 7 shows, similar to Figure 5, the missing success factors of IJV B from the starting to the ending point of the cooperation. The light-blue shade again represents what potential success factors were not given at both the starting and the ending point of the collaboration. The decision that was finally made to liquidate the cooperation was, officially, due to financial losses. The long-term orientation and the commitment were still given at the ending point since neither of the formerly participating IJV partners was willing to give up on working together as business partners. However, the commitment to the Joint Venture was given up.

4.3. Similarities and Differences

Both International Joint Ventures were majority-minority IJVs, with TEPRAT holding 51%, respectively. The boards were put together by decision makers of both, TEPRAT and the business partners. However, for the CEO of TEPRAT to have a right of veto, it was required to hold 51%. This was a condition set by the CEO, otherwise, the IJV would have been off the table. For the Chinese market, this is a very unusual step. According to the CEO, IJVs in China are normally set as majority-minority, but with the Chinese Company having the majority.

At first glance, the former International Joint Ventures in which TEPRAT was involved give the impression of having been highly successful. By applying the TCE, one can say that the family firm made the right decisions to save costs. The IJVs formed in China and Taiwan both had the goal of internalizing processes that were critical for the competitive advantage. These processes, such as the production of specific parts (in Taiwan), and the design of new products (in China) were integrated vertically. Furthermore, the business partners in the Asian market both had a great network, which was another reason for choosing the formation of IJVs over forming Wholly Owned Subsidiaries. As proposed by Hennart et al. (2019), the main reason for the formation of IJVs in Asian countries is the use of social capital from potential JV partners in the niche sector. This theory backs up the answers in the interviews as to why the form of the IJV was chosen for the new business units.

Comparing the two IJVs, there were similarities, but also differences, which all led the directing managers to draw lessons learned for future formations of IJVs. In that regard, one can say that both IJVs were a success for the family firm, as they are open to the idea of forming new JVs in the future. One of the mentioned lessons learned was, according to the CFO, a better implementation of contracts. This is supported by Poppo and Zenger (2002), who state that successful cooperation between two business partners is the balance between relational governance and contracting. According to the CFO, in retrospect, some topics were discussion pieces, which could have been avoided with a more thorough contract. Such an issue was, for example, the discussion of the money invested into the IJV in China. This discussion further led DITI to decide to withdraw from the IJV. The first step was to sell 24% out of the initial 49% of the IJV to TEPRAT. The remaining 25% was disbursed in a second step when DITI decided to step out of the Joint Venture completely.

On the other hand, the legal compliance tried to compare the former IJVs with holding shares of a company in Italy, which were bought in 2019. He shared the opinion that, even though the ‘togetherness’ between two companies is quite similar, be it in Europe, Asia, or America, one cannot compare an IJV with an Asian firm to working together with a firm of a higher cultural proximity. He underlined in the interview that experiences were made with Asian firms, which are applicable for eventual future IJVs in Asia. An overall plan or recipe for Joint Ventures on other continents could not be drawn from the former experiences.

While one business unit still exists today and fully belongs to TEPRAT, the other IJV was fully liquidated in 2021. The CFO of the company argues that the main reason for the termination was saturation. The goal of the Taiwanese IJV was the implementation of a cost-efficient structure to produce specific parts that are crucial for the competitive advantage of the Austrian Company. When the structure was implemented, the decision was made to terminate the IJV. After that, the former business partner used this newly set up construction structure and its machines to produce the critical parts itself. The board thus shares the opinion and also makes it seem like the IJV was a success. However, the question arises: Why was the successful production structure moved to one of the parent firms and not left in the IJV, where it could serve both parenting firms? When the CFO was asked whether there were any conflicts of interest, he mentioned very shortly that the Taiwanese IJV partner was scared to implement the joint process into their own structure. The reason mentioned was the lack of willingness to share too much information with the Austrian firm.

4.4. The Families as Influencing Factors

As research proposes a positive link between an international joint venture and the partners being family firms, this topic was part of the research. Even though a clear positive link was expected from every interview partner, the answers were not unanimous.

The CFO and the CEO have a clear preference for family companies as business partners, be it an IJV or any different type of alliance. The CEO had the greatest conviction, stating that he would always prefer a business partner if it were a family firm. The reasons mostly mentioned here were trust, shorter decision-making routes (or, as described in 2.8: family firms are more flexible), and long-term orientation. The break-off by DITI in IJV A was seen as an exceptional case. According to the CFO, the company culture of a family firm is quite different compared to a stock-listed firm. The company culture can be seen in the way of thinking. While an investor of a non-family firm wants to see fast growth and profits, the family firm is long-term oriented and thinks more sustainably. However, he did say that, of course, families can differ, and it is important to get to know the business partner quite well. The CFO added in his interview, that one can feel it if the potential business partner has a similar way of thinking. Hence, the assumption can be made that managers have an intuition if the other family firm complies with the characteristics that facilitate an IJV, as described in 2.8. In his statements, he compared the Joint Venture to a marriage, for which you would have to choose your partner carefully.

