International joint venture partner origin, strategic choice, and performance: A comparative analysis in an emerging economy in Africa

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Abstract:

This study examines the competitive strategic choices of international joint ventures (IJVs) and their performance implications in a low-income emerging economy in Sub-Saharan Africa — Ghana. Using the resource-based view of the firm, it is argued that IJVs with partners from emerging economies are more likely to pursue an efficiency-oriented business strategy to strengthen their strategic positioning, competitiveness and performance. Conversely, IJVs with partners from advanced industrialized economies would be more likely to pursue a market effectiveness-oriented strategy to strengthen their strategic positioning, competitiveness and performance. The findings from 76 IJVs offer support for the hypothesized relationships. IJVs with partners from emerging economies implementing an efficiency-oriented strategy of cost leadership outperform those with partners from advanced industrialized economies implementing the same strategy. In contrast, IJVs with partners from advanced industrialized economies implementing a differentiation strategy outperform those with partners from emerging economies implementing a differentiation strategy.

Keywords: IJV partner origin | competitive strategy | IJV performance | advanced economies | emerging economies | Sub-Saharan Africa | Ghana

Article:

1. Introduction

The globalization of the world economy and the surge in competitive pressures in today's business environment has led many emerging economies in Sub-Saharan Africa to transform their economies from state-controlled capitalism towards private entrepreneurial capitalism. Economic liberalization policies and privatization of state-owned enterprises (SOEs) have been used as central mechanisms in promoting efficiency, productivity growth, economic development and international competitiveness of enterprises. The economic transformation policies have led to the creation of different forms of business organizations with the principal forms being wholly owned enterprises by domestic entrepreneurs and international joint ventures (IJVs) between foreign firms/entrepreneurs and local firms/entrepreneurs (Beamish and Delios, 1997, Demirbag and Mirza, 2000). An IJV is the creation of a separate organization whose stock is shared by two or more cross-border partners in which they both hold equity ownership

(Contractor and Lorange, 1988). In Ghana, the changes in investment legislation over the past two decades have favored IJV formation as a means of attracting foreign direct investment (FDI). For example, the *Ghana Investment Promotion Acts* of 1985 and 1994 have made it easier for foreign companies to form an IJV instead of establishing a wholly owned subsidiary by requiring foreign companies to invest a lower equity capital for IJVs than a wholly owned subsidiary (Boateng and Glaister, 2003, Debrah, 2002).

The primary intent of governments from emerging economies in favoring IJVs is to attract foreign capital and investment to develop major strategic economic sectors while at the same time gaining domestic control over those economic sectors. On the other hand, private enterprises in emerging economies enter into IJV relationships by selecting partners who can provide them with financial and intangible assets, technical and managerial capabilities, and the capability for offering quality products (Hitt et al., 2000). However, the motives of foreign partners for establishing an IJV relationship in an emerging economy are varied. The most common motive advanced in the literature is to access and exploit needed resources and capabilities in order to improve the firm's strategic positioning vis-à-vis rivals (Glaister, 2004, Inkpen, 2001, Kogut, 1988). Yet, Boateng and Glaister (2003) find that the main motives for IJV formation in Ghana by foreign firms are to overcome government-mandated barriers, facilitate risk and cost sharing, and to access the domestic market.

This study examines the competitive strategic choice of IJVs in a low-income emerging economy in Sub-Saharan Africa, Ghana, by answering the following questions: (1) what is the predominant competitive strategic choice of IJVs with partners from emerging economies vis-à-vis those with partners from advanced industrialized economies? (2) What is the relative impact of the strategic choice used by IJVs with partners from emerging economies and those with partners from advanced industrialized economies on IJV performance? Ghana is one of only seven low-income emerging economies in Sub-Saharan Africa (Hoskisson et al., 2000); and has received considerable attention with respect to the successful implementation of economic liberalization policies and the improvement of the overall environment for attracting FDI (Leechor, 1994). Moreover, the growth rate of inward FDI stocks to Ghana between 1980 and 2004 grew by about 317% making it one of the fastest growing recipients of inward FDI in Sub-Saharan Africa (UNCTAD, 2005).

Investigating the strategic choice of IJVs operating in emerging economies is important due to the vast number of studies that have been devoted to studying IJVs in emerging economies in the international management literature. But most of these IJV studies have focused primarily on issues such as the motives for the formation of IJVs, IJV partner selection, control and management issues between IJV partners, and factors influencing IJV performance (e.g., Boateng and Glaister, 2003, Choi and Beamish, 2004, Hitt et al., 2000, Inkpen, 2001). With the unprecedented growth rates experienced by some of the larger emerging economies such as China, India, Brazil, Mexico, South Korea and Indonesia over the past two decades, firms from these emerging economies have started competing with firms from advanced industrialized countries in low-income emerging economies by establishing IJVs with domestic firms. These larger emerging economy firms have been investing in the low-income emerging economies by establishing IJVs to access the vast market potential, natural resources, skills, and leverage their brand names to enhance their competitiveness and performance. With over four billion people and the fastest-growing population in these low-income emerging economies (or what is being called the 'base of the pyramid markets'), there are tremendous opportunities to harness this untapped market potential (London and Hart, 2004, Ricart et al., 2004). Thus, IJVs operating in the 'base of the pyramid markets', whether the partners are from other emerging economies or advanced industrialized economies, would need to pursue business strategies that would enable them to benefit from the vast untapped markets in these economies.

Nevertheless, the study of the relative choice of a competitive strategy that is used by IJVs with partners from emerging economies and those with partners from advanced industrialized economies to improve their strategic positioning, competitiveness and performance has been relatively unexplored. For example, in a recent study, London and Hart (2004: 351) state, "while MNCs are increasingly viewing low-income markets in developing countries as potential sources of future growth, there is almost no empirical research on *strategies* for pursuing these opportunities" (emphasis mine). International business scholars have therefore renewed their call for an increase attention to international business strategy issues in the 'base of the pyramid markets' (Hart and Christensen, 2002, London and Hart, 2004, Ricart et al., 2004, Prahalad and Hammond, 2002, Prahalad and Hart, 2002). This study responds in part to such a call for a focus on business strategy issues for reaching consumers in the 'base of the pyramid markets'. Thus, this study focuses on how the origin of an IJV partner of a firm doing business in an emerging economy influences the firm's choice of a competitive strategy that is implemented, and how the alignment of IJV partner origin and competitive strategic choice affects IJV performance.

2. Background and hypotheses

2.1. International joint venture competitive strategy choice in emerging economies

The theoretical lens used to explain the differential strategic choice used by IJV partners from emerging economies and those from advanced industrialized economies operating in low-income emerging economies is largely drawn from the resource-based view of the firm (RBV). According to the RBV, firms are fundamentally heterogeneous in terms of their resource endowments and capabilities (Barney, 1991, Wernerfelt, 1984). Resources and capabilities include all assets, capabilities, organizational processes, firm attributes, information and so on owned and controlled by a firm that enable that firm to conceive of and implement strategies that improve effectiveness and efficiency (Barney, 1991). These heterogeneous resources and capabilities persist over time because of factors such as historical conditions, path dependency, social complexity, time compression diseconomies and causal ambiguity (Barney, 1991, Reed and DeFillippi, 1990). A firm's resources and capabilities position can therefore lead to a sustainable competitive advantage if they are valuable, rare, difficult to imitate and organized, combined and deployed appropriately (Barney, 1991). Thus, the RBV posits that firms are driven to engage in IJVs because of the need to either fill a resource and capability gap or obtain a critical complementary resource and capability that is unavailable for exploiting the market (Das and Teng, 2000). This is especially true in most Sub-Saharan African emerging economies where "competitive advantage requires the synergistic combination of resources which a firm is unable to purchase through a market transaction or to develop internally in a timely and cost-effective manner" (Madhok, 2000: 76).

