



<input type="checkbox"/>	Bachelor's thesis
<input checked="" type="checkbox"/>	Master's thesis
<input type="checkbox"/>	Licentiate's thesis
<input type="checkbox"/>	Doctoral dissertation

Subject	International Business	Date	14.6.2021
Author(s)	Tuomo Kareila	Number of pages	93 + appendices
Title	The formation stage of international joint ventures – Experiences from Sino-Finnish joint ventures		
Supervisor(s)	Dr.Sc. and Ph.D. Kari Liuhto, M.Sc. Anna Karhu		

Abstract

China is the second largest economy in the world. The annual growth rate of its economy is continually high. Consequently, it is not surprising that China was the second largest recipient of foreign direct investment in 2019. Foreign companies often enter the Chinese market through Sino-foreign joint ventures. This applies to Finnish companies as well. However, many international joint ventures are terminated before they achieve the goals initially set for them by the partners. The formation stage of the international joint venture is generally deemed critical to the success of the venture.

The objective of this study is to gain an understanding of the formation stage of Sino-Finnish joint ventures. The formation stage is divided into joint venture formation motives, partner selection, choice of joint venture type and strategy-environment fit. The study examines these elements from the perspective of both Finnish and Chinese partners. The study applies qualitative research approach. The empirical data was collected through semi-structured interviews.

The study found that market access was the Finnish companies' main motive for joint venture formation. Operational matters were also important for the Finnish companies, while the Chinese companies' motives concerned mostly domestic issues, such as product range expansion, and learning from a foreign partner. The task-related partner selection criteria of both the Finnish and Chinese companies related closely to the motives for joint venture formation. The Finnish companies emphasised especially trust between partners as their partner-related selection criterion. Concerning the choice of joint venture type, the partners had chosen equity joint venture instead of contractual joint venture based on its stability and greater transparency of operations as well as better control of intangible property. As regards strategy-environment fit, the partner companies had analysed Chinese market in advance to ensure the compatibility of their investment strategies with the market environment. The partners also follow the industry policies of the Chinese government and seek to anticipate policy changes.

Key words	China, international joint venture, Sino-Finnish joint venture
-----------	--





<input type="checkbox"/>	Kandidaatintutkielma
<input checked="" type="checkbox"/>	Pro gradu -tutkielma
<input type="checkbox"/>	Lisensiaatintutkielma
<input type="checkbox"/>	Väitöskirja

Oppiaine	Kansainvälinen liiketoiminta	Päivämäärä	14.6.2021
Tekijä(t)	Tuomo Kareila	Sivumäärä	93 + liitteet
Otsikko	Kansainvälisten yhteisyritysten perustamisvaihe – Kokemuksia kiinalais-suomalaisista yhteisyrityksistä		
Ohjaaja(t)	KTT ja Ph.D. Kari Liuhto, DI Anna Karhu		

Tiivistelmä

Kiina on maailman toiseksi suurin talous. Sen talouden vuosittainen kasvuvauhti on jatkuvasti korkea. Näin ollen ei ole ihme, että vuonna 2019 Kiina vastaanotti toiseksi eniten ulkomaisia suoria sijoituksia. Ulkomaiset yritykset käyttävät usein kiinalais-ulkomaista yhteisyritystä tullessaan Kiinan markkinoille. Tämä koskee myös suomalaisia yrityksiä. Monet kansainväliset yhteisyritykset kuitenkin puretaan ennen kuin ne saavuttavat kumppanien niille alun perin asettamat tavoitteet. Kansainvälisen yhteisyrityksen muodostumisvaihetta pidetään yleensä kriittisenä yrityksen onnistumisen kannalta.

Tämän tutkimuksen tavoitteena on saada ymmärrys kiinalais-suomalaisten yhteisyritysten perustamisvaiheesta. Perustamisvaihe on jaettu yhteisyrityksen perustamisen motiiveihin, kumppanin valintaan, yhteisyrityksen tyypin valintaan sekä strategian ja ympäristön yhteensopivuuteen. Tutkimuksessa tarkastellaan näitä elementtejä sekä suomalaisten että kiinalaisten kumppaneiden näkökulmasta. Tutkimuksessa sovelletaan kvalitatiivista tutkimustapaa. Empiirinen aineisto kerättiin puolistrukturoiduilla haastatteluilla.

Tutkimuksen mukaan markkinoille pääsy oli suomalaisten yritysten tärkein motiivi yhteisyrityksen perustamiselle. Operatiiviset asiat olivat myös suomalaisille yrityksille tärkeitä, kun taas kiinalaisten yritysten motiivit koskivat pääasiassa kotimaisia kysymyksiä, kuten tuotevalikoiman laajentamista ja ulkomaiselta kumppanilta oppimista. Sekä suomalaisten että kiinalaisten yritysten tehtäväkohtaiset kumppanivalintakriteerit liittyivät läheisesti yhteisyrityksen perustamisen motiiveihin. Suomalaiset yritykset korostivat erityisesti kumppaneiden välistä luottamusta kumppanikohtaisena valintakriteerinä. Kumppanit olivat valinneet yhteisyrityksen tyypiksi pääomayhteisyrityksen sopimukseen perustuvan yhteisyrityksen sijasta, koska sitä pidettiin vakaana yhteistyömuotona. Lisäksi pääomayhteisyrityksen toiminta on läpinäkyvää, ja aineeton omaisuus on paremmin hallittavissa. Strategian ja ympäristön yhteensopivuuden osalta kumppaniyritykset olivat analysoineet Kiinan markkinoita etukäteen varmistaakseen sijoitusstrategioidensa yhteensopivuuden markkinaympäristön kanssa. Kumppanit seuraavat myös Kiinan hallituksen teollisuuspolitiikkaa ja pyrkivät ennakoimaan politiikan muutoksia.

Avainsanat	Kiina, kansainvälinen yhteisyritys, kiinalais-suomalainen yhteisyritys
------------	--



**UNIVERSITY
OF TURKU**

Turku School of
Economics

THE FORMATION STAGE OF INTERNATIONAL JOINT VENTURES

Experiences from Sino-Finnish joint ventures

Master's Thesis
in International Business

Author(s):
Tuomo Kareila

Supervisor(s):
Dr.Sc. and Ph.D. Kari Liuhto
M.Sc. Anna Karhu

14.6.2021
Turku

The originality of this thesis has been checked in accordance with the University of Turku quality assurance system using the Turnitin OriginalityCheck service.

TABLE OF CONTENTS

ABBREVIATIONS

1	INTRODUCTION.....	9
	1.1 The Chinese and Finnish backgrounds.....	9
	1.2 Earlier empirical research on the formation stage of international joint ventures in China	12
	1.3 Objectives and structure	18
	1.4 Key definitions.....	19
2	THE FORMATION STAGE OF INTERNATIONAL JOINT VENTURES ..	22
	2.1 Motives for international joint venture formation	24
	2.2 Partner selection in international joint ventures	29
	2.3 Choice of the international joint venture type	32
	2.4 Strategy-environment fit in international joint ventures	36
3	METHODOLOGY.....	41
	3.1 Research approach.....	41
	3.2 Data collection	42
	3.3 Data analysis.....	48
	3.4 Evaluation of the study	48
4	EMPIRICAL FINDINGS.....	53
	4.1 Motives for joint venture formation.....	54
	4.2 Partner selection criteria in joint ventures	58
	4.3 Choice of the joint venture type.....	61
	4.4 Strategy-environment fit in joint ventures	64
	4.5 A summary of main empirical findings	70
5	CONCLUSIONS	75
	5.1 Theoretical implications	75
	5.2 Managerial recommendations	79
	5.3 Suggestions for further research	81

REFERENCES.....	82
APPENDICES.....	94

Appendix 1. Earlier empirical research on the formation stage of international joint ventures in China	94
---	-----------

Appendix 2. Interview questions (in Finnish and English)	97
---	-----------

LIST OF FIGURES

Figure 1 Annual FDI inflow to China from 1979 to 2019	9
Figure 2 A framework for partnership (JV) development in China	23
Figure 3 Partner analysis	31

LIST OF TABLES

Table 1 Motives for Sino-foreign joint venture formation	14
Table 2 The main partner selection criteria of foreign and Chinese companies	16
Table 3 The main criteria of foreign and Chinese companies for choice of JV type...	17
Table 4 Strategic contributions of joint ventures	26
Table 5 Operationalisation chart	44
Table 6 Information on the interviews	47
Table 7 Information on the interviewed companies.....	53
Table 8 Motives for Sino-Finnish joint venture formation	57
Table 9 Partner selection criteria of the Finnish and Chinese companies	61
Table 10 Sino-Finnish joint venture types	63
Table 11 Strategy-environment fit in Sino-Finnish joint ventures	69

ABBREVIATIONS

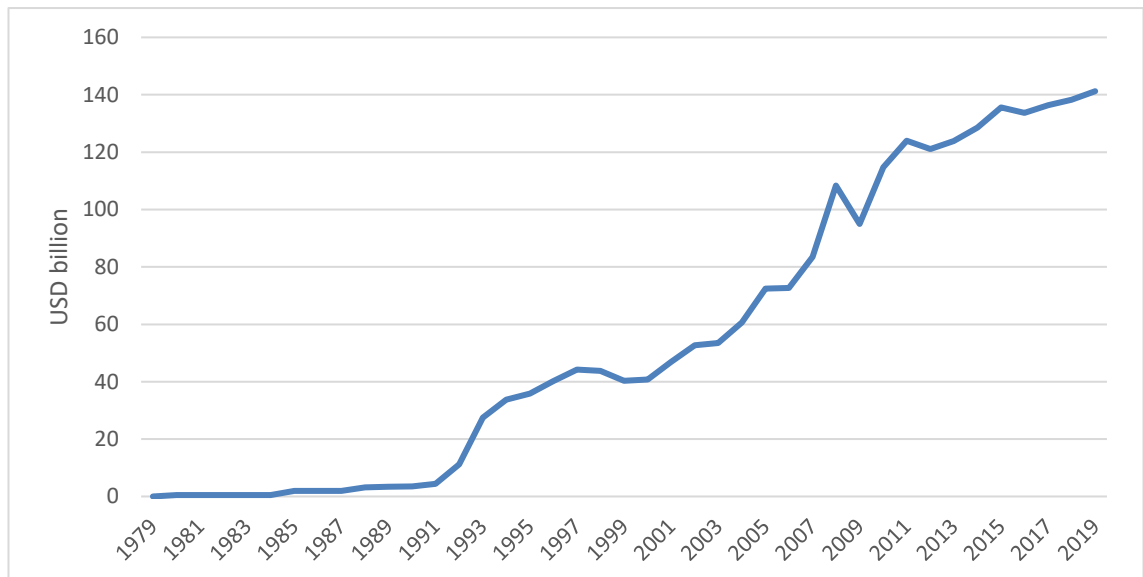
CJV	Co-operative/contractual joint venture
CSF	Critical success factor
EJV	Equity joint venture
EU	The European Union
FDI	Foreign direct investment
GDP	Gross domestic product
IJV	International joint venture
ISA	International strategic alliance
JMIJV	Jointly managed international joint venture
JV	Joint venture
PRC	People's Republic of China
SME	Small and medium-sized enterprise
SMIJV	Separately managed international joint venture
SOE	State-owned enterprise
UNCTAD	United Nations Conference on Trade and Development
WOS	Wholly owned subsidiary
WTO	World Trade Organization

1 INTRODUCTION

1.1 The Chinese and Finnish backgrounds

China was the second largest foreign direct investment (FDI) recipient after the United States in the year 2019. The annual FDI inflow to China¹ (Hong Kong, Macau, and Taiwan not included) has risen significantly during the period 1979–2019 and was USD 141 billion in 2019. The inward FDI stock of China, in turn, amounted to USD 1,769 billion in 2019 and was ranked fourth after the United States, Hong Kong, and the United Kingdom. (UNCTAD 2020.) Figure 1 illustrates the growth of annual FDI inflow of China between 1979 and 2019.

Figure 1 Annual FDI inflow to China from 1979 to 2019



Sources: UNCTAD World investment reports 1991–2020.

The overall growth rate of FDI, as shown in Figure 1, is due to, among other things, the economic reform of China, accession of China to the World Trade Organization (WTO) in 2001, and development of the FDI policies of China. The economic reform of China and open-door policy for FDI began in 1979. The reform aimed to achieve a market system with socialistic characteristics. The main objectives were to bring in foreign

¹ In this study, the definition of China does not include areas of Hong Kong, Macau, and Taiwan. See Subchapter 1.4 Key definitions.

capital, technology, and management skills in order to reach developed countries. Thus, enormous institutional change took place, which removed obstacles for business operations. The role of the central government and state-owned enterprises (SOEs) decreased as well. (Child & Tse 2001.) Further, various economic zones were established to attract FDI and advanced western technology as well as expand exports (Zhou et al. 2002; Wang, Yi 2014).

China joined the WTO in 2001. With the WTO accession, China committed itself to removal of trade barriers and to opening of its markets to foreign investors in most product sectors and in many services (Hong 2013). China's FDI policies, in turn, have developed over time from permissive in early 1980's to encouraging from mid-1980's to mid-1990's. Since then, the FDI policies have linked FDI to domestic development. (Hale & Long 2012.)

The business environment has increasingly globalised in this millennium due partly to the swift integration of the economies of industrialised countries, and the globalisation of products, markets, and consumer tastes. As international business grows, companies are forming partnerships with companies in other countries. Such partnerships are deemed a major strategic tool within the global market despite the high failure rates of international joint ventures (IJVs). Thus, companies establish IJVs to enter the world market. (Vaidya 2009.)

IJVs had in the early stages an important role in advancing the above-mentioned objectives of the economic reform of China (Woodward & Liu 1993). An IJV formed between a foreign company and a Chinese partner is called a Sino-foreign joint venture (JV) in the Chinese legislation². Before mid-1990's, Sino-foreign equity joint venture (EJV) was the most preferred entry mode for foreign companies, but in 1997 the number of new wholly owned subsidiaries (WOS) exceeded the number of new EJVs (Child & Tse 2001). In 2019, WOSs accounted for about 74.7 percent of the number of FDI projects in China, whereas the share of Sino-foreign EJVs was 24.6 percent. The share of Sino-foreign co-operative/contractual joint ventures³ (CJV) was mere 0.2 percent. (China Statistical Yearbook 2020.)

² As of the beginning of the year 2020, the laws on Sino-foreign equity joint ventures and co-operative joint ventures have been repealed by the law concerning foreign investments. Consequently, such legal concepts as 'Sino-foreign joint venture' and 'joint venture contract' will phase out. See Subchapter 2.3 Choice of the international joint venture type.

³ The concept co-operative joint venture is used interchangeably with contractual joint venture.

Many IJVs are dissolved before they achieve the goals set for them by the partners at the beginning of the co-operation. Some often-cited reasons for dissolution include inadequate advance planning, lack of co-operation and trust, lack of capabilities and resources in the organisation to manage a relationship as well as strategic, cultural, and size mismatches. (Koza & Lewin 2000.) Therefore, conditions for a successful co-operation must be created at the very beginning. Co-operation needs to be planned properly so that its potential is realised in full. The formation stage of the IJV is thus generally considered critical to the success of the IJV. (Hoffmann & Schlosser 2001.)

Trade relations between Finnish and Chinese companies started at the beginning of 1950's. By the time China embarked on the economic reform in 1979, the activities of Finnish companies in China were still relatively small-scale. The first Sino-Finnish JVs were established in 1988, and at the same time the interests of Finnish companies in China increased considerably. For example, companies from forestry, construction and energy sectors had projects in China. Later, Finnish companies from such industries as telecommunications, industrial equipment as well as information and communications technology expanded to China as well. (Kettunen et al. 2008). In 2019, nearly 400 Finnish companies operated in China. They employed over 60,000 Chinese employees. (Finland Chamber of Commerce 2019.) Information on the amount of investments made by Finnish companies in China over the years varies⁴.

Finnish companies, like other foreign companies, often enter the Chinese market through JVs. This applies not only to Finnish small and medium-sized enterprises (SMEs) but also to larger companies. In China, institutions are less developed, needs of consumers are unfamiliar, and low-cost products are required to achieve success. Moreover, after the WTO accession in 2001, competition in the Chinese market has increasingly intensified. On the other hand, Chinese companies need Finnish companies as well, for example, in order to learn technological and managerial skills and to facilitate international expansion. (Jullens et al. 2013.)

⁴ According to Finland Chamber of Commerce (2019), the investments made by Finnish companies over the years in China amount to over EUR 11 billion. On the other hand, the Finnish companies' total FDI flow to China between 2004 and 2018 was according to Statistics Finland (2021) negative. Further, according to the National Bureau of Statistics of China (1999–2020), the total amount of FDI made by Finnish companies to China between 1997 and 2019 was USD 1,48 billion. The above differences are probably partly due to different statistical practices. For example, Statistics Finland applies the asset/liability principle in recording the FDI data (Asset/liability principle, see Statistics Finland, Concepts).

The Chinese legislation has become more uniform after the WTO accession, but domestic and foreign companies may still be treated unequally by central and local governments (Kettunen et al. 2008; Froese et al. 2019). China is placed 46th in the ease of doing business ranking of the World Bank which ranks economies based on their business environment and considers regulatory practices as well (The World Bank 2019). The above-mentioned features of the Chinese business environment emphasise the need for co-operation with local companies in China. For Finnish companies, a Sino-Finnish JV is thus a useful instrument to access the Chinese market.

According to a survey by Finland-China Business Association in 2020, Finnish companies considered that Finland's China expertise, and resources supporting it, have not fully kept pace with the rapid development. Finnish companies need more practical information about the Chinese market, its regulatory practices, and the activities of the authorities. In addition, companies have a need to find reliable local partners and resellers and to better understand local culture and conditions. (Finland Chamber of Commerce 2020.) Considering the usefulness of the Sino-Finnish JV in accessing China and the need for practical information about the Chinese market, a study of Sino-Finnish JVs is needed. Focusing on the formation stage of the JV is appropriate because the stage is critical to the success of the JV. The study contributes to obtaining information not only on the Sino-Finnish JVs but also on the Chinese market and its practices.

1.2 Earlier empirical research on the formation stage of international joint ventures in China

Some of the earlier empirical studies on the IJV formation stage in China are presented in Appendix 1. The studies are related to four elements of the formation stage which are defined in the theoretical framework by Wang, L. (2007). The framework forms the theoretical basis of this study and will be discussed below. The elements of the formation stage are JV formation motives, partner selection, the choice of JV type, and strategy-environment fit (Wang, L. 2007). The empirical studies are briefly reviewed in the following. Most of the studies concern IJV formation motives and partner selection. Empirical studies on the choice of IJV type are scarce although FDI in China has been studied extensively (Wang, L. 2007). The same applies to studies on strategy-environment fit.

Glaister and Wang (1993) have studied UK manufacturing companies in Sino-foreign JVs. The main strategic motives for JV formation related to strategic position concerns,

such as faster market entry, facilitation of international expansion, and conforming to host government policy, whereas operational considerations, for instance, economies of scale, were not among the main motives. The major specific motive of UK companies was gaining access to the large Chinese market. Low-cost labour was considered secondary to market access motive, and financial incentives offered by central and local government were deemed relatively irrelevant.

In the study by Si and Bruton (2005), the main Sino-foreign JV formation motives of US companies related to knowledge acquisition (e.g., reduction of uncertainty and risk, and acquisition of local knowledge of the Chinese market, culture, and institutions), transaction cost considerations (e.g., access to a new market, and facilitation of international expansion), and strategic behaviour (e.g., competitive positioning, international diversification, and increasing companies' resources and capabilities).

Chen and Glaister (2006) studied, in turn, Taiwanese companies in China. The motives of Taiwanese companies were primarily concerned with operational aspects, such as economies of scale and cost reduction. Hence, Taiwanese companies tend to transfer production to China for cost reasons. Fast entry to the large Chinese market, to compete against common competitor, and faster payback on investment were also important motives. Facilitation of international expansion and conforming to Chinese government policy were not considered important by Taiwanese companies.

Dong and Glaister (2006) compared the motives of foreign and Chinese companies. The study concluded that the relative importance of Sino-foreign JV formation motives varies between foreign and Chinese companies. For foreign companies, the main motives were related to market penetration (faster entry to the market, and establishing a presence in the market), access to local company's knowledge of market conditions, facilitation of international expansion, economies of scale, and transfer of production to low-cost market. Chinese companies deemed maintaining market position, economies of scale, facilitation of international expansion, technology exchange as well as faster entry to the foreign market the most important.

The study by Duysters et al. (2007), in turn, found that that the main motives of Chinese companies to form Sino-foreign JVs with western companies were related to access to international markets, access to technological and managerial skills and know-how as well as intangible assets such as reputation and market experience. Finally, Wang, L. (2007) found that the Finnish partners form Sino-Finnish EJVs in order to gain access to markets, and resources of local partners, to save costs, and to reduce uncertainty. In

CJVs, the Finnish partners' motives related mainly to market access, whereas the Chinese partners sought to make a profit.

The main motives for Sino-foreign JV formation of foreign and Chinese companies are summarised below in Table 1.

Table 1 Motives for Sino-foreign joint venture formation

Foreign companies	Chinese companies
<ul style="list-style-type: none"> • faster entry to the market • access to local company's knowledge of market conditions, culture, and institutions • facilitation of international expansion • economies of scale • transfer of production to low-cost market • access to resources of local partners • conforming to host government policy • reduction of uncertainty and risk 	<ul style="list-style-type: none"> • maintaining market position • economies of scale • facilitation of international expansion • facilitation of technology exchange • faster entry to the market • access to managerial skills and know-how • making profit

Glaister and Wang (1993) have also studied partner selection criteria of UK companies. The study applied the twofold category typology of selection criteria by Geringer (1991) which will be dealt with closer in Subchapter 2.2. The main task-related partner selection criteria of the UK companies were access to certain inputs (in order of importance): local market knowledge, local culture knowledge, links with major buyers, distribution channels, labour, and regulatory permits. The main partner-related selection criteria were the ability of the partner to negotiate with the host government authorities, the relatedness of business, and trust between top management. The financial status, and resources, established marketing and distribution system as well as reputation were the next most important partner-related criteria.

Luo (1997) has studied the relationship between Sino-foreign JV success and the strategic and organisational features of local partners. The strategic and organisational features of local partners are considerably related to certain individual aspects of the JV performance. Of strategic features, absorptive capacity, market power, and product relatedness are conducive to sales growth and economic return of a JV. Market power and experience, in turn, reduce operational uncertainty of the JV considerably. Of organisational features, international experience, and organisational co-operation are important for profitability, stability, local market expansion and export growth of the JV. Organisational form and size were also found to influence performance in the local

market. The above findings may help foreign companies in the selection of local partners according to their goals.