> *"I think that this is one of the most important factors because there is this specific company culture or a culture of decision-making."* CFO of TEPRAT on having family firms as business partners in the JVs.

The CTO and the General Legal Counsel however were hesitant to endorse the other interviewees' answers. The CTO finds it difficult to form a Joint Venture with a family firm, as you have to find a common ground between the business partners. Since families will try and get their own vision through, this might be rather difficult.

> *"And this, for example, was at the end of the day the reason why we ended the cooperation with China, with the Joint Venture. Because finding a common denominator was really difficult."* – CTO of TEPRAT

According to the General Legal Counsel, chances are higher to match economically, if both business partners are family firms, as the "right chemistry" is more likely to happen between family businesses. Here, the comparison to a romantic relationship (as it had already been done by the CFO, who said, a Joint Venture could be compared to a marriage) occurred again. Additionally, he argued that when the former IJVs were started, all three companies involved were companies with a rather small scale and a similarly simple structure. As TEPRAT keeps growing, the structure of the firm is changing and will most likely become a large cooperation structure. Hence, chances are quite high that a future IJV might be formed with a firm of a similarly more "complex" structure, for example, a stock-listed company.

Interestingly, the interviewed employees who worked at each Joint Venture, respectively, saw a rather neutral to negative linkage between the JVs' success and the family firms. The Head of Sales APEC for example sees the difficulty in both families wanting to put their own name, or brand, on the products. The family firms have, according to him, their goals and ideas they want to get through in the joint formation. However, he believes that Joint Ventures are a great way of entering a market and the nature of the company (family or non-family firm) is less significant because a Joint Venture is always made out of an interest in sales and profit. Reaching the goals of these interests should hence not be compromised due to conflicts (between families). The statement indicated that there were conflicts that were overcome by the management of both TEPRAT and DITI.

The testing engineer employed in JV B on the other hand stated that the management board of RINOR consisted of relatives, hence the family behind the firm is an "extended family". Because there were conflicts between the extended family members, he believes that a family firm of a core family would have been preferable for IJV B.

> *"I would not call [RINOR] really a family firm."* Quality Engineer situated at IJV B in Taiwan

This is due to the belief that extended relatives in the decision-making board are equal to a board composed of strangers. The statements made by the interviewee indicate that he does think a family firm as a business partner is preferable over a non-family firm but doesn't believe that the extended family, as in the case of IJV B, should be involved in the family business.

4.5. The Missing Human Element

An important part of the company that was not taken into consideration in the formation of the IJVs was the human element. As the CFO of TEPRAT had mentioned in his interview correctly, forming a Joint Venture can be compared to a marriage. However, during the interview with the head of Global Human Resources, it became clear that the department was not involved in the IJV at all. Quite surprisingly, it is not clear to the HR department where challenges in the JVs might have occurred, as the department was left out of the two shared business units altogether. In terms of longevity and commitment from staff, a success factor of TEPRAT, head of HR said in the interview, is the feeling of togetherness and belonging. In the two IJVs, staff were "only numbers on an Excel sheet" for the Human Resources department. In one case, when she asked for an update on the number of staff from an IJV, she was told that the business unit was liquidated the previous year. Saying goodbye to former staff was hence not an option. The only reason as to why the data was available to HR was because the leader of the department is also the firm's Legal Compliance. In this role, one of her tasks is to ensure fair remuneration for the global staff, that there is no child labor, and that working hours are not exceeded in the entire Supply Chain of the company.

Whether the two IJVs in Asia had a local HR department is unknown to the HR department of TEPRAT. This unfortunately shows that the information flow regarding the "factor human" was quite weak and might indicate that information flow concerning other topics might have been missing as well. Furthermore, as the literature review showed, Human Resources Practices are quite important in successfully carrying out an International Joint Venture. The implementation of an IJV's own HR department promises a positive influence on the business unit's success (Baughn, Neupert, Anh, & Hang, 2011). Leaving out these practices completely can hence leave an unclear understanding of the purpose of the JV in staff, including the top management, potential conflicts and further trust issues, and limited performance. Furthermore, due to both cultural as well as geographic distances, the need for a connecting person between the two companies is high. Because there is a linkage between two different firms with probably completely different company cultures, an intermediary role is required. This person should also enable the formation of a common ground between the parties involved and, in a best-case scenario, implement the Joint Venture's own company culture.