Resources and capabilities of particular interest to firms in emerging economies in the formation of IJVs include financial resources, technical capabilities, managerial capabilities, and firm and product reputational advantages; while those from advanced economies seek local market knowledge and access, and cheap sources of skilled labor (Beamish, 1993, Hitt et al., 2000). Therefore, IJVs with partners from both advanced economies and emerging economies would have access to heterogeneous valuable resources and capabilities that would allow them to effectively compete in the domestic and sometimes international markets. Moreover, IJV with foreign firms would enable the domestic partners to develop new capabilities through the rapid and inexpensive combination of sets of resources that are not available to the foreign and domestic partner individually, but which are in some way complementary (Tallman, 2000). However, in an emerging economy setting, IJV partners from both advanced and other emerging economies search for partners with specific resources and capabilities that would complement their own resource bases to enable them to implement the IJVs business strategies. In fact, the ownership origin of the partners of an IJV influences the availability and level of resource commitment, control, and consequently the strategic direction of the IJV (Lorange and Roos, 1992). Thus, IJVs operating in emerging economy environments will chose a business strategy that could easily and successfully be executed by their resources and capabilities endowments — i.e., IJVs would align their resources and capabilities to the choice of a business strategy to be implemented given the environment.

The business strategies that IJVs in emerging economies may emphasize in the strategic organization of their activities are the focus on a variant of either market effectiveness or operational efficiency. The business strategy of market effectiveness is referred to as a differentiation strategy (Porter, 1980), or a prospector strategy (Miles and Snow, 1978). Moreover, the strategy of operational efficiency is referred to as cost leadership strategy (Porter, 1980) or a defender strategy (Miles and Snow, 1978). I focus on Porter's strategic typology of differentiation and cost leadership because (1) it overlaps with other typologies and has demonstrated its utility in explaining the generic strategic orientations at the business level; (2) it is easily described in an emerging economy environment (Aulakh et al., 2000); and (3) it is inherently tied to performance. The differentiation strategy focuses on the search for market opportunities for creating and providing products or services, which customers perceive as unique and valuable as compared to those of its competitors. An IJV implementing a differentiation strategy creates these perceptions by offering innovative, reliable, quality and durable products or superior customer service. Brand and customer loyalties are developed through various marketing techniques and methods to reinforce the perceptions and image created in the minds of current and prospective customers that the IJVs products or services are superior to those of its rivals (Beal and Yasai-Ardekani, 2000). The implementation of the differentiation strategy requires resources and skills such as strong marketing capabilities, product engineering skills, creative flare, corporate reputation for quality, reliable and durable products and/or technological leadership, and strong cooperation from distribution channels (Porter, 1980).

The cost leadership strategy emphasizes operational efficiency in the strategic organization of activities. According to Porter (1980: 35), achieving a cost leadership position relative to competitors involves emphasizing “aggressive construction of efficient-scale facilities, vigorous pursuit of cost reductions from experience, tight cost and overhead control, avoidance of marginal customers accounts, and cost minimization in areas like R&D, service, sales force, advertising, and so on." An IJV utilizing a cost leadership strategy uses its low-cost edge to offer lower prices relative to competitors to attract price-sensitive consumers. However, to successfully implement the cost leadership strategy, an organization will need resources such as secured source of raw materials, access to low-cost distribution networks, financial resources for sustained capital investments to increase the efficiency of existing operations through continual improvements, and technical personnel with process engineering skills and expertise (Porter, 1980, Beal and Yasai-Ardekani, 2000).

IJVs with partners from advanced economies are more likely to possess abundant and superior resources and capabilities such as technological skills and know-how, managerial expertise and leadership capabilities, marketing and distribution capabilities, financial resources, and reputation for making high quality products than IJVs with partners from emerging economies. Most of these resources and capabilities could be used to support the effective implementation of a differentiation strategy. Moreover, consumer attitudes and reputational advantages in most emerging economies favor products and firms from advanced economies (Agbonifoh and Elimimian, 1999, Hulland et al., 1996). Agbonifoh and Elimimian (1999), using a Nigerian sample, found that consumers have a more favorable attitude towards products from advanced industrialized countries than those from emerging economies. In fact, consumers in Nigeria have the perception that the quality, durability, reliability, functionality, fashionability, and value-for-money characteristics of products from advanced economies such as United Kingdom, United States and Japan are superior to products from the emerging economies of Asia and Africa. Indeed, these perceptions are not unique to Nigerian consumers alone. Consumers in Ghana and many other Sub-Saharan African countries still consider products manufactured by firms and IJVs with partners from countries such as India, South Korea, China, and Brazil to be inferior and of poor quality, despite the significant improvement in the quality of products from these economies.

Spanos et al. (2004) also argue that in an emerging economy like Greece, the overwhelming majority of firms are inherently disadvantaged in pursing a pure differentiation strategy when compared to foreign firms not only because they lack the requisite resources for pursuing such a strategy, but also because they lack the credibility in the eyes of the average Greek consumer as producers of differentiated products. Other evidence strongly suggests that IJVs in emerging economies with partners from advanced economies enjoy strong reputational advantages because of their access to advanced technology, managerial skills and technical capabilities (Grant, 1987, Hill, 2000). A classic example is the competitive strategies of IJVs in the brewery industry in Ghana. An IJV in the brewery industry between a firm from Ghana and a partner from the United Kingdom used the home market brand reputation of the foreign partner's beer to successfully launch a premium brand in Ghana touting its quality and taste.[1] The reputational advantages provide IJVs with partners from advanced economies with greater legitimacy and prestige in emerging economy markets thereby enhancing the loyalty of consumers to those IJVs and their product brands.

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[1] Because the IJV in question is included in the data used for this study, I have omitted the names of the IJV and the parent companies for confidentiality reasons.

Given the superior resources, capabilities, and reputational advantages enjoyed by IJVs with partners from advanced industrialized economies, they will value and exploit these advantages by pursuing a competitive strategy that will reinforce their resource and capability superiority and positive reputation towards their products vis-à-vis those from IJVs with partners from emerging economies. Thus, IJVs with partners from advanced economies will leverage their superior resources and capabilities advantage in technological skills and know-how, managerial expertise and leadership capabilities, marketing and distribution capabilities, financial resources and reputation for making high quality products by implementing a differentiation strategy.

On the other hand, the resources and capabilities that are owned and leveraged by IJVs with partners from emerging economies may not be as superior as those from IJVs with partners from advanced industrialized economies. Since the resource-based view of the firm emphasizes the development and leveraging of firm-specific resources and capabilities to achieve competitive advantage, IJVs with partners from emerging economies will focus on achieving competitive advantage by emphasizing a competitive strategy that fit with their resources and capabilities configurations (Tallman, 1991). IJVs with partners from emerging economies lack superior resources, capabilities, and reputational advantages in emerging economies and would therefore pursue a competitive strategy which does not rely on resource superiority but places premium on targeting a broad customer base with standardized product offerings. Thus the IJVs with partners from emerging economies will pursue a competitive strategy that can better utilize and exploit the pool of resources and capabilities available to them (Madhok, 1997).

The resources and capabilities configurations of the foreign parents' of the IJVs with partners from emerging economies may also be more readily applicable to the resource situation in other emerging economies due to the similarity in economic and institutional environments, thus providing them with the opportunity to implement a strategy emphasizing standardization of product offerings with minimal differentiation. Moreover, IJVs with partners from emerging economies, recognizing the less favorable consumer attitudes towards products from emerging economies, will focus on business strategies that emphasize operational efficiency and cost minimization to enable them to manufacture standardized products for the mass market. Sethi and Elango (1999) have argued that the strategies of MNEs' in foreign markets vary according to the country of origin because of their ability to leverage their home specific advantages. This is corroborated by Kimura and Lee (1998), who indicated that Korean firms' investment in foreign countries focuses on labor intensive mature industries and standard consumer manufacturing market, and tended to avoid high technology and production differentiated markets. Again using an example from the brewery industry in Ghana, in the late 1990s an IJV was established between a local firm and a partner from South Africa. That IJV focused on manufacturing and marketing beer brands that were tailored towards the lower end of the market for alcoholic beverages because of the origin of the foreign partner of the joint venture. Although, focusing on operational efficiency does not necessarily mean that IJVs with partners from emerging economies could charge lower prices, lower prices are a vital selling strategy in most low-income emerging economies that will enable those IJVs to secure a critical mass of consumers. Moreover, competitive pricing is the easiest and quickest means of securing the largest number of consumers to effectively compete with IJVs with partners from advanced economies. Thus I present the following hypothesis:

Hypothesis 1. An IJV partner origin will be associated with the IJVs choice of competitive strategy in an emerging economy such that: (a) there will be a positive relationship between IJVs with partners from emerging economies and the implementation of the competitive strategy of cost leadership, and (b) there will be a positive relationship between IJVs with partners from advanced economies and the implementation of the competitive strategy of differentiation, ceteris paribus.