Luo (2002) has also examined the impact of attributes of foreign partner on the JV performance from the perspective of Chinese companies. Chinese companies were found to select foreign partners on the basis of organisational learning and knowledge acquisition considerations. According to Chinese companies, strategic (for example, technological capability) and organisational (for example, managerial skills) attributes of foreign companies positively affect the JV performance. By contrast, financial attributes (for example, cost control) are deemed irrelevant by Chinese companies. Chinese companies are thus mainly oriented to expansion. Cost minimisation or profit maximisation have a less significant role.

Chen and Glaister (2006) found that the main task-related selection criteria of Taiwanese companies were related to regulatory permits, local market knowledge, distribution channels, labour, local partners' links with major buyers, and knowledge of local culture. The least important criteria included access to materials and natural resources, access to production knowledge, access to product, and access to local brand names. As regards partner-related selection criteria, common goals, partner's reputation, trust between top management, and complementary resources were the main criteria. Some partner-related criteria were also clearly related to political aspects. Similar national and corporate cultures were also deemed important. (Chen & Glaister 2006.)

The study of Dong and Glaister (2006) is concerned with partner selection criteria of Chinese companies. Chinese companies actively seek JVs with foreign companies. The study found that the most important task-related selection criteria related to product-specific knowledge, capital and finance, international market knowledge, production technology, distribution channels, and international regulatory knowledge. The most significant partner-related selection criteria were reputation of the partner, financial stability of the partner, trust between top management, favourable past association between partners, size of the partner company, and relatedness of the partner's business. Finally, Wang, L. (2007) found that the Finnish partners' criteria in Sino-Finnish EJVs related, among other things, to partner's good relationship with the local government. The product was the main selection criterion for the Chinese companies in Sino-Finnish CJVs.

The main partner selection criteria of foreign and Chinese companies are summarised below in Table 2.

Table 2 The main partner selection criteria of foreign and Chinese companies

Foreign companies	Chinese companies
Task-related selection criteria (access to)	
<ul style="list-style-type: none"> • local market knowledge • regulatory permits • distribution channels • local culture knowledge • links with major buyers • labour 	<ul style="list-style-type: none"> • product and product specific knowledge • capital/finance • international market knowledge • production technology • distribution channels • international regulatory knowledge
Partner-related selection criteria	
<ul style="list-style-type: none"> • common goals • trust between top management • reputation of the partner • ability to negotiate with host government • complementary resources 	<ul style="list-style-type: none"> • reputation of the partner • financial stability of the partner • trust between top management teams • favourable past association between the partners • the partner company's size • relatedness of partner's business

The study of Shenkar and Li (1999) concentrates on Chinese companies that seek foreign JV partners in China. The Chinese companies sought various types of knowledge, for example, skills in management and marketing and/or technological know-how and thus strove to learn. Management skills represented tacit, embedded knowledge in the study, while marketing skills and technological know-how were deemed to be more easily transferable. According to the study, the Chinese companies that sought transfer of tacit skills chose an EJV instead of a CJV as the structure of the JV. The structure of the EJV had a favourable impact on the transfer of management skills. The impact on the transfer of marketing skills was to a lesser extent favourable. On the transfer of technology, the EJV had no effect.

Wang, Yue (2007) has studied the strategic choice of Chinese and Hong Kong companies between EJVs and CJVs in Sino-Hong Kong JVs. The most important reason for Chinese partners to prefer EJVs was the more efficient transfer of technology. Majority of Chinese companies seeking to acquire technological know-how perceived the Hong Kong companies to be more inclined to technology transfer to the EJV than to the CJV due to more effective legal protection of EJVs. The Hong Kong companies are also better locked in through the EJV since the exit costs are high. The most important reason for Hong Kong partners to choose the EJV, and significant for Chinese partners as well, was better protection of large-scale capital investment in EJV laws. Both partners also

considered government support to be stronger for EJVs than CJVs. The third important reason for partners from both countries to prefer the EJV was the CJV contract which was seen too flexible. In EJVs, equity contributions are determined which restricts the renegotiations for various issues. In non-equity CJVs, numerous renegotiations could ultimately affect the operational efficiency. However, the flexible CJV contract was also quoted as an important reason for companies from both countries to choose CJVs over EJVs. Other reasons in favour of CJVs for companies from both countries concerned quick return on investment and low exit costs. The CJV law allowed foreign companies to regain their investments before the CJV became profitable. The most important reason for Chinese partners in favour of CJVs, however, was the absence of capital requirements for CJVs.

The main criteria of foreign and Chinese companies for choice of JV type in China are presented below in Table 3.

Table 3 The main criteria of foreign and Chinese companies for choice of JV type

Foreign companies	Chinese companies
Criteria for choice of EJV over CJV	
<ul style="list-style-type: none"> • better protection of large-scale capital investment • too flexible CJV contract • stronger government support 	<ul style="list-style-type: none"> • more efficient transfer of technology • better protection of large-scale capital investment • EJVs lock foreign companies better • stronger government support • too flexible CJV contract • transfer of tacit skills
Criteria for choice of CJV over EJV	
<ul style="list-style-type: none"> • flexible CJV contract • quick return on investment • low exit costs 	<ul style="list-style-type: none"> • lack of capital • flexible CJV contract • low exit costs • quick return on investment

The earlier empirical research on the different elements of the formation stage of the IJV was presented above. There is, however, no general definition of the formation stage of the IJV and its elements. The earlier empirical studies on the formation stage as a whole concentrate on, for example, how situational factors at the IJV formation stage affect the performance of the IJV (e.g., Zheng & Larimo 2014). The focus is thus on the performance of the IJV. In general, research focus determines how the IJV formation stage is defined. Research on the formation stage of the IJV seems, therefore, not well

established. Moreover, studies focusing on the formation stage of Sino-foreign JVs and especially of Sino-Finnish JVs are scarce. Of the elements of the formation stage, motives for IJV formation and partner selection criteria in China have been studied earlier. Most of the studies are though quantitative. Research on the China related choice of IJV type and strategy-environment fit are few. Based on the above, there is a research gap and therefore the need to study the formation stage of Sino-Finnish JVs by applying qualitative research approach. The research contributes to increasing knowledge about Finnish companies in China.

1.3 Objectives and structure

The objective of the study is to gain an understanding of the formation stage of Sino-Finnish JVs. The main research question is therefore as follows: What does the formation stage of Sino-Finnish joint ventures involve?

The sub-questions of the study are:

1. What are the main motives of Finnish and Chinese companies for forming Sino-Finnish joint ventures?
2. How do Finnish and Chinese companies select the joint venture partner in Sino-Finnish joint ventures?
3. How do Finnish and Chinese companies choose the type of a Sino-Finnish joint venture?
4. How is strategy-environment fit taken into consideration in Sino-Finnish joint ventures?

As indicated above, there is no general definition of the formation stage of the IJV and its elements. Therefore, the study could have been based, for example, on a synthesis of earlier studies. However, choosing one of the earlier studies as the theoretical basis of the study was considered a better alternative since the choice contributes to the consistency and clarity of the study. Thus, the theoretical framework by Wang, L. (2007) which is presented in Chapter 2 was chosen as the basis of the study. The theoretical framework outlines the main elements of partnership (JV) development in China. The partnership development is divided into two stages, formation, and management. This study concentrates, however, solely on the formation stage. Wang, L. (2007) recognises four main elements within the formation stage. The four sub-questions of the study concern these elements.

The study is structured so that the theoretical framework and the literature related to the IJV formation stage, and its elements are reviewed in Chapter 2. The research approach, data collection, data analysis as well as evaluation of the study are presented in Chapter 3. The empirical findings are described in Chapter 4. The conclusions of the study are in Chapter 5.

1.4 Key definitions

The definition of a joint venture (JV) by Geringer (1988) is referred to frequently. Geringer (1988, 4) defines the JV as “*a discrete entity created by two or more legally distinct organisations (the partners), each of which contributes less than 100 percent of its assets and actively participates, beyond a mere investment role, in the joint venture’s decision making.*” In this definition, the JV presupposes the creation of a new and independent legal entity. An alternative view based on transaction cost motivations approves also partial acquisitions, i.e., a situation in which a partner acquires a minority equity stake in the other partner (Gulati 1995). The rationale for the alternative view rests on the assumption that this would in principle create an equity joint venture (EJV) between the existing shareholders and the new investor (Pisano 1989). The JV is, however, always intentionally jointly established, and therefore, for example, a shareholding acquired from the stock exchange does not lead to the creation of the JV (Rohm 2017).

Hennart (1988, 361–362) supports the above alternative view by defining the EJV in the following way: “*Equity JVs arise whenever two or more sponsors bring given assets to an independent legal entity and are paid for some or all of their contribution from the profits earned by the entity, or when a firm acquires partial ownership of another company.*” Chen and Hennart (2004) also state that EJVs may be formed by splitting ownership of new entities (greenfield JV) or by partial acquisition of existing companies (acquisition JV). In addition to financial assets, a partner may invest, for instance, land, factories, and employees in the JV (Rohm 2017).

In certain cases, a partner does not actively take part in the decision-making of the JV, as required in the definition of Geringer (1988), but only takes on financial risk. This is regarded as a minority interest position or pure investment. Hence, the arrangement may not qualify as the JV. However, the partners can always agree on how actively they participate in the decision-making and management. The size of the shareholding is also dependent on the intentions of the parties and the purpose of the venture. (Rohm 2017.)

A contractual joint venture (CJV) is another form of the JV. The CJV is a broad concept that in theory encompasses all forms of contractual co-operation, and there is no clear consensus of the definition of the CJV in the literature. The CJV differs from an EJV in that no separate legal entity is required. (Fett & Spiering 2010.)

The JV is considered an international joint venture (IJV) provided that one or more partners of the JV have their headquarters outside the country in which the JV operates, or if the JV has significant operations in multiple countries (Geringer & Hebert 1989). It is also possible that partners from different countries form the JV in a host country in which none of the partners has its headquarters (foreign JV) (Boateng 2000). This study is naturally limited to IJVs that involve a partner from the host country China.

In this study, the concept of the IJV is considered to encompass both the EJV and the CJV. It is noteworthy that IJVs and international strategic alliances (ISAs) are in the literature often mentioned in the same connection. In some cases, the concepts are even used as synonyms (Kausser & Shaw 2004). In this study, the IJV and the ISA are though treated as different concepts. However, general alliance literature is utilised, because the findings related to ISAs are largely applicable to IJVs (Rumpunen 2011).

The formation stage of the IJV is defined in different ways depending on the research focus. Zahra and Elhagrasy (1994) have created a four-stage model in which the three first stages comprise the formation of the IJV. The formation stage consists of determining interest in the IJV, identification of potential partners, and negotiating different aspects of the IJV. After the three first stages, the JV moves on to the fourth stage, which focuses on the JV administration in order to achieve shared goals.

Hoffmann and Schlosser (2001) study success factors of strategic alliances and categorise the IJV (alliance) evolution in five stages: 1) strategic analysis and decision to co-operate, 2) search for a partner, 3) designing the partnership, 4) implementation and management of the partnership, and 5) termination of partnership. The first three stages encompass the formation stage of the IJV. In the third stage, among other things, partners' rights and duties are defined in writing, and trust is built in negotiations, followed by implementation and management of the IJV. Most of the critical success factors (CSFs) and perceived critical success factors (perceived CSFs) relate to the first and third stages. The IJV rationale must be determined in the analysis stage, and clear rules for the co-operation shall be defined in the design stage. Thus, conditions for a successful co-operation must be created in the beginning.

Zheng and Larimo (2014), in turn, have studied IJV performance determinants. The study concentrates on situational factors within the IJV formation stage. Such factors include motivations of entry, company size, partner selection, IJV experience, resources, timing of the entry, ownership structure, sales orientation, and long-term focus. Capital and non-capital resources, for example, determine the ownership structure that is proved to significantly affect the performance of the IJV. The formation stage is followed by the IJV operation stage. Both stages, along with local environmental determinants, influence the IJV performance.

The theoretical framework by Wang, L. (2007) divides the IJV lifecycle into formation and management stages and presents the elements of both stages. The elements of the formation stage include the JV formation motives, partner selection, the choice of the JV type and strategy-environment fit. This study applies the theoretical framework by Wang, L. (2007) and thus defines the IJV formation stage according to said model.

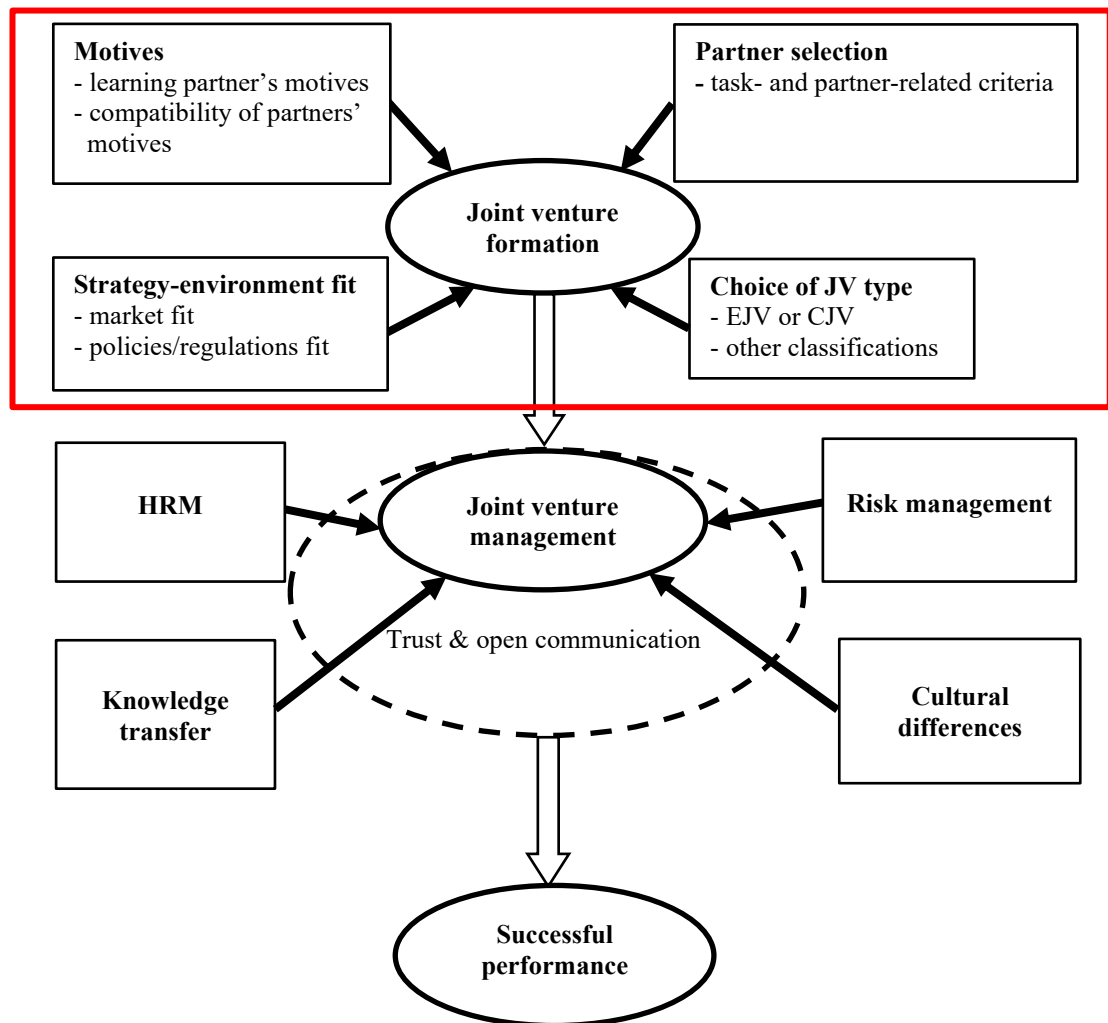
China, officially the People's Republic of China (PRC), is considered in this study to comprise the area of mainland China. Thus, the definition of China does not include areas of Hong Kong, Macau, and Taiwan. Consequently, Hong Kong, Macau, and Taiwanese companies are dealt with as foreign companies. This stance has been adopted, for example, in the study by Wang, Yue (2007) regarding Hong Kong companies. As a further example, United Nations Conference on Trade and Development (UNCTAD) presents FDI flow and FDI stock for these areas separately from China (e.g., UNCTAD 2020).

2 THE FORMATION STAGE OF INTERNATIONAL JOINT VENTURES

The study applies the theoretical framework for partnership (JV) development in China by Wang, L. (2007). The framework concentrates on two stages of the JV development: the formation stage, and the management stage. The framework is designed to demonstrate a basic view of the JV development in China and identifies key elements related to the successful performance of the partnership. The framework presents key elements in both above stages. However, the study focuses exclusively on the JV formation stage. In the formation stage, the partners should concentrate on their own JV formation motives, but also be aware of the motives of the other partner (or partners) to assess the motives fit. Further, the partners should make the partner selection based on their selection criteria. The choice of the JV type between the EJV and the CJV is also made in the formation stage. Finally, the partners should aim to match their strategies and the strategy of the JV with the Chinese business environment as well as with policies and regulations of China. (Wang, L. 2007.)

The framework by Wang, L. (2007) was considered the most appropriate of the four studies related to the formation stage mentioned earlier in Subchapter 1.4. The study of Hoffmann and Schlosser (2001) concentrates on success factors of strategic alliances, while the study of Zheng and Larimo (2014) examines performance determinants. These are not the focus of this study. The model by Zahra and Elhagrasy (1994), on the other hand, was considered less comprehensive than the framework by Wang, L. (2007) since it does not consider, among other things, the choice of JV type. The framework by Wang, L. (2007) is also clearly more recent and applies to China. The theoretical framework of the study is shown below in Figure 2, where the area of the study is marked with a red line.

Figure 2 A framework for partnership (JV) development in China



Source: Wang, L. 2007, 180.

The theoretical framework has been slightly modified from the original to suit this study. As regards motives, this study does not address the linking of motives to the long-term strategy of partner companies. The measurability of the motives is not addressed either. Moreover, this study does not deal with Chinese state-owned enterprises in partner selection. In choice of the JV type, this study considers also other classifications in addition to the EJV and the CJV. The theoretical framework links the formation stage to the management of the JV and ultimately to the performance of the JV. However, these are not the subject of this study. The study thus concentrates on the JV motives, partner selection, choice of the JV type and strategy-environment fit. Each of the four elements of the JV formation stage is dealt with separately in the following subchapters.

2.1 Motives for international joint venture formation

The partners of an international joint venture often have several motives to establish the venture (Klijn et al. 2010; Shishido et al. 2015). The strategies⁵ and strategic goals of partners should be compatible for the IJV to be successful (Contractor & Lorange 1988; Stafford 1994). In the formation stage of the IJV, the partners should thus identify their partners' motives to be able to assess the compatibility of the objectives (Wang, L. 2007). Because IJVs are formed to pursue strategies, the motives of the partner company should be in line with the corporate strategy of its parent company to facilitate strategy implementation (Rahman & Korn 2009).

When motives of foreign companies for IJV formation are examined, focusing on the FDI motive would possibly expose the more fundamental reasons for selecting a co-operative operation mode (Rumpunen 2011). FDI theories, however, do not provide advice as to the choice of entry mode, or factors determining entry modes (Awadzi 1987). In any case, each partner perceives to benefit from forming the IJV instead of a WOS. For example, if speed of the investment is important, the IJV provides significant time savings compared to the WOS (Glaister et al. 2005). Further, according to Hill et al. (1990), three fundamental constructs influence the choice between forming the IJV or setting up the WOS: control, resource commitment, and dissemination risk. Control means authority over operational and strategic decision-making. Resources may be tangible (e.g., plant) or intangible (e.g., know-how) assets that cannot be transferred to alternative uses without cost. (Hill et al. 1990.) Dissemination risk, in turn, is realised when company-specific know-how will be expropriated by the IJV partner (Hill & Kim 1988). Compared with the WOS, control and resource commitment are lower in the case of the IJV, but dissemination risk is higher (Hill et al. 1990).

Dunning (1993) classifies FDI motives into four groups. The investing companies seek: 1) resources (for example, physical resources, inexpensive or skilled labour, or technological, organisational, and management skills) at lower cost than at home, 2) markets (market share and growth in sales in the target market), 3) efficiencies (economies of scale and scope, and risk diversification), and 4) strategic assets (foreign companies' assets that promote long-term strategic objectives). These motives are visible also in IJV formation motives.

⁵ In this connection, the concept 'strategy' is used interchangeably with the concepts 'strategic motive' and 'motive' in the literature.

Harrigan (1986) defines three main groups of motives for forming the IJV. IJVs can bring: 1) internal benefits (such as risk-sharing, and economies of scale), 2) competitive benefits (such as influence over the evolution of industry, and access to global networks), and 3) strategic benefits (such as synergies, transfer of technology or other skills, and diversification). The inputs to the IJV provided by the partners are an example of synergies. The IJV needs certain inputs to attain its objectives. The partners may provide these inputs through different vertical and horizontal integration arrangements which are defined by ancillary agreements to the IJV agreement, or they may be obtained from the outside. The objective of these arrangements between the IJV and its partners is to realise synergies. The partners consider these arrangements and their benefits when agreeing to establish the IJV. The provision of inputs is naturally a source of revenue for a partner. (Harrigan 1986.) Often the primary goal of companies in establishing the IJV is to earn from above arrangements rather than to earn a return on investment (Shishido et al. 2015).

Kogut (1988), in turn, has studied IJV formation motives based on three different theories. One of the motives to co-operate is to improve a company's competitive positioning in relation to its competitors. Hence, the motive is based on strategic behaviour considerations. Companies may also learn or seek to maintain their capabilities through an IJV (the organisational learning motive). Moreover, companies may consider the IJV as an organisational choice minimising production and transaction costs (the transaction cost motive).

Contractor and Lorange (1988) define seven IJV formation motives that include risk reduction, economies of scale, technology exchange, co-opting or blocking competition, overcoming government investment barriers, facilitating international expansion, and vertical quasi integration advantages of linking the complementary contributions of the partners in a value chain. The formation motives and major potential benefits related to them are presented in Table 4 below.

Table 4 Strategic contributions of joint ventures

Motive for IJV formation	Potential benefits
Risk reduction	<ul style="list-style-type: none"> • product portfolio diversification • dispersion and/or reduction of fixed costs • lower total capital investment • faster entry and payback
Economies of scale and/or rationalisation	<ul style="list-style-type: none"> • lower average cost from larger volume • lower cost by using comparative advantage of each partner
Complementary technologies and patents	<ul style="list-style-type: none"> • technological synergy • exchange of patents and territories
Co-opting or blocking competition	<ul style="list-style-type: none"> • defensive IJVs to reduce competition • offensive IJVs to increase costs and/or lower market share for a third company
Overcoming government-mandated investment or trade barrier	<ul style="list-style-type: none"> • receiving permit to operate as a 'local' entity because of local partner • satisfying local content requirements
Facilitating initial international expansion	<ul style="list-style-type: none"> • benefit from local partner's know-how
Vertical quasi integration	<ul style="list-style-type: none"> • access to materials, technology, labour, capital, and distribution channels • regulatory permits • benefits from brand recognition • establishing links with major buyers • drawing on existing fixed marketing establishment

Source: Contractor and Lorange 1988, 10.