4.6. Dissolving the Cooperations

From a financial point of view, the International Joint Ventures fulfilled their purpose and were a success. TEPRAT Asia, which also includes the former IJV A, has an annual growth rate of 21% (this number is an average growth rate over the past 15 years, according to Head of Sales APEC, who is also the General Manager of TEPRAT China). Last year's turnover of the former IJV A alone was approximately 22 million EUR (out of 118 million of the global turnover). Former IJV B on the other hand has increased its production capacity since the cooperation was dissolved. The business unit had always had the potential to become a financial success. Due to trust issues that were pointed out by the Taiwanese employee, the IJV never reached its potential and has become a success later on, just not for TEPRAT, but RINOR.

Even though the directing board members emphasized that there was "no bad blood" between TEPRAT and the former business partners of the two JVs, there were some hazards that occurred during and after the dissolution of the business unit. The hazards TEPRAT was faced with were both of internal and external nature. The disruption of the cooperation between TEPRAT and DITI for example resulted in some relational issues, according to the head of sales APEC. The General Legal Counsel also mentioned that the disruption came quite surprisingly, as it had not been mentioned before that DITI was willing to leave the company. In addition to the lack of trust, the Legal Counsel pointed out that DITI was planning on building its own production site, and he assumed that the company needed the money for that.

The interview with Product Manager A gave an interesting insight into the surprising disruption of the relationship between TEPRAT and DITI. Compared to the production site that was fully owned and built by TEPRAT when IJV A was dissolved, the Joint Venture was a very small business unit that could not have reached an interesting level of success.

"Even if we grew 200% annually, it would have been nothing, compared to what he was arranging there" – Product Manager A

After the decision to end the cooperation and move to the next step was made, DITI threatened TEPRAT with not supplying them with products that TEPRAT was still not able to build itself (such products were assumably mid-power products that were designed in IJV B and produced by DITI). However, TEPRAT managed to set up its own production line within a timespan of approximately nine months, in a way that sourcing was no longer needed. Conversations between the Head of Sales APEC and the CEO of DITI took place to tackle the bigger differences between the two companies. Today, TEPRAT still sources from DITI because the partner has a high influence on the Chinese market due to a well-established brand name and a very powerful social capital (which includes the Chinese Government), according to the General Manager of TEPRAT China. This ongoing cooperation comes with quite a high price: TEPRAT pays 20% more for the production of goods at DITI than it would if it produced in its own manufacture.

> *"TEPRAT is a foreign company, you never have the power as DITI."* Head of Sales APEC and now General Manager of TEPRAT China

However, since TEPRAT was able to establish a small manufacturing site by itself, DITI is not the sole supplier of product family A anymore. In addition to that, TEPRAT was also able to find two additional sub-contractors. In this way, the company was able to diversify the manufacturers and hence spread the risks. Product Manager A also revealed that this is not necessarily purely DITI's fault. When the borders of China were opened this year, the head of purchasing visited DITI's production site and found out that DITI simply did not get all the information about cheaper sources. He was able to cut down the price of the products by a certain amount and the price difference to other suppliers was minimized.

Contrarily to the managing board, Product Manager A stated in his interview that he does sense "bad blood" between the companies after everything that took place during and due to the ending of the cooperation. The main issue was the COVID crisis. The managing board could not travel to China to sit down with DITI's decision-making board and discuss future cooperation. For this reason, the CEO asked a person he trusted to take over this task. The person in question, the Head of Sales, does not have a management background and therefore lacks management skills that are crucial for disrupting such cooperation.

"Something went down there. Like, who can decide more than the other, or was there maybe power games… anyways, there were personal, political differences between [Head of Sales] and the boss of DITI […] and the boss of DITI really doesn't care, he doesn't let people talk

to him like that, but he also doesn't allow people to offend him […]" Product Manager A on personal differences between Head of Sales APEC and CEO of DITI

However, even though the communication about the termination of the cooperation was rather poor, Product Manager A pointed out that the companies still do talk to each other and work together. According to him, this shows that there has always been fundamental trust and confidence. Now that the managing board can travel to China again, the business partners were able to rebuild trust, exchange information on production plans and cut costs to a rather "normal" level.

Additional external influencing factors mentioned were costs and the political situation of China. As more and more companies from the EU and the US are trying to become independent from China, TEPRAT is facing difficulties with continuing to sell products manufactured in China to their customers. Because of the family firm's loyalty towards its customers, TEPRAT is willing to move its business unit, the former IJV, to a different country.

Even though IJV B does not exist anymore, the cost factor of the production in Taiwan, and hence the cooperation between TEPRAT and RINOR, is affected by moving the production to a different country as well. The cooperation between the two companies is slowly being phased out. Because the top management hasn't found a new partner for producing their goods so far, the manufacturing of new generations of products for Product Owner B will be moved to TEPRAT China for now. The overall goal is for all product families of both, Product Owner A and B to be moved to a different, joint site in a cheaper country.