2.2. Competitive strategy choice and international joint venture performance

The competitive strategy literature has demonstrated that both the cost leadership and differentiation strategies positively influence performance (e.g., Beal and Yasai-Ardekani, 2000, Kotha and Vadlamani, 1995, Spanos and Lioukas, 2001, Spanos et al., 2004; see also the review by Campbell-Hunt, 2000). Moreover, the literature on the resource-based view of the firm has shown that firms with superior resources and capabilities perform better than those with inferior resources and capabilities (see the reviews by Barney and Arikan, 2001, Newbert, 2007). The central tenet of the argument presented here is that how well an IJV's choice of a competitive strategy influences IJV performance is contingent on the origin of the IJV partner (advanced industrialized economy or an emerging economy). The origin of an IJV partner determines the resources and capabilities available to the IJV to implement the chosen competitive strategy. The resources and capabilities that would be emphasized by an IJV to create competitive advantages through a particular competitive strategy will depend on the strategic direction and goals of the IJV in addition to the dimensions of the IJV performance. The IJV literature state that the strategic goals of IJVs are diverse and include enhancing profitability, market growth, productivity growth, risk reduction, and efficiency (Boateng and Glaister, 2003, Choi and Beamish, 2004, Glaister, 2004). An IJV should satisfy its strategic goals to be considered successful thus necessitating linking the competitive strategy choice of IJVs with partners from both emerging and advanced industrialized economies to performance by benchmarking it to the fulfillment of their planned goals. Therefore, aligning the available resources and capabilities to the implementation of a particular competitive strategy will enable the IJV to exploit opportunities while mitigating the threats in the firm's environment thereby improving performance.

The ability of an IJV to effectively implement a strategy that would create more value than its competitors by establishing and sustaining a profitable market position critically depends on the deployment of its resources and capabilities endowment (Conner, 1991). In fact, the choice of a particular competitive strategy by an IJV should be influenced by the resources and capabilities endowment of the IJV (Rumelt, 1984). Barney and Zajac (1994) have argued precisely that the examination of the skills (i.e., resources and capabilities) required for implementing a competitive strategy cannot be understood independently of the content of the competitive strategy. Implementing the different competitive strategic orientations requires different resource configurations (Porter, 1980) and different managerial functional skills and experiences (Beal and Yasai-Ardekani, 2000). This implies that the achievement of superior performance from competitive strategies requires that IJVs direct their resources and capabilities towards particular strategic orientations in which they have competitive advantage. Spanos and Lioukas (2001) found that in Greece aligning resources and capabilities to a competitive strategic choice lead to firm success. Beal and Yasai-Ardekani (2000) also found that firms who align the choice of a competitive strategy with the skills and functional experiences of their managers experienced superior performance. Furthermore, Bird and Beechler (1995) have shown that Japanese subsidiaries that matched their human resource skills with their business strategy performed better than those with mismatches.

From the previous section, it was argued that IJVs with partners from advanced industrialized countries are more likely to possess abundant and superior resources and capabilities such as financial capital, reputation and image, strong marketing, managerial, and technological capabilities. Moreover, consumers perceive not only foreign-made products, but also those made by IJVs with partners from advanced industrialized countries to be of superior quality and willing to pay a premium price over products made by wholly domestic firms and IJVs with partners from emerging economies (Agbonifoh and Elimimian, 1999, Hulland et al., 1996). This suggests that IJVs with partners from advanced economies can leverage the superior resources and capabilities advantage, and the positive consumer perceptions by differentiating their products based on their superior capabilities and the origin of the foreign partner. This can enable them to build corporate and brand reputations that are likely to endure over time. Therefore, IJVs with partners from advanced industrialized economies who use a differentiation strategy will perform better than IJVs with partners from emerging economies who use a differentiation strategy. On the other hand, IJVs with partners from emerging economies have a disadvantage in pursuing a differentiation strategy because they lack the reputation, image, and the credibility in offering products/services that consumers perceive as being unique and valuable even if they possess quality capabilities when compared to those of IJVs with partners from advanced industrialized economies. They are, therefore, more likely to focus on a cost leadership strategy that would enable them to charge lower prices, increase sales and thereby improve performance. Therefore, IJVs with partners from emerging economies who pursue the cost leadership strategy will perform better than IJVs with partners from advanced industrialized economies who use a cost leadership strategy. Hence:

Hypothesis 2a. The implementation of a cost leadership strategy will be more positively related to performance for IJVs with partners from emerging economies than those with partners from advanced economies.

Hypothesis 2b. The implementation of a differentiation strategy will be more positively related to performance for IJVs with partners from advanced economies than those with partners from emerging economies.

3. Research methods

3.1. Data, sample and validity checks

The data for this study was part of a larger sample, which consisted of the 200 largest companies selected from the *Ghana Business Directory* (2001). Out of these 200 companies, 100 were IJVs between foreign firms and Ghanaian firms with the foreign firms holding at least 10% equity in the IJVs (Ghana Investment and Promotion Center, 1998). The average number of employees in the IJVs was 125, with a range of 60 to 798. Approximately 82% of the IJVs were manufacturing firms (mostly in building and construction, chemicals, food and beverages, metals, mining, and textiles), while 18% were in services (mostly in banking, insurance, information technology services, automotive retailing, and food packaging and export). The data were collected from senior executives of the IJVs, which were made-up of mostly chief executive officers (CEOs), deputy CEOs,[2] directors of human resources and marketing (for strategic, organizational, and environmental information), and heads of the finance/accounting function (for performance information) operating in Ghana.

To solicit participation in the study, letters were sent to the CEOs of each of the selected companies in May 2002. The letter explained the purpose of the study and requested their cooperation in completing the questionnaires. To ensure a high response rate and the provision of reliable and accurate responses, the CEOs were promised confidentiality of both the respondents and information they will provide. They were also promised a summary of the results of the study if they include their company's address. Six weeks after the letters were sent to the selected companies; I personally visited the companies, gave the questionnaires to the CEOs and agreed on a date to collect the completed questionnaires and to conduct interviews about other issues not explicitly addressed in the questionnaire. After several visits to the companies over a period of 5 weeks, responses were received from 80 IJV firms. All the questionnaires were usable, except 4 for a response rate of 76%.

In order to check for potential response bias and common method variance problems, I made sure that all the IJV respondents who completed the questionnaires held senior management positions. An examination of the position tenure of the respondents indicated the following: CEO (50%), Deputy CEO (30%), Director of HR (13%), and Director of Marketing (7%). On the average, the respondents have worked for the IJVs for 10 years and have held their respective positions in the IJVs for almost 7 years. Moreover, the procedure suggested by Armstrong and Overton (1977) was used to test for non-response bias. A t-test comparing the early responses (first to third weeks) with the late responses (fourth and fifth weeks) on performance, size, and competitive intensity found no significant difference between the two groups.

