Managing Operational Autonomy in Joint Ventures

Paul S. Myers
Simmons School of Management
300 The Fenway, M-351
Boston, MA 02115
paul.myers@simmons.edu
617.521.3391

POMS 20th Annual Conference
Orlando, Florida U.S.A.
May 1 to May 4, 200
ABSTRACT

One criticism of studies of joint ventures is the narrow focus on links between initial conditions and venture performance, rather than on post-formation behaviors and processes within the ventures themselves. In response, this paper examines how joint venture managers adjust the scope and magnitude of their operational autonomy. Interviews with venture managers and partners provide data for a comparative case study analysis of the evolution of two successful multiparty ventures whose autonomy developed on opposing trajectories – one ascending, the other descending. Analysis suggests that effective venture managers actively shape the degree of operational autonomy they attain in order to increase the venture’s survival chances; that they do so by exploiting the two distinguishing features of joint ventures, their multilateral structure and the varied status set of the partners; and that adjusting their degree of autonomy helps venture managers mediate partner goal incongruity and mitigate the effects of partner dependence.
INTRODUCTION

Joint ventures and other types of alliances have become viable and significant strategic options for many industries, organizational settings, and purposes (see Pan & Li, 2000; Hagedoorn & van Kranenburg, 2003; Moskalev & Swensen, 2007). These inter-organizational partnerships take a variety of forms differentiated by their degree of intensity, investment, and integration (Contractor & Lorange, 1988; Kanter, 1994). In some cases, existing personnel, structures, and mechanisms are sufficient to support whatever interdependence has brought two or more organizations together. Examples include many alliances between suppliers and customers, and R&D partnerships between pharmaceutical and biotech companies. In other cases, organizations establish a new entity separate from their respective current operations to serve their mutual interests. Joint ventures, along with trade associations and most industrial consortia, are examples of this type of cooperation.

The multilateral nature of joint ventures complicates their governance (Fleisher, 1991; Lyles, & Reger, 1993). Control over the venture is not unilateral, so decisions involve greater participation, require more information, and take more time. Authority is more widely dispersed and therefore more ambiguous. Greater opportunities for forming coalitions, exercising influence, and enforcing norms of reciprocity make political actions and attitudes more prevalent, which can affect the stability of the relationship.

A second distinguishing feature of joint ventures is that the partners are simultaneously owners, customers, board members/governors, and (often) suppliers. Each of these roles has its own set of interests, and while there may be some overlap between them – e.g., concern for the venture’s survival – there is great potential for inconsistency and even incompatibility (Walton, 1972; Gong, et al, 2001). The results for venture managers can be mixed signals, lack of clarity,
and confusion about the partners’ goals, aspirations, and needs. The complexity of partner roles heightens as the number of partners increases; the more partners, the more interests (Garcia-Canal, et al, 2003).

Academics and practitioners who have written about joint ventures agree on one thing: these organizations are highly fragile forms (Inkpen & Beamish, 1997; Das & Teng, 2001). One study done in the mid-1980s by McKinsey & Co. reported that 50% of joint ventures had failed to meet their partners’ expectations or had been disbanded altogether (Bleeke & Ernst, 1993). More recent studies have likewise reported a high level of disappointing financial and/or strategic results (Child & Faulkner, 1998; Bamford, Gomes-Casseres, & Robinson, 2002).

Venture instability can be manifest in process (e.g., reorganization, contract re-negotiation) as well as outcome (e.g., termination, change in ownership structure). In their critique of research on the topic, Yan & Zeng (1999) observed that instability has typically been viewed as undesirable, an indication of something gone wrong. But organizations are not static, and much of the responsibility of managers involves dealing with the consequences of variability, interdependence, and turbulence. For joint ventures, success depends greatly on the ability to manage the conflicts that can arise out of such cooperative endeavors (Lorange & Roos, 1992; Yoshino & Rangan, 1995; Steensma & Lyles, 2000).

One source of venture instability is goal incongruence among partners (Killing, 1983; Fey & Beamish, 2000). While venture partners have shared interests that bring them together, it is almost inevitable that at some time they will have divergent objectives over some issues, requiring different, even contradictory, outcomes. Negotiations during the contracting stage of venture formation over such issues as form of governance, decision control, and ownership share in part reflect the expectation that such conflicts may emerge.
Partner bargaining power thus shapes the relationships between partners and the control each has over the venture (Yan & Gray, 1994, 2001). Despite whatever structures or processes are established to protect their interests, prospective joint venture partners may still fear that linking with others will reduce their control over their business. Those concerns can heighten as one partner’s degree of dependence on the other(s) increases as the venture becomes more important to it or as alternatives evaporate (Pfeffer & Salancik, 1978).

The issue of control arises not only for the partners vis a vis each other, but also for the partners’ relationships with the managers of the venture they create. The control that partners seek plays out in their interactions with the venture managers over the degree of latitude afforded the latter when it comes to making decisions about strategic direction, resource allocation, and operational capabilities. The salience of this issue has been acknowledged in several studies of joint ventures. Koot (1988) identified venture autonomy as one of five main themes in early research on the underlying points of tension in managing joint ventures. Harrigan (1986) found that a venture’s need for autonomy varies depending on its purpose and the stability of the environment in which it operates. Child & Faulkner (1998) examined the issue in their analysis, as have many others (e.g., Yoshino & Rangan, 1995; Hébert & Beamish, 1997).

Still, the nature and meaning of joint venture autonomy have been relatively overlooked amidst what has been of late a growing interest in joint venture activity (Glaister, Husan, & Buckley, 2003). A consistent criticism of studies of joint ventures suggests that one reason for this gap in the research is a narrow focus on the link between initial conditions and venture performance, rather than on post-formation behaviors and processes within the ventures themselves (e.g., Doz, 1996; Pearce, 2001; Dong, 2004). As a consequence, the matter of operational autonomy in joint ventures is not well understood.
While autonomy can be granted outright to venture managers by venture partners, it is not simply determined definitively through design or by delegation. In his study of decentralization in multi-divisional corporations, Vancil (1979) called autonomy “an ephemeral concept primarily because it is dynamic, it ebbs and flows over time” (p.128). Studies of joint ventures have not explored the processes by which this happens (see Pearce, 2001 for a notable exception), nor do we have a solid theory of how venture autonomy emerges and evolves or what keeps this dynamic in motion.

This paper seeks to fill some of those gaps. It examines the role of venture managers in adjusting the scope and magnitude of their operational autonomy. I offer a functional explanation that links shifts in autonomy to two critical challenges to venture stability: goal incongruence and partner dependence. Each is a structural variable that influences the relationship among venture partners and between partners and venture managers. As such, they can be enablers of venture autonomy. But these initial conditions are subject to change over the life of a venture, and in this way changes in goal congruence and partner dependence can threaten venture stability.

Through an exploratory, comparative case study analysis of two long-lived joint ventures, I address the following question: Why and how do successful venture managers monitor and adjust their degree of operational autonomy from venture partners? The findings break with prior research in suggesting that these managers are among the agents of change shaping the level of venture autonomy, not simply the objects of the outcome. The data indicate that venture managers actively shape the degree of autonomy they enjoy in order to increase the venture’s survival chance; that they do so by exploiting the two distinguishing features of joint ventures, their multilateral structure and the varied status sets of partners; and that adjusting their degree of autonomy helps venture managers mediate partner goal incongruity and also mitigates the effects...
of partner dependence. The conclusion discusses implications for future research and for management practice.

**LITERATURE REVIEW**

Most studies of autonomy in joint ventures define it in terms of decision-making latitude, or the extent to which joint venture managers have the freedom to make decisions over certain areas of operations (e.g., Hill & Hellriegel, 1994; Newburry, *et al*, 2003). Researchers typically have considered joint venture autonomy to be a multi-dimensional construct, proposing that managers may have autonomy over some types of decisions but not others, or have greater autonomy in certain areas and less in others. Studies have asked respondents to rate their degree of autonomy over a range of as many as sixteen different strategic and operational decisions including choice of suppliers, pricing strategy, production scheduling, and training and development policy (Butler & Sohod 1995; Glaister, *et al*, 2003).

Newburry & Ziera (1999) found that venture managers’ degree of independence in formulating and implementing strategic business plans and human resource practices was strongly and positively related to joint venture effectiveness. Yet venture partners appear reluctant to grant much discretion over these important decisions. A study of international joint ventures by Büchel, *et al* (1998) found that ventures were the least autonomous when it came to decisions about more long-term and strategic issues such as financing, capital investment, and hiring and firing senior personnel.