After a decision has been made and a new business partner has been found, new production plants in a cheaper country will be implemented. The head of sales APEC mentioned that a country in Southeast Asia is preferred. Oddly enough, he also mentioned in his interview that, even though manufactured goods from China are an issue, leaving the design process in China is okay. Hence, it is expected that TEPRAT China will still exist, but "only" for research and development. The rest of the business unit will then be outsourced.

When asked whether a future Joint Venture is encouraged for TEPRAT, all interview partners were in favor of doing so. The CFO for example sees where the company could learn from the former hazards it was faced with and would implement the lessons learned in a future cooperation. The General Manager of TEPRAT China is in clear favor of forming new Joint Ventures, despite the rather negative connotations he has with IJV B, as it seemed in the interview. His argument for the future formation of Joint Ventures is that in a certain stage (assumably at the beginning) it is very useful (from the big picture one can conclude that he meant the social capital and resources here). Later on in a Joint Venture, however, he believes that there might be conflicts due to the different interests of business partners and the JV can become a bottleneck – a hazard to the overall company success. The head of HR suggested that, if a future IJV was to be formed, there should be a designated person for the cultural and interpersonal fusion and who builds bridges. She strongly believes that HR management tools are important because every employee has their needs, whether they work at a Joint Venture or a different type of business unit.

> *"And everybody wants to be seen, have a contact person, and that surely contributes to the increase of a long-lasting bond, even from the employees and it could maybe even decrease fluctuations in IJVs."* Head of Global HR

The CEO of the company clearly states that he is in favor of cooperating with other firms due to the drastic change in the global economic situation. He thinks that the long-dated planning security doesn't exist anymore. Hence, companies need cooperation to deal with external influences, as they cannot handle it alone. Whether this cooperation takes the form of a Joint Venture doesn't matter to him. The important step is to find trustworthy business partners.

The company TEPRAT is portrayed as open-minded towards change, new ideas, and improvements. The overall impression therefore is that TEPRAT knows that there are still things to learn, among others about the successful implementation of International Joint Ventures. The company is open to trying future formations and using the lessons learned productively. The risk-taking mentality of the firm seems to have its roots in its founder, from whose autobiography one can clearly state that he has always been ready to take new risks in life, and with his company.

5. Discussion

The research has given many in-depth insights into the hazards of two family firms forming an IJV. As the IB research field has proposed already in the past, trust is, among other factors, one of the key components of the successful formation and execution of the Joint Venture. Since family firms are said to be trustworthy, as well as trusting business units reciprocally, it is believed that they are specifically suitable for this kind of cooperation. Nonetheless, as this research has shown, trust must not be taken for granted, even with family firms, which can also be seen in this case study. Even though trust existed at the formation of the two Joint Ventures, it appears that over time, trust was slowly fading out. Trust and trustworthiness must be ensured over time and not be forgotten about. A set of management tools helps to ensure and enforce the reciprocal trust and trustworthiness of firms. Such can be:

- Information sharing
- Continuous commitment
- Resource complementarity
- Balanced interdependence

Since TEPRAT is considering the formation of new Joint Ventures in the future, it is a great opportunity to revisit former IJVs and use the lessons learned from the past, one of them being the implementation of more thorough contracts. As there were issues with the question of the right amount of investment and commitment, not depending too much on relational governance and having the courage to bring a thorough contract into the collaboration might be crucial.

As one of the reasons business partners lost trust was a majority-minority slope between guest and host country businesses, it is advised to have a further look at the mode of Joint Venture. The case study showed that holding the minority of the business unit can cause distrust toward the business partner. Whether this mode of Joint Venture is still preferred for TEPRAT in the future is unknown, yet worth rethinking.

Furthermore, due to intercultural linkages, the implementation of Human Resource Management tools is of high importance. The research has shown that leaving HR out of a Joint Venture is not recommended. The JV is, like other parts of a company, a business unit with employees, who have needs in their working life. These needs have to be met, if the business unit seeks to be successful and gain a competitive advantage. Additionally, employee’s skills have the potential to be improved and loyalty towards the firm to be increased.

Connecting to the previous point, one must understand that not addressing the cultural distance between companies from two different countries might hurt a collaboration. One result may be that misunderstandings occur, which might be between employees, but also between executive managers. It is important to keep the cultural distance in mind, especially if the business partner is on a different continent. A different culture due to the home country can manifest itself in a different company culture which must be understood in a collaboration. To work together with a company, one must understand the cultural background of it and find the best way of communicating with each other. A set of management tools and the right composition of a board may help overcome the cultural distance and build bridges between the business partners and the Joint Venture.