Common method variance was examined through two methods — (1) during the survey design and administration, and (2) by using a post-hoc statistical test. First, the questionnaires were designed such that information on the strategic choice and other independent variables and IJV performance were collected from different respondents. The information on the strategic choice, IJV foreign partner origin and IJV foreign partner's parent previous IJV experience, and other strategic and environmental variables were collected from the IJVs senior executives while the IJVs performance information was collected from the head of the accounting/finance function with titles such as chief financial officer, director of administration (finance), and chief accountant. Second, Harman's (1967) one-factor test was used to examine the presence of common method variance problems. The rationale behind the test is that if common method variance were a serious problem in the data, then all the measures would tend to load on a single factor when both the independent and dependent variables are factor analyzed together. A factor analysis of the items on the IJV performance and strategic choice variables yielded 3 factors with eigenvalues greater than one and the first factor accounting for about 25% of the variance. Thus, a single factor did not emerge; nor was there a general factor accounting for the majority of the

[2] An overwhelming majority of the IJV CEOs and deputy CEOs were expatriates from the foreign companies.

covariance in the variables indicating the absence of severe common method variance. The result of the factor analysis is presented in Table 1.

Table 1. Factors analysis of IJV performance and competitive strategy items[a]

Scale and Items	1	2	3	Cronbach's alpha
IJV performance				0.90
Growth of sales and revenues	**0.821**	0.212	0.017	
Growth of profits	**0.846**	0.187	0.174	
Return on assets	**0.804**	0.283	0.272	
Return on sales	**0.788**	0.253	0.253	
Growth in productivity	**0.707**	0.329	0.205	
Differentiation strategy				0.85
Upgrading or refining existing products	0.149	**0.669**	0.262	
Offering specialty products	0.130	**0.739**	0.158	
Emphasizing products or services for high priced market segments	0.103	**0.577**	0.365	
Improving existing customer service	0.294	**0.659**	0.107	
Innovation in marketing products and services	0.303	**0.676**	0.324	
Advertising and promotion of products and services	0.111	**0.777**	0.219	
Building and improving brand or company identification	0.258	**0.688**	0.260	
Developing new products or services	0.169	**0.734**	**0.407**	
Effective control of distribution channels [b]	0.249	**0.491**	**0.473**	
Cost leadership strategy				0.86
Operating efficiency	0.256	0.104	**0.805**	
Forecasting market growth in sales	0.349	0.214	**0.738**	
Offering competitive prices for products and services	0.162	0.321	**0.605**	
Innovation in production process or service offerings	0.092	0.114	**0.714**	
Emphasizing control of operating and overhead costs	0.134	0.383	**0.727**	
Offering a broad range of products[b]	0.237	**0.494**	**0.571**	
Emphasizing high quality standards or high quality service[b]	0.298	**0.473**	**0.498**	
Eigenvalue	3.954	3.663	3.296	
Percentage of variance explained	24.831	21.441	17.696	
Cumulative percentage of variance explained	24.831	46.272	63.968	

[a] Method used was principal component analysis with varimax rotation. Factor loadings greater than an absolute value of 0.40 are shown in bold font.
[b] All items that loaded on more than one factor were excluded from operationalizing the strategic choice variables, except "Developing new products or services" because a reviewer stated that it clearly loads on Differentiation strategy.

3.2. Measures

3.2.1. IJV performance

As a multidimensional construct, any single index of IJV performance may not be able to provide a comprehensive understanding of the performance implications of IJV partners' origin's competitive strategy choice because of the diverse goals of IJVs. Most IJV studies have relied on the IJV manager or parent's assessment of the satisfaction of the venture's operation to evaluate the IJV performance (e.g., Choi and Beamish, 2004, Geringer and Herbert, 1989, Gong et al., 2005, Luo, 2002). Since the independent variables of interest in this study were competitive strategy choice, IJV partner origin and the interaction between those two variables, I followed the approach in recent studies analyzing IJVs in emerging economies (e.g., Gong et al., 2007, Luo, 2007), and focused on five market and financial measures that cover a broad range of IJV success in emerging markets to measure IJV performance: growth in productivity, growth in sales and revenues, growth in net income/profits, return on assets (*ROA*), and return on sales (*ROS*). Self-reported performance data was collected from the head of the accounting and finance function in each IJV. The respondents were asked to rate their organization on the five measures of IJV performance relative to the organization's planned goals over the past three years. The IJV performance items were measured on a scale ranging from (1) ‘much worse’ to (7) ‘much better’. The average of the responses of the performance items were used to measure IJV performance. The use of self-reported measures of IJV performance is common in studies focusing on emerging economies (Choi and Beamish, 2004, Gong et al., 2005, Gong et al., 2007, Luo, 1999, Luo, 2002, Luo, 2007).

3.2.2. IJV partner origin

According to the literature, an emerging market economy should satisfy at least one of the following three criteria: (1) experience a certain level of absolute economic development as indicated by gross domestic product (GDP) per capita; (2) go through a rapid pace of economic development as indicated by the GDP growth rate relative to advanced economies; and (3) pursue policies that support economic liberalization and have a system of market governance favoring the free market system (Arnold and Quelch, 1998, Hoskisson et al., 2000). In general, emerging market economies typically have underdeveloped market supporting institutions for fostering economic exchange and are deficient in locational advantages such as infrastructure (e.g., transportation and communications), technological sophistication and human resources (Hoskisson et al., 2005, Khanna and Palepu, 2006, Wright et al., 2005). The International Finance Corporation identified 51 high growth countries in Africa/Middle East, Asia, and Latin America as emerging economies (Hoskisson et al., 2000). Hoskisson et al. (2000) added 13 transition economies from Eastern and Central Europe to this list. In order to determine the origin of the foreign parents' partners of the IJV, the respondents were asked to indicate the foreign parents' country of origin. IJV partner origin was operationalized using a dummy variable, coded 1 for IJVs with partners from emerging economies based on Hoskisson et al. (2000) classification (i.e., Asia (excluding Japan), Eastern Europe, Latin America, and Africa) and 0 for IJVs with partners from advanced industrialized economies (Western Europe, North America, Japan and Australia). About 43% of the IJV partners were from emerging economies, while 57% were from advanced industrialized economies.

3.2.3. Competitive strategy

Competitive strategy is measured with the sixteen competitive methods, which have been used extensively to operationalize Porter's (1980) generic competitive strategies (e.g., Dess and Davis, 1984, Kotha and Vadlamani, 1995). The respondents were asked to assess the extent to which the IJVs have placed emphasis on the competitive methods over the past three years on a seven-point scale ranging from (1) “much less” to (7) “much more”. The factor analysis of the competitive strategy and IJV performance items (see Table 1) revealed two competitive strategic choice factors — cost leadership and differentiation strategies. *Cost leadership strategy* ($\alpha = 0.86$) was operationalized with five items: operating efficiency; forecasting market growth in sales;

offering competitive pricing for products/services; innovation in production process or service offerings; and emphasizing control of operating and overhead costs. *Differentiation strategy* ($\alpha = 0.85$) was measured with eight items: upgrading or refining existing products/services; offering specialty products/services; emphasizing products or services for high priced market segments; improving of existing customer service; innovation in marketing products/services; advertising and promotion of products/services; building brand and company identification; and developing new products/service offerings. The other three competitive methods: effective control of distribution channels; offering broad range of products; and emphasizing high quality standards or high quality services, loaded highly on both cost leadership and differentiation. They were excluded from each of the strategic orientations.[3]

3.2.4. Control variables

Variables that have the potential of either influencing competitive strategy or IJV performance were included in each of the models. The variables were the IJV age, IJV size, IJV business sector, IJV foreign parent's previous international JV experience, and competitive intensity in the IJVs business environment. *IJV age* was measured as the difference in the number of years since the formation or incorporation of the JV in Ghana and 2002, the year the data was collected. *IJV size* was measured as the logarithm of the number of employees. *IJV business sector* was operationalized using a dummy variable, coded 1 for manufacturing organizations and 0 for service organizations. *IJV foreign parent's previous IJV experience* was ascertained by asking whether the foreign partner have engaged in an international JV before (yes or no). A 'yes' response is coded 1 while a 'no' response is coded 0. *Competitive Intensity* ($\alpha = 0.71$) was operationalized using a previously validated instrument that has been used in an economic environment that has experienced deregulation and privatization of state-owned enterprises (Mia and Clarke, 1999). The respondents were asked to indicate the extent to which the following activities have taken place in their organization's industry over the past three years: (a) increase in the number of major competitors; (b) use of package deals for customers; (c) frequency of new products or service introductions; (d) the rate of change in price manipulations; (e) increase in the number of companies who have access to the same marketing channels; and (f) frequency of changes in government regulations affecting the industry. These activities were measured on a seven-point scale ranging from (1) 'very little' to (7) 'very extensive'.