Büchel and her colleagues instead saw the highest levels of autonomy over operational decisions, or the “day-to-day management” of the venture, such as choice of process technology and staffing. Glaister, *et al* (2003) similarly found that joint venture managers have more autonomy over operational than strategic decisions. Taking venture performance into account, Robins, *et al*
(2002) also linked better venture performance to greater autonomy for operational resources such as materials, operating procedures, and routines, and to lesser autonomy over decisions concerning strategic resources such as technical expertise, patents, and licenses.

There are several explanations for the potential link between operational autonomy and venture performance. The first is simply that a degree of autonomy makes it possible for venture managers to function effectively. The freedom to make decisions independently enables timely and responsive actions without excessive reporting requirements or the need to seek approval (Yoshino & Rangen, 1995). Autonomy enables flexibility, which can be an important factor for reacting in conditions of high uncertainty or complexity (Harrigan, 1986; Bleeke & Ernst, 1993). Joint venture capabilities, especially its managers’ expertise, can also influence the degree of autonomy (Hill & Hellriegel, 1994).

Another explanation for the link between autonomy and venture success relates to the purpose for which a venture was created. Harrigan’s (1986) data showed that ventures that have a strong service orientation dependent on highly motivated personnel need greater autonomy. She reasoned that too many constraints on the autonomy of a venture could inhibit the venture’s responsiveness and innovation by skimming off valuable management time and energy.

Finally, while ventures need autonomy to accomplish their current and on-going activities, they also need autonomy to pursue new activities and opportunities. Brock (2003) proposed a typology based on Miles and Snow’s (1978) categorization of competitive strategies. He posits that “defenders,” whose offerings and target markets are stable, need discipline and focus to satisfy traditional customers, so a low level of autonomy is best. Conversely, he suggests that “prospectsors,” those ventures created to produce new products and seek new markets, need the most autonomy.
The innovation-enabling function of venture autonomy is related to the managers’ task of building a sustainable business. To do so, they must seek and exploit opportunities, including those of their own making. Ventures may have varying degrees of entrepreneurial opportunities, and some may not have been created with innovation in mind at all. In such cases, clearly, there is less need for venture autonomy. In technology-driven industries, particularly those in which new standards have yet to be established, or in young and newly emerging industries, however, more opportunities for entrepreneurship and innovation are likely to exist and require accompanying degrees of autonomy (Harrigan, 1986).

**Autonomy Attainment**

Joint venture managers attain autonomy through formal as well as informal means. The leading organizational theories approach each means as if it were singular rather than complementary to the other. From an economic perspective, transaction cost economics and agency theory regard autonomy as something formally granted through contracts (literally or metaphorically). Transaction cost economics posits that these contracts are written to create efficiency in decision making (e.g., Williamson, 1985, 1990). Similarly, cost minimization is the focus of agency theory, which posits that to achieve and maintain better goal congruence between principles and agents, firms invest in incentives structures, monitoring mechanisms, and bonding measures that channel behaviors in the desired direction (Fama & Jensen, 1983; Jensen, 1993). In terms of both theories, venture autonomy is something partners grant to or withhold from venture managers to ensure the most efficient structures for a given level of transaction or agency costs.

Still, joint venture performance is a result of both the governance choices resolved at its formation and subsequent decisions made regarding its operation (Dong, 2004). Indeed, Doz and Hamel (1998) believe that managing the joint venture over time is usually more important than the
initial agreement, and in fact, behavioral and managerial factors have been shown to be more important to venture success than formal structures and controls (Kauser & Shaw, 2003). From a sociological perspective, then, we can see that autonomy emerges from the structure and character of the relationships between venture partners and venture managers through both informal and formal processes.

Traditional economic models overlook the importance of post-formation decisions about autonomy that are made on an on-going, regular basis by boards of directors and senior management. These more informal processes are conditioned by the social structure in which they occur and by their embeddedness in social relationships (Granovetter, 1985; Uzzi, 1996). The collaboration, cooperation, and coordination required for the venture to serve the partners entail countless interactions of varying duration, importance, and formality. Thus, venture autonomy can be emergent, achieved through negotiation between partners and venture managers, and accrued through those managers’ strategic behavior.

Much of the sociological research on joint ventures builds on earlier studies of interorganizational relationships (Mizruchi & Yoo, 2003). That work draws on resource dependence theory, which extends exchange theory to the organizational level. As in any social exchange relationship in which party A’s power over party B is determined by B’s dependence on A (Pfeffer & Salancik, 1978), the partners’ relationships with the venture managers are shaped by their dependence on the goods and services the venture provides. Partners engage in alliances because they need a separate venture with its own expertise, dedicated staff, and pooled resources to supplement their own on-going activities and to meet some financial, operational, and/or strategic needs. The value of these needs to the partners can range from highly strategically important to marginally beneficial.
The degree of dependence of the partners on the venture—e.g., for technical knowledge, cost-savings, and financial returns—has two consequences. First, the partners are likely to attempt to control the venture in proportion to their degree of dependence in order to reduce any uncertainty in obtaining their needed resources (Pfeffer & Salancik, 1978). Strategic interdependence leads to high partner control needs due to the extent of coordination and integration required. Conversely, in situations in which the partners’ objectives are less strategic (e.g., only to share risks and costs) or in stable environments in which trust can be a coordinating mechanism, partners will exhibit less need to control (Büchel, et al, 1998).

The second implication of a venture’s strategic importance is that it may also give the venture managers a degree of power over—and potential autonomy from—the partners to the extent the managers can successfully exploit that dependency (Emerson, 1962). White (1985) referred to this reversal of control as one of the “conundrums” of agency. Moreover, those ventures whose partners are highly dependent upon them are more likely to need the greatest amount of autonomy to meet their partners’ needs since they were created to accomplish something the partners either did not know how to do or could not do alone. The power accruing to the venture managers increases the likelihood that their venture will develop on a more autonomous trajectory than would a less important venture.

Given that a venture is also dependent on its parents, researchers who have looked at this issue have been careful to note that the net dependency between partners and the venture is what matters (Butler & Sohod, 1995). Thus, we would expect to see a greater degree of partner control in conditions of greater partner dependence if venture dependence is also high, and more venture autonomy when partners are less dependent and the venture is as well (Büchel, et al, 1998).
METHODOLOGY

To examine the actual behaviors and decisions of venture managers and how they are linked to changes in levels of venture autonomy, I employed a small-sample, comparative case study methodology that drew on data from interviews, observations, and relevant corporate documents. The objective was to find evidence that would shed light on the motives and actions of venture managers toward their autonomy from venture partners. My interest in matters of “why” and “how” made this approach most suitable as it allowed me to develop a deep understanding of the many factors and forces that shape venture autonomy.

Sample Selection

In accordance with the principle of theoretical sampling, the sites selected for a comparative, qualitative case study should be differentiated on some theoretically relevant variable (Glaser & Strauss, 1967). Joint ventures face two distinct challenges beyond their complexity that can influence the level of venture autonomy: partners are dependent (to varying degrees) on the venture they create, and they enact a status set with potentially conflicting goals and interests.

There is reason to think that these two conditions would correlate (e.g., see Inkpen & Beamish, 1997). We would expect that where there is a high degree of conflict between partners, a venture would be more likely to dissolve unless barriers to exit made that option too costly. Conversely, the less important a venture is to its partners, the easier it would be for them to leave when conflicts arise; thus, in conditions of low dependence we would be more likely to see lower levels of conflict.

Both high dependence and low goal congruence among partners are likely to be associated with higher degrees of venture autonomy. Similarly, low partner dependence and high goal congruence should correlate with less autonomy for venture managers. My research sites provided
just such covariation in the extent of partner dependence and goal congruence, and I therefore expected these traits to be associated with opposite levels of venture autonomy. Finding such differences allows for a rich comparative analysis that uncovers the common motives and actions of venture managers as pertains to changes in their level of autonomy.

Partner dependence was operationalized in terms of the barriers to exit, or the degree to which alternatives exist, from the partners’ relationships with the alliance. The structural nature of “barriers to exit” means they constrain all partners, though not equally. The “height” of those barriers would be in direct proportion to the venture’s importance as reflected in such measures as percentage of revenue or budget, size of financial commitment, or expected strategic benefit.

My sample included one venture with high barriers to exit, and thus a high degree of partner dependence, and one facing the opposite circumstances. By extending the logic by which the sample was selected, one may also regard the sample as consisting of one venture with relatively more bargaining power over its partners and one with less. I reasoned that selecting organizations clearly on opposite ends of the dependence/bargaining power scale would best allow me to examine the phenomenon of venture autonomy since doing so should result in finding ventures with quite different levels of autonomy.