The research of Contractor and Lorange (1988) is frequently referred to, and the motives mentioned in their study are commonly used in empirical studies. Therefore, the motives in Table 4 are discussed below. The IJV may reduce risk by spreading the risk of failure over partners (Contractor & Lorange 1988; Boateng & Glaister 2003). For example, when major technical changes take place within an industry, companies may view the IJV as a way of reducing the risks connected with technological developments (Zahra & Elhagrasy 1994). Similarly, uncertainty over demand of a product may withhold a supplier from making an investment for a new product or service, and, on the other hand, withhold a buyer from agreeing to initially purchase the entire quantity it may need in the future (Johnson & Houston 2000). Further, combining their product offerings allows the IJV partners to diversify their product portfolio and isolate them from risks of demand fluctuations. The IJV may also reduce the total project capital investment cost by

combining the partners' know-how. The combined experience of partners enables a faster market entry and payback as well. Finally, a foreign company may also control the political risk by joining forces with a local company. (Harrigan 1986; Contractor & Lorange 1988.) In this case, the IJV can be used to soften the identity of one partner as a foreign company (Shishido et al. 2015). National governments, particularly in developing countries, quite often prefer IJVs over WOSs, since local interests will be better taken into consideration in the IJV between a local and foreign company. Co-operation with a foreign company also facilitates the international expansion of inexperienced local companies. (Vihakara 2006.)

Scale economies and production rationalisation are achieved by manufacturing certain products – instead of two locations with unequal costs – only in the lower-cost location which enjoys higher comparative advantage. Consequently, the volumes in the lower-cost location increase which leads to lower average unit costs as well. (Contractor & Lorange 1988; Boateng 2000.) Foreign company may supply cheap capital to its partner in a low-cost location, whereas the local company provides cheaper labour (Chowdhury & Chowdhury 2001). IJVs are also formed to pool complementary technologies and patents of the partners. Patent or know-how pooling may create successful products especially in high-technology industries. Moreover, since patent is also a right to territory, by pooling or exchanging patents, partners can pool or exchange territories. (Harrigan 1986; Contractor & Lorange 1988.)

Co-operating with a competitor may be considered a defensive or offensive strategic act. The co-operation restricts the operations of common competitors of IJV partners or limits their profits and market share. (Harrigan 1986; Contractor & Lorange 1988; Kogut 1988.) For example, in a certain market dominated by one company, two other companies can establish the IJV to increase their combined market share and thus more effectively compete against the dominant company (Shishido et al. 2015). Further, improving the competitive position allows IJV partners to reduce the impact of possible market and industry-specific restrictions on production, increase bargaining power and utilise economies of scale (Scherer & Ross 1990).

In many cases, setting up the IJV is the easiest way to gain access to a market because of the policies of the host country. This applies particularly in developing countries and emerging markets including China. Moreover, IJVs are often a vehicle for international expansion for small and medium-sized companies. These companies lack international experience, and knowledge of foreign target markets. A local partner may offer help in

this respect. (Contractor & Lorange 1988.) The local partner can offer knowledge of practices in the target country, or the foreign company may learn of the local company's experiences in the target market (Álvarez 2003).

In a vertical quasi integration, companies are looking for projects that are part of their production and distribution chains (Zahra & Elhagrasy 1994). Each partner contributes one or several stages in a production or distribution chain, and the inputs of partners are complementary. Thus, the joint efforts of the partners form a value chain that can produce a more competitive outcome. Sometimes said solution is an optimal choice between complete vertical integration (within one company), on the one hand, and contractual relationships or out-sourcing, on the other hand. This solution spreads the investment risk and cost on the partners of the IJV. (Harrigan 1986; Contractor & Lorange 1988.)

The vertical quasi integration may be implemented forward or backward. Forward integration may help a foreign company in market access, create links with buyers through sales channels, and improve brand recognition, which are critical factors in international expansion. Backward integration may help in gaining access to, for example, raw materials. The integration may also assist a foreign company in obtaining various regulatory permits. Sometimes the vertical quasi integration may be implemented both backward and forward into the operations of the same partner. In horizontal co-operation, in turn, the contributions of partners are similar. Hence, the IJV is in practice a horizontally related competitor to the partners. In this case, the motives of IJV partners relate to expanding market scope or product lines or rationalising excess capacity. (Harrigan 1986; Buckley & Casson 1988; Contractor & Lorange 1988.)

Foreign and local companies often have different motives for IJV formation. In developing countries, foreign companies are often motivated by access to local market and local market knowledge. Local companies, in turn, form IJVs to acquire new skills and technologies. (Reus & Ritchie 2004.) The motives for IJV formation can also differ depending on the size of a company. Large companies may engage in IJVs to respond to competitive pressure within a single market, whereas small and medium-sized companies form IJVs in order to gain access into distinct national markets. (Millington & Bayliss 1995.) The motives can vary in developed countries and developing countries. Beamish (1988) studied IJVs in developed and developing countries and divided the formation motives into three groups, namely, government persuasion or legislation, need for other partner's skills, and need for the other partner's attributes or assets. Foreign companies' motives to set up IJVs in developed countries, on the one hand, and developing countries,

on the other hand, were clearly different. This could be explained by different institutional environments and asymmetries in resources and capabilities.

2.2 Partner selection in international joint ventures

The search for a suitable partner is central to the process of the international joint venture formation. Choosing a certain partner has a significant influence on the IJV performance, since it affects the combination of skills and resources which are available to the IJV, and consequently the ability of the IJV to reach its strategic goals. (Glaister et al. 2005.) Poor partner selection has consequently been considered a major factor in IJV failure (Zahra & Elhagrassy 1994). Especially in emerging economies, such as China, selecting local partner is crucial for the success of the IJV. In such economies, foreign companies often face challenges associated with structural reform, weak structure of the market, inadequately specified property rights, and uncertainty related to institutions. A local partner can give valuable assistance to a foreign company by increasing the adaptability of the IJV, improving the strategy-environment compatibility, and reducing operational uncertainty. (Luo 1997.)

Several researchers have contributed to the IJV partner selection studies. The studies by Geringer (1988, 1991) are generally considered pioneering in the IJV partner selection (Rumpunen 2011). Geringer (1991) proposes that despite the nearly unlimited variety of criteria for partner selection, it is possible to present a twofold category typology of selection criteria: 1) task-related, and 2) partner-related. This typology has been the general foundation for most of the studies on partner selection ever since (Rumpunen 2011). This study also applies the typology of partner selection criteria by Geringer (1991).

Task-related selection criteria concern the operational skills and resources that the IJV requires in order to be successful. These criteria are based on the resource-based view of the company, and organisational learning theory. The task-related selection criteria are related to, for instance, raw materials, natural resources, labour, local market knowledge, financial resources, marketing and distribution channels as well as production technology. (Dong & Glaister 2006.) The task-related selection criteria of partners should be complementary. Thus, each partner needs what the other partner offers so that the IJV is successful. (Glaister et al. 2005; Rumpunen 2011.) According to Doz and Hamel (1998), complementarity of partners' contributions may be considered the most critical determinant of value creation in an alliance.

Partner-related selection criteria refer to the partner's ability to work efficiently and effectively in the venture. These criteria are mostly related to transaction cost concerns. Partner-related selection criteria include, for example, national or corporate culture of the partner, trust between the management teams, favourable past association between the partners, the partner company's size, and relatedness of partner's business. (Dong & Glaister 2006.) In addition, partner's general experience of earlier collaborations account for partner's capability to contribute to the success of the venture (Hoang & Rothaermel 2016). Unlike task-related selection criteria, which must complement each other in a certain business setting, partner-related selection criteria are not dependent on the context (Rumpunen 2011). When several companies meet the requirements according to task-related criteria, then the choice of the partner should be made based on which candidate best fits with the focal company (Dong & Glaister 2006).

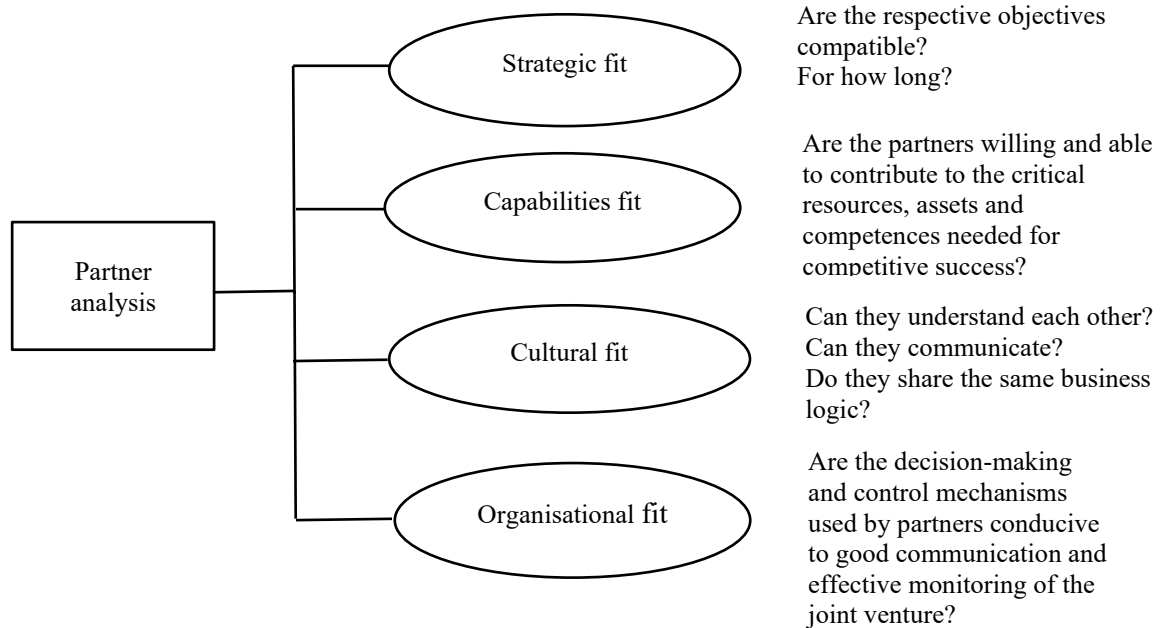
According to Stafford (1994), a company contemplating a partnership should consider three important questions: 1) the co-operative strategy used to build the company's core capabilities and market position, 2) the choice of relationship to bond the partners together, and 3) the choice of partner. In terms of partner selection, the company should assess the strategic goals, resources, and corporate culture of each prospective partner before committing to the collaborative venture. The partners need to have a common vision of strategic goals. The goals of the partners need not be the same, but they should be compatible. With respect to resources, partners should openly express which resources they look for in a partner, and which resources they bring to the partnership. It is critical for the success of the partnership that resource allocations are fair and that partners are mutually dependent. The corporate cultures of partners should also be compatible since cultural incompatibility is the cause for many problems within partnerships.

Luo (1998) determines three categories of features of local partners that are central for Sino-foreign JV success in China: 1) strategic, 2) organisational, and 3) financial. The strategic (operation related) criteria include, for instance, relationship building, market position, industrial experience, and strategic orientation. Relationship building stands for the *guanxi* network of the local partner, which refers to the notion of utilising connections in order to secure favours in business or personal relations. The organisational (co-operation related) criteria, in turn, encompass organisational leadership, ownership type, learning ability, and foreign experience. The financial (cash flow related) criteria consist of profitability, liquidity, and asset efficiency. The importance of criteria within each of the categories is subject to the objectives of the foreign company regarding the JV. The

fulfilment of different criteria leads to strategic, organisational, and financial fit, and consequently to the JV success.

Lasserre and Schütte (1999) have studied partner selection in Asia-Pacific countries. Their research encompasses four types of fit for partner selection: 1) strategic fit, 2) capabilities fit, 3) cultural fit, and 4) organisational fit. Figure 3 below presents the partner analysis by Lasserre and Schütte (1999).

Figure 3 Partner analysis



Source: Lasserre and Schütte 1999, 191.

Strategic fit implies that long-term motives or objectives of the partners are compatible. The capabilities fit requires that each partner contributes to the assets, resources, and competences of the IJV in a such way that the venture is successful. Cultural fit means that the partners understand each other, have the same business logic, and are able to communicate with each other. Finally, organisational fit means that the mechanisms of the partners for decision-making and control are favourable to good communication and efficient monitoring of the IJV. (Lasserre & Schütte 1999.)

Finally, the studies on partner selection have also concentrated on the role of a local company's network position when foreign companies choose IJV partners especially in emerging economies, such as China. Companies' network positions and structures within the domestic alliance network constitute an alternative channel in which information and

critical resources flow among market participants (Shi et al. 2012). Hence, the network position is a strategic attribute and an indication of the benefits that are accessible to the local company through its alliances and inter-company linkages (Koka & Prescott 2008). Basically, companies employ two alternative network strategies to pursue competitive advantage. They may seek to be a centrally positioned company in the domestic alliance network, or occupy a structural hole position in the network, thus acting as a broker company. The centrally positioned local company usually enjoys high social standing, has multiple industry connections, and may access critical and key information and resources, based on its favourable position. The local broker company, in turn, can bridge different and unconnected clusters within the network that provide it with opportunities and diverse information regarding, among other things, local contexts. (Koka & Prescott 2008; Shi et al. 2012.) Both network strategies of local companies increase the likelihood that foreign companies will select them as IJV partners, although each offers different resources (Shi et al. 2014). This is, among other things, because as emerging markets are increasingly important for foreign companies, many of them have become strategic insiders that significantly build and localise their key operations throughout the value chain in these markets (Luo 2007), and consequently rely on local networks, and especially local companies that hold central or brokerage positions in these networks (Shi et al. 2014).

2.3 Choice of the international joint venture type

International joint ventures or joint ventures (IJVs or JVs) can be classified in many ways using various criteria and dimensions. Büchel et al. (1998) argue that in theory IJVs can be used and structured in innumerable ways, but only a few basic types are usually found in practice. Some of the IJV classifications are presented below. Many of the studies on the co-operation type concern strategic alliances, but the classifications may be applied to IJVs as well.

IJVs may naturally be classified into equity joint ventures (EJVs) and contractual joint ventures (CJVs) by using the legal dimension. However, even the IJV (and the JV) itself lacks a general legal definition (Ellison et al. 1991). In the United States, for example, the statutes or case law do not provide a clear definition of the JV. The laws applicable to JVs are not clearly defined either. (Sanga 2018.) US companies are though permitted to form IJVs with foreign companies in the United States or abroad (Dehner 2021). Within the European Union (EU), the legislation concerning JVs varies in different member states,

whereas on the EU level, JVs are dealt with mainly within the EU competition rules (Nourry & Harrison 2021). By contrast, in China, there was special legislation concerning Sino-foreign JVs until the end of the year 2019. Sino-foreign EJVs and CJVs were regulated by the laws on Sino-foreign equity joint ventures and Sino-foreign co-operative joint ventures, respectively. As of the beginning of the year 2020, these laws have been repealed by the law concerning foreign investments. Sino-foreign EJVs and CJVs shall thereafter be governed by the company and partnership enterprise laws, and such legal concepts as ‘Sino-foreign joint venture’ and ‘joint venture contract’ will phase out. (Schaub et al. 2019.)

Founding an international EJV involves the creation of a separate legal person. The legal form is, however, not predetermined. A limited liability company is the usual choice since it limits the liability of the partners. (Marcinkevicius 2007.) In China, however, the recently repealed laws on Sino-foreign EJVs and CJVs stipulated that the EJV (as well as the CJV established as a legal person) shall be a limited liability company in which a foreign partner’s share of the registered capital shall be at least 25 percent (Law 2001, Law 2000, and Detailed implementation rules 1995). Thus, legally, the EJV is a company with a legal personality, whereas the CJV is close to a partnership (Wang, Yue & Nicholas 2005).

By establishing the EJV, partners can achieve synergies as the result of, among other things, risk reduction, rationalisation of production, economies of scale and scope, compatibility of technologies as well as improved local acceptance (Beamish & Banks 1987). Most of these synergies may be achieved also through a non-equity CJV. The choice between the EJV and the CJV may be made for several reasons. First, achieving mutual commitment is generally important for the partners. Once a separate legal entity has been established, exit costs are higher than in a contractual relationship. The EJV is thus beneficial in this sense. On the other hand, forming the CJV is usually more expeditious than establishing a separate legal entity for the EJV, and the exit is easier. (Shishido et al. 2015.) The CJV is characterised by contractual flexibility in many aspects (Wang, Yue & Nicholas 2005). Second, the EJV facilitates transfer of intangible property (Luo 1997). For example, a licensor may use the EJV to prevent technology from becoming subject of contentious ownership claims. For this purpose, the technology is licensed to the EJV, which acts as an intermediary between the partners, and not directly to the other partner within a contractual arrangement. In this way, the licensor can prevent the transfer of the technology from the EJV to the other partner. Moreover, by utilising

the EJV the licensor has more control over the licensed technology. In EJVs, both parties are represented in the board of the JV and in the decision-making, and therefore have access to information about the local operations and the JV. This guarantees the transparency of the operations at least to a certain degree. (Shishido et al. 2015.) The EJV has been said to reduce incentives for opportunism as it creates interdependencies between the parties (Luo 1997). From the point of view of a licensee, EJVs have been said to facilitate the transfer of know-how better than contractual arrangements since the licensor is incentivised to proactively transfer know-how to a legal entity which it partly owns (Shishido et al. 2015). Third, the EJV makes inter-company learning easier (Luo 1997). Companies may establish the JV in order to learn essential knowledge they do not possess, or in order to rent their knowledge to others (Shenkar & Li 1999). Such knowledge may consist of complex organisational routines, i.e., tacit, and embedded knowledge that cannot be specified contractually. Instead, the organisation itself needs to be replicated to facilitate exchange of that knowledge. Within the EJV, the managerial and technical personnel of the partners may work closely together which facilitates the replication of organisational routines. Hence, the EJV has been deemed to be a more effective instrument than the CJV in transferring such knowledge. (Kogut 1988.)

IJVs may further be classified by using temporal and organisational dimensions as well as dimensions related to economic relationship and size (Rohm 2017). IJVs categorised by temporal dimension may be classified into project-based, and traditional IJVs. The length of the lifecycle of project-based IJVs depends on the duration of a specific project and is thus limited, whereas the life span of the traditional IJV is indefinite (Aldrich 2008). The two types of IJVs differ also in other characteristics. For example, the perspective of strategic planning is short-term oriented in project-based IJVs, and long-term oriented in traditional IJVs. Further, decision-making is relatively fast, and management style operational and task oriented in project-based IJVs, whereas decision-making is relatively slow, and management style strategic and business oriented in traditional IJVs. (Rohm 2017.) In project-based IJVs, the partners' input of resources is limited to the requirements of the implementation of the project, and the proceeds of the project are often realised at the project completion (Sillars & Kangari 2004).

IJVs may also be classified into integrated and non-integrated IJV by using the organisational dimension. In integrated IJVs, the partners of the IJV share profit and risks, and the management makes the decisions on behalf of the IJV. The IJV organisation is characterised by close coordination and frequent communication. (Mo et al. 2012.)

Integrated IJVs may also be called jointly managed IJVs (JMIJVs). In non-integrated IJVs, or separately managed IJVs (SMIJVs), each IJV partner is technically and financially mainly responsible for tasks assigned to it and makes decisions related to them without the approval of other partners. (Ho et al. 2009.)

IJVs classified by economic relationship are horizontal and vertical IJVs (Rohm 2017). The classification is based on how the IJV positions itself relative to its partners. If the IJV is horizontally related to its owners, it performs the same product, technology, or market functions as the partners, although in a different geographical area. The IJV is then practically a horizontally related competitor to the partners. As noted earlier, the motives of the IJV partners pertain to expanding market scope or product lines or rationalising excess capacity. A vertical IJV, in turn, is at the different stage of the value chain than its partners. The vertical IJV may be formed, among other things, to reduce dependence on outsiders, to evade market imperfections, or to achieve economies of scale. (Harrigan 1986.)

The size of the partners may also be used to classify IJVs. IJVs are considered asymmetric, if the ratio of the assets of the larger partner to assets of the smaller partner is greater than five. (Kalaighnam et al. 2007). Consequently, in symmetric IJVs the ratio of the partner's assets to those of the other partner is close to or less than five (Yu et al. 2019). The main rationale for asymmetric IJVs is the access to complementary resources from each other (Stuart 2000). Williams and Lilley (1993), in turn, argue that the IJV has the best chance of long-term success if partners are equivalent in sophistication, and in size.

Moreover, IJVs may be classified based on the function and strategic focus of the IJV. Classification based on function reflects the position of the IJV in the value chain. Thus, the functions used for classification include, among other things, research and development, supply, production, sales, and marketing. The strategic focus, in turn, reflects the motives for IJV formation discussed earlier in Subchapter 2.1. The IJV may focus on, for instance, technology transfer, scale economies, market access, or spreading risk. In these cases, the IJV is structured according to the strategic orientation. (Büchel et al. 1998.)

According to Stafford (1994), relationships of companies can be reviewed along a scale that ranges from sporadic transactions to closer long-term relationships, and finally to integrated relationships. Strategic alliances (IJVs) are in the middle of this scale. Partners are closely tied together for the long-term through three types of relationships,

namely, contracts, creative JVs, and acquisitive JVs. Contracts involve no equity investment. They specify contributions and powers of each partner in the co-operation. The partners usually have greater autonomy in decision-making within the scope of the contractual provisions. In creative JVs, partners contribute resources to form a new separate entity that is co-owned by the partners. The new entity may have separate management and assets. However, the partners often play an active role in the JV's strategic decisions. In the acquisitive JV, in turn, the partners exchange equity, but no distinct entity is created. Instead, a partner purchases a partial stake in the other partner. Partners co-operate using joint management and assets. The integration of the management teams is conducive to learning.

Finally, a learning alliance is designed to provide information on competencies, new technologies, and markets. Learning alliances capture value from the shared activities and resources. (Jeje 2015.) Koza and Lewin (2000) define three types of strategic alliances. These are the learning alliance, the business alliance, and the hybrid alliance. The classification is based on exploration and exploitation as motives for organisational adaptation (March 1991). In exploration, new assets and capabilities are established, whereas in exploitation, existing capabilities are improved and deepened. In learning alliances, partners strongly emphasise exploration and have limited exploitation aims. The main objective of the alliance is to reduce information asymmetries of the partners. Many market access alliances are learning alliances in the beginning. Only after partners have learned about the local context, the alliance commits itself fully to market entry. In business alliances, exploitation is emphasised, and exploration aims are limited. The objective of these alliances is to establish themselves in a product or geographic market. To achieve this, partners combine each other's specific assets. In hybrid alliances, both exploration and exploitation are emphasised. Thus, existing capabilities are leveraged, and new value is created through joint learning. (Koza & Lewin 2000.)