Unfortunately, external factors also had an impact on the disruption of the relationship between business partners, as the case of IJV A has shown. Because the borders were closed, the company’s management was not able to speak to the business partner vis-à-vis. This research paper showed that a person with management skills is of utmost importance in the dissolution of a cooperation. The lack of good management skills can result in discrepancies or can even disrupt a formerly good relationship between two firms. A skilled manager might be able to uphold the good relationship between two family firms and even save the Joint Venture from disruption. Nonetheless, even though the case with one of the business partners was the lack of a skilled manager during the period of ending the collaboration, the management board was able to visit DITI in China after the borders were opened again. These visits resulted in an improvement in the relationship and a reduction in production costs.

6. Managerial Contributions

External factors can always become a liability and get in the way of the successful execution of an International Joint Venture. However, the management of family firms can positively influence their journey of an IJV. As the research has shown, an IJV between at least two family firms has great potential and it is advised to make use of it. Highly qualified managers with a good set of skills can potentially overcome even external hazards by conversing with their business partners in a productive and understanding way, such that the business partner can (re-)gain trust in the collaboration. Hence, getting a highly qualified manager on the decision-making management board and/or a manager responsible for coordinating between the partnering firms is mandatory.

If there are expatriates on the spot, companies are urged to train them thoroughly. Knowledge about the business alone might not be sufficient. The expats must have good management skills at their disposal. The Joint Venture is a sensitive collaboration between two firms where a lot of information and knowledge is shared. Therefore, a trained expatriate with good management and communication skills is advised, to gain confidence on both sides of the collaboration. This will also be very helpful after the Joint Venture is terminated. A good relationship between the business partners is to be ensured, as they may still be highly interested in joint business in the companies' future, especially if they are both in a niche market, where finding new partners (for both vertical and horizontal integration) can be difficult.

In addition to high-quality decision-making management, every Joint Venture must have access to the Human Resources department, or even implement their own HR. This is of particularly high importance, as the International Joint Venture is a linkage across borders, hence there are cultural differences. The lack of HR management tools can potentially impact the success rate negatively. Employees have potential and they must be trained if the business unit is to gain competitive advantage. As described in chapter five, the Joint Venture is a business unit with employees and their needs have to be met, for them to stay loyal to the firm and to ensure the overall longevity of the IJV. Overall employee satisfaction will have positive impacts on the company's health.

Furthermore, while a Joint Venture is built on trust and trustworthiness and family firms have these assets at their disposal, it is still advised to have a good balance between relational governance and contracting. The formation of a Joint Venture brings its risks. Only counting on the relationship with a business partner might be dangerous. There is always a possibility that a business partner decides to withdraw from a cooperation. With the lack of a thorough contract, there is also a lack of regulation. Finding the right amount of relational governance and contracting is a balancing act that comes with experience, which could be found in an external director (see 2.7. Family Firms and IJVs).

7. Conclusions, Limitations, and Future Research

The family firm internationalization is still a young discipline in the International Business research field. The connection between family firms and International Joint Ventures still has potential that should be investigated in the future. However, the research that has already been carried out in the research field of family firm internationalization already gives good first inputs into how family firms differ from non-family firms in their behavior and their internationalization process. The findings on the behavior of family firms were partly backed up by this research paper, for example concerning the topics of longevity or the theory of FIBER.

Especially for the Austrian economy and the Austrian research field, it is advised to further investigate International Joint Ventures between family firms. This is because, as the research has shown, more than half of the Austrian businesses are owned by families. The global market is evolving, and the crises of the last three years have shown the importance of a successful supply chain, vertical integration, and cooperation between companies. With the potential competitive advantage of a family firm, allying with another family firm can help distinguish oneself from the competitors.

Since this research is a descriptive case study, it was able to give insights into the challenges and facilitating factors of a Joint Venture between two family firms. However, the results drawn from this research cannot be generalized, as it is a single case study and is not representative of a higher number of family firms. To generalize the findings of this case study, it is suggested that quantitative research or even mixed-method research is carried out on this topic.

Topics for future research in this research field could be as follows:

- Facilitating factors for International Joint Ventures between family firms
- Family firm IJVs in Europe
- Family firm IJVs in niche markets
- Motivating factors for the formation of IJVs of family firms
- The challenges after dissolving the IJVs of family firms

Although quantitative or mixed-method research on these topics might be quite challenging for researchers, they could have the potential to provide important new insights. Future steps are to be set in the research field of family firm internationalization, supporting managers of Austrian family firms and bringing forward future challenges in the evolving global market and the business cooperations that are formed in it.