The second theoretical dimension I focused on was goal congruence, or the degree to which the partners were in agreement about the venture’s purpose, priorities, and performance. In multi-party ventures, diversity of interests among the partners derives from their sheer number, the range of roles they fill, the variety and level of inputs they make and outputs they take, and differences in local circumstances (e.g. strategic orientation, competitive situation) separately facing them. The greater this diversity, the more likely it is that conflicts of interest will make governance more problematic. As acknowledged in the previous chapter, however, such diversity has not yet been
shown to correlate with venture autonomy or performance. Rather, as López-Navarro & Camisón-Zornoza (2003) propose, partner goal congruence may be a factor that shapes the process by which a venture achieves any given level of autonomy. As with dependence, I sought variation in the extent of goal congruence in the expectation that it would be associated with variation in the degree of venture autonomy.

Partners have a varied status set which includes their roles as owners, customers, suppliers (of both material goods and personnel), competitors, and cooperative partners. Contradictions in the roles played by partners can lead to tensions in governance. It is useful here to briefly trace out what these tensions are. While as an owner of a venture, a partner might want higher prices in order to claim a higher return, as a customer of that same venture it would want lower prices. Partners may experience challenges to cooperation when competition exists between the objectives of two or more roles. When they act as suppliers, partners may have a conflict of interest during negotiations over the price and other terms of the transaction.

I operationalized goal congruence in terms of the degree to which any partner enacted different roles and the extent of variation among partners in the number of roles played. For instance, in a venture in which fewer partners played fewer different roles, one would expect a higher degree of role congruence. Conversely, the more hats worn by a higher number of partners, the greater the potential for goal incongruence among the group as a whole. As with partner dependence, the discussion of sites that follows shows that one venture in the sample experienced a high degree of goal congruence and another a much lower one.

This sample, then, consists of one venture with high partner dependence and low goal congruence — conditions one might reasonably associate with high venture autonomy— and one venture that had low partner dependence and high goal congruence—circumstances that should
correlate with low venture autonomy. By comparing whether and how these respective levels of autonomy were actually attained, I expected to learn about the role venture managers played in shaping them.

Brief Description of the Sites

This section briefly describes the two research sites (using pseudonyms) and the factors that indicated their respective partners’ level of dependence and degree of goal congruence.

SATCO

SATCO was a cooperative venture in the telecommunications industry. It was created in 1979 as a global cooperative to procure, operate, and maintain satellites to provide space segment to partners offering mobile telecommunications services, and to develop global technical standards for service. It was a hybrid business organization; a for-profit enterprise with strong governmental influence both directly through ownership and participation on SATCO’s policy oversight board, as well as indirectly through regulation and monitoring. Each country designated one owner, or “Signatory,” which contributed capital in proportion to its ownership and received repayment of and return on its investment. The top eighteen owners and four others served on the Council, the governing board which typically met three times per year.

SATCO’s partner organizations faced high barriers to exit and thus were highly dependent on the venture they created. For instance, there were no alternatives for global mobile satellite communication, and industry economics limited partners’ ability to develop new ones. Further, each partner had made large commitments of resources and technology and mobile satellite communications was increasingly integral to the business strategy of many of them.

1 For simplicity, partners are most often referred to by nationality rather than the name of the specific corporate entity (e.g., U.K. rather than British Telecom).
Goal congruence among SATCO’s partners was relatively low, especially when differences in ownership were taken into account. As would be expected in any cooperative endeavor, SATCO’s partners did share some core goals and interests. For example, all contributed capital and depended on the operational reliability of the system and in the quality of the support. Yet there were significant differences among partners in terms of the frequency, form, and size of their transactions with SATCO. Some emphasized marine communications services, for instance, while others had a greater stake in the aeronautical and land-based services. While some developed their own services independent of SATCO (but which required leases on its satellites), others did not. Some partners competed against each other, and several small sub-alliances of partners existed each with its own priorities. A small number of partners owned divisions that were suppliers to the venture. Lastly, in addition to being partners, all of the partners were owners and customers. The resulting competing and often conflicting objectives resulted in low goal congruence that posed significant challenges to the management of the venture.

HEALTHCO

The second research site was HEALTHCO, a health care venture comprising 141 members (totaling 375 affiliated non-profit hospitals) in 15 states in the southeastern U.S. region. HEALTHCO provided to its members consulting services (e.g., management engineering, strategic planning, financial analysis, technology assessment), research and development activities, and group purchasing agreements. While members received some services with their annual membership fee, most services were only available on either a fee-for-service or a contract basis. A brochure described the organization as follows:

The hospital partners work together in activities designed to hold down health care costs, maintain high quality of care, and make health services more accessible...They develop,
operate, and use a variety of network services and programs…to help reach those objectives.

While all members had a seat on the parent governing board, a smaller executive board with 16 elected members carried out the majority of the governance responsibilities.

HEALTHCO partners faced few barriers to exit and thus had a relatively low level of dependence on their alliance. Partners had many alternative sources for similar services, and HEALTHCO had no minimum required level of participation. The partners had made only a modest investment in their ownership stake, and reliance on the venture was but a small component of each hospital’s operating strategy.

Goal congruence among HEALTHCO partners was relatively high. Unlike at SATCO, HEALTHCO’s owners did not compete with each other, did not supply the venture with goods or services, and did not belong to any sub-alliances related to their membership in HEALTHCO. As a group of owners, the membership was differentiated only by size (big or small), which also was correlated roughly to the extent of their connection to HEALTHCO as customers (i.e. size and frequency of transactions). While the needs and concerns of individual hospitals may have varied by location, population served, or affiliation status (e.g., university, county government), there was a strong sense of shared mission and purpose that rendered these different interests negligible in their effect on HEALTHCO’s management.

**Comparing SATCO and HEALTHCO**

The ventures I studied shared several prominent characteristics. SATCO and HEALTHCO had similar multi-level governance structures, recently had been reorganized by product/service line, and had maintained multiple points of contact (i.e., strategic, operational) with their partners.
Their respective industries were experiencing rapid and significant levels of changes in technology, competition, and regulation.

Each venture had operated for more than a dozen years, which was by itself a remarkable achievement given the high failure rate of joint ventures generally. Moreover, SATCO and HEALTHCO had steadily increased their revenues, profitability, and number of owners. Partners and venture managers alike at both ventures held similar attitudes regarding their respective organizations’ complexity, uniqueness, and impressive achievements.

Looking specifically at the sample selection criteria I used, based on the indicators of partner dependence – venture importance and availability of alternatives—we would expect SATCO to have a high level of autonomy and HEALTHCO a low level. The same holds true for partner goal congruence, which is low at SATCO and high at HEALTHCO. Taking the other characteristics into account, we see that for SATCO almost all of the other factors point toward a higher autonomy but that the predictions for HEALTHCO are slightly more ambiguous. Nevertheless, on the two variables on which I focus the ventures should clearly differ and thus were suitable for inclusion in the sample.

Data Collection

Data collection relied principally on a mix of both open-ended and focused interviews with participants in the respective ventures. At both sites I spoke with the executives and managers who represented the partners and exercised direct responsibility for governing the venture on their behalf. In selecting informants from among the ventures’ staff, I sought a cross-section of functional areas and levels of authority. The number of informants and their diverse positions and responsibilities provided a significant level of confidence about the validity of my conclusions.
Almost half of the interviews with venture managers at SATCO and 72% at HEALTHCO provided data about their attitudes about autonomy and/or control. Table 2 indicates the number of interviews in which each venture’s respective managers touched on the subjects (directly or indirectly).

**Table 1: Venture Manager Interviews**

<table>
<thead>
<tr>
<th></th>
<th>Autonomy</th>
<th>Control</th>
<th>Either</th>
<th>Both</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>SATCO</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>N=56</td>
<td>n</td>
<td>17</td>
<td>25</td>
<td>27</td>
</tr>
<tr>
<td></td>
<td>% total</td>
<td>30%</td>
<td>45%</td>
<td>48%</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>25%</td>
</tr>
<tr>
<td><strong>HEALTHCO</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>N=25</td>
<td>n</td>
<td>16</td>
<td>9</td>
<td>18</td>
</tr>
<tr>
<td></td>
<td>% total</td>
<td>64%</td>
<td>36%</td>
<td>72%</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>28%</td>
</tr>
</tbody>
</table>

A majority of partner interviews included discussion of either autonomy or control:

**Table 2: Partner Interviews**

<table>
<thead>
<tr>
<th></th>
<th>Autonomy</th>
<th>Control</th>
<th>Either</th>
<th>Both</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>SATCO</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>N=30</td>
<td>n</td>
<td>19</td>
<td>12</td>
<td>22</td>
</tr>
<tr>
<td></td>
<td>% total</td>
<td>63%</td>
<td>40%</td>
<td>73%</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>30%</td>
</tr>
<tr>
<td><strong>HEALTHCO</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>N=29</td>
<td>n</td>
<td>15</td>
<td>23</td>
<td>24</td>
</tr>
<tr>
<td></td>
<td>% total</td>
<td>52%</td>
<td>79%</td>
<td>83%</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>48%</td>
</tr>
</tbody>
</table>