2.4 Strategy-environment fit in international joint ventures

The organisation-environment relationship has two dimensions. Strategy-environment fit is one dimension, i.e., whether some strategies of a company suit better to certain environments, and consequently, other strategies should not be applied. The other dimension of the organisation-environment relationship is the role of management in shaping the direction of the company, in other words, whether managerial choices or environmental forces define the success of a company. (Lawless & Finch 1989.) The

process of a company's adaptation to its environment can thus either mean choosing a suitable strategy or reacting to categorical environmental forces (Aldrich 2008). However, the adaptation of a company is defined not only by strategic choices or environmental forces, but by interaction between strategic choices and environmental determinism (e.g., Pfeffer & Salancik 1978).

The concept of fit may be defined in various ways. The fit between strategies of the company and its environment correlates with the level of effectiveness and efficiency of the organisation (Chan et al. 2000). According to Itami and Roehl (1991), if the company wants to succeed, its strategies should fit not only its external environment, but its internal resources and organisational characteristics. They use the concept dynamic strategic fit that defines the fit by using external and internal factors. The main external features of the fit are customer fit, competitive fit, and technological fit, whereas the internal features include resource fit, and organisational fit. Wang, L. (2007), in turn, divides strategy-environment fit in two parts, market fit, and policies/regulations fit. Market fit entails that a business is managed so that it fits the target market (Taghian & Shaw 2010), while policies and regulations fit require a company to align its strategies and operations with the existing policies and regulations (Wang, L. 2007).

Hrebiniak and Joyce (1985) have created a typology according to which appropriate strategy types for each environment may be determined. They examine the interaction between strategic choice and environmental determinism in organisational adaptation using combinations of low/high strategic choice and low/high environmental determinism which leads to four different types of adaptation. First, in the case of natural selection (low strategic choice and high environmental determinism) markets are characterised by perfect competition, and competitive forces determine an individual company's returns. Products are mainly undifferentiated. Second, under conditions of differentiation or focus (high strategic choice and high environmental determinism) markets are highly regulated, but, for example, market structure allows for individual strategy choices. Differentiation and focus strategies are most likely under these conditions. Third, in the case of strategic choice (high strategic choice and low environmental determinism), companies may move relatively freely between market segments without confronting entrance or exit barriers. Companies apply differentiation and focus strategies here as well. Fourth, under conditions of undifferentiated choice (low strategic choice and low environmental determinism), companies lack consistent strategies despite a favourable environment. The

adaptation process is dynamic in the sense that the position of an organisation may change over time as a result of strategic choices or environmental changes.

Harrigan (1988) has developed a framework for utilising joint ventures (and other co-operative strategies) in diverse competitive environments. The framework illustrates the form of co-operative ventures of companies (EJVs or non-equity ventures), and the focus of co-operative strategies of companies (several JVs to serve same strategic purpose or fewer but larger alliances) in relation to central features within the venture's industry. The framework also considers the operating autonomy of the venture from its owners in relation to these central industry features as well as the duration of the venture relative to the competitive behaviour within the industry. The central industry features to consider include demand uncertainty, customer features (for example, sophistication of customers), infrastructure development, technology of production, volatility in competitive behaviour, and linkages between the owners of the venture and the venture itself. The framework posits that JV strategies should adapt to forces exerted by these central industry features. Consequently, the form, focus, autonomy, and duration of the co-operative strategies vary depending on the industry.

In the context of an international joint venture, parent companies employ a variety of investment strategies. The investment strategies of parent companies are combined within the framework of the IJV. Thus, the IJV implements strategies and strategic goals of the partners (Stafford 1994), and these are reflected in the competitive strategy of the IJV (Harrigan 1986). As stated earlier, the partners' strategies and strategic goals should be compatible (Contractor & Lorange 1988; Stafford 1994). The investment strategies employed by the parent companies may be categorised as parent company-specific or investment-specific. Parent company-specific strategies may relate to motives for IJV formation, and competitive strategies. Investment-specific strategies may, in turn, concern ownership structure and establishment mode of the IJV. (Larimo & Le Nguyen 2015.)

The motives for the IJV are related to what the partners seek when they expand abroad. Companies may seek resources, markets, efficiencies, and strategic assets. (Dunning 1993.) These FDI motives can from a strategic point of view be considered either market-oriented or cost/supply-oriented (Bartlett & Ghoshal 1998). Market-oriented motives relate to market-seeking strategies and cost/supply-oriented motives usually to efficiency-seeking strategies (Van Den Bulcke et al. 2003). In addition, a third strategy category relates to learning/knowledge seeking (Whitelock & Yang 2007).

With respect to competitive strategies, the strategies developed by Porter (1980) are widely known. Porter (1980) distinguishes three different generic strategies that companies follow in their chosen market scope: either cost leadership, differentiation, or focus. A company pursuing a cost leadership strategy targets all or most of the segments within the industry and offers the lowest price, or the most cost-quality advantage for the product. The company thus seeks to reduce costs, to pursue economies of scale, to streamline its processes, and produces standard products. A company following a differentiation strategy also targets all or most of the industry segments but offers unique and high-quality products at a higher price. However, in order to remain cost competitive, the company seeks to minimise costs in areas that do not differentiate it. The focus strategy, in turn, means that a company concentrates on one or a few segments. The company either offers low-cost products in a selected segment (cost focus) or seeks to differentiate itself (differentiation focus).

According to Porter (1980), a company should adopt only one of the above strategies or otherwise it loses its entire focus. The view is based on conflicting goals of cost leadership and differentiation, which make the related strategies mutually exclusive. Research has, however, shown that companies may successfully follow a 'hybrid strategy' combining low cost and differentiation strategies (e.g., Miller 1992).

When the IJV is formed, partners shall decide how the equity control is shared, i.e., which are the ownership percentages of the partners. In the IJV between two partners, both partners have three options. A partner may want a majority share of the IJV, or it may accept a minority share and allow the other partner to become the majority owner. Third, the partners can share the equity and the related control rights equally. The distribution of ownership is naturally reflected in the shares of return on investment. In addition, it is reflected in, among other things, the composition of the board of directors, the rights to appoint IJV managers, and the distribution of veto rights. These affect the partners' ability to monitor the activities of the IJV. However, control rights need not be allocated strictly in accordance with proportions of ownership. For example, the magnitude of the threat of a minority partner exiting may increase its bargaining power over control rights. (Shishido et al. 2015.)

It has been suggested in research that the stability of the IJV will increase, if one partner is dominant. The complexity of the decision-making process and related managerial costs are reduced. (Killing 1982.) On the other hand, an approximately equal ownership may result in greater stability as well. The partners of the IJV are in principle

equally committed to the IJV in this case. (Beamish 1985.) Shared ownership also fosters co-operation between partners since they have an equal share in the success of the IJV (Ramaswamy et al. 1998). An equal ownership structure in the IJV may, however, lead to deadlock situations (Killing 1982).

The establishment mode strategy encompasses the choice between a greenfield and a partial acquisition. Both entry modes have their advantages and disadvantages. In the case of the IJV greenfield, a foreign company gains access to knowledge and assets of the local company. The IJV greenfield may also be politically more acceptable to host country governments than a partial acquisition. On the other hand, partners of the IJV may have divergent interests and goals. Through a partial acquisition, in turn, the foreign company gains access to local companies that are not willing to sell the whole business. Also, partial acquisition is useful for the foreign company that is willing to buy a company that still needs the contribution of previous owners. With respect to disadvantages, the operational and strategic control of the foreign company over the target company is limited. (Wang, Yi 2014.)

As regards the operating environment, foreign companies assess its market potential and investment risk. The above-mentioned central industry features should be considered as well (Harrigan 1988). Investment risk relates to country (or industry) risk or perceived uncertainty consisting of, for example, risk in profit repatriation, possible nationalisation, and political, social, and economic risks. Further, difficulties in enforcing contracts and other legal risks are associated with country risk/perceived uncertainty. (Brouthers & Nakos 2004.)

A local partner can assist a foreign company by increasing the adaptability, improving the strategy-environment compatibility, and reducing operational uncertainty of the IJV (Luo 1997). Selecting a suitable local partner that is usually addressed in the context of partner selection criteria, has also been considered an IJV strategy per se (Wang et al. 1999).

3 METHODOLOGY

3.1 Research approach

The basic choice related to research approach is made between quantitative and qualitative research. Rather than defining both approaches, qualitative research is usually described in contrast to quantitative research. It is easier to compare the two research approaches than to define them. The two research approaches may also be used in the same research project. (Eriksson & Kovalainen 2008.)

A qualitative research approach is chosen for this study. The research approach should fit the research question, and therefore the choice between qualitative and quantitative research is made based on what the researcher wants to know (Ghauri & Grønhaug 2010). This study aims to understand and give a comprehensive view of the formation stage of Sino-Finnish JVs and its elements. The understanding will be based on the perspectives of the interviewees related to the formation stage of JVs. Qualitative approaches focus on understanding of a phenomenon (Ghauri & Grønhaug 2010) by interpreting the view of respondents or participants (Koskinen et al. 2005). Further, a qualitative approach enables the researcher to access the inner experiences of the parties (Corbin & Strauss 2008). Quantitative approaches, in turn, are more concerned with explaining, hypothesis testing, and statistical analysis that do not fit the research question of this study. Further, the data collection and data analysis in qualitative research are sensitive to the context and aim at a holistic understanding of the research issue, whereas quantitative research is often more structured and standardised, and uses abstracted modes of empirical data collecting and analysing. (Eriksson & Kovalainen 2008.) Based on the above, the qualitative research approach is, therefore, suitable for this study.

The study uses Finnish and Chinese partner companies of Sino-Finnish JVs as units of analysis to provide insight into the subject of the research. Thus, the research approach is more precisely called qualitative case study. A case study is a research approach that focuses on analysing one case or more cases. It is used in qualitative research when the aim is to gain a deep contextual understanding of an issue. (Creswell et al. 2007.) In addition, the case study is recommended, when ‘what’, ‘how’, and ‘why’ questions are key, the researcher has little power over events, little empirical research has been conducted on the subject, or the research subject is a contemporary real-life phenomenon

(Yin 1994; Eriksson & Koistinen 2005). Given the purpose of this study, qualitative case study is considered appropriate research approach.

Qualitative research may aim to generate theory and theoretical concepts or confirm or modify existing theory through empirical research. It may also rely to some extent on prior theory and focus on interpretative sense-making and contextualised explanation. (Eriksson & Kovalainen 2008; Welch et al. 2011.) This study does not aim to generate theory or concepts, but rather to holistically study the formation stage of Sino-Finnish JVs and its elements. With respect to the elements of the formation stage, the study follows the model created by Wang, L. (2007). Further, the study relies on prior theories concerning individual elements of the formation stage and focuses mainly on interpretative sense-making and contextualised explanation as well as giving rich information on the subject matter. Thus, the research approach may be labelled as intensive, or classic, case study (Eriksson & Kovalainen 2008).

3.2 Data collection

The research approach and the research question guide the collection of empirical data (Eriksson & Kovalainen 2008). Sources can be classified into primary and secondary data. The researcher collects the primary data, while others have collected the secondary data. Therefore, the secondary data may have been collected for a different purpose than for the purpose of the study in question. (Ghauri & Grønhaug 2010.) The data collected for this research will be primary data collected through expert interviews.

An interview is often the only way to gather meanings and interpretations that people give to things, and it provides a subjective experience to the research (Koskinen et al. 2005). Interviews were thus selected as data collection method for practical reasons. Subjective information with respect to the JV formation stage, and its elements is not available from public sources. Another advantage of the interview is that people who have experience of the phenomenon under study or knowledge of the subject can be selected for interview (Puusa 2011). This is discussed below in connection with the selection of interviewees. The interview is also well-suited for the study of an abstract phenomenon, such as the formation stage of the JV. The researcher is able to construct the abstractions required by the research into concrete questions that the interviewee can answer without having to have a holistic understanding of the theoretical subject of the research. Moreover, the interview is a flexible method, as the researcher has an opportunity to ask the interviewee to explain or clarify his or her message if necessary. (Puusa 2011.)

Selection of interview type: Interviews may be categorised into structured, unstructured, and semi-structured interviews of which the semi-structured interview is considered an appropriate tool for data collection of this study. In semi-structured interviews, questions are predetermined but open-ended, and they seek certain information. The questions allow respondents to answer freely based on their own thinking (Merriam & Tisdell 2015), which is the objective of the data collection of this study. In a structured interview, the questions and their order are predetermined. The interview is rather an oral form of a survey in writing. Thus, the respondents are given less freedom in their responses (Merriam & Tisdell 2015), which does not suit this study. A structured interview would not allow for attainment of comprehensive understanding of the subject matter.

In unstructured interviews, the questions are open-ended and exploratory (Walle 2014). The purpose of the questions is to gather information about personal and attitudinal material as in semi-structured interviews (Ghauri & Grønhaug 2010). The respondents are free to answer in any manner they see fit. Consequently, these interviews may provide diverse and unexpected information. (Walle 2014.) However, given the purpose of this study, an unstructured interview is deemed too open. The interview should closely follow the theoretical model of the study. The questions of this study are therefore predetermined and based on the theoretical model by Wang, L. (2007). The operationalisation chart is below in Table 5.

Table 5 Operationalisation chart

Research question	Sub-questions	Concept/Theoretical framework	Interview themes
What does the formation stage of Sino-Finnish joint ventures involve?	What are the main motives of Finnish and Chinese companies for forming Sino-Finnish joint ventures?	Motives	<ul style="list-style-type: none"> - motives - perception of partner's motives - compatibility of motives
	How do Finnish and Chinese companies select the joint venture partner in Sino-Finnish joint ventures?	Partner selection criteria	<ul style="list-style-type: none"> - task-related selection criteria - partner-related selection criteria - compatibility of the partners' skills and resources
	How do Finnish and Chinese companies choose the type of a Sino-Finnish joint venture?	Joint venture type	<ul style="list-style-type: none"> - choice between EJV and CJV - integrated or non-integrated organisation - horizontal or vertical JV - function of the JV
	How is strategy-environment fit taken into consideration in Sino-Finnish joint ventures?	Strategy-environment fit	<ul style="list-style-type: none"> - main FDI strategies - competitive strategy - ownership strategy - establishment mode strategy - guanxi - prior knowledge of the Chinese market and business culture - market research and joint feasibility study - policies of the Chinese government - legal issues

The operationalisation chart presents the main research question and the sub-questions as well as the main concepts of the study and interview themes related to them. During the interviews, background information of the interviewees, the partner companies, and the JVs was collected as well. The list of interview questions is attached as Appendix 2.

Selection of interviewees: Qualitative research often focuses on relatively small sample and seeks to analyse it as thoroughly as possible. The criterion of the scientific nature of the sample is therefore not its quantity but its quality. (Eskola & Suoranta 1998.) Purposeful sampling was selected as the sampling method. It rests on the assumption that

the researcher seeks to find, understand, and get insight. Consequently, a sample from which the most may be learned is selected. For this, a set of predetermined selection criteria for the sample was established. The criteria reflect the purpose of the study and guide the search and identification of suitable targets. (Merriam & Tisdell 2015.)

The target companies and the interviewees in this study were selected on following criteria.

1. The target company is a Finnish or a Chinese company that participates in a Sino-Finnish JV as a partner.
2. The JV has been established within approximately the past five years.
3. The interviewee has taken part in the formation stage of the JV as an expert or in management position.

It is important to strive to interview both parties of the JV so that a comprehensive understanding of the formation stage of the Sino-Finnish JV and its various elements is gained. The time passed since the formation of the JV must not be too long, because the interviewee should remember the details related to the formation stage. Thus, the establishment of the JV should have taken place within approximately the past five years. The interviewee shall also be sufficiently aware of the issues related to the formation stage. An expert status or management position is deemed to guarantee enough information on the subject.

Target companies were found by using the list of member companies in the Finland-China Business Association and by reviewing annual reports of Finnish companies. In addition, companies were found through search engines on the Internet by entering appropriate keywords. Suitable companies were, however, not abundant. In total, eleven Finnish companies met the selection criteria of the study. The persons to be interviewed were identified on the basis of press releases of the companies related to the JVs. Chinese companies, on the other hand, could not be reached directly since their contact information was not given in the Finnish companies' press releases, and directly contacting them from Finland was not expected to lead to an interview. The interviewees of the Finnish companies were thus used as intermediaries to present interview requests to Chinese companies.

The researcher initially sent an interview request including a description of the study by email to representatives of seven Finnish companies. These companies were deemed most suitable based on the predetermined selection criteria. Shortly after sending the emails, the researcher contacted the recipients in order to discuss the matter in more detail.

One of the recipients was not ready for an interview, and two other recipients did not return phone calls or respond to emails. Thus, four representatives of Finnish companies agreed to the interview. This number of interviewees of Finnish companies was considered sufficient to begin the interviews. Prior to the interviews, the researcher verified the suitability of interviewees, i.e., that they had appropriate personal information about the subject of the study. In connection with the interviews, the interviewees were asked, if the Chinese partner companies could also be interviewed. In two cases, the interviewees arranged an interview with the Chinese partner, whereas in two other cases it was not possible.

The question of the number of interviews had to be resolved after the initial six interviews. According to Eskola and Suoranta (1998), the purpose of the research material is to assist the researcher in building a conceptual understanding of the subject of the study. However, there are no clear rules for determining the size of the material. The decision is always case-specific. It may in practice be said that there is enough information when new material no longer produces any new information with respect to the research problem. (Eskola & Suoranta 1998.) Here, the six interviews were considered to have provided sufficient information on the research problem. The context and structure of the four Sino-Finnish JVs are different, so the interviews provided diverse and rich information on the subject. However, certain aspects began to be repeated. The two interviews with Chinese companies were also considered sufficient in terms of obtaining the view of Chinese partners. Moreover, it was in practice uncertain whether it would have been possible to conduct interviews with additional Chinese companies, as interviews could only be arranged through Finnish partner companies.

All interviews were held through remote connection by using various communication applications. Three of them were conducted in Finnish and three in English. The interviews were also recorded with the consent of the interviewee and transcribed afterwards. The interviewer went through the description of the study at the beginning of each interview as well as explained the key concepts. The interviews followed the predetermined interview questions which the interviewees had also received in advance. In the three English-language interviews, both the interviewer and the interviewee were non-native English speakers, but there were no significant misunderstandings. Information on the interviews is presented below in Table 6. The interviewees and their companies appear anonymously in the study.

Table 6 Information on the interviews

Company	Interviewee's current position	Domicile of the company and the interviewee's nationality	Date and program for interview	Length and language
Company A	Chief Financial Officer	Finland, Finnish	9.9.2020, Skype	58:56, Finnish
Company B	Head of Business Development, International Business	Finland, Finnish	25.9.2020, Skype	01:20:54, Finnish
Company C	Senior Vice President, China	Finland, Chinese	10.10.2020, Teams	01:02:20, English
Company D	Managing Director	Finland, Finnish	12.10.2020, Teams	54:41, Finnish
Company E	General Manager	China, Chinese	14.10.2020, WeChat	01:07:18, English
Company F	Former Vice President and Chief Engineer	China, Chinese	28.10.2020, Zoom	01:17:22, English

The researcher later contacted the interviewees of the Finnish companies to clarify certain issues. As shown in Table 6, four of the interviewees represented the Finnish partner of a Sino-Finnish JV and two the Chinese partner, and thus the interviewees represented four Sino-Finnish JVs in all. Two of the JVs have been established in 2016 and 2018, respectively. The other two JVs were established in the year 2014, i.e., six years ago. This is, however, considered to fall within the scope of the sample selection criterion number 2 according to which the establishment of the JV shall have taken place within approximately the past five years. Moreover, the time limit of the criterion is based on the idea that the interviewee should remember the details related to the formation stage. Two of the three interviewees in these JVs are still involved in the JVs. One is the managing director of the JV. Another acts as a senior vice president in China and serves as a board member of another JV. The third interviewee, who is retired now, headed the JV project team of the Chinese company when the JV was formed, and subsequently served as a board member of the JV. All of them remembered very well the details of the formation stage of the JVs.

3.3 Data analysis

The purpose of the analysis of qualitative data is to reduce the research material as well as make the fragmented material clear and meaningful and thus answer the research question (Eskola & Suoranta 1998; Merriam & Tisdell 2015). The analysis is an ongoing process that should be done simultaneously with data collection (Merriam & Tisdell 2015). Thematic analysis was chosen as the method of analysis of this study. It is typical for thematic analysis to highlight themes that illuminate the research problem. The four main themes of the study are directly linked to the sub-questions and the theoretical framework of the study. Subthemes, or interview themes, clarify the main themes and were utilised in the interviews to obtain relevant information in terms of the research problem. Thematic analysis is thus inherently suitable as the method of analysis. The above-mentioned main and interview themes are presented earlier in the operationalisation chart in Subchapter 3.2. The main themes are labelled as concepts.

In the practical analysis, analysis and synthesis combine (Puusa 2011). The material relevant to the research problem is separated from the research material and classified (Eskola & Suoranta 1998). This may be carried out through data reduction and data display. Data reduction consists of processes, such as selecting, simplifying, and focusing the material. Data reduction may be accomplished through, for example, coding of the material. Data display, on the other hand, relates to organised assembly of the material. The objective of data reduction and data display is to contribute to drawing conclusions from the material. (Miles & Huberman 1984.) In this study, the transcribed interview material was coded according to the themes referred to above. The researcher went through the material carefully and separated and coded the responses related to respective themes. The similarity of the structures of the interviews facilitated the task. The themes were named by using the headings in the operationalisation chart. The materials related to the interview themes were combined with respective main themes.

3.4 Evaluation of the study

Qualitative research is not a single unified research tradition but involves several different approaches and research techniques. Thus, there is no general view of trustworthiness in qualitative research. The trustworthiness of research approaches has often been addressed in the literature by using the concepts of validity and reliability. (Tynjälä 1991.)

Lincoln and Guba (1985) have sought to develop the above-mentioned traditional concepts of trustworthiness to be better suited for qualitative research. They consider that the traditional concepts build on the assumption of only one reality which the research seeks. The qualitative research, however, assumes that there may be several realities, and that research only provides a certain perspective. Thus, the traditional concepts of trustworthiness are not suited as evaluation criteria of the qualitative research. (Tynjälä 1991.) Lincoln and Guba (1985) suggest four terms, credibility, transferability, dependability, and confirmability, that may be used in trustworthiness assessment. The view of Lincoln and Guba (1985) on the trustworthiness is applied in this study, and the above-mentioned four terms are discussed below.