3.3. Statistical analysis

Ordinary least squares (OLS) and logistic regression analyses were used to examine the impact of IJV partner origin (emerging or advanced economy) on the choice of competitive strategy, while OLS regression was used to examine how the IJV partner origin's choice of competitive strategy affect IJV performance. Models 1a, 2a and 3a investigated the effect of the control variables on the choice of competitive strategy. Models 1b, 2b, and 3b included the IJV partner origin variable to examine Hypotheses 1a and 1b. Models 4 and 5 examined the effect of IJV partner origin's choice of competitive strategy on IJV performance. Models 4a and 5a are the

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[3] Although, developing new products/service offerings, loaded on both cost leadership and differentiation, I included it in the differentiation strategy because of the significantly large loading on the differentiation strategy. Moreover, a reviewer also suggested that it should be included in the operationalization of that differentiation strategy because of the size of the loading.

baseline models, which include only the control variables, while Models 4b and 5b added the interaction between the de-meaned values of IJV partner origin and competitive strategy (cost leadership and differentiation respectively) to test Hypotheses 2a and 2b using a restricted sample (Model 4) and the full sample (Model 5). Since IJV partner origin was coded 1 for parents from emerging economies and 0 for parents from advanced industrialized economies, a positive and significant relationship between the interaction of IJV partner origin and cost leadership, and IJV performance provides support for Hypothesis 2a. On the other hand, a negative and significant relationship between the interaction of IJV partner origin and differentiation, and IJV performance provides support for Hypothesis 2b.

I examined the validity of the econometric model by performing several tests. The assumptions of equality of variance, independence of the error term and the normality of the residual were all met. Table 2 provides the means, standard deviations and the correlations among the variables. It shows significant correlations among some of the variables, however, the variance inflation factors (VIFs) in all the models did not indicate a multicollinearity problem; with the maximum VIF being 2.7.

Table 2. Descriptive statistics and correlation[a] (N = 76)

Variables	Mean	S.D.	1	2	3	4	5	6	7	8	9	10
1. IJV performance	4.69	1.14	**0.90**									
2. IJV Partner origin[b]	0.43	0.50	0.04									
3. IJV age	10.61	5.57	− 0.11	− 0.09								
4. IJV size (log number of employees)	2.18	0.43	0.19	− 0.08	0.27							
5. IJV business sector	0.82	0.39	− 0.17	0.01	− 0.09	− 0.29						
6. IJV foreign parent's previous international JV experience	0.67	0.47	− 0.04	− 0.18	0.03	0.15	− 0.19					
7. Competitive intensity	4.72	1.21	0.33	0.06	− 0.04	− 0.05	− 0.06	0.01	**0.71**			
8. Cost leadership strategy	4.77	1.19	0.27	0.45	0.04	0.14	− 0.18	− 0.13	0.02	**0.86**		
9. Differentiation strategy	4.64	1.14	0.45	− 0.26	0.05	0.29	− 0.12	0.19	0.27	− 0.07	**0.85**	
10. IJV partner origin × cost leadership strategy	0.30	0.50	0.19	0.06	0.06	0.07	0.14	− 0.01	0.08	− 0.20	0.18	
11. IJV partner origin × differentiation strategy	− 0.13	0.57	− 0.25	− 0.07	0.06	0.19	0.05	− 0.03	0.10	0.12	0.09	0.20

Significance levels: For all $r > 0.19$, $p < 0.05$; $r > 0.29$, $p < 0.01$; $r > 0.39$, $p < 0.001$.

[a] The interaction terms were created by first de-meaning the constituent variables and then multiplying the de-meaned variables. The bold font values in diagonals are Cronbach Alphas.

[b] IJV partner origin is defined as follows: 1 = IJV partner from emerging economy; 0 = IJV partner from advanced economy.

4. Results

Table 3 presents the results of the hierarchical regression analyses used to investigate the hypothesized relationships between IJV partner origin and choice of competitive strategy. In Model 1a, the base model for the competitive strategy of cost leadership, none of the control variables is significantly related to cost leadership strategy. In Model 1b, the IJV partner's origin is added to the base model to test Hypothesis 1a (H1a), which states that there will be a positive relationship between IJVs with partners from emerging economies and the implementation of a cost leadership strategy. The results show that only IJV partner origin is positive and significantly related to cost leadership strategy indicating that the competitive strategic choice of IJV partners from emerging economies operating in Ghana is the cost leadership strategy, providing support for H1a. The inclusion of the IJV partner's origin variable significantly improved the explanatory power of Model 1b (compared to Model 1a) as demonstrated by the *F*-test for the change in adjusted R^2 ($\Delta R^2 = 22.4\%$; $F = 20.74$, $p < 0.001$).

Table 3. Standardized results of regression analysis between IJV partner origin and competitive strategy (DV = competitive strategy; $N = 76$)

Variables	**Cost leadership strategy**		**Differentiation strategy**	
	Model 1a coeff. (S.E)	**Model 1b coeff. (S.E)**	**Model 2a coeff. (S.E)**	**Model 2b coeff. (S.E)**
Control variables				
IJV age	0.003	0.039	0.021	0.011
	(0.120)	(0.104)	(0.111)	(0.111)
IJV size (log number of employees)	0.116	0.146	0.317**	0.309**
	(0.125)	(0.109)	(0.117)	(0.116)
IJV business sector	− 0.175	− 0.148	0.093	0.085
	(0.122)	(0.106)	(0.114)	(0.113)
IJV foreign parent's previous IJV experience	− 0.177	− 0.088	0.185+	0.182+
	(0.118)	(0.104)	(0.110)	(0.110)
Competitive intensity	− 0.014	− 0.046	0.282**	0.273**
	(0.116)	(0.100)	(0.108)	(0.107)
Hypothesized variable				
IJV partner origin[a]		0.506***		− 0.246*
		(0.102)		(0.109)
Adjusted R^2	0.030	0.254	0.195	0.261
Δ Adjusted R^2		0.224		0.066
F-test for Δ adjusted R^2[b]		20.74***		6.11*
Model *F*	1.05	5.40***	3.40**	4.16**

[a]IJV partner origin is defined as follows: 1 = IJV partner from emerging economy; 0 = IJV partner from advanced economy; Business sector: 1 = Manufacturing; 0 = Service.
[b]The *F*-test for Δ Adjusted R^2 compares Model 1b with Model 1a and Model 2b with Model 2a respectively.
Significance levels: $+p < 0.10$; $*p < 0.05$; $**p < 0.01$; and $***p < 0.001$.

The results from Model 2a, the base model for the competitive strategy of differentiation indicates that IJV size, the previous IJV experience of the IJVs foreign parent, and competitive intensity are all positively and significantly related to the differentiation strategy. Model 2b further shows that those three control variables are still significant, but IJV partner's origin is negative and significantly related to the differentiation strategy. The results provide support for H1b, which states that there will be a positive relationship between IJVs with partners from advanced industrialized economies and the implementation of a differentiation strategy. The *F*-test for the change in adjusted R^2 ($\Delta R^2 = 6.6\%$; $F = 6.11$, $p < 0.05$) shows that the addition of the IJV partner origin variable significantly improved the explanatory power of Model 2b (as compared to Model 2a) by explaining 6.6% of the variance in differentiation strategy. It is interesting to note that although market competitive intensity does not influence the implementation of a cost leadership strategy, it has a positive influence on the implementation of the differentiation strategy indicating that competition is encouraging IJVs to differentiate their product/service offerings from their rivals in the business environment in Ghana in order to gain competitive advantage.