The issues and interests connected with the various roles partners played was a subject in interviews at both sites. Due to the greater number of partners with larger status sets, the topic arose more frequently at SATCO:

**Table 3: Partner Roles**

<table>
<thead>
<tr>
<th></th>
<th>Owner (investor)</th>
<th>Partner (director)</th>
<th>Customer</th>
<th>Competitor</th>
<th>Supplier</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>SATCO:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Partners</td>
<td>n=30 20 (67%)</td>
<td>25 (83%)</td>
<td>23 (77%)</td>
<td>17 (57%)</td>
<td>6 (20%)</td>
</tr>
<tr>
<td>Managers</td>
<td>n=56 13 (23%)</td>
<td>29 (52%)</td>
<td>28 (50%)</td>
<td>19 (34%)</td>
<td>12 (21%)</td>
</tr>
<tr>
<td><strong>HEALTHCO:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Partners</td>
<td>n=29 19 (70%)</td>
<td>23 (85%)</td>
<td>26 (96%)</td>
<td>0 (0%)</td>
<td>n/a</td>
</tr>
<tr>
<td>Managers</td>
<td>n=25 14 (58%)</td>
<td>12(48)%</td>
<td>22 (88%)</td>
<td>4 (16%)</td>
<td>n/a</td>
</tr>
</tbody>
</table>
Analysis Strategy

My analysis followed what Langley (1999), drawing on Glaser & Strauss’s (1967) seminal text, refers to as a “grounded theory” approach to qualitative, process data. One of seven different sensemaking methods she identifies, the grounded theory strategy involves systematically making meaning out of patterns in the data and inductively developing an explanation for them. As is typical of exploratory research, data collection and initial analysis occurred simultaneously as I explored the governance dynamics at SATCO and HEALTHCO. The present analysis, however, reflects systematic categorizing and thematic coding (Strauss & Corbin, 1990).

All interviews and other notes were transcribed and coded for content and attribution. The initial categorical coding scheme emerged from the data itself; I did not generate an a priori list of categories. I coded the SATCO data first, and then the HEALTHCO data. The coding schemes for both were similar but not identical due largely to industry and organization idiosyncrasies. Categories covered substantive issues, such as operational strategies and board decision-making processes, as well as organizational issues including information flows, staffing policies, and budgeting. Sorting the categories enabled me to focus within subjects and to compare across sites to make connections between categories and identify themes. My analysis identified two key indicators of operational autonomy: and activities scope and venture capabilities for operational autonomy.

Activities Scope

The first indicator of a venture’s operational autonomy is the scope of its activities. Changes in scope may be a measure of a venture’s independence since they reflect shifts in priorities, interests, and strategies. At the simplest level, we can look at the trend of developments in the products, programs, and services since the venture’s creation. The presence of more or fewer
activities of broader or narrower scope indicates a degree of organizational growth or contraction. Changes of these kinds are typically reflected in increased size of budgets, numbers of staff, and overall revenues. Such growth is usually associated with increased survival chances, as organizational elements become institutionalized and thus resistant to threats (Singh & Lumsden, 1990; Meyer & Zucker, 1989).

One telling aspect of these changes is their source. Given that joint ventures are created to do things the partners cannot do individually, we would expect a venture to take a great deal of initiative in presenting product-line additions and other business proposals to the partners. But we can differentiate between those initiatives that are closely linked to stated wishes and expressed needs of the partners and those that represent a departure. Initiatives of the latter kind may reflect managers acting independently from the partners. Managers may do so either by giving the partners what they think the partners should have rather than what the partners have asked for, or by acting to favor the venture’s interests without any concern for the partners.

Clearly, for these reasons changes in the activity scope alone do not directly tell us about the degree of venture autonomy; we need to know how relevant these activities are to the partners. Venture managers may engage in activities of little value to their partners in the short- or even the long-term as a means of developing their independence. For example, they may try to enlarge the venture’s customer base—and establish new sources of revenue—beyond its current partners by providing a service its current partners do not want or need. Or the managers may establish alternative mechanisms for obtaining information, expertise, or other resources the venture normally receives from its partners. Such mechanisms include developing internal capacities—for example by hiring technical experts or creating a market research department—or building ties to
external sources informally or through contracts and even other alliances. As these examples suggest, a venture may engage in activities some partners like and others do not.

**Venture Capabilities**

Since attaining autonomy requires independent capacities and capabilities, the second autonomy indicator related to operational trajectory is the extent to which the venture seeks to expand and strengthen its competencies. These factors include developing appropriate staff skills and securing necessary information and resources. Since ordinarily we would expect managers to build their organization’s capacities to enable it to meet its goals, admittedly it is difficult to discern whether autonomy is a motivation for such effort. This is one reason for examining the previous indicator, managers' expressed goals. In the end, though, motivation may not matter where capacity-building is concerned, for when venture managers seek a more independent trajectory, they will use whatever tools are at hand to assist them.

**Reliability and Validity**

Some researchers have proposed emphasizing the criterion of “trustworthiness” for evaluating qualitative research (Denzin & Lincoln, 1994; Bowen, 2005). In this usage, the term comprises the standard measures of validity, reliability, and objectivity. Trustworthiness is achieved through triangulation of data to obtain corroboration (i.e., validity); dependability based on the internal coherence of data, findings, interpretations, and conclusions (i.e., reliability); and confirmability through audit or other independent review (i.e., objectivity). Similarly, Padgett (1998) specifies techniques that can enhance research credibility through rigor. She identifies six strategies: prolonged engagement; triangulation; peer debriefing and support; member checking (i.e., cross-checking with participants); negative case analysis (for verification of interpretation);
and auditing. I drew on many of these methods, using an approach that in its entirety has produced trustworthy results.

I made repeated trips to SATCO over an eighteen-month period and to HEALTHCO and its partners over the course of a year. That sustained engagement provided time for reflection between rounds of data collection and more than a simple snapshot of the life of the ventures I studied.

Lincoln & Gupa (1985:314) regard member checking as “the most crucial technique for establishing credibility.” I used this technique on an on-going basis while in the field as well as upon completion of data collection. I would confirm my understanding of facts and interpretation of motives behind the causes and effects of the events and actions by testing them with selected informants. Their responses served to shape the content of subsequent interviews by raising new questions and clarifying important contextual factors. I presented my preliminary findings to groups of executives and managers at both SATCO and HEALTHCO and encountered no challenges to the accuracy of the underlying facts or the credibility of my assessments.

Table 4 reports how I triangulated the data. For each indicator, it lists the sources of evidence used and describes their strength. I used the number of informants, observations, and documents as the measure of strength. I also estimated the degree of agreement, or consistency, between the various sources. For most sources, and for all indicators at both ventures, my confidence in the evidence is high.
Table 4: Data Triangulation

<table>
<thead>
<tr>
<th></th>
<th>Partner Characteristics</th>
<th>Indicators of Operational Autonomy</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td><strong>Goal Congruence</strong></td>
<td><strong>Resource Dependence</strong></td>
</tr>
<tr>
<td><strong>SATCO</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Timing:</strong></td>
<td>current &amp; retrospective</td>
<td>current &amp; retrospective</td>
</tr>
<tr>
<td><strong>Sources:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Manager interviews</td>
<td>HV</td>
<td>MV</td>
</tr>
<tr>
<td>Partner interviews</td>
<td>MV</td>
<td>HV</td>
</tr>
<tr>
<td>Observations</td>
<td>LV</td>
<td>n/a</td>
</tr>
<tr>
<td>Documents</td>
<td>HV</td>
<td>LV</td>
</tr>
<tr>
<td>Agreement Across Sources:</td>
<td>HA</td>
<td>HA</td>
</tr>
<tr>
<td><strong>HEALTHCO</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Timing:</strong></td>
<td>current &amp; retrospective</td>
<td>current &amp; retrospective</td>
</tr>
<tr>
<td><strong>Sources:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Manager interviews</td>
<td>HV</td>
<td>HV</td>
</tr>
<tr>
<td>Partner interviews</td>
<td>HV</td>
<td>HV</td>
</tr>
<tr>
<td>Observations</td>
<td>LV</td>
<td>n/a</td>
</tr>
<tr>
<td>Documents</td>
<td>MV</td>
<td>LV</td>
</tr>
<tr>
<td>Agreement Across Sources:</td>
<td>HA</td>
<td>HA</td>
</tr>
</tbody>
</table>

Volume of Data:
- HV: number of sources >10
- LV: number of sources <3
- MV: number of sources 4-10
- n/a: number of sources = 0

Agreement Across Sources:
- HA: high (unanimity or <2 disagree)
- MA: medium (2-3 disagree)
- LA: low (+4 disagree)

**RESULTS**

Operational autonomy is a measure of the extent to which venture managers have a free hand in execution. Excessive requirements for the consent of partners on the details of tactical maneuvers to implement their overall strategies run the risk of unduly hampering the venture’s
ability to achieve those very goals. In this respect the day-to-day work of joint venture managers is not much different from that of any others.