Credibility of a research requires that the research has been conducted in a way that increases the likelihood that the findings will be considered credible and that they correspond with the reality (Lincoln & Guba 1985). Hence, the data collection methods, the selection of context and samples, as well as methods utilised in the data analysis, must be critically reviewed (Puusa & Kuittinen 2011). In connection with data collection, it is most often considered whether material is sufficient. However, in qualitative research, the size of the material is not directly relevant in terms of the success of the study. (Eskola & Suoranta 1998.) Moreover, it is often not possible to estimate how much material is needed. However, for example, after a certain number of interviews have been conducted, new information cannot be found anymore. Thus, the material can become saturated. (Aaltio & Puusa 2011.) Saturation is used as one criterion for sufficiency of material in qualitative study (Eskola & Suoranta 1998). In this study, after interviews with four Finnish companies and two Chinese companies, additional material was considered unnecessary since the researcher noticed that the things brought up by the interviewees began to resemble each other.

The research must also show that the reconstructions of the realities of research subjects correspond to the original constructs (Tynjälä 1991). Therefore, methods employed in data collection and data analysis should be well established, i.e., derived from those that earlier corresponding research has utilised (Shenton 2004). Interviews were used as method of data collection in this study. An interview is an interaction situation in which both parties influence another (Eskola & Suoranta 1998). Because of the long distances and because four of the six interviewees were in China, the interviews of this study were conducted online with both a video function and with an audio function alone. Despite the online environment, the interviewer considered that the interviews

were conducted in a confidential atmosphere which has been deemed important in interview research (Eskola & Suoranta 1998; Puusa 2011). At least the interviewer perceived the online environment, especially when using the video function, quite natural. The interviewees did not raise any concerns regarding the interview environment either. Further, the interview questions were derived from the theoretical framework of the study. The above factors improve the correspondence of the reconstructions of the interviewees' realities with the interpretations of the interviewees about the subject of the research.

The collected data was analysed based on the theoretical framework of the study from which the interview questions were derived. The method of analysis, thematic analysis, is described in detail earlier. Furthermore, according to Shenton (2004), confidence in reconstructed realities can be improved by comparing the findings of the study with existing studies so that the congruence of the findings with these studies can be evaluated. The researcher compared the findings of the study with an extensive number of earlier studies to establish the congruence. These measures are considered to improve the credibility of the study.

In quantitative research, the concept of generalisability refers to the extent to which the findings may be applied to a wider 'population'. This generalisability concept cannot be applied to qualitative research, but the concept of transferability is used instead. Transferability of the research findings to another context depends on how similar the research environment and the application environment are. A researcher who only knows the research environment cannot draw conclusions about transferability. Therefore, another researcher utilising the research findings is more responsible for assessing the transferability. (Lincoln & Guba 1985; Tynjälä 1991.) The first researcher shall, however, ensure that enough information of the research is given so that another researcher is able to assess the transferability (e.g., Firestone 1993). Guba (1981) recommends that said information shall comprise a full description of contextual factors affecting the research. However, there is disagreement among researchers as to whether achieving true transferability is at all a realistic goal (Shenton 2004) due to the diversity of reality (Eskola & Suoranta 1998). The transferability of this study is improved by providing sufficient information on the participating companies and their contexts as well as persons that were interviewed. Moreover, a detailed description of the data collection and data analysis methods is given. Based on said information, another researcher can consider the transferability of the findings to other contexts.

The reliability of findings has been measured, for example, by retesting in quantitative research. The aim is to determine to which extent the findings remain unchanged when the research is repeated in the same circumstances. (Tynjälä 1991.) In qualitative research, it is irrelevant that the findings remain unchanged since the same material can be interpreted in numerous ways. It is more important that the findings are consistent with the collected material. (Merriam & Tisdell 2015.) Thus, the reader should be provided with information that the research process has been logical, it can be traced, and it has been documented (Eriksson & Kovalainen 2008). Moreover, during the research, variation may occur not only with respect to the researcher, but also in the surrounding conditions or even in the phenomenon under study. Therefore, the researcher must consider both, external factors causing variability in the research situation, and factors arising from the research and the phenomenon itself. This component of trustworthiness is called dependability. (Lincoln & Guba 1985; Tynjälä 1991.) In this study, the methods of data collection and data analysis are described in detail. The interview technique of the researcher improved along with new interviews, which may have caused minor variation in the research process. However, this variation did not have significant effect on the data collection or analysis.

The objective of qualitative research is to reach perspectives rather than the truth itself. For that reason, it is relevant to be aware of how, for example, the subjectivity and different biases of the researcher affect the research. The requirement of neutrality, therefore, concerns the research material rather than the researcher. The neutrality requirement is called confirmability, which is achieved when the truth value and applicability of the research has been confirmed with different techniques. (Tynjälä 1991.) The findings and interpretations should be linked to the material in a way that is easily understandable to others (Lincoln & Guba 1985; Eriksson & Kovalainen 2008). Furthermore, other studies on a similar phenomenon should give support to the interpretations of the research (Eskola & Suoranta 1998). In this study, the nationality of the researcher may have affected the data collection when the interviewee was Chinese. However, the researcher sought to eliminate possible subjectivities and biases already during the interviews. For this purpose, the researcher summarised the main points of the answers and asked the interviewee whether the summary corresponded with his/her answers. The educational and professional backgrounds of the interviewees and the interviewer were practically similar which reduced the occurrence of biases. Further, the findings and interpretations of the study are linked to the research material by extensively

quoting the interviewees as well as describing the contexts and objectives of the interviewed companies as well as their choices in Chapter 4. Interpretations of this study and earlier studies as well as similarities and differences between them are discussed in Chapter 5.

4 EMPIRICAL FINDINGS

All the Finnish and Chinese companies of this study are large, when applying the definition in the 2003 European Commission recommendation. The definition takes into consideration staff headcount, turnover, and balance sheet total. (Commission recommendation 2003/361/EC.) The industries of the companies are related to industrial goods and services as well as consumer goods. All the Finnish companies are either listed companies or part of a listed company. One Chinese company is a listed company, and the other one a privately held company. Information on the companies is shown below in Table 7.

Table 7 Information on the interviewed companies

Company	Industry	Turnover (EUR million)	Number of staff
Company A (Finnish)	Industrial goods and services	650	2,000
Company B (Finnish)	Consumer goods	1,800	7,000
Company C (Finnish)	Industrial goods and services	3,900	15,000
Company D (Finnish)	Industrial goods and services	4,600	17,800
Company E (Chinese)	Consumer goods	1,000	3,000
Company F (Chinese)	Industrial goods and services	2,900	14,000

One Finnish company entered the Chinese market for the first time, whereas the three other Finnish companies had operated in China for a long time and established JVs with Chinese companies already before the JV referred to in this study. Of the Chinese companies, one had already formed JVs with western companies before the JV covered in this study. For the other Chinese company, the JV was the first one with a foreign company.

4.1 Motives for joint venture formation

A company has two options, if it chooses to make a direct investment abroad. It can establish a WOS or a JV. However, establishing the WOS requires a larger investment and takes longer than forming the JV. Moreover, the WOS requires larger own personnel and is generally a more demanding project than the JV.

“It [WOS] is so much a heavier structure. It requires a different type of investment and is a demanding exercise and, of course, you take the risk then alone.” (Company B)

All the Finnish companies named market access as their main motive for forming the JV in China. The market access took naturally place in different contexts for each of the companies. Three of the Finnish companies already had operations in China, so for them market access related more to the sales and market share growth targets as well as introducing a new product in the Chinese market. For the Finnish company entering China for the first time, market access offered possibilities for sales growth. The company had been exploring the Chinese market several years before entering the market.

In two of the JVs, the Finnish partners became suppliers to their Chinese partners. The Finnish companies have had long-term co-operation with their partners in various projects before establishing the JV. The JVs manufacture certain products of the Finnish partners, and the Chinese companies are important customers of the JV. The Chinese companies thus provide part of the market for the products of the JVs. No binding commitments for purchases have though been given, but the JVs are in-house or preferred suppliers of the large Chinese companies. The two Finnish companies call the Chinese side a strategic partner, and without the market provided for the JVs by the Chinese companies, the JVs might not have been established at all. China is the main market in these industries and thus an important market area for both Finnish companies.

In connection with the two above-mentioned JVs, manufacturing of the products of the Finnish companies for the Chinese market was transferred to China. According to the other Finnish company, the European manufacturing of the product was not competitive. However, the main motive of the Finnish companies for the JV was market access which, in turn, was considered to generate higher production volumes and thus economies of scale in manufacturing. Production costs are also lower in China. All these factors

naturally improve the competitiveness of the products in China. The Chinese partner also shares some of the risk.

“The main reason is market access and volumes and through that, costs are reduced, and competitiveness improves, and profitability increases and so on.” (Company D)

For one of the Finnish companies above, maintenance services are more important than product sales of the JV. Hence, the objective of the company is to populate the market with its product which should lead to increasing maintenance service volumes and thus profitable business in the aftermarket. The equipment business itself may even be unprofitable.

As stated earlier, a JV naturally needs certain inputs to attain its objectives. The partners may provide these inputs through different integration arrangements which are defined by ancillary agreements to the JV agreement, or they may be obtained from the outside. The provision of inputs is naturally a source of revenue. (Harrigan 1986.) Often the primary goal of companies in establishing the JV is to earn from above arrangements rather than to earn a return on investment (Shishido et al. 2015). In one JV above, the Chinese partner manufactures steel components for the JV in its own factories, whereas the Finnish partner has transferred technology to the JV. The Finnish partner considered the manufacturing dimension of the JV arrangement one of the motives of the Chinese partner for forming the JV. In this way, the Chinese partner can provide work for people. In the other JV, the Finnish company provides engineering services to the JV, and the JV takes care of purchasing, assembly, testing, commissioning, and sales. According to the Finnish interviewee, the partners co-create the value chain. In a similar vein, a partner or partners may purchase (in some cases all) outputs of the JV as is the case in the above JVs. In the latter above-mentioned JV, the Finnish company purchases products of the JV as well. The JV operates in its own relatively recently built production facility.

The third Finnish company which has been present in China for many years introduced a relatively new industrial product to the Chinese market through the JV. A few years prior to the establishment of the JV, a market for said product did not exist in China. When the JV was formed, the market, however, showed signs of fast growth, and the company wanted a significant share of it. The extensive sales network and manufacturing capabilities offered by the Chinese partner may help the Finnish company in achieving its goal. The Chinese partner of the JV, in turn, had a broad product offering, which did

not include the product of the Finnish partner. Thus, the Chinese partner could not provide its customers with all the products needed in the supply chain. The motive of the Chinese partner was therefore to expand its product range so that it could offer its customers a total solution. Thereby the company was able to increase customer and product loyalty as well as to find new customers, which naturally increased its profitability. The company had already prior to the establishment of the JV explored the market for this product. The JV leases the production facility from the Chinese partner, while the Finnish partner has supplied technology through licensing. The partners have transferred to the JV the rights to use their brands in the products of the JV. Most of the JV's employees are recruited from the open market, which is usual.

The fourth Finnish company markets and sells its premium product through the JV and seeks to brand the product in China. The motive of the company was to gain access to the Chinese market and increase sales. The Chinese partner shares some of the risks. The Chinese partner manufactures the product out of the material supplied by the Finnish partner. These sales are the main source of revenue for the Finnish partner from the JV set-up. The JV owns the brand and is tasked with branding the product in China.

The Chinese partner, in turn, had already planned to possibly make an investment in the foreign market before the JV was established. When the opportunity to co-operate with the Finnish company arose, the company decided to seize it. The Chinese partner wants to learn how to co-operate with foreign partners and shareholders. Further, the company wants to learn about, among other things, branding. In this sense, the JV is an experiment and a learning opportunity. The Finnish and the Chinese company manufacture and sell similar products. The Chinese interviewee stresses that the company takes the JV very seriously.

"...we thought that maybe we can, for the first time, co-operate with a foreign partner here in our market. In this way, we see this JV as an experiment, but we take the JV very seriously. It offers us a possibility to know how to co-operate with a foreign partner."

(Company E)

The product of the Finnish company which was launched by the JV was new to Chinese consumers and professional buyers. The Finnish origin of the product helps the JV develop marketing and distribution channels and increase the profitability of the JV through higher pricing. The fact that the JV is an EJV between a Finnish and a Chinese

company also has a positive effect on the above. Thus, the Chinese partner also has motives related to channel development and profitability.

It is generally stated that the strategies/motives of the JV partners should be compatible. According to one Finnish interviewee, the co-operation between the partners will work if the partners' motives do not conflict with each other. To be able to assess the compatibility, the partners should thus identify their partners' motives in the formation stage. The Finnish and Chinese partners of the study appeared have a clear idea of their partner's motives and considered the strategic goals of the partners compatible. The accuracy of the perceptions related to motives could only be assessed in the two JVs where both partners were interviewed. The perceptions of the partners corresponded quite well with what the other partner had said in these JVs. It also turned out that some partners assumed that the other partner had hidden motives.

A summary of the motives of the Finnish and Chinese companies for Sino-Finnish JV formation is presented below in Table 8.

Table 8 Motives for Sino-Finnish joint venture formation

Finnish companies	Chinese companies
<ul style="list-style-type: none"> • market access (in product sales and maintenance services); vast market in China • achievement of sales growth • increase of market share • economies of scale (increasing production volumes) and low-cost production (Chinese cost level) which improve competitiveness • launching a new product • establishment of a new brand • risk reduction (sharing risk with the partner) 	<ul style="list-style-type: none"> • product range expansion, which increases customer loyalty and brings in new customers • increase of profitability • learning through development of co-operation with a foreign partner • development of marketing and distribution channels

In the two JVs in which the Chinese partners were not available for interview, the perception of the Finnish partners was that the motives of the Chinese partners related to, among other things, access to technology from which they could learn. Thus, the Chinese companies can in the future become equipment suppliers, and they can get a larger share of the value chain. In one of the JVs, supply of steel components to the JV was considered one motive of the Chinese partner.

4.2 Partner selection criteria in joint ventures

Partner selection is an important decision with respect to the success of the JV since the resources and capabilities of the partner affect the daily operations and management of the JV, and ultimately the success of the venture. The partner selection criteria are divided into task-related and partner-related criteria. The task-related criteria concern skills and resources needed in the JV, whereas the partner-related criteria refer to the ability of the partner to work effectively in the JV.

In one of the JVs, the choice of the partner was clear from the beginning. According to the Finnish partner, the idea was that the JV is formed with a specific partner that is called a strategic partner. Thus, in this case, there was no genuine partner selection situation. The Chinese company is an important customer of the JV and has been a subcontractor or manufacturing partner of the Finnish company since 1980's. Hence, the partners knew each other very well and had built mutual trust over the years. Trust and favourable past association are clearly partner-related selection criteria.

“This subcontracting or customer-supplier relationship has been there since 1980's, so, of course, there is a deep understanding and trust between the partners. People know each other, and some are already on a friendship level.” (Company A)

In the other case in which the partners have a long history of positive co-operation, the Chinese company also provides the market for the products of the JV. Thus, the JV has continuous business with the Chinese company. In this case as well, the companies had over the years built mutual trust in connection with other co-operation projects. Therefore, here too, the Finnish company considers the provision of market access and continuous business as well as trust and favourable past association its partner selection criteria. It should be noted here that both, the Finnish and Chinese companies, form the JVs in the usual way through subsidiaries. The group parent companies provide support for the JVs.

“Even if it is a strategic partner, there should have been joint projects and a bit of history as well. This guarantees full support for the JV project from the parent company of the partner.” (Company D)

The subsidiaries of the Finnish companies of this study have been established in China or elsewhere abroad, but the group parent companies are headquartered in Finland. Thus, the JVs are Sino-Finnish. Sometimes subsidiaries are established specifically for the purpose of acting as a partner of the JV. In the first of the above cases, the earlier co-operation refers to co-operation between the Finnish company and the same Chinese subsidiary, whereas in the second case it refers to co-operation between the Finnish company and the Chinese group. The JVs do not necessarily sell their products to the Chinese partner companies, but to other companies within the Chinese groups.

The Finnish company that introduced a relatively new industrial product to the Chinese market made its partner selection based on the extensive sales network and manufacturing capabilities of the partner. The company wanted to reach a new customer segment, but its own sales network had no contact with these customers. Therefore, the company sought to find a partner with an extensive sales network serving said customers. The product of the Finnish company also needed to be localised for the Chinese market, and the Chinese partner had manufacturing capabilities to perform the task within the JV. The Finnish company considered the value base and corporate culture of the partners similar as well. This was established in numerous meetings when the JV was negotiated.

The product of the Finnish company was the main partner selection criteria for the Chinese company since the product complemented the product range of the company. The Chinese partner had prior to the JV formed several JVs with western companies. In these JVs as well, the western partner had contributed to the JV with a suitable product. In addition, the brand of the Finnish company was well-known in the industry in China, so the Chinese partner wanted the brand to be utilised in the new product. Hence, the product is sold under a dual brand that includes the names of both companies. The partners also shared same strategic goals for the JV. Further, the companies were about the same size which suited the Chinese partner as well as the competitive corporate culture of the Finnish partner. According to the Chinese interviewee, the Finnish partner wanted to be 'number one'.

Similarity of the partners' value chains in the same industry was one of the main selection criteria for the Finnish company in the fourth JV. Both companies control all stages of the value chain which is reflected in the corporate cultures and underlined in the corporate communication. The similarity of the value chains in the same industry and thus compatibility of corporate cultures enhances understanding between the partners. However, the most important partner selection criterion for the Finnish partner was the

fact that the Chinese partner had prior to the JV developed and launched a well-known brand in the Chinese market and thus demonstrated its ability to brand a product. The significance of this criterion is understandable given the branding objectives of the Finnish company through the JV. The third important partner selection criterion was the existing customer relationships and sales channels of the Chinese partner. The Chinese partner naturally knew the local market and culture, which was important for the Finnish company that entered the Chinese market for the first time, and the Chinese company was of suitable size as well. Moreover, the partners succeeded in building mutual trust prior to the signing of the JV agreement. The similarity of the value chains, compatibility of corporate cultures, the size of the partner company, and mutual trust are clearly partner-related selection criteria, whereas the three other criteria above relate to skills and resources of the partner and are thus task-related selection criteria.

“They [the Chinese partner] have the whole value chain, and they emphasise it in their own communication. This was probably the main reason why we were interested in them in the beginning. They are also of the right size. We also had discussions with the really large ones, but the power balance in such a collaboration could not have worked.”
(Company B)

The partner selection criteria of the Chinese company related to the similarity of the partners as well. According to the Chinese partner, both companies control the entire value chain, and have similar thoughts about conducting business and branding. The earlier mentioned objective to learn about co-operation with a foreign company and about branding was another partner selection criterion. Further, the Chinese company considered that the resources and knowledge of the partners complemented each other well.

The partner selection criteria of the Finnish and Chinese companies are presented below in Table 9.

Table 9 Partner selection criteria of the Finnish and Chinese companies

Finnish companies	Chinese companies
Task-related selection criteria (access to)	
<ul style="list-style-type: none"> • markets • sales channels • manufacturing capabilities • local market and culture knowledge • branding knowledge 	<ul style="list-style-type: none"> • product that complemented the existing product range • well-known brand • learning opportunities (to learn about co-operation with a foreign partner and, among other things, about branding)
Partner-related selection criteria	
<ul style="list-style-type: none"> • trust between partners • similarity of corporate cultures • similarity of value base • relatedness of partner's business (same industry and similar value chains in one of the JVs) • size of the partner company • favourable past association between the partners 	<ul style="list-style-type: none"> • similarity of corporate cultures • common strategic goals • relatedness of partner's business (same industry and similar value chains in one of the JVs) • complementary resources and knowledge • size of the partner company

The Finnish and Chinese partners mostly thought that the skills and resources of the partners complemented each other. In the two first JVs above in which the Chinese partners were not available for an interview, the Finnish partners thought that the Chinese companies valued the partner's leading market position within the industry or market segment. The Chinese companies wanted a partner with state-of-the-art technology and with a reliable brand that is well-known in the industry.

4.3 Choice of the joint venture type

By using the legal dimension, JVs may be classified into EJVs and CJVs. The EJV is the overwhelmingly most used JV type in China. CJVs are mainly used in certain industry sectors, such as construction (Hong & Chan 2014). The EJV requires an equity investment, whereas in CJVs an investment is not necessarily required. The four JVs in this study are all EJVs.

One of the Finnish companies has so far formed only EJVs, and this JV was no exception. According to the Finnish interviewee, the EJV is a stable form of co-operation, and the partners tend to be committed. In addition, the partners are represented in the board and involved in the decision-making. Thus, local activities can be monitored. Another Finnish company considers that manufacturing arrangements based solely on

contracts are not suitable for it. In the EJV, the company can better control brand, product quality, and technology. Thus, the company establishes only EJVs. According to a third Finnish company, the Chinese do not trust contracts alone. If the partner makes an investment in a venture, the Chinese are convinced that the venture is a real partnership and not just a customer relationship.

“The Chinese do not trust contracts alone, so we didn’t even discuss that type of solution in this case.” (Company B)

The Finnish company was also itself inclined to form the EJV since it brought its premium product to the Chinese market through the JV. The company sells its other products in China through other channels based on agreements. The Chinese partner of the JV considers the EJV a more stable solution than the CJV. As another Finnish interviewee indicated above, the EJV is generally considered more stable than the CJV since it requires more commitment of the partners. Moreover, in EJVs, both parties are represented in the board of the JV and in the decision-making, and therefore have access to information about the local operations and the JV. This guarantees the transparency of the operations at least to a certain degree. (Shishido et al. 2015.) There does not appear to have been any discussion of the CJV in the remaining JV. The partners focused more on the ownership structure of the EJV.

The JV types may further be classified based on the organisational structure. The JV may be an integrated one in which partners share profits and risks, and the management of the JV makes decisions on behalf of the JV. In a non-integrated JV, each partner is mainly responsible for tasks assigned to it and makes decisions without approval of the other partner. In this study, all four JVs are integrated JVs. Although the partners have signed different ancillary agreements which set out separate obligations to them, the management of the JVs makes the decisions in matters within the scope of the JVs. According to a Finnish interviewee, the non-integrated JV would not work in China at all. It could only work, if two companies had completely different technologies that overlap or complement each other.