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9. Appendix

9.1. Interview Guide

Theory	Question	Interview Question	Source
Introduction	Presentation of the topic, asking for consent about recording		
Background information	What is your role in the company?	When did you start working at the company?	
	If the employee worked at one of the Joint Ventures: What was your role in the Joint Venture?		
TCE	What kind of Joint Ventures did TEPRAT have? Was it 50:50 or majority/minority?		Pedada, K., Padugar, M., Sinha, A., & Dass, M. (2021). Developed market partner's relative control and the termination likelihood of an international joint venture in an emerging market. *Journal of Business Research*, 295-303.
	What were the reasons for choosing a JV?		Cuypers, I. R., Hennart, J.-F., Silverman, B. S., & Ertug, G. (2021). Transaction cost theory: Past progress, current challenges, and suggestions for the future. *Academy of Management Annals*, 111-150.

TCE	What were the criteria that led to the choice of these specific partners?		Oxley, J., & Sampson, R. (2004). The scope and governance of international R&D alliances. *Strategic Management Journal*, 723-749.
	What were the critical issues in the management of the joint venture?	How were these critical issues overcome?	Isidor, R., Schwens, C., Hornung, F., & Kabst, R. (2015). The impact of structural and attitudinal antecedents on the instability of international joint ventures: The mediating role of asymmetrical changes in commitment. *International Business Review*, 298-310.
	What was the reasons for the termination of the joint venture?		Cui, A. S., & Kumar, M. S. (2012). Termination of related and unrelated joint ventures: A contingency approach. Journal of Business Research, 1202-1208.
	At the end of the day, do you think the joint venture experience was useful for your company?	Could you give me a reason for your answer?	Loehde, A. S., Calabrò, A., Torchia, M., & Kraus, S. (2020). Joint (Ad)ventures-Family firm's international entry mode choices for emerging markets. *International Journal of Entrepreneurial Behaviour & Research*, 1235-1258.
Socio-emotional Wealth	How did being a family firm affect the management of the joint venture?		Swinth, R. L., & Vinton, K. L. (1993). Do Family-Owned Businesses Have a Strategic Advantage in International Joint Ventures? *Family Business Review*, 19-30.
	Do you think the joint venture can also be a valuable entry mode for the future of your company?		Swinth, R. L., & Vinton, K. L. (1993). Do Family-Owned Businesses Have a Strategic Advantage in International Joint Ventures? *Family Business Review*, 19-30.

9.2. Sample Interview

Interviewer: So, uhm, I suggest we start with the first question, what was your role in the IJV? So TEPRAT and RINOR I think made this IJV?

Employee: Mhm.

Interviewer: When did that start? I forgot.

Employee: Uhm, it's in 2012, actually.

Interviewer: Okay. Uh, what was the role for you, what did you work there?

Employee: Uhm, actually since I'm the only TEPRAT guy in Taiwan at that time, uhm I actually I'm not supposed to be there because I have a different job focus you know I am in the testing and qualification department, but, so my office – since this is a TEPRAT facility as well so I put my office in there, in the JV. I joined the JV since it was incorporated. So until it was terminated, I stayed there. In the beginning my involvement was not much, I just helped in setting up the machines, but it was – we had people doing that one. So basically, my first responsibility was to, like, uhm… maintain the standards of TEPRAT to make sure the standards of TEPRAT are met in that facility. So, and like also bring in the culture – TEPRAT culture in the organization.

Interviewer: Okay.

Employee: Something like this. This is what I am doing in the beginning. But, you know and later on I get more involved because I get interested in the processes as well, how they do this thing, so, and I have the opportunity also to learn new things so I get myself involved a lot more in the later years, maybe in the last five years?

Interviewer: Mhm

Employee: So in the last five years I was doing like process improvement, what else.. uhm… Also the, yeah mostly process improvement, to bring the processes or efficiency in the next level. For them.

Interviewer: Mhm. Okay. But before the JV what did you do?

Employee: Uhm, I actually I did – or until now – I am supporting [employee name] for product qualification for the new products.

Interviewer: Okay.

Employee: My responsibilities is mostly products coming from RINOR at that time because we have a lot of products from RINOR at that time.

Interviewer: Yes, so you were here in Austria before that?

Employee: Mh-hm! (denies) I was already in the beginning I was in Singapore office, and then…

Interviewer: Ooooh okay I understand!

Employee: Yeah and then move here at the RINOR office. When I first came here I stayed here in the RINOR office. For about 1 year until the IJV is incorporated.

Interviewer: Okay I understand. So the JV started in 2012 and it was terminated in 2021 I think?

Employee: That is right.

Interviewer: Okay, was there any, like, issues while the JV lasted?

Employee: Issues, yes I would say. Many.