In their study of top management teams at twelve Fortune 500 companies, Donaldson & Lorsch (1983: 160) found managerial autonomy essential to achieving long-term growth, stability, and even organizational survival. Executives are charged with creating, maintaining, and improving the processes by which their organizations produce and deliver their goods and services. Doing so entails making decisions, deploying resources, and motivating others toward a common set of goals. These activities involve judgment and require latitude to address the specific circumstances.

Joint venture managers also need a degree of flexibility and agility to respond to changes in their environments, including changes among or within their partners’ firms. Freedom of action enables managers to react quickly to changes in order to conduct their current activities more effectively. Without sufficient discretion and self-direction, the venture managers will be hamstrung and even thwarted in their attempts to move their venture in response to the new conditions.

No set of managers is completely autonomous even with regard to routine activities. The incentive structures and control processes set formally and informally by owners, customers and other stakeholders are constant reminders of the limits to their authority and the boundaries within which they must operate to succeed. It is within these zones that a venture’s level of operational autonomy can vary.

At SATCO, control issues were contentious due to frequent disagreements between participants about how much autonomy the managers should have. Conversely, at HEALTHCO
there was general agreement between partners and managers about the venture’s appropriate level of autonomy.

SATCO’s managers exhibited a clear desire for greater autonomy, while executives at HEALTHCO had equally strong intentions to keep their venture from being perceived as growing more autonomous at all. Thus, though their aims concerning autonomy were different, managers in both sites actively sought opportunities to make adjustments to their autonomy consistent with those objectives. These adjustments were not achieved through formal changes in structure such as contract renegotiations, appointment of new executives, or changes in ownership.

*Operational Autonomy at SATCO:*

SATCO’s managers’ push for greater operational autonomy was a source of frequent conflict, particularly with a few of the most powerful partners. These partners felt frustrated that their venture was not more closely following their wishes and was acting instead in what they perceived to be its own individual interests. The venture managers, having achieved some increase in autonomy, sought still greater freedom and independence from their partners. They regarded it as crucial for their survival in an increasingly competitive market. Accelerating liberalization and deregulation of markets meant that, for the first time since its inception, SATCO would soon be battling other viable satellite systems.

*Operational Autonomy at HEALTHCO*

HEALTHCO executives and staff were focused on satisfying the venture’s partners and displaying a service orientation to their needs. They did not seek to gain greater discretion or to loosen the controls that monitored the venture’s operations. That is not to say HEALTHCO’s managers were overly-controlled much less dominated by its partners or a subset of them. Indeed, all parties seemed satisfied with HEALTHCO’s degree of autonomy for executing the decisions.
made by the partners. If anything, the managers sought to give up some autonomy to gain goodwill among partners and ensure their continued support.

At SATCO goal conflicts emerged regularly and explicitly over the venture’s scope of activities. HEALTHCO appeared to have much lower incidence of goal incongruence among partners, but when it did emerge it was similarly over issues concerning the venture’s purpose and the range of services it offered. For both ventures, the single strongest source of their dependence on the partners was for funding (i.e., revenue and capital investment). The partners were most dependent on their respective ventures for the various capabilities they had developed and made available for the partners’ benefit.

The following analysis presents four detailed accounts (two from each venture) of prominent and consequential business decisions to show how threats to partner goal congruence and efforts to disrupt the existing interdependencies between partners and their venture in turn led venture managers to adjust their level of autonomy. Table 5 lists these matched pairs of examples along with the aspect of autonomy and management challenge each example illustrates. These examples are representative of types of decisions that influenced venture autonomy at the sites. These data provide evidence that a venture’s level of autonomy emerges to a significant degree from deliberately chosen influence tactics that exploit its multilateral structure and the partners’ status set.

<table>
<thead>
<tr>
<th>Table 5: Summary of Examples</th>
</tr>
</thead>
<tbody>
<tr>
<td>Goal Congruence</td>
</tr>
<tr>
<td><strong>Activities Scope</strong></td>
</tr>
<tr>
<td>SATCO</td>
</tr>
<tr>
<td>HEALTHCO</td>
</tr>
</tbody>
</table>
Monitoring and Managing Threats to Goal Congruence: Activities Scope

The first order problem of governance in joint ventures is establishing and maintaining the relationships among partners. While initial conditions during the contracting phase set the parameters of the partnership, once underway interactions among partner representatives develop the working relationships needed to monitor and, especially, ratify the actions of the venture managers. To a significant extent, once a venture is launched the task of maintaining agreement about goals falls to its managers (Yoshino & Rangan, 1995). For them, keeping any potential disagreements at bay prevents distractions from and disruptions to the venture’s operations and thus to their effectiveness. Should differences in what the partners seek and expect from the venture emerge as conditions change, those incongruities can threaten the venture’s survival.

As discussed earlier, the degree of goal congruence differed markedly between SATCO and HEALTHCO. SATCO’s partners did not hold a singular view of their venture’s purpose or identity. The simplest explanation for this was their heterogeneity on multiple dimensions such as size, capabilities, financial resources, market share, and form of ownership. These differences existed at the venture’s founding and had, at that time, little apparent impact on the partners’ ability to cooperate. Yet SATCO’s growth and success, along with regulatory and technological changes, altered the landscape and created a split between the larger and smaller partners. Without clear and consistent direction, SATCO’s managers asserted and worked to realize their views about what would be best for the venture as a whole and its partners as a group.

HEALTHCO’s managers faced the opposite situation. The partners were so unified in their expectations and goals that at times HEALTHCO’s managers were forced to scale back the scope of the venture’s activities and even their ambitions. HEALTHCO’s leadership team did not chafe under these constraints; in my view, they believed they could effectively serve the partners with the
limited autonomy they had. Comparing examples that show how venture managers took actions related to their autonomy in response to a threat to goal congruence reveals the extent to which the technique of cognitive framing (e.g., Lindenberg, 2003) was used to shape agreement at both SATCO and HEALTHCO.

**SATCO Example: Satellite Paging**

SATCO’s experience with an unsuccessful proposal that would have expanded its operating scope illustrates the range of political tactics managers there used to attempt to influence the partners. I use this example to suggest that without the emergence of some goal conflict to exploit, actions that the venture managers intended to contribute to an increase in its autonomy did not work. As such it both reflects how the large number of multilateral relationships between partners can create closure to inhibit the venture’s autonomy and offers a counterweight to the portrayal of SATCO thus far as on a seemingly unstoppable path to independence.

In 1990 the venture managers restructured itself to reflect its entrance into new market segments. One clear rationale for the change was to better integrate the technical and commercial sides of the business to make SATCO more responsive to the increasingly competitive market for end users. Previously, SATCO had dedicated more resources and personnel to engineering, operations, and systems support—all key elements of the satellite infrastructure—than to its marketing or commercialization efforts. In the words of one manager:

*The reorganization was an effort to clearly define the business in order to provide greater power to the business efforts of maritime, land mobile, and aeronautical. Prior to this, the thrust of the organization seemed to be in the engineering and technical areas. They realized that this should not be an engineering organization, but rather a service organization.*

The reorganization increased the status of the new business streams. One staffer explained that this made a clear statement—to the venture staff, the outside world, and especially the partners—that
SATCO was not merely a wholesaler of space segment but would also be active in promoting particular activities to particular markets.

One casualty of the restructuring was SATCO’s service development division, which had been created just eighteen months earlier and had been charged with developing new services, studying new technologies, and evaluating market potential. Its motto was “Making it Happen” in the marketplace, not just within the organization.

The idea to offer a new satellite paging service survived the division’s demise and found a home in the new land mobile division. The engineer who had shepherded the project to the prototyping stage spent 50% of his time for the next eighteen months working on a business plan and technical architecture for the service. At his immediate boss’s direction, he maintained the project as a skunkworks operating below the radar of most—but not all—partners:

> At times we take a guerilla strategy [with the partners] to build a beachhead. For example, we agreed internally to provide a position for the paging project before we even had an official paging program. So [the U.S.] wanted to know “How dare we?” since Council hadn’t yet approved a paging program. They came to us as soon as they found out. Their protests make us more cautious, but we do not stop. We have no interest in going head to head with our major shareholder.

Incurring the wrath of the U.S. partner proved an inauspicious way to place the project on the Council’s agenda.