JVs may also be classified into horizontal and vertical JVs. The classification is based on the economic relationships between the JV and its partners. All the companies in this study are large groups which entails they have a lot of different functions that cover various stages of the value chain. In the case of the two first JVs, manufacturing of Finnish

companies' products for the Chinese market was transferred to China. However, the Finnish companies still have manufacturing functions, and, at least in the other case, the Finnish company produces in Europe the same products as the JV and sells them worldwide. Thus, the JVs are, at least in theory, horizontally related competitors of the Finnish companies, for example, for raw materials. This applies to the Chinese companies in these JVs as well. The JVs utilise technologies provided by the Finnish partners as well, but technology provision is rather a support function than an independent stage of value chain. In the third JV, the Finnish company manufactures and sells the same product as the JV outside China, and the JV utilises technology licensed to it by the Finnish partner. The Chinese partner, for its part, has leased part of its production plant to the JV, and manufactures and sells the same type of products as the JV. Moreover, both partners have transferred the rights to use their brands to the JV. The last JV markets and sells the same product that the Finnish partner markets and sells outside China, whereas the Chinese partner markets and sells same kind of product of its own in the Chinese market. The product of the JV is manufactured by the Chinese partner out of raw material supplied by the Finnish partner. In addition, the Chinese partner handles inbound and outbound logistics, human resources, and some sales. In summary, the last JV is horizontally as well as vertically (downstream) related to its partners, and the third JV horizontally related to the partners. Here too, providing technology and brand as well as lease of facilities, and human resources are rather support functions.

Finally, JVs may be classified according to the functions of the JV. As already indicated above, three of the JVs in this study are manufacturing/assembly and sales JVs, whereas the fourth JV is a marketing and sales JV.

A summary of the Sino-Finnish JV types in this study is shown below in Table 10.

Table 10 Sino-Finnish joint venture types

JV type	Distribution (out of four JVs)
EJV or CJV	Four EJVs
Integrated or non-integrated JV	Four integrated JVs
Horizontal or vertical JV	In terms of the Finnish partners: Three horizontal JVs, and one horizontal and vertical JV In terms of the Chinese partners: One horizontal JV, and one horizontal and vertical JV
Function of the JV	Three manufacturing/assembly and sales JVs One marketing and sales JV

As has been noted earlier, two Chinese companies were not available for interview. Thus, in case of them, the classification into horizontal and vertical JVs is based on the perceptions of the Finnish partners.

4.4 Strategy-environment fit in joint ventures

Strategy-environment fit is defined relatively briefly by Wang, L. (2007). It is stated that western partners should match their investment strategy to the Chinese business environment. Current policies and regulations, and emerging markets are mentioned as examples of the features of the business environment. In addition, the study of strategy-environment fit appears not to be an established research stream. Therefore, the following issues related to the strategy-environment fit have largely been chosen by the researcher.

Partner companies of the JVs use several investment strategies that are reflected in the competitive strategy of the JV. The strategies and strategic goals of the partners should be compatible. The motives for the JV are related to what the partners seek when they form the JV. The main motive of the Finnish companies was access to the Chinese market, so in line with Dunning (1993), the main FDI strategy of the Finnish companies was to seek markets. In addition, two of the Finnish companies sought efficiencies (economies of scale), and resources (low-cost labour). The Chinese cost level and improved lead time motivated a third Finnish company.

In terms of competitive strategy, one JV concentrates clearly on cost savings. Cost savings were the reason for the transfer of the manufacturing of the Finnish partner's product to China. According to the Finnish interviewee, the JV thus implements a cost leadership strategy that supports the Finnish partner's aftermarket strategy. In the other case in which production was transferred to China, the JV appears to follow a hybrid strategy combining differentiation and low costs. The third JV seems to concentrate on differentiation and low costs as well, but in addition, it focuses on one segment, so the JV may be deemed to pursue a focus strategy. The fourth JV sells the Finnish partner's premium product with a high price and, according to the Finnish interviewee, uses a differentiation strategy. In three JVs, the prices have been adjusted to the Chinese market by manufacturing the products in China.

“We [the JV] manufacture the localised products, so that the price is suitable for the Chinese market.” (Company F)

Whether a company has a majority, minority, or equal share of the JV and related control rights, generally depends on its strategy, the size of its investment, and/or the other inputs the company provides to the JV. (Shishido et al. 2015.) From the perspective of the Finnish partners, in three of the JVs, the Finnish partners have a minority share, and in the fourth one, the ownership structure is equal or 50-50.

According to one of the Finnish companies, the nature of the operations of the JV was the reason for the 49 percent minority share. The JV functions as an assembly and sales JV. According to its strategy, the Finnish company does not want to include such manufacturing or assembly JVs into its bookkeeping since these JVs are not seen as core businesses of the company. When the company has a minority share of the JV, it does not have to include all figures of the JV into its books: a minority share is recorded only as a one-line consolidation. The Finnish company has appointed the managing director of the JV, while the Chinese partner appointed the chairman of the board. The Chinese partner has the board majority.

In another JV in which the Finnish company has a 49 percent minority share, the Chinese law determined the ownership structure when the JV was formed. The industry sector belonged to ‘restricted business sectors’⁶ in which the Chinese partner had to own most of the JV. This is no longer the case, but the Finnish partner sees no reason to change the ownership structure (e.g., to 50-50), because it does not have much relevance. The Finnish partner has appointed the general manager (managing director) of the JV, whereas the Chinese partner has nominated the deputy general manager and the finance manager. Both partners have appointed three board members which, according to the Finnish partner, is more important than the ownership division and leads practically to an equal or a 50-50 JV.

“Under Chinese law, the most important thing is how the board is divided, and not who owns the percentages. Both partners have three board members, and that means a 50-50 JV, although one has invested more than the other.” (Company D)

In the third JV, the ownership structure was the result of partners’ bargaining power which was based on the valuation of the partners’ contributions to the JV.

⁶ The Chinese government has over the years guided FDI through legal documents, which classify FDI in four categories: encouraged, restricted, prohibited, and permitted (Seto & Wang 2019).

“I think both companies did an evaluation. On our side, it was said that we have the product, but we need sales channels, and we need to manufacture locally, and they estimated they needed our product. So, this is due to the bargaining power. We evaluated that both parties have almost as strong bargaining power, so we eventually agreed on the 50-50.” (Company C)

The Finnish partner has appointed the chairman of the board and the finance manager of the JV, while the Chinese partner appointed the general manager. Both partners have two seats in the board.

In the fourth JV, the partners agreed that equal ownership would lead to a deadlock in the operation of the JV. Therefore, the Chinese partner that operates in its home country has a clear majority which was considered to guarantee operational flexibility. One partner needed to be able to make decisions. According to the Chinese partner, the Chinese market is changing rapidly, so the JV needs to adapt to the changes and make fast decisions. In addition, the Finnish partner is not represented in China all the time. However, the JV agreement includes several provisions in which a unanimous decision is required. According to the Finnish partner, these provisions have consequently watered down the original idea to a certain extent. The Chinese partner has nominated the general manager of the JV, while the Finnish partner has appointed the finance manager. Both partners are naturally represented in the board.

Depending on the context, selecting a suitable partner can also be considered a strategy. The Chinese partner is an important customer for two of the JVs that manufacture the Finnish partners' products.

“These [JVs] are usually aimed at gaining access to the Chinese domestic market and ensuring that we are competitive there. In this case, we decided to look for a strategic partner and transfer production close to the market.” (Company A)

Without the market provided by the partner for the JV, the Finnish company would not necessarily have established the JV at all. Therefore, selection of a suitable partner may be deemed a strategy in this as well as in the second case in which the Chinese partner is held as a strategic partner. In terms of establishment mode strategy, all four JVs in this study are Finnish partners' greenfield investments. The interviewees did not indicate that partial acquisitions had been considered.

Strategy-environment fit entails that the JV must pursue a strategy that is aligned with the market environment. The strategies of the Finnish and Chinese partners that are reflected in the strategies of the JVs are accounted for above. All the Finnish and Chinese partners considered the strategies of the partners to be compatible. The following is a review of how the partner companies had analysed Chinese market environment in advance to ensure the compatibility of their strategies and the strategies of the JVs with the market environment (market fit, and policies/regulations fit). The characteristics of the Chinese market environment have already been briefly referred to in Chapter 1. Here, it can be added that China is the second largest economy in the world and an upper-middle-income country. Since the opening up of its economy in 1978, the average annual growth rate of the gross domestic product (GDP) has been almost ten percent. (The World Bank 2020.) The main driver of China's economic growth is today consumption (People's Daily Online 2020). However, the institutional development of China has not kept pace with rapid economic growth. There are deficiencies in the regulatory framework and the rule of law supporting the market system. (The World Bank 2020.)

Especially network relations, *guanxi*, which refers to personal and business connections, plays a central role in the Chinese business culture and is critical to business activities in China (Ambler et al. 2016). According to a Finnish interviewee, there is a lot of talk about *guanxi*, but he had not thought about it much. The concept was unknown to another Finnish interviewee, but he had observed things related to *guanxi* in practice. He considered personal relationships important in the Chinese business culture.

Three of the Finnish companies had already been in China for a long time by the time the JVs were formed. One of the companies had entered China at the end of the 1970's, and two other companies in the 1980's. These companies have a lot of employees in China of which many are Chinese that have been employed by the companies for a long time. The companies had also established JVs with Chinese companies already before the JVs referred to in this study. Therefore, these companies knew the Chinese market and business culture well. According to one interviewee, the company has a 'Chinese face'. The fourth Finnish company entered China for the first time.

The Finnish companies had used, among other things, market research for prior analysis of the Chinese market. In the market research, the viability of a new service or product is determined through research carried out directly with potential customers (Twin 2020). The market research is conducted for internal purposes of a company. Boards of the companies require that such analyses be made prior to the approval of the

project. Of the two Chinese companies, one carried out a market research before forming the JV.

A joint feasibility study is part of the JV's application for approval to the Chinese authorities. The study includes an assessment of the JV's future expectations and contains, among other things, market and competition analyses, projected sales, and financial projections. (Asia Base Law & Projects 2020.) In addition, according to a Chinese interviewee, the joint feasibility study also included an analysis of relevant Chinese industry policy. Thus, drawing up a joint feasibility study provides a lot of information about the Chinese market environment to the partners. The joint feasibility plan may also be drawn up in the form of a business plan. In that case, it can be used as an action plan by the management of the JV. Further, possible investors may use it in the decision-making. (Asia Base Law & Projects 2020.)

“We did a lot of research in the formation stage [of the JV], so the manager of the JV could look at the feasibility study for guidance in the operations of the JV.” (Company F)

The partners contribute to the joint feasibility study by expressing their views on different matters based on their own analyses.

“We shared some of our views based on our own analysis on the joint feasibility study, and they commented and so on. It is important that it is drawn up together.”

(Company D)

A more detailed analysis of the industries of the JVs is outside the scope of this study. With respect to policies/regulations fit, the partners seek to follow industry policies of the Chinese government⁷ and anticipate policy changes. These policies guide the market and can thus open new business opportunities. At the same time, existing industries can be phased out. The JVs naturally comply with local laws. As stated earlier, Chinese law determined the ownership structure of one JV. According to the interviewees, the western

⁷ For example, the Chinese government released in 2019 the Catalogue for Guiding Industry Restructuring that is aimed at upgrading and adjusting the structure of industries and moving the Chinese economy from high-speed growth to high-quality development. Consequently, backward, and heavily polluting industries will be phased out, and investment in high-tech industries will be sought in the purpose of moving China forward in the global value chain. The Catalogue is considered important in guiding the direction of domestic and foreign investment. Foreign companies are advised to take note of the trends for industry restructuring. (Zhang 2019.)

companies take compliance in general very seriously. Out-of-court settlement of disputes is advisable because Chinese law tends to favour local interests over the interests of partly foreign-owned JVs. So far, none of the JVs have had legal problems in their operations.

An overview of strategy-environment fit in Sino-Finnish JVs is outlined below in Table 11.

Table 11 Strategy-environment fit in Sino-Finnish joint ventures

Main investment strategies	<p>All Finnish companies' main FDI strategy related to market seeking. Two of them also sought efficiencies and resources, and one resources.</p> <p>In terms of competitive strategy, one JV employs a cost leadership strategy that supports the Finnish partner's aftermarket strategy, and the other JV a differentiation strategy. The third JV appears to follow a hybrid strategy, and the remaining fourth JV a focus strategy.</p> <p>With respect to ownership structure of the JVs, two Finnish companies followed a minority interest strategy. The Chinese companies naturally followed opposite strategies in these JVs. In one JV, the ownership was shared equally, and in the other, Chinese law determined the ownership so that the Chinese partner was the majority owner.</p> <p>Especially two Finnish companies' strategies related to finding a suitable strategic partner.</p> <p>In terms of establishment mode strategy, all four JVs of the study are Finnish partners' greenfield investments.</p>
Knowledge of Chinese market and business culture	<p>Three Finnish companies had been present in China long before the formation of the JVs. The fourth one entered China for the first time.</p> <p>All except one Chinese company had carried out a market research before forming the JV. Joint feasibility study is part of the JV's application for approval to the Chinese authorities. It provides a lot of information about the Chinese market environment.</p> <p>Attitudes towards the significance of guanxi varied.</p>
Policies/regulations fit	<p>The partners seek to follow the industry policies of the Chinese government and anticipate policy changes. Chinese law determined the ownership structure of one JV. None of the JVs have so far had legal problems in their operations.</p>

Issues related to strategy-environment for the two other Chinese partners are not dealt with here since the companies were not interviewed.

4.5 A summary of main empirical findings

The following is a summary of the main empirical findings of the study. Each element of the formation stage of the JV is dealt with separately and the related findings are presented.

Market access was found to be the main motive for forming the JV for all the Finnish companies. This is certainly due to the vast size of the Chinese market in the industry sectors of the Finnish companies. As stated earlier, the context of market access varied for the Finnish companies. Three Finnish companies already had operations in China, so they aimed to increase present sales and market share as well as to bring a new product to the Chinese market. The main goal of one company was, in fact, to achieve growth in the maintenance business by first populating the market with its product. The Finnish company that entered China for the first time seeks to increase sales. Launching a new brand owned by the JV helps in differentiating the product and thus in achieving more sales. Three Finnish companies also had motives related to operational matters. Manufacturing of these companies' products for the Chinese market was transferred to China which is expected to lead to economies of scale and/or lower production costs, and consequently, to improved competitiveness. Further, two Finnish companies mentioned risk reduction as one of their motives. In the JV, partners share the risk, whereas in a WOS, the owner bears the risk alone. The motives of the Chinese companies, in turn, related mainly to the domestic market. Product range expansion motivated one of the Chinese companies. Through a wider product range, the company aims to serve its existing customers better as well as reach new customers. Ultimately, profitability of the company increases. Another Chinese company wants to learn how to co-operate with a foreign partner and learn from the partner. The company also has motives related to development of marketing and distribution channels. The Finnish background of the product of the JV contributes to this goal. The Finnish partner's product is new in the Chinese market, although the Chinese company sells a premium product of the same type. The new product commands a high price which increases the profitability of the JV. Further, it was found that the Finnish and Chinese partners clearly had identified their partner's motives. They also considered the strategic goals of the partners compatible.

As regards partner selection criteria, the study found that the Finnish companies' task-related partner selection criteria concerned access to markets, to sales channels, and to manufacturing capabilities. In two JVs, the Chinese partners are important customers for

the products of the JVs. In two other JVs, the JVs utilise the sales networks or channels of the Chinese partners. The sales network of the Chinese partner enables one of the Finnish partners to reach a new customer segment through the JV. The Finnish partner in this JV was also attracted by the Chinese partner's manufacturing capabilities. The JV localises the product of the Finnish partner for the Chinese market. Another Finnish partner in the last-mentioned two JVs entered China for the first time, and the Chinese partner offers, in addition to sales channels, local market and culture knowledge as well as branding knowledge. The branding knowledge of the Chinese partner was, in fact, the most important partner selection criterion for the Finnish partner since the task of the JV is to brand the product of the JV in the Chinese market.

The task-related selection criteria of the two Chinese companies concerned the product and well-known brand of the Finnish partner and learning opportunities. The Finnish partner's product complemented the product range of one of the Chinese partners. Moreover, the brand of the product is well-known within the industry. Hence, the JV uses the brand together with the brand of the Chinese partner. The other Chinese partner strives to learn about co-operation with a foreign partner as well as, among other things, about branding. Thus, the Finnish partner offers learning opportunities. The Finnish and Chinese partners mostly considered that the skills and resources of the partners complemented each other.

In terms of partner-related selection criteria, three Finnish companies mentioned trust between partners as their selection criterion. In two of these cases, trust had been built over the years in connection with projects with the Chinese partner or group. It follows that favourable past association was also a partner-related selection criterion for these two companies. In the third JV, trust was established in negotiations and meetings preceding the establishment of the JV. Similarity of corporate cultures was mentioned by two Finnish companies, whereas one Finnish company referred to similarity of value base. Similarity of corporate cultures was, in fact, a selection criterion for both the Finnish and the Chinese partner in one of the JVs. According to the other Finnish partner that mentioned corporate culture, the partners control the entire value chain which is reflected in the corporate cultures and is emphasised in the corporate communications. The Chinese partner also stressed the similarity of the partners as a selection criterion but did not explicitly refer to corporate culture. Since both partners in this JV brought up similarity of the partners and control of the value chain, this criterion is here labelled as relatedness of partner's business. Furthermore, the Chinese partner mentioned complementarity of

the partners' resources and knowledge. In the same JV, the Finnish partner's selection criteria also included the size of the partner. The company had prior to the formation of the JV negotiated with much larger Chinese companies but considered the balance of power too unequal. The other Chinese company in this study also referred to partner's size as a selection criterion. The company considered the equal size of the partners a positive feature. Common strategic goals of the partners were also a partner-related selection criterion for the company.

With respect to the type of JVs, all four JVs in the study were EJVs. One of the Finnish companies has so far only formed EJVs. According to the company, the EJV is a stable form of co-operation, and the partners are committed. Moreover, the partners are represented in the board and involved in the decision-making which contributes to the monitoring of local activities. Another Finnish company also establishes only EJVs. The company can, among other things, control brand, product quality, and technology better in the EJV than in a contractual arrangement. A third Finnish company that brought its premium product to the Chinese market appears to apply this rationale as well. The Chinese partners also did not seem to value much solely contractual arrangements or CJVs. One of the Chinese companies regards the EJV more stable than the CJV. Classified according to the activities of the JV, three JVs were manufacturing/assembly and sales JVs and one JV a marketing and sales JV. Based on the organisational structure, all JVs were integrated JVs in which the management of the JV makes the decisions for the JV, and the partners share the profits and risks. Finally, three of the JVs were horizontally related to their Finnish partners, whereas one JV was horizontally and vertically related to its Finnish partner. In relation to the Chinese partners, one JV was a horizontal JV, and the other a horizontal and vertical JV.

Strategy-environment fit entails that the JV must pursue a strategy that is aligned with the market environment. The partner companies of the JVs use several investment strategies that are reflected in the competitive strategy of the JV. The JV formation motives are related to what the partners seek, and consequently correspond with the partners' FDI strategies. All Finnish companies employ a market seeking strategy. Two of them sought efficiencies (economies of scale), and resources (lower-cost production). The Chinese cost level and improved lead time motivated a third Finnish company. In terms of competitive strategy, one JV employs a cost leadership strategy that supports the Finnish partner's aftermarket strategy. Cost savings were the reason why manufacturing of the Finnish partner's product for the Chinese market was transferred to China. Another

JV sells the Finnish partner's premium product with a high price, and thus uses a differentiation strategy. Of the remaining two JVs, one appears to combine differentiation and low costs. In this JV, the partners aim to create the value chain together. The other of these JVs seems to combine differentiation and low costs as well but focuses on one segment. Thus, these JVs may be deemed to follow a hybrid strategy, and a focus strategy, respectively. In three JVs, the prices have been adjusted to the Chinese market by manufacturing the products in China.

Two Finnish companies were found to pursue minority ownership strategies. It follows that the Chinese companies pursued majority ownership strategies in these JVs. One of these Finnish companies wanted to leave the figures of the JV outside its accounts since the JV is not seen as core business of the company. The minority ownership allows this. In the other JV, it was agreed that the Chinese partner has a clear majority, as it would guarantee operational flexibility of the JV in the rapidly changing Chinese market. In a third JV, the ownership was divided equally between the partners. Equal ownership was based on the valuation of the partners' contributions to the JV. Chinese law determined the ownership structure in the remaining JV, so that the Chinese partner became the majority the owner. The industry sector belonged to so-called restricted business sectors. Moreover, two Finnish companies aimed to find a suitable strategic partner. The Chinese partners are important customers for these JVs that manufacture the Finnish partners' products. Thus, selecting a suitable partner may be deemed the Finnish companies' strategy as well. In terms of establishment mode strategy, all four JVs in this study are Finnish partners' greenfield investments.

The Finnish partner companies had naturally analysed Chinese market environment in advance to ensure the success of the JV and the compatibility of the strategies of the JVs with the market environment. However, three Finnish companies had been operating in China for a long time before the formation of the JVs of this study, and they thus knew the Chinese market and business culture well. The fourth Finnish company came to China for the first time. All companies, except one Chinese company, had carried out a market research before forming the JV. Boards of the companies require that such analyses be made prior to the approval of the project. Further, the partners of the JV together draw up a joint feasibility study which is part of the JV's application for approval to the Chinese authorities. The feasibility study provides a lot of information about the Chinese market environment to the partners. Finally, network relations, *guanxi*, which refers to personal and business connections, plays a central role in the Chinese business culture and is thus

considered critical to business activities in China. However, the attitudes towards the significance of guanxi varied among the interviewees. As regards policies/regulations fit, the partners strive to follow the industry policies of the Chinese government and anticipate policy changes. The JVs naturally comply with local laws. The JVs have so far not had legal problems.

5 CONCLUSIONS

5.1 Theoretical implications

The purpose of this study is to find out what the formation stage of Sino-Finnish joint ventures involves. The study is based on the theoretical framework by Wang, L. (2007) which outlines the main elements of the JV formation stage in China. The sub-questions of the study are consequently related to these elements. The novelty of the theoretical framework is that it identifies certain elements involved in the formation stage. The elements themselves are known and have been studied earlier. Therefore, the findings of the study are compared with the findings of the study of Wang, L. (2007) as well as earlier studies on the elements of the formation stage. The empirical data was collected through six semi-structured interviews with representatives of the partners of four Sino-Finnish JVs.

A large part of the earlier studies on the IJV formation stage and especially on its different elements are quantitative that use, for example, questionnaires. Qualitative studies that also consider contextual factors are few. Thus, this study contributes to the research on JVs by considering contextual and situational factors related to the formation stage of Sino-Finnish JVs and its different elements. Research on Sino-Finnish JVs is in all limited. Also, the study reviews the perceptions of both the Finnish and Chinese partners. Thus, the study provides rich information on the subject. The interviewees of the study did not initially understand the JV formation stage in the same way as suggested by the theoretical framework of the study. However, the issues discussed in the interviews had been central in the formation stage of the Sino-Finnish JVs. This confirms the applicability of the theoretical framework of Wang, L. (2007) to the research topic.