Interviewer: Okay?

Employee: I mean, uhm. First of all, I would say the communication between the – not between TEPRAT and RINOR but between the RINOR and JV. Supposed to be, the JV should be like an arm for RINOR and get used and fully utilized. But there was… (mumbles) what I am saying is fully opened it's, my observation since I was there so… but… from my observation it was the communication. It was no open communication I mean even TEPRAT JVs, uuuh RINOR is not that open, RINOR is not very open, and, just you know like any other companies they are very protective of their business.

Interviewer: Yes.

Employee: Uhm, there was like not open for many things at the JV at the time, they are not sharing many things, the cooperation is not that strong so I would say. And this, this produces even more problems because of this we have inefficient processes, we have problems with production scheduling, something like this. And, what else… So we have like material preparation, so we have issues in this regard. This, supposed to be. The planning – production planning – work hand in hand with RINOR and JV –

between RINOR and JV because you know RINOR is taking orders from TEPRAT and they can plan production on their side on the planning the assembly and they should also be involved in the production scheduling in the JV, but this does not happen at that time. It's mainly like okay we give you the orders we want this at this date and that's it.

Interviewer: Okay.

Employee: I mean, on my side, for it to be more efficient, if there will be like continuous communication every weekly meeting to update and just the production schedule and something like this, I think is one problem.

Interviewer: Mhm.

Employee: Or I would say the root cause of the many problems we have encounter and… yeah and that, have I said that JV was not fully utilized by RINOR.

Interviewer: Mhm. Okay. So the JV was supposed to produce the [electronic device]? Right?

Employee: Yes, [electronic device] assemblies, yes.

Interviewer: And these [electronic device] assemblies were sold to RINOR and RINOR sold to TEPRAT? Is that how I got it, correct?

Employee: RINOR will do the final assembly which means they will put some more pencil or pins, the transformers… they will do some more assemblies at this one, then put the casing on the case and packaging and potting and ship it to TEPRAT.

Interviewer: Okay. Did the JV have any other purpose except of producing for TEPRAT?

Employee: No. That was the sole purpose. Producing for RINOR. RINOR can sell to other companies as well.

Interviewer: Okay. So what do you think was, were the reasons that led to the termination of the JV?

Employee: Uhm. Yeah I mean, as I mentioned earlier, the JV was not fully utilized. That's why, I mean the financial losses accumulate with every year. That's one reason, I mean. I mean I know that from my understanding TEPRAT was absorbing part of this. We are subsidizing, uh… some amount to the JV to keep it running and I mean maybe for TEPRAT this is worth it because we did to make sure the quality of the products are ensured because this is our own factory control there working. And also, uhm, let's say we try to, uhm… try to reverse this more, to improve this losses. That's why one of my responsibilities as well when I get more involved is to make more efficient and try to cut the losses. But somehow, uhm, the, I think the owner of the building, uhm… where the factory is situated, it would not extend the list to us. For years. And, so, I think, one part has decided the RINOR will take over because RINOR has their own building. Own factory building of RINOR which is empty at that moment. So, RINOR took over the, the entire equipment and moved it to their building. So…

Interviewer: Okay, so do you think, because you mentioned the financial losses accumulating every year, do you think this was caused by the communication issues as well?

Employee: Yes. Yes, I would say so. Because that produce a lot more issues, like I said becomes more inefficient, as for example, uhm, we were deep in this uhm I think RINOR always think we will run away with their information. I mean it is a fair thinking but you know, but at some point you should at least maximize this opportunity that you have your own kind of factory, facility that you can control, you can uhm yeah somehow maintain the quality level, you can adjust the production schedule, etc. But being so restrictive with their information, I mean… This brought another, uh, more issues. Like yeah inefficiency, uhm. Basically.

Interviewer: Would you say your role is a little bit is an expat to make sure everything is okay?

Employee: Uhm… I would say yes. I would say yes. Certain level, yeah.

Interviewer: Okay. But your main job is testing and ensuring quality.

Employee: Yes.

Interviewer: Okay, okay. So, then to the next question, RINOR and TEPRAT are both family firms. Do you think that this affected the JV? This fact?

Employee: Family, uhm… I mean RINOR is quite, let's say, an extended family. The member of the board are relaitves, uncles, aunties, yeah, brother sister. It's a big family actually. I wouldn't say this really affected. I mean, let's say if this would have been really a single family, it would have been better. But you know among families there are also some conflicts, different ideas, etc. it's most like as any other corporation where you have board members sharing different ideas, I think. I would not call RINOR really a family firm.

Interviewer: Okay, okay. Uhm, who was actually the board of the JV? Who was the boss there?

Employee: Uhm, RINOR board member as well. But would make the president, I think the president would be the [founder of TEPRAT]. He is the president.