The initial fate of the plan to develop a satellite paging service showed that the venture managers was not always successful in gaining acceptance from the partners for its new approaches. Minutes from the November, 1990, Council session record a generally favorable response to the business case for satellite paging. A year later, however, the venture managers failed to obtain approval for its preferred approach to the service’s ownership and delivery. The venture managers’s plan called for developing a hub-like system in which a small number of land earth stations (LESs) would be funded and shared by all the partners. This approach would create
economic efficiencies and enable earlier market entrance. It was, however, a departure from the existing practice in which partners owned the LESs and used them to compete with each other for end users. Under the controversial new proposal, SATCO itself would own and manage the earth stations and thus create a significantly broader presence for itself in the marketplace.

The proposal did not appeal to the majority of larger partners, who wanted their competitors to have to build earth stations—and thus face barriers to entry—in order to offer paging services. An exception was an executive with the U.K. Signatory who had quietly though firmly backed the satellite paging efforts. Such enthusiasm and involvement strengthened the venture managers’s resolve in the face of opponents to their independent activities. Nevertheless, it had to accept that although it was ready to move quickly, the partners—even at the risk of being edged out by an emerging competitor such as Motorola’s Iridium project or TRW’s Odyssey—were not.

Effect on Autonomy

Despite their best efforts, SATCO executives were foiled in their bold attempt to broaden the venture’s scope of activities through the ownership of LESs. This event did not reduce SATCO’s considerable operational autonomy, but neither did it expand the venture’s autonomy as executives had hoped. The venture managers had intended to use the venture’s leverage as the strongest satellite system with the broadest market reach, not to mention the organization’s considerable clout with government policymakers, to gain first mover advantage in the satellite paging market. A leadership role would have benefited SATCO by increasing its influence over decisions by various inter-governmental bodies on such critical matters as technical standards and allocation of radio-wave spectrum. Ownership and operation of LESs could have provided revenue from non-Signatory service providers without coordination with home-country partners.
Their inability to create or exploit cleavages among the partners inhibited their influence in this case. In contrast to the experience with the headquarters’ relocation decision, the satellite paging issue raised no significant conflicts among the partners. The proposal instead united them, although for different reasons. The larger partners had common objectives because they competed with each other and did not want the market disrupted by a slew of new entrants. Others had neither the interest in offering paging nor the resources to do so, and they had more pressing priorities to accommodate the other new land- and air-based services.

Summary

Rejection of the satellite paging proposal put a rare but highly visible brake on SATCO’s drive toward greater operational autonomy. Goal congruence among partners in this instance diminished any potential the venture managers might have had to negotiate or otherwise use SATCO’s multilateral structure to increase their freedom to expand into new areas. The venture managers appealed to the partners’ fiduciary obligations, given the plan’s economic benefits, and admonished against the harm delayed market entry could cause the venture as a whole. In the end, neither way of framing the issue was able to trump the common interests of the partners as customers and competitors.

HEALTHCO Example: Scaling Back Services

During the late 1980’s and early 1990’s, HEALTHCO’s managers made decisions that reduced the venture’s operational scope and with it a degree of its potential for greater autonomy. It did so in the face of some growing dissatisfaction with the venture’s performance in some areas, but also as a proactive measure that anticipated changes in many partners’ goals. The moves surfaced differences among the partners in what they sought from HEALTHCO, and but for the
managers’ skillful execution of the decisions might have led to broader disagreements about whether the venture should be “all things to all people.”

HEALTHCO executives led annual reviews of the venture’s service offerings during budgeting and planning exercises. They did so with an eye toward reducing or even eliminating those services that no longer garnered partner interest, and they also took the opportunity to identify unmet needs:

*The strength of HEALTHCO is the ability to step back occasionally and ask: why are we doing what we’re doing and how can we better serve our partners and the alliance?*

*The real purpose [of HEALTHCO] is to serve the members, not to serve itself. This attitude has driven a lot of decisions that might not otherwise have been made that way.*

During one of these annual reviews, in January, 1991, executives decided to eliminate the management services division and stop providing contract management services to hospitals. A senior planning executive explained this development:

*The decision to get out of management services... was an internal decision which came out of management doing its planning. It didn’t fit with our purpose and mission as they were redefined, and given the litigation environments with legal precedents of contract managers being named in lawsuits and held liable for malpractice, we decided it was better to get out. The board understood the reality, too. They agreed.*

The division manager similarly credited the executive team with the decision, noting that to have continued offering management services would only have served some organizational interest, not the partners’ needs:

*We’re powering this division down. This isn’t something the board had to tell us to do. Given the strategic vision of this alliance, given the litigious society in which we find ourselves, we were more of a liability than an asset. Aside from keeping on for keeping on, this isn’t smart for the partnership.*

Several board members noted that the idea of shutting down the division had arisen informally several times in the previous four years. Hospitals joined HEALTHCO to save costs and gain access to technical knowledge, not to take on new risks. One board member reported that when the
management team presented the idea of cutting back on services for a vote, “it was an easy
decision.”

The move was not without costs to HEALTHCO, however. The management services
division carried $1 million of overhead and was responsible for 18% of the venture’s revenues plus
internal transfers between divisions such as group purchasing and consulting services. The
division’s elimination was expected to have a significant negative effect on revenues and margins
since some of the hospitals managed by HEALTHCO were not partners and thus would no longer
be eligible to use HEALTHCO’s group purchasing and other pay-as-you-go services. The manager
charged with closing down management services reflected on the irony of who instigated that
decision:

_We’re still a profitable division. But it is time to move on to other things…. I don’t know
how many organizations would have allowed that kind of decision to percolate up from the
inside._

Any such irony was lost on most partners, though, who simply expected HEALTHCO staff to
make such tough decisions when necessary. In the words of one board member: “We’re not a
charity; they need to serve the partners.”

The second instance in which the clear consensus on goals among partners affected
HEALTHCO’s operational scope concerned the venture’s managed care activities. Predictions in
the early 1980’s of explosive growth in demand for managed care had led HEALTHCO to invest
heavily in services to assist its partners in developing regional delivery systems. In 1987
HEALTHCO surveyed its partners about the direction of managed care in their markets and found
that the competition they had feared from national proprietary systems had not come to pass. A
long-term member of the Enterprises board commented:

_I was an advocate for creating a managed care organization because we were
constantly hearing about the coming deluge of managed care. I don’t know what_
happened, but the threat never materialized. We just thought we should do managed care. But it didn’t turn out like what we thought it would be.

The result was a recommendation by management, ratified by the parent board, to significantly reduce HEALTHCO’s managed care operations. It pared down that division in 1988 and wrote off more than $1 million in development costs. One senior HEALTHCO executive reflected on the managed care experience:

It’s always disappointing when your R&D doesn’t work. Cutting our losses was a smart thing, looking back, though at the time it was painful. It was a hard decision, no doubt. The board saw it was the best thing to do.

Partners and managers alike took some measure of pride in the fact that HEALTHCO had recognized its poor judgment sooner than other groups, particularly Voluntary Hospitals of America (VHA), which went on to suffer much larger financial losses from its investments in managed care.

Unlike the management services division, though, the managed care offerings were not eliminated entirely because some partners did find them valuable:

We did a sophisticated assessment [through] a managed care survey of all our CEOs and learned that there wasn’t any overwhelming desire on their part for aggressive managed care for HEALTHCO. But there were those that wanted to get into it themselves, so we concluded HEALTHCO should offer some services.

Even in determining how much to scale itself down, HEALTHCO’s decision was shaped by the need to focus on what the partners wanted so it would not go too far.

That choice also shows that while goal congruence among HEALTHCO’s partners was generally high, there was not unanimity on every matter. Several partners and venture managers alluded to pressures on the venture to become “all things to all people.” An Enterprises board member remarked on this tension:

If you try to do everything for everyone on a centralized basis it doesn’t work because the needs are too diverse. It is probably not realistic to see HEALTHCO as being all things to
all partners. Due to the amount of diversity, HEALTHCO would have to be as large and diverse as its partners, and we wouldn’t want it.

As with managed care, HEALTHCO sought to accommodate differences in partner priorities, and it was able to do so when the goals of the few did not conflict with the interests of the partnership. One division manager spoke for many when he explained the executive team’s approach to the issue:

_When we segment the members to take advantage of their unique characteristics, it is not detrimental to the whole nor mutually exclusive of bringing them all together. The whole gets first priority; the subsets are only to complement what we do for all._

As a result, management sought to balance its need to meet the partners’ demands, yet not stretch its staff or resources too thin.

**Effect on Autonomy**

More than any other factor, partner discontent with the time and other resources HEALTHCO had put into expanding management services and dabbling in managed care had led to calls to rein in its autonomy. A HEALTHCO manager confirmed this and acknowledged that management services had been widely regarded as “somewhat of an autonomous division.” Others reflected in interviews that at the time of the decisions to scale back these services there was a growing awareness among staff of the need for tighter links between HEALTHCO’s activities and its partners’ goals.