All the Finnish and Chinese partners were found to have multiple motives for forming the JV. The finding is consistent with Klijn et al. (2010). In the formation stage of the JV, the partners should identify their partners' motives to be able to assess the compatibility of the objectives (Wang, L. 2007). In the partners' own view, they had succeeded in this and considered the strategic goals of the partners to be compatible. This is regarded important in terms of the success of the JV (Contractor & Lorange 1988; Stafford 1994).

For Finnish partners, market access, risk reduction, low-cost production, and economies of scale were identified as the main motives. The findings are in line with earlier motive studies (e.g., Harrigan 1986; Contractor & Lorange 1988; Dong & Glaister

2006; Wang, L. 2007). Growth in market share and in sales in the target market have also been mentioned earlier (e.g., Dunning 1993). Due to the limited sample, the order of importance of motives – or of partner selection criteria below – is not compared to the order of importance of earlier studies. Chinese partners of the study were found to have motives related to product (product range expansion), learning through co-operation, development of marketing and distribution channels, and profitability. Of these, earlier research mention especially motives related to learning (e.g., Duysters et al. 2007), product and profitability (e.g., Wang, L. 2007). Chinese companies have in earlier studies often been found to have motives related to technology exchange, and international expansion (e.g., Dong & Glaister 2006; Duysters et al. 2007). The current study partly confirms these findings. One of the Chinese partners aimed to learn from the co-operation with a foreign partner since it possibly wanted to invest into foreign market in the future.

In general, research views JVs separately from their partners. In this study, the JVs and the formation motives were also looked at in the light of the agreements concluded between the JV and its partners. The interviewees did not expressly cite motives related to these agreements. However, one of the motives of one Finnish partner was to increase sales. The company sells raw material to its Chinese partner that manufactures the product for the JV. These sales are the main source of revenue for the Finnish partner from the JV set-up. Thus, at least indirectly, the contractual arrangement may be deemed one of the Finnish partner's motives for JV formation. The same applies to one of the Chinese partners that manufactures steel components for another JV. This perception, however, is only based on the views of the Finnish partner since the Chinese partner was not available for interview. In any case, in order to gain a broader understanding of the subject, it may be useful to take the above agreements into account when studying the JV formation motives. The above may be considered a methodological contribution to the study of JVs.

Concerning partner selection criteria, each Finnish and Chinese partner quoted both task-related and partner-related selection criteria. Although the interviewees did not expressly use these concepts, the companies still seem to apply the categorisation by Geringer (1991). Access to markets, and access to sales channels were found to be the main task-related partner selection criteria of the Finnish companies. The other task-related criteria included access to manufacturing capabilities, access to local market and culture knowledge, and access to branding knowledge. These findings largely supported the findings of earlier studies (Glaister & Wang 1993; Chen & Glaister 2006). The task-related selection criteria of the Chinese companies, in turn, were found to be access to

product, access to well-known brand, and access to learning opportunities. These criteria are mentioned in earlier studies as well (e.g., Luo 2002; Wang, L. 2007). The task-related partner selection criteria of both the Finnish and Chinese companies related closely to the motives for forming the JVs. This may be explained by the fact that companies tend to select a partner with the skills and resources that help the JV achieve its strategic goals. The finding has received support in earlier studies (Dong & Glaister 2006). The Finnish and Chinese partners also mostly thought that the skills and resources of the partners complemented each other. This is consistent with earlier studies (e.g., Glaister et al. 2005; Rumpunen 2011). The main partner-related selection criteria of the Finnish companies comprised trust between the partners, favourable past association, similarity of corporate cultures, and size of the partner. These findings were also mostly consistent with earlier studies (e.g., Glaister & Wang 1993; Chen & Glaister 2006) as were the Chinese companies' partner-related selection criteria (e.g., Dong & Glaister 2006).

Regarding the choice of JV type, all JVs of the study were EJVs. Hence, comparison of the motives, partner selection criteria, and strategy environment-fit between the EJV and the CJV was not possible. As stated earlier, the EJV is by far the most used JV type in China, and CJVs are mainly used in certain industry sectors, for example, in construction. One Finnish company referred to the stability of the EJV, and the commitment of the EJV partners. Moreover, the partners are represented in the board and involved in the decision-making which enables monitoring of the activities of the JV. The reasoning is in line with earlier studies (e.g., Shishido et al. 2015). Another Finnish company had chosen the EJV – instead of the CJV – based on better control of intangible property and product quality in the EJV. A third Finnish company seems to have applied the same reasoning in choosing the JV type. The rationale is also consistent with earlier research. According to Luo (1997), the EJV facilitates transfer of intangible property. In the EJV, the transfer of technology (or of other intangible property) from the EJV to the partner that does not own the technology is not possible without the consent of the technology owner. Moreover, the technology owner can control the transferred technology better in the EJV than in the CJV, or other contractual arrangement. (e.g., Hill et al. 1990; Shishido et al. 2015.) One of the Chinese partners, in turn, considers the EJV a more stable solution than the CJV. According to Shishido et al. (2015), the EJV is generally regarded more stable than the CJV since it requires more commitment of the partners. Further, earlier research considers that the EJV makes inter-company learning easier (e.g., Kogut 1988; Luo 1997). However, this could not be confirmed in the current

study. One of the Chinese partners had learning-related motives, but the interviewee did not indicate that these motives had been the reason for choosing the EJV. Research concerning other JV classifications of the study are scarce, and therefore, the possible theoretical implications related to them are not addressed further here. Concerning horizontal and vertical JVs, the vertical agreements between the JV and its partners that play an important role in realising synergies in JVs have been dealt with earlier.

In respect of strategy-environment fit, the FDI strategies of the Finnish companies followed the classification by Dunning (1993). Further, it was found that the competitive strategies employed by three JVs comply with the strategy categorisation of Porter (1980). The fourth JV combined differentiation and low costs which supports earlier studies on hybrid strategy (e.g., Miller 1992). In this JV, the partners aim to create the value chain together. In three JVs, the prices have been adjusted to the Chinese market by manufacturing the products in China which reflects the lower price level of the Chinese market. The Chinese law defined the ownership structure of one of the JVs, so that the Chinese partner obtained the majority shareholding. Two other Finnish companies followed minority ownership strategies in their JVs. Killing (1982) argues that the stability of the JV will increase, if one partner is dominant since the decision-making process is less complex, and related managerial costs are reduced. An equal ownership structure in the JV may lead to deadlock situations. In one of these two JVs, the Chinese partner has a clear majority since it was considered to guarantee operational flexibility of the JV (e.g., fast decision-making). Equal ownership was seen to lead to an impasse in the operation of the JV. The arguments of the partners thus follow those of Killing (1982). The partners did not, however, follow their reasoning in practice by including too many articles requiring unanimous decisions in the JV agreement. The ownership structure of the JVs was in general found to be reflected in the composition of the boards of directors, and the rights to appoint JV managers. The finding is consistent with earlier studies (e.g., Shishido et al. 2015). Moreover, in line with Wang et al. (1999), selection of a suitable partner may be deemed a strategy for two Finnish partners. The Finnish partners call their Chinese partners strategic partners since these, among other things, provide the market for the products of the JVs. Finally, network relations, *guanxi*, plays a central role in the Chinese business culture and is generally regarded critical to business activities in China (e.g., Ambler et al. 2016). The current study, however, does not confirm these findings. The study also reviewed how the partner companies had analysed Chinese market in advance to ensure the compatibility of their strategies and the strategies of the JVs with

the market environment (market fit, and policies/regulations fit). The findings are, however, practical in nature, and therefore, they are not addressed further here.

In summary, the theoretical framework of the study identifies the elements of the formation stage of the JV. These elements had been central for the Sino-Finnish JVs of the study. The empirical findings related to the different elements and their interpretation and contextual explanation provide the answers to the sub-questions of the study, and consequently, together with the theoretical framework, define the formation stage of the JV. The empirical findings were largely in line with earlier studies. The following findings are, however, worth highlighting. Market access was mentioned by all the Finnish partners as their main JV formation motive. Operational matters were also important for the Finnish companies, while the Chinese companies' motives concerned mostly domestic issues, such as product range expansion, and learning from a foreign partner. As regards partner selection criteria, the task-related partner selection criteria of the Finnish and Chinese companies related closely to the motives for forming the JVs. The Finnish companies emphasised especially trust between partners as their partner-related selection criterion. Concerning the choice of JV type, the EJV was chosen instead of the CJV based on its stability and greater transparency of operations as well as better control of intangible property. Regarding strategy-environment fit, the partner companies had analysed Chinese market in advance to ensure the compatibility of their investment strategies with the market environment. The partners also follow the industry policies of the Chinese government and seek to anticipate policy changes. The researcher mostly chose the other issues related to strategy-environment fit. For example, one of the Finnish companies follows a clear minority ownership strategy, which aims at operational flexibility of the JV in the rapidly changing Chinese market, while the cost leadership strategy of another JV supports the aftermarket strategy of the Finnish partner. These and other strategy-environment fit related findings may offer new insights in the study of JVs.

5.2 Managerial recommendations

The current study provides a wealth of information which may be useful for a company aiming to enter the Chinese market by forming a Sino-Finnish (Sino-foreign) JV. The study presents different types of experiences by Finnish and Chinese companies. Three of the Finnish companies have been operating in the Chinese market for a long time, so their prior experience of China was extensive. The fourth Finnish company is a newcomer

in China and therefore, provides different types of experiences. The Chinese partners, in turn, provide local companies' views.

Companies and their managers should be aware that China is a market that requires long-term commitment. This calls for perseverance since positive results may not be achieved in the first few years. The study provides the following managerial recommendations for western companies. (1) The western companies should identify the motives for JV formation of the prospective Chinese partner so that it can assess the compatibility of the motives. The compatibility of motives/strategies has been regarded key for the success of the JV. (2) In partner selection, companies naturally pay attention to operational skills and resources of the partner. However, the Chinese partner's ability to work effectively in the venture is important as well. Thus, western companies should consider especially trust between partners which helps when the JV is going through difficult times. If the partners do not know each other from prior collaboration, trust should be created, for example, in negotiations and meetings before the JV is established. (3) The western companies would be advised to consider the EJV instead of the CJV if the company intends to transfer technology or other intangible property to the JV. The company can control intangible property better in the EJV than in the CJV. Choosing the EJV also guarantees the transparency of the operations since parties are represented in the board of the JV and in the decision-making, and thus have access to necessary information. (4) As for strategy-environment fit, western companies should be aware of the industry policies of the Chinese government and be prepared to anticipate policy changes. These policies guide, among other things, market development and ownership structure of JVs. The policies can also open new business opportunities while simultaneously, existing industries can be phased out. A thorough analysis of Chinese market is advisable as well. The partners of the JV together draw up a joint feasibility study that includes, among other things, market and competition analyses, projected sales, and financial projections. The feasibility study is submitted to the Chinese authorities. However, western companies should not be content to solely rely the views of the Chinese partners but should be prepared to express their views on various issues based on their own analyses.

5.3 Suggestions for further research

The study represents one way to look at the JV formation stage as a whole and provides a review of the partners' practices. Other approaches to the formation stage are not addresses in the study. Concerning individual elements of the formation stage, the study relies on prior theories. The objective is not to generate theory or concepts, but to focus on interpretative sense-making and contextualised explanation as well as providing rich information on the subject. Therefore, the transferability or generalisability of the findings of the study are limited as is typical for qualitative studies even though the findings as such were largely consistent with earlier studies. Most of the earlier studies are, however, quantitative studies. The transferability of the findings could be improved by studying a larger sample of companies through qualitative approach. Thus, a larger spectrum of contexts would be studied, and a greater number of similar findings could possibly be obtained. This study involves four Finnish and two Chinese companies.

Another limitation of the study is the composition of the sample. The sample companies are all large companies. Further research could concentrate on the SMEs and compare the findings with those of large companies. Moreover, the Chinese companies of the study were both privately owned. Studies on Chinese state-owned companies could possibly yield different findings given these companies' political ties. In addition, the study comprised only one type of JVs, namely EJVs. Therefore, further studies involving CJVs are suggested. Studies could also take into account the earlier China or international experience of western companies. One of the Finnish companies of the study entered the Chinese market for the first time and consequently referred to the Chinese partner's knowledge of the local market and culture as its task-related partner selection criterion. Further research could shed more light on the significance of earlier China or international experience. As said above, the empirical findings of the study were mostly in line with earlier studies. This applies to both the Finnish and Chinese partners. Thus, the Finnish origin of the case companies does not seem to have played a major role.

Finally, further research is suggested on the significance of vertical and horizontal agreements between the JV and its partners. As indicated earlier, they are sometimes the main source of revenue for partners from the JV set-up. Therefore, they can at least indirectly be regarded as one of the motives for JV formation. Current research tends to view JVs separately from their partners and thus does not generally consider these agreements.

REFERENCES

- Aaltio, I. – Puusa, A. (2011) Laadullisen tutkimuksen luotettavuus. In: *Menetelmäviidakon raivaajat. Perusteita laadullisen tutkimuslähestymistavan valintaan*, ed. by Puusa, A. – Puusa, J., 153–166. Johtamistaidon opisto, Turku.
- Aldrich, H. E. (2008). *Organizations and environments*. Stanford Business Books, Stanford, CA.
- Álvarez, M. (2003) Wholly-owned subsidiaries versus joint ventures: The determinant factors in the Catalan multinational manufacturing case. *IDEAS Working Paper Series from RePEc*, 1–24.
- Ambler, T. – Witzel, M. – Xi, C. – Zou, D. (2016) *Doing business in China*. Routledge, London.
- Asia Base Law & Projects (2020) Feasibility study report/Business plan. <<https://www.asiabase.com/documents/feasibility-study.pdf>>, retrieved 5.11.2020.
- Awadzi, W. K. (1987) *Determinants of joint venture performance: A study of international joint ventures in the United States (Japan, Europe)*. Doctoral dissertation. Louisiana State University and Agricultural & Mechanical College.
- Bartlett, C. A. – Ghoshal, S. (1998) *Managing across borders: The transnational solution*. Random House, London.
- Beamish, P. W. (1985) The characteristics of joint ventures in developed and developing countries. *Columbia Journal of World Business*, Vol. 20 (3), 13–19.
- Beamish, P. W. (1988) *Multinational joint ventures in developing countries*. Routledge, London.
- Beamish, P. W. – Banks, J. C. (1987) Equity joint ventures and the theory of the multinational enterprise. *Journal of International Business Studies*, Vol. 18 (2), 1–16.
- Boateng, A. (2000) *Dimensions of international joint venture activity in Ghana and Nigeria*. Doctoral dissertation. University of Leeds, Leeds.
- Boateng, A. – Glaister, K. W. (2003) Strategic motives for international joint venture formation in Ghana. *Management International Review*, Vol. 43 (2), 107–128.
- Brouthers, K. D. – Nakos, G. (2004) SME entry mode choice and performance: A transaction cost perspective. *Entrepreneurship theory and practice*, Vol. 28 (3), 229–247.

- Buckley, P. J. – Casson, M. (1988) A theory of cooperation in international business. In: *Cooperative strategies in international business: Joint ventures and technology partnerships between firms*, ed. by Contractor, F. J. – Lorange, P., 31–53. Lexington Books, Lexington, Mass.
- Bulcke, D., van den – Esteves, M., do Céu – Zhang, H. (2003) *European Union direct investment in China: Characteristics, challenges and perspectives*. Routledge, London.
- Büchel, B. – Prange, C. – Probst, G. – Rüling, C. (1998) *International joint venture management: Learning to cooperate and cooperating to learn*. John Wiley & Sons Pte Ltd, Singapore.
- Chan, J. W. K. – Burns, N. D. – Yung, K. L. (2000) Environment-strategy fit: A study of Hong Kong manufacturing logistics. *Logistics Information Management*, Vol. 13 (5), 286–300.
- Chen, S. M. – Glaister, K. W. (2006) Taiwanese joint ventures in China. *Journal of Global Marketing*, Vol. 19 (2), 49–75.
- Chen, S. S. – Hennart, J. F. (2004) A hostage theory of joint ventures: Why do Japanese investors choose partial over full acquisitions to enter the United States? *Journal of Business Research*, Vol. 57, 1126–1134.
- Child, J. – Tse, D. K. (2001) China's transition and its implications for international business. *Journal of International Business Studies*, Vol. 32 (1), 5–21.
- Chowdhury, I. R. – Chowdhury, P. R. (2001) A theory of joint venture life-cycles. *International Journal of Industrial Organization*, Vol. 19, 319–343.
- Commission recommendation 2003/361/EC (2003) *Official Journal of the European Union*, 20.5.2003, L 124/36–41.
- Contractor, F. J. – Lorange, P. (1988) Why should firms cooperate? The strategy and economics basis for cooperative ventures. In: *Cooperative strategies in international business: Joint ventures and technology partnerships between firms*, ed. by Contractor, F. J. – Lorange, P., 3–30. Lexington Books, Lexington, Mass.
- Corbin, J. – Strauss, A. (2008) *Basics of qualitative research: Techniques and procedures for developing grounded theory*. Sage Publications, Los Angeles, CA.
- Creswell, J. W. – Hanson, W. E. – Plano Clark, V. L. – Morales, A. (2007) Qualitative research designs: Selection and implementation. *The Counseling Psychologist*, Vol. 35 (2), 236–264.

- Dehner, J. J. (2021) Joint ventures in the United States: Overview. *Thomson Reuters Practical Law*.
 <[https://uk.practicallaw.thomsonreuters.com/3-617-2668?transitionType=Default&contextData=\(sc.Default\)&firstPage=true#co_anchor_a547707](https://uk.practicallaw.thomsonreuters.com/3-617-2668?transitionType=Default&contextData=(sc.Default)&firstPage=true#co_anchor_a547707)>,
 retrieved 19.2.2021.
- Detailed rules for the implementation of the law on Sino-foreign cooperative joint ventures (1995) Ministry of Commerce of the People's Republic of China.
 <<http://english.mofcom.gov.cn/aarticle/lawsdata/chineselaw/200301/20030100062857.html>>, retrieved 19.2.2021.
- Dong, L. – Glaister, K. W. (2006) Motives and partner selection criteria in international strategic alliances: Perspectives of Chinese firms. *International Business Review*, Vol. 15, 577–600.
- Doz, Y. L. – Hamel, G. (1998) *Alliance advantage: The art of creating value through partnering*. Harvard Business School Press, Boston, Mass.
- Dunning, J. H. (1993) *Multinational enterprises and the global economy*. Addison-Wesley, Wokingham.
- Duysters, G. M. – Saebi, T. – Dong, Q. (2007) Strategic partnering with Chinese companies: Hidden motives and treasures. *The UNU-MERIT Working Paper Series*, 2007 (34), 1–33.
- Ellison, J. – Kling, E. – Crisp, A. M. (1991) *Joint ventures in Europe: A collaborative study of law and practice prepared by the law firms*. Butterworths, London.
- Eriksson, P. – Koistinen, K. (2005) *Monenlainen tapaustudkimus*. Kuluttajatutkimuskeskus, Helsinki.
- Eriksson, P. – Kovalainen, A. (2008) *Qualitative methods in business research*. Sage Publications, Los Angeles, CA.
- Eskola, J. – Suoranta, J. (1998) *Johdatus laadulliseen tutkimukseen*. Vastapaino, Tampere.
- Fett, T. – Spiering, C. (2010) Erscheinungsformen des Joint Venture. In: *Handbuch Joint Venture*, ed. by Fett, T. – Spiering, C., 5–23. C. F. Müller Verlag, Heidelberg.
- Finland Chamber of Commerce (2019) *Kiina – Suomen tärkein kauppakumppani?*
 <[kiina-suomen-tarkein-kauppakumppani.pdf](#)>, retrieved 23.3.2020.
- Firestone, W. A. (1993) Alternative arguments for generalizing from data as applied to qualitative research. *Educational Researcher*, Vol. 22 (4), 16–23.

- Froese, F. J. – Sutherland, D. – Lee, J. Y. – Liu, Y. – Pan, Y. (2019) Challenges for foreign companies in China: Implications for research and practice. *Asia Business & Management*, Vol. 18, 249–262.
- Geringer, J. M. (1988) *Joint venture partner selection: Strategies for developed countries*. Quorum Books, Westport, CT.
- Geringer, J. M. (1991) Strategic determinants of partner selection criteria in international joint ventures. *Journal of International Business Studies*, Vol. 22 (1), 41–62.
- Geringer, J. M. – Hebert, L. (1989) Control and performance of international joint ventures. *Journal of International Business Studies*, Vol. 20 (2), 235–254.
- Ghuri, P. - Grønhaug, K. (ed.) (2010) *Research methods in business studies*. Financial Times Prentice Hall, New York.
- Glaister, K. W. – Husan, R. – Buckley, P. J. (2005) International joint ventures: An examination of the core dimensions. *Journal of General Management*, Vol. 30 (4), 43–72.
- Glaister, K. W. – Wang, Y. (1993) UK joint ventures in China: Motivation and partner selection. *Marketing Intelligence & Planning*, Vol. 11 (2), 9–15.
- Guba, E. G. (1981) Criteria for assessing the trustworthiness of naturalistic inquiries. *Educational Communication & Technology*, Vol. 29 (2), 75–91.
- Gulati, R. (1995) Does familiarity breed trust? The implication of repeated ties for contractual choice in alliances. *Academy of Management Journal*, Vol. 38 (1), 85–112.
- Hale, G. – Long, C. (2012) *Foreign direct investment in China: Winners and losers*. World Scientific Publishing Co. Pte. Ltd., Singapore.
- Harrigan, K. R. (1986) *Managing for joint venture success*. Lexington Books, Lexington, Mass.
- Harrigan, K. R. (1988) Joint ventures and competitive strategy. *Strategic Management Journal*, Vol. 9 (2), 141–158.
- Hennart, J. F. (1988) A transaction costs theory of equity joint ventures. *Strategic Management Journal*, Vol. 9 (4), 361–374.
- Hill, C. W. L. – Hwang, P. – Kim, W. C. (1990) An eclectic theory of the choice of international entry mode. *Strategic Management Journal*, Vol. 11 (2), 117–128.