Interviewer: Mhm. But there is, uhm, a put together board, right? It is not only [the TEPRAT successor] or [founder of TEPRAT] but also RINOR members?

Employee: Yes, that's correct.

Interviewer: Okay. Was it like 50:50?

Employee: No, it's 49% TEPRAT, uuuuh 49% RINOR, 51% TEPRAT so that we have more the control. Supposed to be that we should have more say on it.

Interviewer: Okay, I understand. How many members did the board have, do you know that?

Employee: Oh, I have no idea, sorry.

Interviewer: No, it's okay, I was just wondering maybe you know. Okay, and, but with this JV did… did TEPRAT have… because you said earlier there was communication issues between RINOR and the JV, was there issues TEPRAT and the JV?

Employee: No, not at all. I would say no. JV is very open to TEPRAT and I think this is what made RINOR more restricted because the JV was very open to TEPRAT that we can get any data or any information, let's say uhm failure rate, what are the issues we encounter, we can get this data from the JV because I think the JV management thinks that TEPRAT is the majority shareholder. So… they have more responsibility to TEPRAT. I think this is the idea.

Interviewer: Okay. Do you think this affected the trust? So because TEPRAT had 51%, do you think this affected the trust on the RINOR side? That they said, they have the majority, so this is, we can't trust them too much?

Employee: I would say so, yes.

Interviewer: Okay, okay thank you. So today, what is the relationship between TEPRAT and RINOR?

Employee: I mean… I think uhm until, it is no improvement of the sales – like it's the typical buyer-supplier relationship. So we are customer of RINOR, we buy from RINOR and they supply us and that's it. Because uhm… I mean you know how long the partnership between RINOR and TEPRAT has been. To me, I was expecting a different cooperation like the, uh, develop new products jointly, like RINOR can utilize the TEPRAT's resources which TEPRAT is offering, RINOR is not really open to that or something like that. Is typical buyer-supplier relationship.

Interviewer: Was that the idea at the beginning that there will be, there will be new products designed in Taiwan in the JV?

Employee: No, no. JV is mostly, yes production.

Interviewer: Okay.

Employee: Essentially production. [electronic device] assembly. I think the main, uh… for TEPRAT the purpose of putting up the JV is to control and maintain the quality level of the [electronic device] assemblies. So I think, because you know subcontracting to many other suppliers is not very easy to maintain the production quality and it's also not easy to order or just.. the business model is high ranks and low volume, so… too many suppliers, this is a very difficult structure. Because in Taiwan or China it's like high volume production, very used to high volume production. But high ranks low volume, it makes sense to put our own production line. It will make us easier to schedule the orders, find the right mix of products to combine in one order like something like this. But as I said this is not fully utilized.

Interviewer: Yes.

Employee: This could have been an advantage, but it was not fully utilized.

Interviewer: So you think, you think if these mistakes would not have been made, the JV could still exist today and make profits?

Employee: I would say so, I would say so. Because if there was really a different cooperation between RINOR and the JV, I think, the JV is really a valuable asset. Because now, they have seen, they just… now they are taking over the JV, they are now running the JV. All the facilities are still there, they manage it there, they are running everything now. And I can see that since they moved to RINOR there was like a weekly meeting to align the production schedule between each side, something like this. And now they can see the, uhm, the benefit because uh, this JV now is producing more now than what the production line at RINOR can handle. So, like it's over capacity, they're producing more [electronic device] assembly like the RINOR can handle.

Interviewer: Yes, yeah. So if I understand correctly, when the JV was dissolved, RINOR took all this equipment to make…

Employee: This is essentially, TEPRAT sold their share to RINOR. It becomes RINOR factory.

Interviewer: And now you are sitting in this building where the JV used to be?

Employee: Uh no, no no. I am sitting at RINOR building actually.

Interviewer: Okay. Okay, that is quite interesting.

Employee: Haha, yeah. A bit complicated but I try to make it work.

Interviewer: Yes. So you are testing there now? You have your test equipment in RINOR?

Employee: Yes. Everything, the lab is at RINOR. But I still, uhm… especially during the turn over from JV to RINOR I am mostly at the JV facility because I have them set it up again. They do everything, relocations, so I have them set it up again, so everything. So I was there very frequent at that time, until it was stable. Now it is very stable, so I am not visiting much anymore.

Interviewer: Okay. Okay, thank you [employee's name], that's the end of the interview.

Employee: Mhm.

After the recording was finished, the IJV B employee mentioned that the difference of company culture was also a major issue in working together in the International Joint Venture. He suggests that, while TEPRAT is open-minded and open for new ideas, processes, etc., RINOR has a quite conservative mindset.