The elimination of management services and downsizing of managed care reflected partners’ belief that their venture should remain focused in those areas of its greatest strength, group purchasing and management engineering. HEALTHCO’s partners clearly wanted to keep its activities focused and limited only to those areas from which they could derive benefit. These goals had another effect on the venture’s autonomy; they constrained HEALTHCO’s ability to be entrepreneurial and thus restricted the potential breadth of its scope of activities. HEALTHCO
managers were not creating new roles for themselves that could help their organization stand apart from the partners or the purpose for which it was created. Its narrow role as a source of shared services and cost-savings for partners meant that HEALTHCO’s innovations were restricted to delivering existing services in new ways or adding features to them at the margin.

Summary

The decisions to significantly reduce the scope of HEALTHCO’s operations demonstrate the extent to which clear and shared goals among partners affected the venture’s autonomy. HEALTHCO’s leaders were mindful of the partners’ ability to easily withdraw from the venture if they believed as owners that their investment was poorly managed or as customers that their needs were not being met. As a consequence, HEALTHCO executives closely monitored and proactively responded to changes in what the partners sought from the venture. Where HEALTHCO could accommodate differences in parent objectives without creating conflict, it did so. Paradoxically, when HEALTHCO acted independently and showed flexibility, its decisions intentionally made the venture less autonomous.

Monitoring and Managing Shifts in Partner Dependence: Venture Capabilities

From the examination of how operational autonomy helps venture managers restore a degree of goal congruence among partners to resolve a potentially destabilizing disagreement, I now turn to an analysis of how the managers coupled adjustments in their level of autonomy to shifts in their interdependence with partners. Resource dependence theory posits that rational managers seek to minimize their dependence on others while increasing the dependence of others on them (Pfeffer & Salancik, 1978). For venture managers, the challenge is to adjust the net difference in their reciprocal dependence with partners. Doing so helps them secure bargaining power to attain the autonomy they need to succeed. The following examples show how venture
managers used changes in two main sources of dependence in joint ventures—financing and operational capabilities—to influence their level of autonomy.

**SATCO Example: Service Trouble in POR**

An outlandishly bold action by an SATCO executive set in motion a decision that allowed the venture managers to strengthen the partners’ sense of dependence on them. At the same time, the move set the stage for a new debate about increasing the managers’ spending authority and decreasing the partners control over significant operational expenditures. “Service Trouble in POR” is a many-layered tale that demonstrates how effective SATCO’s managers had become at driving the agenda and the decisions of the venture.

As the satellite paging example showed, SATCO sought to expand the scope of its operations. The venture had begun as a developer of technical standards for a few services with one product in one market. By the end of its first decade, it had evolved into being the operator of satellites for many services with dozens of applications in three distinct market segments. It could expand in this fashion because it was simultaneously building new technical and organizational capabilities to support a broader range of activities.

The value to each Signatory of SATCO’s expansion into new services varied depending on the partner’s resources and strategies. The strongest supporters and most active participants in these new markets, though small in number (only a dozen or so), included the most powerful partners with the largest ownership shares. In addition, partners with relatively small maritime fleets (such as Germany, Sweden, and Canada) anticipated big growth potential in the nascent aeronautical and land mobile markets:

*In Germany, the maritime segment was a specific niche in the past.... Now, with aero and land mobile—both of which are more important to us than marine—the importance of the SATCO system to us has grown.*
Land mobile and aero applications are very new and are the most important to us.

SATCO is shifting from maritime toward aeronautical services. The conception and planning stages are passed, later this year the service will be introduced. This work has been going on for the past two years. This development has led to one to two marketing people at Teleglobe assigned full-time to mobile aeronautical and land mobile services and one engineer to aeronautical business.

Land mobile service was especially important to developing countries, such as Nigeria:

*Our plan is to expand our usage. At a recent trade show we got an idea about how to expand services in the land mobile segment. We find that some land mobile technology has potential in remote areas of our country. It gives us an ability to connect a village with the fixed network system.*

For poorer countries, the land mobile technology promised a lower cost route to building communications networks without investing in expensive terrestrial infrastructure.

One consequence of SATCO’s expansion was that partners grew more dependent on the venture for technical support and service because they did not invest in developing their own capabilities. While SATCO was created in part for just this purpose, growing competition among partners meant the use of partnership resources to help a single Signatory was sometimes controversial. The best example of such a controversy involved service problems in the Pacific Ocean Region (POR).

During the one Council meeting the Australian Signatory made three unsuccessful attempts to seek action to correct a serious service problem it was experiencing. The solution, which involved replacing an antenna system covering the POR, was estimated to cost over $1 million, and Council needed to approve such a large expenditure. On all three occasions when the topic was raised with the Council, the subject was dismissed by the largest partners in terms of ownership stake (the Americans, British, and Norwegians — together owning over 50% of SATCO) without much discussion.

Conflicting objectives among partners were behind the impasse, specifically:
The Australians were driven as much by domestic political concerns as commercial operations ones. Satellite technology was rendering Morse code operators obsolete, and the labor union representing them was using this poor service performance as an opportunity to prove that its workers were still needed and that safety and distress of ships at sea could not be trusted to satellite technology. Concurrently, the Australian government was getting ready to announce further privatization and to permit direct competition in the telecommunications sector for the first time.

The British and Norwegians opposed addressing a solution in order to help Singapore, their partner in a side-alliance, save face. Singapore owned the faulty antenna that was responsible for the service failure yet was reluctant to own up to the problem.

The U.S. partner, in addition to being the 25% owner (which meant it would bear one-quarter of the cost to solve the problem), was in a position to offer the Australian customers an “interim” solution until the quality problems were solved, knowing full well that once the customers switched they would be reluctant to switch back.

The venture managers’ response to the situation was one of the most flagrant uses of influence tactics in what was often a highly politicized organization. During the final moments of the session, as the minutes were being reviewed, the Australian delegate asked to read a statement into the record. In it he chastised the Council for its failure to act and for putting the reputation of SATCO, and thus its very existence in an increasingly competitive market, at risk:

*The Australian Signatory would like to express its grave concern at the quality of service of the SATCO-C system in the POR [Pacific Ocean region]. The problems identified at the outset have not yet been satisfactorily resolved....This Signatory sees a moral obligation of the Partnership to recognize this problem and to react in a responsible manner to implement the best solution in the shortest time possible.*

The statement and its tone were met with shock, both for the breach of procedural decorum as well as for the harsh critical message they communicated.

One of SATCO’s most senior managers admitted that he had set the incident in motion. He had pulled the Australian partner aside during a break and told him what to say and how to say it in order to get the board’s attention:

*I orchestrated the Australian blow up. Three attempts [had been] made to take action during sessions, but they didn’t succeed. Procedure gets in the way of substance! [The Australian representative] had to do a little drama to draw attention, and it worked.*
That advice was clearly embedded in several passages from Australia’s carefully worded statement delivered at the Council session:

*The results of several investigations and measurements by the venture managers have highlighted several serious deficiencies... in service quality.... Therefore we see that it is essential that the venture managers move with haste to rectify this situation by whatever means it sees fit. We would hope that this Council will demonstrate its willingness to react in an executive fashion and assist the venture managers in its endeavors to implement a [solution] without the traditional bureaucratic delays.*

With the support of other venture managers executives, the manager expected to shake the Council into taking the action it desired by publicly and sharply appealing to their duties as owners and partners while privately calling them to task for focusing on their competitive self-interests. After some discussion, the statement was withdrawn, but a forty-five minute informal meeting of the key parties followed. The next day, after a two-hour luncheon meeting, approval was given for the expenditure, which was to be formally ratified at the next Council meeting.

**Effect on Autonomy**

The partners had no alternative but to rely on venture managers staff for technical assistance because the issue involved a part of the system SATCO operated. The venture managers knew that in this case concrete action had to be taken right away since the quality problems could damage the whole organization’s reputation at a critical time, just as two new services were being launched. The Australian partner expressed enormous frustration that what he considered a routine request for service met with such resistance. He even questioned why such issues went before the Council in the first place:

*There are some matters that I think waste the Council’s time. Our delegation is making a technical request for service: this should not be in front of the Council.*

The explanation was that any extra-budgetary operational expense greater than $1 million required Council’s approval. This formal limit to the venture’s spending authority delayed a solution for the
POR until the Council met. The managers knew that they would risk losing the Council’s trust and a significant degree of autonomy in the future if they acted counter to the explicit policy:

*We could’ve acted on our own, but it called for over $1 million in expenditure and we couldn’t take that chance.*

It was no coincidence that the manager who made this comment—who was also the instigator of the blow up—was the same person who had approved the off-books funding for the satellite paging project. Having been caught once recently exceeding his spending authority, he had been careful to avoid a repeat of the infraction.

