

**INTERNATIONAL JOINT VENTURES:  
AN EMPIRICAL STUDY OF INDIAN  
AUTOMOTIVE SECTOR**

by

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Department of Management Studies

Submitted

in fulfillment of the requirements of the degree of

**DOCTOR OF PHILOSOPHY**

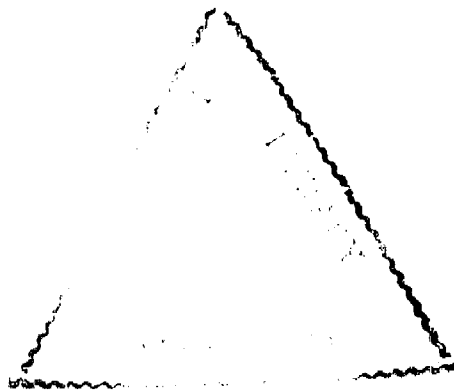
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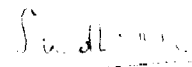
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*Dedicated to my father,  
Late Mr. H.M. Jain.  
His inspiration made this thesis possible.*

## CERTIFICATE

The thesis entitled “**International Joint Ventures: An Empirical Study of Indian Automotive Sector**” being submitted by **Mr. Kirti Jain** to the Indian Institute of Technology, Delhi for the award of the degree of Doctor of Philosophy is a record bonafide research work carried out by him, under my guidance and supervision. He has fulfilled the requirements for the submission of the thesis that has attained the standard required for a Ph.D. degree of the Institute. The research findings presented in this thesis have not been submitted anywhere else for the award of any other degree or diploma.



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## ABSTRACT

In the era of globalization, formation of international joint ventures (IJVs) has continued to rise steadily and same is the case in India. This thesis aims at integrating theory with practice by investigating IJV issues from new theoretical perspective and using industry-level data for automotive sector in India. The automotive industry in the country has rapidly grown during the past one decade and has significantly contributed to direct and indirect employment generation and meeting the potential demand of the Indian consumers.

Review of available literature reveals that no major study on Indian automotive IJVs has been undertaken. This may be attributed to IJV formation in the automotive sector in India being a recent phenomenon. The present research study is an attempt in this direction.

The main objectives of this study are to: (1) analyze partner objectives in IJVs, (2) relate IJV formation and success determinants, (3) identify and assess performance evaluation criteria of IJVs, and (4) analyze decision-making and problem analysis in IJVs, all in the context of Indian automotive international joint ventures.

The methodology for this study involves collection of cross-sectional data through a structural questionnaire from 161 respondents belonging to high/top management from 50 international automotive joint ventures in India. The IJVs for this study consist of 21 automobile manufacturers and 29 automotive components manufacturers. The selected IJVs are spread across nearly all-major automotive manufacturing locations in the country. Factor analysis and reliability analysis are used for data analysis. Research models are developed with causal relationships using AMOS for structural equation modeling. Causal models are used to analyze the factors and integrate the results.

The results provide complementary partner objectives as critical decision factor sought by firms in formation of IJVs. The objectives of foreign partner for searching an Indian partner for automotive IJV are local resources, business strategy, financial resource and country business environment related. The objectives of Indian partner are for long-term competency-competitiveness

generation, international market entry strategy, MNC techno-managerial advantage and financial resource related. This leads to a conceptual framework. The results about partner objectives and their interaction are evolved, validating the theory and empirical studies.

The analysis strongly suggests relationships between country related, industry related and organization related factors with the objectives of formation as well as success of the IJVs. Intra-organizational dynamics is an important factor for smooth functioning of the venture. Performance evaluation criteria of IJVs have been explained in four dimensions – partner interaction, customer & product dynamics, financial measures and company turnover. Performance evaluation criteria have different aspects, which present interesting research issues and results. The results confirm partner satisfaction as the most important performance evaluation criterion.

The results from decision-making analysis show that the decisions are made jointly by the partners for functions affecting both or are taken by the partner who has expertise for the particular function. Foreign partner mainly decides initial product design, R&D and technology related issues. Indian partner takes responsibility of customer relationship, sales & marketing activities, HR policies and operational decisions. Mutually agreed decisions are related to financing, production targets and strategic decisions. The findings on the problems faced by the IJVs show that poor infrastructure in India is the biggest bottleneck and is followed by the organizational problems. This suggests that IJVs are new type of organizational form where inter-partner dynamics and understanding is pertinent.

The analysis of the findings suggests that IJVs are a good means of entry in medium and long-term commitments. There is a need to have parity of partners to successfully manage the IJV. Active communication and clarity in deal structure would increase the life of IJV and make them stable and well performing. Continuous re-venturing of IJVs is always needed. The study suggests an important role of international joint ventures as a market entry mode by foreign companies and MNCs for profitable businesses in India.

**Keywords:** International Joint Ventures, Joint Ventures, Partner Objectives, Performance Evaluation Criteria, International Joint Venture Formation and Success Determinants, Decision Making, Problems Faced by IJVs.

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