Table 4. Logistic regression analysis of relationship between IJV partner origin and competitive strategy (DV = competitive strategy; $N = 50$)[a]

	Model 3a		Model 3b	
Variables	**Coeff. (S.E)**	**Odds ratio**	**Coeff. (S.E)**	**Odds ratio**
Control variables				
Constant	5.279*		4.153	
	(2.261)		(2.843)	
IJV age	0.007	1.01	0.009	1.01
	(0.025)		(0.030)	
IJV size (log number of employees)	− 1.704*	0.18	− 1.985*	0.14
	(0.786)		(0.954)	
IJV business sector	− 2.040*	0.13	− 1.974+	0.14
	(1.004)		(1.177)	
IJV foreign parent's previous IJV experience	0.043	1.04	0.959	2.61
	(0.634)		(0.846)	
Competitive intensity	− 0.095	0.91	− 0.184	0.83
	(0.250)		(0.311)	
Hypothesized variable				
IJV partner origin[b]			2.939***	18.91
			(0.803)	
Log-likelihood	− 34.338		− 25.130	
Nagelkerke R^2	0.185		0.508	
Chi-square	8.313***		26.728***	
DF	5		6	
Percent classified correctly	69.7		86.5	

Significance levels: +$p < 0.10$; *$p < 0.05$; **$p < 0.01$; and ***$p < 0.001$.

[a] Competitive strategy is operationalized as a categorical variable as follows: 1 = Cost leadership strategy (firms with a composite value of cost leadership strategy *greater than* the mean of the cost leadership variable); 0 = Differentiation strategy (firms with a composite value of differentiation strategy *greater than* the mean of the differentiation variable). Results are based on only firms classified as pursing either a cost leadership strategy or a differentiation strategy ($N = 50$). Firms pursuing a combination of cost leadership and differentiation strategy (firms with composite values of *both* the cost leadership and differentiation strategies *greater than* the mean of the respective competitive strategies) or firms with no discernible competitive strategy (maybe "stuck in the middle", i.e. firms with composite values of *both* the cost leadership and differentiation strategies *equal to or less than* the mean of the respective competitive strategies) are excluded from the analysis.

[b] JV partner origin is defined as follows: 1 = JV partner from emerging economy; 0 = JV partner from advanced economy; Business sector: 1 = Manufacturing; 0 = Service.

To examine the robustness of the results, I investigated the relationship using a logistic regression analysis with a binary competitive strategy dependent variable coded 1 for firms implementing the cost leadership strategy and 0 for firms implementing the differentiation strategy. The dependent variable was operationalized by classifying all the IJVs into various competitive strategy orientations based on the mean values of the cost leadership and differentiation strategies variables. IJVs with a composite value of the cost leadership strategy *greater than* the mean value were classified as implementing a pure cost leadership strategy. IJVs with a composite value of the differentiation strategy *greater than* the mean value were classified as implementing a pure differentiation strategy. IJVs with composite values of *both* cost leadership and differentiation strategies *greater than* the mean values of the respective strategies were classified as implementing a combination of cost leadership and differentiation strategy, while IJVs with composite values of *both* cost leadership and differentiation strategies *equal to or less than* the mean values of the respective strategies were classified as implementing neither of the strategies. The results of the logistic regression analysis which is presented in Table 4 used only IJVs classified as implementing the pure cost leadership and differentiation strategies, thus reducing the sample size to 50 firms. It should be noticed that the relationship between IJV partner origin and competitive strategy obtained from the logistic regression analysis shown in Model 3b is consistent with that obtained from the OLS regression analysis with the larger sample in Table 3 adding more credence to the robustness of the results.

Table 5. Standardized results of regression analysis for competitive strategy, IJV partner origin and IJV performance

Variables	**Cost and differentiation only firms sample (N = 50)**		**Overall sample (N = 76)**	
	Model 4a coeff. (S.E.)	**Model 4b coeff. (S.E.)**	**Model 5a coeff. (S.E)**	**Model 5b coeff. (S.E)**
Control variables				
IJV age	− 0.272*	− 0.255*	− 0.179*	− 0.180*
	(0.130)	(0.123)	(0.090)	(0.090)
IJV size (log number of employees)	0.135	0.112	0.068	0.093
	(0.154)	(0.146)	(0.108)	(0.108)
IJV business sector	− 0.165	− 0.197	− 0.128	− 0.118
	(0.129)	(0.123)	(0.102)	(0.102)
IJV foreign parent's previous IJV experience	− 0.158	− 0.227+	− 0.121	− 0.126
	(0.126)	(0.121)	(0.099)	(0.098)
Competitive intensity	0.218*	0.275*	0.202*	0.211*
	(0.102)	(0.116)	(0.099)	(0.098)
Cost leadership strategy	0.298*	0.433*	0.217*	0.272*
	(0.147)	(0.183)	(0.112)	(0.122)
Differentiation strategy	0.403**	0.532**	0.446***	0.429***
	(0.149)	(0.163)	(0.107)	(0.108)
Hypothesized variables				
IJV partner origin[a]	− 0.065	− 0.140	0.008	− 0.049
	(0.162)	(0.164)	(0.115)	(0.120)
IJV partner origin × cost leadership strategy[b]		0.301*		0.218*
		(0.126)		(0.106)
IJV partner origin × differentiation strategy		− 0.400**		− 0.383***
		(0.128)		(0.101)
Adjusted R^2	0.235	0.346	0.332	0.464
Δ Adjusted R^2		0.111		0.132
F-test for Δ adjusted R^2		3.30*		8.05**
Model F	3.26**	3.70***	5.04***	6.66***

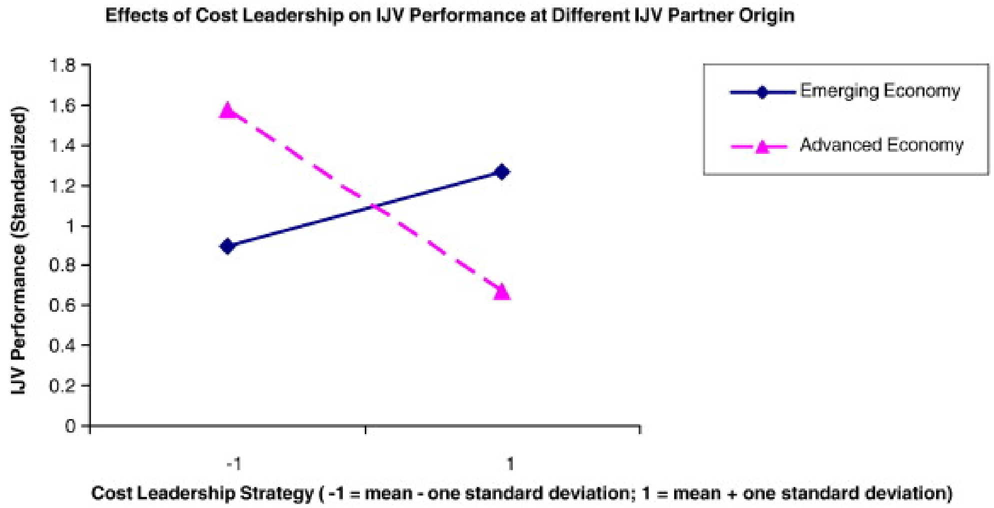
Significance levels: +$p < 0.10$; *$p < 0.05$; **$p < 0.01$; and ***$p < 0.001$.
[a] IJV partner origin is defined as follows: 1 = IJV partner from emerging economy; 0 = IJV partner from advanced economy; Business sector: 1 = Manufacturing; 0 = Service.
[b] The interaction terms were created by first de-meaning the constituent variables and then multiplying the de-meaned variables.