- Hill, C. W. L. – Kim, W. C. (1988) Searching for a dynamic theory of the multinational enterprise: A transaction cost model. *Strategic Management Journal*, Vol. 9 (5), 93–104.
- Ho, P. S. – Lin, Y. – Wu, H. – Chu, W. (2009). Empirical test of a model for organisational governance structure choices in construction joint ventures. *Construction Management and Economics*, Vol. 27 (3), 315–324.
- Hoang, H. – Rothaermel, F. T. (2016) How to manage alliances strategically. *MIT Sloan Management Review*, Vol. 58 (1), 1–8.
- Hoffmann, W. H. – Schlosser, R. (2001) Success factors of strategic alliances in small and medium-sized enterprises – an empirical survey. *Long Range Planning*, Vol. 34, 357–381.
- Hong, C. (2013) The political economy of tariff protection in China: Evidence from the WTO accession. *Canadian Journal of Economics*, Vol. 46 (4), 1295–1316.
- Hong, Y. – Chan, D. W. M. (2014) Research trend of joint ventures in construction: A two-decade taxonomic review. *Journal of Facilities Management*, Vol. 12 (2), 118–141.
- Hrebiniak, L. G. – Joyce, W. F. (1985) Organizational adaptation: Strategic choice and environmental determinism. *Administrative Science Quarterly*, Vol. 30 (3), 336–349.
- Itami, H. – Roehl, T. W. (1991) *Mobilizing invisible assets*. Harvard University Press, Cambridge.
- Jeje, K. (2015) Strategic alliance typology and survival chances among medium-sized manufacturing firms in Tanzania. *Journal of Competitiveness*, Vol. 7 (2), 38–59.
- Johnson, S. A. – Houston, M. B. (2000) A reexamination of the motives and gains in joint ventures. *Journal of Financial and Quantitative Analysis*, Vol. 35 (1), 67–85.
- Jullens, J. – Suonio, S. – Tang, T. (2013) Sino-Finnish paths to international competitive advantage. Booz & Company, Inc., Tekes.
<<https://www.tekes.fi/globalassets/global/ohjelmat-ja-palvelut/kasvajakansainvalisty/future-watch/sino-finnish-paths-to-international-competitive-advantage.pdf>>, retrieved 23.3.2020.
- Kalaignanam, K. – Shankar, V. – Varadarajan, R. (2007) Asymmetric new product development alliances: Win-win or win-lose partnerships? *Management Science*, Vol. 53 (3), 357–374.

- Kauser, S. – Shaw, V. (2004) International strategic alliances: Objectives, motives and success. *Journal of Global Marketing*, Vol. 17 (2/3), 7–43.
- Kettunen, E. – Lintunen, J. – Lu, W. – Kosonen, R. (2008) *Suomalaisyriyten strategiat Kiinan muuttuvassa toimintaympäristössä*. Helsingin Kauppakorkeakoulu, Helsinki.
- Killing, J. P. (1982) How to make a global joint venture work? *Harvard Business Review*, Vol. 60 (3), 120–127.
- Klijn, E. – Reuer, J. J. – Buckley, P. J. – Glaister, K. W. (2010) Combinations of partners' joint venture formation motives. *European Business Review*, Vol. 22 (6), 576–590.
- Kogut, B. (1988) Joint ventures: Theoretical and empirical perspectives. *Strategic Management Journal*, Vol. 9 (4), 319–332.
- Koka, B. R. – Prescott, J. E. (2008) Designing alliance networks: The influence of network position, environmental change, and strategy on firm performance. *Strategic Management Journal*, Vol. 29 (6), 639–661.
- Koskinen, I. – Alasuutari, P. – Peltonen, T. (2005) *Laadulliset menetelmät kauppatieteissä*. Vastapaino, Tampere.
- Koza, M. – Lewin, A. (2000) Managing partnerships and strategic alliances: Raising the odds of success. *European Management Journal*, Vol. 18 (2), 146–151.
- Larimo, J. A. – Le Nguyen, H. (2015) International joint venture strategies and performance in the Baltic States. *Baltic Journal of Management*, Vol. 10 (1), 52–72.
- Lasserre, P. – Schütte, H. (1999) *Strategies for Asia Pacific: Beyond the crisis*. New York University Press, New York.
- Law on Sino-foreign cooperative joint ventures (2000). Ministry of Commerce of the People's Republic of China.
<<http://english.mofcom.gov.cn/article/lawsdata/chineselaw/200301/20030100065891.shtml>>, retrieved 19.2.2021.
- Law on Sino-foreign equity joint ventures (2001). Ministry of Commerce of the People's Republic of China.
<<http://english.mofcom.gov.cn/article/lawsdata/chineselaw/200301/20030100062855.shtml>>, retrieved 19.2.2021.

- Lawless, M. W. – Finch, L. K. (1989) Choice and determinism: A test of Hrebiniak and Joyce's framework on strategy-environment fit. *Strategic Management Journal*, Vol. 10 (4), 351–365.
- Lincoln, Y. S. – Guba, E. G. (1985) *Naturalistic inquiry*. Sage Publications, Newbury Park, CA.
- Luo, Y. (1997) Partner selection and venturing success: The case of joint ventures with firms in the People's republic of China. *Organization Science*, Vol. 8 (6), 648–662.
- Luo, Y. (1998) Joint venture success in China: How should we select a good partner? *Journal of World Business*, Vol. 33 (2), 145–166.
- Luo, Y. (2002) Partnering with foreign businesses: Perspectives from Chinese firms. *Journal of Business Research*, Vol. 55, 481–493.
- Luo, Y. (2007) From foreign investors to strategic insiders: Shifting parameters, prescriptions and paradigms for MNCs in China. *Journal of World Business*, Vol. 42, 14–34.
- March, J. G. (1991) Exploration and exploitation in organizational learning. *Organization Science*, Vol. 2 (1), 71–87.
- Marcinkevicius, L. (2007) Concept of international joint venture in international private law. *Jurisprudencija*, Vol. 11, 91–97.
- Merriam, S. B. – Tisdell, E. J. (2015) *Qualitative research: A guide to design and implementation*. Wiley, Somerset.
- Miles, M. B. – Huberman, M. (1984) Drawing valid meaning from qualitative data: Toward a shared craft. *Educational Researcher*, Vol. 13 (5), 20–30.
- Miller, D. (1992) The generic strategy trap. *The Journal of Business Strategy*, Vol. 13 (1), 37–41.
- Millington, A. I. – Bayliss, B. T. (1995) Transnational joint ventures between UK and EU manufacturing companies and the structure of competition. *Journal of International Business Studies*, Vol. 26 (2), 239–254.
- Mo, X. – Abdelnaser, O. – Hamid, K. P. A. (2012) Factors affecting Malaysia-China construction joint venture (MCCJV) projects. *Economics, Management, and Financial Markets*, Vol. 7 (4), 666–677.
- National Bureau of Statistics of China (1999–2020) *China statistical yearbooks*. China Statistics Press. <<http://www.stats.gov.cn/english/Statisticaldata/AnnualData/>>, retrieved 6.6.2021.

- National Bureau of Statistics of China (2020) *China statistical yearbook 2020*. China Statistics Press. <<http://www.stats.gov.cn/tjsj/ndsj/2020/indexeh.htm>>, retrieved 18.5.2021.
- Nourry, A. – Harrison, D. (2021) Transactions and practices: EU joint ventures. *Thomson Reuters Practical Law*. <[https://uk.practicallaw.thomsonreuters.com/1-107-3702?transitionType=Default&contextData=\(sc.Default\)](https://uk.practicallaw.thomsonreuters.com/1-107-3702?transitionType=Default&contextData=(sc.Default))>, retrieved 19.2.2021.
- People's Daily Online (2020) Consumption remains top driving force of China's economic growth. <<http://en.people.cn/n3/2020/0123/c90000-9651427.html>>, retrieved 5.11.2020.
- Pfeffer, J. – Salancik, G. R. (1978) *The external control of organizations: A resource dependence perspective*. Harper & Row, New York, NY.
- Pisano, G. P. (1989) Using equity participation to support exchange: Evidence from the biotechnology industry. *Journal of Law, Economics, and Organization*, Vol. 5 (1), 109–126.
- Porter, M. E. (1980) *Competitive strategy: Techniques for analyzing industries and competitors*. Free Press, New York, NY.
- Puusa, A. (2011) Haastattelu laadullisen tutkielman menetelmänä. In: *Menetelmäviidakon raivaajat. Perusteita laadullisen tutkimuslähestymistavan valintaan*, ed. by Puusa, A. – Puusa, J., 73–87. Johtamistaidon opisto, Turku.
- Puusa, A. – Kuittinen, M. (2011) Laadullisen tutkimuksen luotettavuus- ja arviointikysymyksistä. In: *Menetelmäviidakon raivaajat. Perusteita laadullisen tutkimuslähestymistavan valintaan*, ed. by Puusa, A. – Puusa, J., 167–180. Johtamistaidon opisto, Turku.
- Rahman, N. – Korn, H. J. (2009) Fit between corporate strategy and alliance purpose: Implications on partnering firms' performance. *International Journal of Strategic Business Alliances*, Vol. 1 (2), 132–149.
- Ramaswamy, K. – Gomes, L. – Rajaram, V. (1998) The performance correlates of ownership control: A study of US and European MNE joint ventures in India. *International Business Review*, Vol. 7 (4), 423–441.
- Reus, T. H. – Ritchie, W. J. (2004) Interpartner, parent, and environmental factors influencing the operation of international joint ventures: 15 years of research. *Management International Review*, Vol. 44 (4), 369–395.

- Rohm, M. (2017) *Modelling critical success factors of international joint ventures in real estate development: Perspective of a capital investor*. Doctoral dissertation. University of Gloucestershire, Cheltenham.
- Rumpunen, S. (2011) *Partner selection for international joint venture operations*. Doctoral dissertation. University of Vaasa, Vaasa.
- Sanga, S. (2018) A theory of corporate joint ventures. *California Law Review*, Vol. 106 (5), 1437–1475.
- Schaub, M. – Zhao, A. – Xueyun, D. – Wei, Z. (2019) China foreign investment law: How will it impact the existing FIEs? *King & Wood Mallesons, China Law Insight*. <<https://www.chinalawinsight.com/2019/06/articles/foreign-investment/china-foreign-investment-law-how-will-it-impact-the-existing-fies/>>, retrieved 19.2.2021.
- Scherer, F. M. – Ross, D. (1990) *Industrial market structure and economic performance*. Houghton Mifflin Company, Boston.
- Seto, M. – Wang, S. (2019) China announced the 2019 Negative List and Catalogue of Encouraged Industries for Foreign Investment. *Deacons, Corporate Commercial Client Alert*, 1–3. <<https://www.deacons.com/news-and-insights/publications/china-announced-2019-negative-lists-and-catalogue-of-encouraged-industries-for-foreign-investment.html>>, retrieved 10.3.2020.
- Shenkar, O. – Li, J. (1999) Knowledge search in international cooperative ventures. *Organization Science*, Vol. 10 (2), 134–143.
- Shenton, A. K. (2004) Strategies for ensuring trustworthiness in qualitative research projects. *Education for Information*, Vol. 22 (2), 63–75.
- Shi, W. – Sun, S. L. – Peng, M. W. (2012) Sub-national institutional contingencies, network positions, and IJV partner selection. *Journal of Management Studies*, Vol. 49 (7), 1221–1245.
- Shi, W. – Sun, S. L. – Pinkham, B. C. – Peng, M. W. (2014) Domestic alliance network to attract foreign partners: Evidence from international joint ventures in China. *Journal of International Business Studies*, Vol. 45, 338–362.
- Shishido, Z. – Fukuda, M. – Umetani, M. (2015) *Joint venture strategies: Design, bargaining, and the law*. Edward Elgar Publishing, Cheltenham, Gloucestershire.
- Si, S. X. – Bruton, G. D. (2005) Knowledge acquisition, cost savings, and strategic positioning: Effects on Sino-American IJV performance. *Journal of Business Research*, Vol. 58 (11), 1465–73.

- Sillars, D. N. – Kangari, R. (2004) Predicting organizational success within a project-based joint venture alliance. *Journal of Construction Engineering and Management*, Vol. 130 (4), 500–508.
- Stafford, E. R. (1994) Using co-operative strategies to make alliances work. *Long Range Planning*, Vol. 27 (3), 64–74.
- Statistics Finland (2021) Foreign direct investments by country 2004–2018. <https://pxnet2.stat.fi/PXWeb/pxweb/en/StatFin_Passiiivi/StatFin_Passiiivi__yri__ssij/statfinpas_ssij_pxt_001_201800.px/table/tableViewLayout1/>, retrieved 7.6.2021.
- Stuart, T. E. (2000) Interorganizational alliances and the performance of firms: A study of growth and innovation rates in high-technology industry. *Strategic Management Journal*, Vol. 21 (8), 791–811.
- Taghian, M. – Shaw, R. N. (2010) Market fit and business performance: An empirical investigation. *Journal of Strategic Marketing*, Vol. 18 (5), 395–415.
- The World Bank (2019) *Doing business 2019 – Training for reform*. World Bank Publications, Washington.
- The World Bank (2020) China overview. <<https://www.worldbank.org/en/country/china/overview>>, retrieved 20.2.2021.
- Twin, A. (2020) Market research. *Investopedia*. <<https://www.investopedia.com/terms/m/market-research.asp>>, retrieved 3.3.2021.
- Tynjälä, P. (1991) Kvalitatiivisten tutkimusmenetelmien luotettavuudesta. *The Finnish Journal of Education*, Vol. 23 (5-6), 387–398.
- UNCTAD (1991–2020) *World investment reports*. United Nations Publications, Geneva.
- UNCTAD (2020) *World investment report. Special economic zones*. United Nations Publications, Geneva.
- Vaidya, S. (2009) International joint ventures: An integrated framework. *International Business Journal*, Vol. 19 (1), 8–16.
- Vihakara, A. (2006) *Patience and understanding: A narrative approach to managerial communication in a Sino-Finnish joint venture*. Doctoral dissertation. Turku School of Economics and Business Administration, Turku.
- Walle, A. H. (2014) *Qualitative research in business: A practical overview*. Cambridge Scholars Publishing, Newcastle upon Tyne, England.
- Wang, L. (2007) *The key activities of partnerships development in China – a study of Sino-Finnish partnerships*. Doctoral dissertation. University of Oulu, Oulu.

- Wang, P. – Wee, C. H. – Koh, P. H. (1999) Establishing a successful Sino-foreign equity joint venture: The Singapore experience. *Journal of World Business*, Vol. 34 (3), 287–305.
- Wang, Yi (2014) *Multilevel determinants of foreign direct investments entry mode strategies and subsidiary survival of multinationals in China: An analysis of Nordic firms*. Doctoral Dissertation. University of Vaasa, Vaasa.
- Wang, Yue (2007) Managerial choice between equity joint ventures and contractual joint ventures in China: A critical test of transaction cost economics and resource-based view. *Asia Business & Management*, Vol. 6, 355–375.
- Wang, Yue – Nicholas, S. (2005) Knowledge transfer, knowledge replication, and learning in non-equity alliances: Operating contractual joint ventures in China. *Management International Review*, Vol. 45 (1), 99–118.
- Welch, C. – Piekkari, R. – Plakoyiannaki, E. – Paavilainen-Mäntymäki, E. (2011) Theorising from case studies: Towards a pluralist future for international business research. *Journal of International Business Studies*, Vol. 42, 740–762.
- Whitelock, J. – Yang, H. (2007) Moderating effects of parent control on international joint ventures' strategic objectives and performance. *Asia Pacific Journal of Marketing and Logistics*, Vol. 19 (3), 286–306.
- Williams, R. G. – Lilley, M. M. (1993) Partner selection for joint venture agreements. *International Journal of Project Management*, Vol. 11 (4), 233–237.
- Woodward, D. – Liu, B. (1993) Investing in China: Guidelines for success. *Long Range Planning*, Vol. 26 (2), 83–89.
- Yin, R. K. (1994) *Case study research: Design and methods*. Sage Publications, Thousand Oaks, CA.
- Yu, B. – Xu, H. – Dong, F. (2019) Vertical vs. horizontal: How strategic alliance type influence company performance? *Sustainability*, Vol. 11 (23), 1–14.
- Zahra, S. – Elhagrasey, G. (1994) Strategic management of international joint ventures. *European Management Journal*, Vol. 12 (1), 83–93.
- Zhang, Z. (2019) China's 2019 Catalogue for Guiding Industry Restructuring. *Dezan Shira & Associates, China Briefing*, 1–5. <<https://www.china-briefing.com/news/chinas-2019-catalogue-guiding-industry-restructuring/>>, retrieved 16.3.2020.
- Zheng, X. – Larimo, J. (2014) Identifying key success factors for international joint ventures in China: A foreign parent perspective from Finnish companies. *Ekonomika a Management*, Vol. 17 (2), 106–119.

Zhou, C. – Delios, A. – Yang, J. Y. (2002) Locational determinants of Japanese foreign direct investment in China. *Asia Pacific Journal of Management*, Vol. 19 (1), 63–86.

APPENDICES

Appendix 1. Earlier empirical research on the formation stage of international joint ventures in China

Author (s)	Objective	Method	Main findings
Glaister, K.W. – Wang, Y. (1993)	To establish the strategic motives and partner selection criteria for Sino-UK JVs in China	Quantitative research; postal questionnaires to UK partner companies: sample consisted of 21 UK partners	Highest ranked strategic motives are related to relative competitive positions and concerned faster entry to the market, facilitating international expansion, and maintaining existing market position. Partner selection criteria emphasised access to various inputs, for example, local market and culture knowledge.
Luo, Y. (1997)	To examine the relationship between international JV success and the strategic and organisational traits of local partners in China	Quantitative research; analysis of cross-sectional data (e.g., balance sheets and income statements) for 116 international JVs operating in manufacturing industries	Both strategic and organisational traits of local partners are associated with some individual dimensions of JV performance. Strategic traits: absorptive capacity, product relatedness, and market power are favourable to JVs' market and financial outcomes. Organisational traits: international experience and organisational collaboration are important for JVs' profitability, stability, local market expansion, and export growth.
Shenkar, O. – Li, J. (1999)	To examine, among others, the means of tacit knowledge transfer	Quantitative research; mail survey and interviews of managing directors representing Chinese manufacturing sector companies seeking foreign partners; sample consisted of 90 companies	Chinese companies seeking tacit skills preferred the EJV instead of the CJV as the structure of the IJV. The structure of the EJV had a favourable effect on the transfer of management skills, and, to a lesser extent, marketing skills, but no effect on transfer of technology.
Luo, Y. (2002)	To examine the effect of foreign partner attributes on Sino-foreign JV performance as perceived by Chinese partners	Quantitative research; mail survey of general or deputy general managers representing the Chinese party in Sino-foreign JVs; sample consisted of 122 JVs	A foreign partner's strategic attributes, namely technological capability, foreign market power, and international marketing expertise, and its organisational attributes, including managerial skills and organisational reputation, are positively associated with JV performance as perceived by Chinese companies. Financial attributes are not important to Chinese partners. Chinese companies select foreign partners based upon market expansion, and knowledge acquisition considerations.

Si, S.X. – Bruton, G.D. (2005)	To establish the main motives of US companies for IJV formation in China.	Qualitative and quantitative study; interviews and survey (55 Sino-American JVs)	Knowledge acquisition, transaction cost savings, and strategic behaviour are the main motives for IJV formation in China.
Chen, S.M. – Glaister, K.W. (2006)	To establish the strategic motives and partner selection criteria for Sino-Taiwanese joint ventures in China	Quantitative research; postal questionnaires to Taiwanese partner companies: sample consisted of 40 Taiwanese partners	Highest ranked strategic motives are related to improving the relative competitive position in the international market and to obtaining fast entry into the Chinese market. The above motivations concerned economies of scale, and cost reduction. Partner selection criteria emphasised access to various inputs, for example, local market and culture knowledge.
Dong, L. – Glaister, K.W. (2006)	To establish foreign and Chinese companies' strategic motives for formation of Sino-foreign joint ventures and Chinese companies' partner selection criteria in China	Quantitative research; postal questionnaires to Chinese partners: sample consisted of 203 Chinese partners	Highest ranked strategic motives concerned enabling faster market entry, establishing presence in the market, accessing partner's knowledge of local market conditions, and facilitating international expansion. Chinese companies' partner selection criteria emphasised technological, managerial, and other unique capabilities.
Duysters, G.M. – Saebi, T. – Dong, Q. (2007)	To investigate the key drivers of international alliance formation from the perspective of Chinese companies	Qualitative research; structured interviews with 8 Chinese alliance companies (a total of 32 international alliances)	Chinese companies enter alliances with western companies mainly to get access to international markets and to develop their technological and managerial competences further. Access to intangible assets is also an important motive.
Wang, L. (2007)	To identify activities that relate to performance of a partnership in the Chinese context	Qualitative research; 18 interviews with representatives of 8 Sino-Finnish partnerships of which 4 are EJVs and 4 manufacturer-distributor partnerships, i.e., CJVs.	Motives: The partners have several motives to form the EJV. In CJVs, the Finnish partners' motives relate mainly to market access, whereas the Chinese partners aim to make profits. Partner selection: Some Finnish partners' criteria relate to partners' good relationship with the local government. In CJVs, the product is the most important selection criterion for the Chinese companies. Type: The Finnish partners forming the EJV have several motives, whereas market entry is the sole motive for forming the CJV. In EJVs, the Chinese partners are mainly state-owned enterprises, in CJVs privately owned companies.

Wang, Yue (2007)	To establish the reasons affecting the choice between the EJV and the CJV in Sino-foreign JVs	Qualitative research; structured interviews with Chinese and Hong Kong representatives of 32 EJVs and 23 CJVs	The reasons for choice of the EJV over the CJV seem to be quite similar for Chinese and Hong Kong companies. However, there are differences in the importance of the reasons. Transfer of technology and various skills is generally important for Chinese companies, while Hong Kong companies strive to have their large-scale capital investments protected. Both parties mentioned reasons: too flexible CJV contract and stronger government support for the EJV. Lack of capital, in turn, lead Chinese companies to choose the CJV over the EJV. Other reasons in favour of the CJV are the same for both, Chinese and Hong Kong companies.
------------------	---	---	--

Appendix 2. Interview questions (in Finnish and English)

Haastattelukysymykset

Yhteisyrityksen perustamisvaihe

1. Voitko kertoa yleisesti yhteisyrityksen perustamisen eri vaiheista ennen yrityksen toiminnan aloittamista?

2. Mitkä olivat yhtiönne motiivit yhteisyrityksen perustamiselle Kiinassa?

3. Miten yhtiönne valitsi kumppanin?

Oliko yhtiöllänne erityisiä kriteerejä kumppanin valitsemiselle?

4. Miten yhteisyritystyyppi valittiin?

5. Miten yhtiönne ja yhteisyrityksen strategian yhteensopivuus Kiinan liiketoimintaympäristön kanssa huomioitiin perustamisvaiheessa?

Loppukysymys

Onko vielä jotain muuta tärkeää, jota emme ole käsitelleet?

Interview questions

The formation stage of the JV

1. Could you generally describe the different stages of the JV formation before the operations of the JV started?
2. What were your company's motives to form the JV in China?
3. How did your company select the partner?
Did your company have specific criteria for partner selection?
4. How was the JV type selected?
5. How was the compatibility of the strategy of your company and the JV with the business environment in China taken into consideration in the JV formation stage?

Closing question

Is there something else that has not been mentioned and you think is important?