Table 5 presents the results that examine the impact of the competitive strategy choice of IJV partners from emerging economies and advanced economies on IJV performance to test H2a and H2b. Model 4 uses a restricted sample of IJVs implementing only pure cost leadership and differentiation strategies, while Model 5 utilizes the overall sample. In both Models 4a and 5a, IJV age is negative and significantly related to IJV performance. This implies that all things being equal, as IJVs become older their performance decrease at least with respect to IJVs in Ghana. In addition, competitive intensity, cost leadership and differentiation strategies are positive and significantly related to IJV performance. Thus, the increase in competition due to the implementation of economic liberalization and transformation policies in Ghana is forcing IJVs to implement strategies that lead to performance improvement. Moreover, the implementation of both cost leadership and differentiation strategies improves IJV performance irrespective of the origin of the IJV partner.

In Models 4b and 5b, I add the interaction between IJV partner origin and competitive strategy (IJV partner origin × cost leadership strategy and IJV partner origin × differentiation strategy) to test H2a and H2b. H2a states that the use of the cost leadership strategy will be more positively related to IJV performance for IJV partners from emerging economies than those from advanced economies. The results show that the interaction between IJV partner origin and cost leadership strategy is positive and significant in all the models ($\beta = 0.301$, $p < 0.05$ for Model 4b; and $\beta = 0.218$, $p < 0.05$ for Model 5b). Thus, H2a is supported. H2b posits that the use of a differentiation strategy will be more positively related to IJV performance for IJV partners from advanced economies than those from emerging economies. The results in all the models indicate that the interaction between IJV partner origin and differentiation strategy is negative and significantly related to IJV performance ($\beta = -0.400$, $p < 0.01$ for Model 4; and $\beta = -0.383$, $p < 0.001$ for Model 5b) providing support for H2b. The inclusion of the interaction between IJV partner origin and strategic choice variables further enhances the explanatory power of both Models 4b and 5b (compared to Models 4a and 5a respectively) by explaining about 11% and 13% of the variance in IJV performance respectively as indicated by the change in adjusted R^2 ($\Delta R^2 = 11.1\%$; $F = 3.30$, $p < 0.05$ for Model 4b; and $\Delta R^2 = 13.2\%$; $F = 8.05$, $p < 0.01$ for Model 5b).

The plots presented in Fig. 1 graphically depict the effects of the interaction between IJV partner origin and competitive strategy choice on IJV performance in Model 5b (see Table 5). The plots were created using the procedure suggested by Aiken and West (1991). The diagrams show the plots of competitive strategy on IJV performance for different sources of IJV partner origin (emerging economy versus advanced economy). In creating the plots, cost leadership strategy and differentiation strategy took the values of high (i.e., one standard deviation *above* the mean, denoted by 1on the horizontal axis) and low (one standard deviation *below* the mean, denoted by − 1on the horizontal axis). Fig. 1A shows that while cost leadership strategy is positively related to IJV performance for IJV partners from emerging economies, it is negatively related to IJV performance for IJV partners from advanced economies. Similarly, Fig. 1B shows that while differentiation strategy is positively related to IJV performance for IJVs with partners from advanced economies, it is negatively related to IJV performance for IJVs with partners from emerging economies corroborating the regression results.

A. Effects of Cost Leadership Strategy on IJV Performance at Different IJV Partner Origin



B. Effects of Differentiation Strategy on IJV Performance at Different IJV Partner Origin

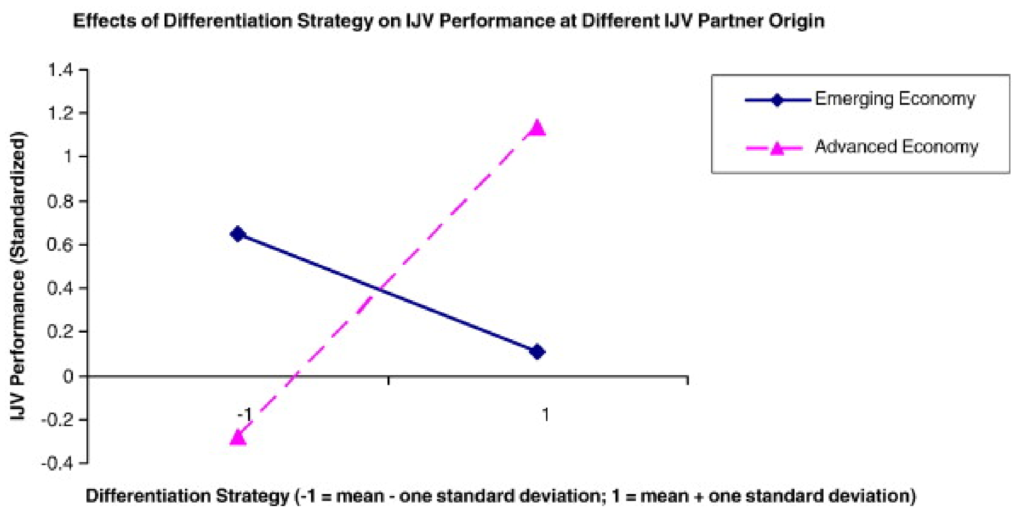


Fig. 1. Plots of interaction between IJV partner origin and strategic choice on IJV performance (plots generated with results from Model 5b, sample size of 76).

5. Discussion and conclusion

The purpose of this study is to examine the competitive strategic choice of IJVs with partners from advanced industrialized economies vis-à-vis IJVs with partners from emerging economies operating in an emerging economy environment, and how the competitive strategic choices of the respective IJVs influence IJV performance. Using the resource-based view of the firm, which posits that the endowment and quality of resources and capabilities brought to the venture by JV partners and the level of resource commitment by the IJV influences the choice of strategic direction, it was hypothesized that IJVs with partners from advanced industrialized countries operating in a low-income emerging economy are more likely to use a differentiation strategy. On the other hand, IJVs with partners from emerging economies are more likely to use a cost leadership strategy to compete in the uncertain business environment in a low-income emerging economy. Based on the analyses from 76 IJVs in Ghana, the findings supported the hypothesized relationships, providing support for the view that those IJVs that align or match the available resources and capabilities to the implementation of a competitive strategy in an emerging economy environment experience higher performance after controlling for firm-specific and industry effects.

Specifically, IJVs with partners from advanced industrialized countries used the differentiation strategy to compete in the business environment while IJVs from emerging economies used the cost leadership strategy. Moreover, by aligning the resources and capabilities available to the choice of competitive strategy in an emerging economy environment, IJVs with partners from advanced industrialized countries that implemented a differentiation strategy outperformed those with partners from emerging economies that implemented the differentiation strategy. Furthermore, IJVs with partners from emerging economies who pursued the cost leadership strategy outperformed those with partners from advanced industrialized countries that pursued the cost leadership strategy. The findings clearly indicate that because IJVs with partners from advanced industrialized economies posses superior resources and capabilities and have reputational advantages than IJVs with partners from emerging economies, they rely on their superior resources, capabilities, and reputational advantage to compete in low-income emerging economies. On the other hand, IJVs with partners from emerging economies recognizing their lack of credibility in the eyes of consumers as producers of quality or differentiated products use their resources and capabilities to focus their attention on the masses at the bottom of the income ladder in low-income emerging economies by pursuing the cost leadership strategy. Thus, IJVs with partners from emerging economies are forced to develop alternative models based on price/value tradeoffs in harnessing the potentially vast untapped market at the base of the pyramid in emerging economies.

5.1. Theoretical and empirical contributions

This study makes a number of contributions to the international business (IB) and strategic management literatures. Although the IJV, resource-based view and competitive strategy literatures have made significant advance in the last two decades, little has been done to combine these streams of literature. To facilitate the combination of these streams of work, the resource-based view of the firm is used to explain the competitive strategic choice of IJV partners from different economic environments with different levels of development operating in low-income or base of the pyramid economies. Moreover, these streams of work are used to elucidate how the IJV partner's relative choice of a competitive strategy influences IJV performance in an emerging economy. To the IB literature, this study contributes to the understanding of the types of competitive strategies used by IJVs with partners from emerging and advanced economies in low-income economies, and in doing so begin to fill a gap in the IJV literature. The IB literature provides extensive knowledge about IJVs and MNEs, but very little is known about their competitive strategy formulation and implementation activities in rapidly evolving and uncertain emerging economy environments. For example, in a review of IB streams of research in top-tier journals from 1996 to 2000, Werner (2002) identified an absence of research focusing on MNE strategies. Although not explicitly addressed by Werner (2002), IJV business strategies were also missing from the reviewed research otherwise he would have noted it. Moreover, Ricart et al. (2004) also reviewed IB research with a focus on strategy in the *Journal of International*

Business Studies from 1970 to July 2003 and found that only 12 out of the 84 papers or 14% of the papers studied core strategy issues such as generic strategies, pricing strategies, and oligopolistic strategies. Thus, this study suggests that IJV studies in low-income economies should be reoriented to include business strategy issues and their implications for IJV performance improvement.

To the strategic management literature, the study provides an empirical validation of the strategic fit paradigm in an emerging economy. The strategic fit paradigm states that a firm that aligns its strategic resource deployment to the *specific* requirements of its environmental context (including strategy) performs significantly better than a firm that does not achieve the requisite match (Venkatraman and Prescott, 1990). This is especially important in emerging economies which have seen very little strategic fit research (Lukas et al., 2001). Not only do the results indicate that the implementation of competitive strategy influences IJV performance, but it also shows that the alignment of the available resources and capabilities (in the form of the origin of the IJV partner) and competitive strategy further enhances performance.

Another beneficial function served by this study is the insight it provides regarding the choice of business strategy used by IJVs with partners from emerging economies to effectively compete with IJVs with partners from advanced industrialized countries in low-income emerging economies. As suggested by Wright et al. (2005: 6), “a focus on emerging economies calls for more strategic attention and new business models built on how to profit from the bottom of the global economic pyramid.” The findings of this study show that IJVs with partners from emerging economies are forced to develop alternative models based on price/value tradeoffs that enable them to leverage their resources and capabilities to compete with IJVs with partners from advanced industrialized economies in harnessing the potentially vast untapped market at the base of the pyramid in emerging economies characterized by heightened uncertainty. This implies that to be successful in emerging economies, IJVs with partners from emerging economies would need to be strategically flexible in using their resources and capabilities to take advantage of existing and new opportunities available to them in those markets (Uhlenbruck et al., 2003). Thus, IJVs with partners from emerging economies would be well served by exploiting their resources and capabilities in other emerging economies to realize economies of scale and scope as they compete with IJVs with partners from advanced industrialized economies.

Finally, this study extends IB research by focusing on a country not only in the ‘base of the pyramid’, but also in Sub-Saharan Africa which has been the context of very little IB research over the past decades (Boateng and Glaister, 2003, London and Hart, 2004, Ricart et al., 2004). Most IB research in emerging economies has focused on the few large market economies in Asia (e.g., China, India, and South Korea), Latin America (e.g., Brazil, Mexico, and Chile) and Eastern Europe (e.g. Russia and Ukraine). This may be due to the fact that a greater proportion of FDI to the developing world have gone to these larger emerging countries (Ricart et al., 2004). Even in these larger emerging economies, research have focused on MNEs and IJVs strategies targeted at the wealthy elite and middle-class at the top of the economic pyramid ignoring the majority of the poor in these economies who are not considered to be a viable market for these firms (De Soto, 2000). This study presents an exploratory analysis of some of the business strategies IJVs from emerging economies are using to reach the untapped market potential at the base of the economic pyramid in a Sub-Saharan African environment.

5.2. Managerial implications

With many countries in the developing world embracing market liberalization and experiencing unprecedented economic growth, attractive opportunities have been created for MNEs from both emerging and advanced industrialized economies to invest in these economies to meet their market expansion and growth objectives. Since IJVs with domestic firms represent an important mode of FDI by MNEs to explore this market expansion and firm growth opportunities, the findings from this study provide a number of insights for managers from MNEs for the strategic organization of their activities in emerging economies at the bottom of the pyramid. First, the findings indicate that IJVs with partners from emerging economies implementing the cost leadership strategy outperform those with partners from advanced industrialized economies implementing the cost leadership strategy and vice versa with the differentiation strategy. This seems to suggest that IJVs with partners from emerging economies should focus on implementing the cost leadership strategy. However, since the competitive strategy choice of IJVs with partners from emerging economies is due to their lack of superior resources and capabilities (e.g., technological know-how, managerial skills and expertise, marketing capabilities, and firm and brand reputation), and with the exposure of consumers to imported products with greater variety and higher quality (Acquaah and Yasai-Ardekani, 2008), the cost leadership strategy may not be effective and sustainable in the long-run in Ghana and other low-income economies. Thus, managers from IJVs with partners from emerging economies should improve and/or develop new resources and capabilities which could be exploited to offer quality products and compete effectively with both purely domestic-owned firms and IJVs with partners from advanced industrialized countries in the long-run. Nevertheless, it is critical for an IJV operating in low-income emerging economies to craft and implement a competitive strategic orientation that is supported by its available resources and capabilities endowment to enable it realize its strategic objectives.

Second, the findings have implications for the choice of partner selection for an IJV in a low-income emerging economy. MNEs from both emerging and advanced industrialized economies seeking to establish IJVs in low-income economies should not only look for domestic partners who have unique competencies, but also have competencies that can complement the resources and capabilities they bring to the table so that they can effectively implement the competitive strategy that would enable them fulfill their strategic goals. They should also select domestic partners who would provide them with the opportunity to gain knowledge of the domestic market and develop the relationships to access those markets. For example, IJVs intending to implement a differentiation-based competitive strategy should select firms that are the repositories of the best domestic knowledge-related expertise such as local personnel management and local marketing.

5.3. Limitations and suggestions for future research

This study is without its limitations. First, because of the cross-sectional nature of the research design, cause-and-effect relationship is a potential issue. However, severe reverse causality may not be a problem in this study. Conceptually, it is unreasonable to argue that IJV partner origin is a function of competitive strategy. IJVs are formed before a particular competitive strategy is formulated and implemented. Thus, the choice of a competitive strategy is more likely to be the result of the origin of an IJV partner than the reverse. Similarly, it is unlikely that IJV performance will cause the interaction between competitive strategy and IJV partner origin. Nevertheless future studies are encouraged to use either a longitudinal design or a lagged dependent variable model, where the performance information precedes the independent variables so that causal relationships could be better established.

Second, given its exploratory nature, the study was limited to one Sub-Saharan African low-income emerging economy, Ghana. Although the business and economic environmental conditions in Ghana such as the implementation of economic liberalization and privatization policies, and increasing competition would lend support to the generalizability of the findings to other low-income Sub-Saharan African countries. However, whether the findings can be generalized to IJVs operating in the low-income emerging economies of Asia, Latin America, and Central and Eastern Europe is an empirical question. Clearly, replication of the study in different national environments in Sub-Saharan Africa and other emerging economies is warranted.

Third, the sample size of the study was small although it is comparable to other IJV studies conducted in other emerging economies (Boateng and Glaister, 2003, Choi and Beamish, 2004, Yan and Gray, 2001). Fourth, we focused on only two of Porter's (1980) competitive strategic orientations — cost leadership and differentiation. IJVs with partners from both emerging and advanced industrialized countries may also pursue the focus (or niche) strategy. However, because the focus strategy target specific groups of customers or products by emphasizing either cost leadership or differentiation it is difficult to operationalize the strategy in a small economy like Ghana. Fifth, subjective measures of performance were used for the study, although a multi-dimensional approach was adopted. Objective performance measure of IJV performance would have been appropriate and ideally it would have been better to use both subjective and objective measures. However, it is very difficult to obtain objective measures of performance from firms in Ghana. Moreover, the necessary precautions were taken against common method variance problems by collecting information on IJV strategic and environmental variables and IJV performance from different respondents.

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