A year earlier the Director General successfully lobbied the Council to increase his discretion from $400,000 to $2 million for off-budget expenditures resulting from contract overruns in building out the systems for new products such as SATCO-C. In that instance, the partners were dependent on the successful and timely completion of these major projects, and they saw the increase as a prudent delay-avoidance practice. Further, Council members reasoned that the detailed monthly financial reports they received would alert them of any new spending authorizations. According to SATCO’s controller, the venture’s executive team viewed the POR incident as a solid rationale to extend the broader spending discretion across the board to include regular operating expenses. He expected to see an effort to build Council support for the change to begin soon after the dust settled from the November session.

**Summary**

A confluence of partner dependence and goal incongruence led to an impasse that an SATCO executive broke by taking bold independent action. By orchestrating a decorum-breaching smackdown as the Council session was coming to a close, he defined the terms of the debate and forced the hands of opposing partners by publicly (with the Australian Signatory as proxy) reminding them of their duty to the partnership. The resulting funds approval was, of
course, the manifest objective behind the scheme, but the broader implications that enhanced SATCO’s presence and identity in the marketplace and its service capabilities were part of the game plan as well.

**HEALTHCO Example: Learning Clusters**

HEALTHCO’s experience helping partners create “learning clusters” provides another example of HEALTHCO’s managers deliberately choosing to trade away the potential means of developing some independence in exchange for securing renewed partner commitment to the venture.

HEALTHCO had conducted an extensive strategic planning initiative that exemplified the lengths to which venture managers went to seek ideas and direction from the partners. One board member considered contributing to such efforts an integral part of his responsibilities: “One of the most important things I do is bring ideas from hospitals to HEALTHCO and let the executive team develop them.”

After several rounds of discussion and priority-setting, the “alliance exchange” strategy emerged. This strategy emphasized experience- and information-sharing among partners. The objective was to help the partners help themselves to improve their hospitals’ performance:

*We asked the members directly what they needed and really listened to them. We had prior always done business planning from the inside. We thought we knew what the hospitals needed. They told us this time that it is not central services which make the differences, but the ability to call upon each other for expertise and information, transfer of experience, and ability to make sense of what’s happening in health care and an ability to innovate and improve faster. The way to do it was to use more of the collective brain of the partnership and help each other.*

The proposal resonated with many partners, especially those that had been involved with HEALTHCO the longest and had expressed a desire for access to something they could not obtain anywhere else:
If the only real value HEALTHCO has for its members is purchasing, I'd probably be in someone else's organization. It doesn't take much to put together a purchasing package. I need a strategic advantage, to see new and different ways to create value and be a more effective provider.

The basic idea was to create communities of practice among hospitals based on geography, product line, size, or other characteristics, and to support the transfer of knowledge and performance data within them. CEO Latimer explained the logic behind this approach:

> These clusters aren't mutually exclusive. The idea of experience sharing lends itself to lots of segmentation. The transfer of best demonstrated experiences — there is an efficiency and value to this. We're trying to [have] experience sharing across all areas, especially to those who need it the most to catch up.

The groups of partners would learn from each other, something that until then had happened informally and infrequently. In all, fifteen clusters of from eighteen to twenty hospitals were formed. Most of the hospitals in each group were located within a two-hour commute of some central meeting area, and many partners participated in more than one group.

The new strategic vision created a new role for HEALTHCO and with it the need to build additional operational capabilities. These included developing processes for codifying tacit knowledge, exchanging information, and running virtual meetings. No additional employees were hired as part of these new efforts. Instead, the responsibilities of some HEALTHCO staff changed. Consultants and other business service professionals were transformed from providers of expertise into brokers and facilitators, responsible for connecting partners and supporting their exchanges.

An early example of the clusters in action, and of the operational capabilities they required, involved a plan to identify best or leading practices among eight emergency rooms and ten admitting departments. Based on the results from that project, HEALTHCO staff developed a benchmarking methodology for use throughout the partnership.
The venture’s responsibilities associated with the learning clusters generally revolved around activities that were administrative, not generative of new ideas. HEALTHCO also helped coordinate activities among hospitals, provided basic training about the process, and generally oversaw the exchange efforts. Nevertheless, HEALTHCO staff valued being involved in the learning clusters because, in the words of one manager, “it promotes our vision and mission.”

HEALTHCO managers did not expect the alliance exchange to supplant group purchasing as the most valuable economic benefit to partners. They did, however, anticipate that it would raise the venture’s profile within the hospitals and lead to more participation in all of its services. By themselves, the learning clusters did not add to the revenue base of the organization. Citing the partners’ desire to learn from each other, one manager pointed out that although “a lot of what we’re trying to do in the alliance can’t be packaged as a product and sold,” it was probably the best service HEALTHCO could provide to its partners.

Effect on Autonomy

Creation of the alliance exchange was the only significant decision I identified at HEALTHCO that had the potential to increase the venture’s autonomy. Launching the learning clusters led to new operational capabilities for HEALTHCO that might have enhanced its identity and strengthened its ability to be flexible and responsive. Yet HEALTHCO’s managers neither tried to use the capabilities that way nor even considered doing so. For example, the new formal approach to benchmarking was not intended to lead to consulting engagements. Rather, it was developed and deployed for use among the partners themselves without the paid involvement of HEALTHCO employees.

Instead of using the communities of practice to generate more business or look for ways to increase the size of the staff, venture managers saw the new program as another means to increase
HEALTHCO’s importance to its partners, and thus to increase its partners’ dependence on their venture:

*If we can demonstrate [the learning clusters’] benefits, the partners are hooked and will need their fix!*

The clusters were part of HEALTHCO’s strategy to better understand the hospitals’ needs and how the alliance could meet them. HEALTHCO aimed to strengthen ties to the partner institutions as a route to increasing their dependence on the venture, and its new role at the center of the alliance exchange network made this possible without raising concerns that it was over-reaching its authority. One network executive explained:

*Part of the HEALTHCO strategy—we’re not there yet—is to link the whole hospital with us. We are strong in the finance and purchasing areas, but not yet in nursing, for example. We have thousands of little threads, but not one big chain linking the organizations one to the other.*

This approach was seen not only as a means to better serve the hospitals by enabling them to take full advantage of the benefits HEALTHCO offered. It was also a vehicle through which to increase the partners’ commitment to the venture, which would translate into increased stability for the alliance.

**Summary**

By structuring, coordinating, and supporting meetings among partner hospitals, HEALTHCO became a hub of knowledge sharing. Although creating learning clusters required the venture to develop new capabilities, the venture appeared to have voluntarily ceded the possibility of using them for other than their intended use. This choice was of a piece with how HEALTHCO’s managers increasingly looked for ways to add value for the partners that would deepen their participation in the partnership and thus decrease any likelihood, however slim, that a partner would leave and choose from a myriad of alternatives.
DISCUSSION & IMPLICATIONS

This paper presented evidence that venture managers actively, deliberately, and often adroitly monitor and manage their level of autonomy. They do so not simply to attain the flexibility (not to mention breathing room from invasive controls) and agility needed to effectively manage the venture. Most studies of venture autonomy view changes in a venture’s level of autonomy as a source of instability (e.g. Das & Teng, 2001). The cases I examined suggest that the causality goes in the opposite direction as well: instability can be corrected through changing the level of venture autonomy. Adjusting the level of venture autonomy appears to help managers restore goal congruence and modulate their degree of interdependence with partners as hedges against venture instability.

This study contributes to our understanding of the role venture managers play in shaping their autonomy from partners in multiparty joint ventures. It breaks with the dominant approach of previous research that considers a venture’s level of autonomy as little more than the result of partner efforts to establish control over the venture. The data I report show that successful venture managers are not simply passive agents following explicit directives about their decision-making latitude. Rather, they actively monitor and adjust their level of strategic and operational autonomy as one way to reduce threats to venture stability and thus increase the venture’s survival chances. This appears to be true of managers who seek to reduce their autonomy as well as those who intend to enhance it, an observation not reported in previous studies of venture autonomy.

My interpretation of the data combines aspects of resource dependence theory and bargaining theory to propose a functional explanation of why venture managers seek any given level of autonomy. At two successful, long-lived joint ventures, I examined how two central factors affecting venture stability – the level of dependence of partners on the venture, and goal
congruence among partners—affected managers’ ability to achieve their desired level of autonomy. I argue that venture managers use their degree of autonomy from partners as a solution to threats to venture stability created by goal incongruence among partners and asymmetric dependence between partners and their venture.

Following the lead of recent models of venture control and autonomy that use the venture as the unit of analysis (Yan & Gray, 2001), I analyzed SATCO and HEALTHCO as organizations in their own right rather than in terms of the partners’ relationships to each other. This approach highlighted the importance of the partners’ dependence on the venture itself (e.g., on its products and services or on the financial return it provides) rather than the partners’ dependence on each other and how that indirectly translates into their dependence on the venture. In a multiparty venture, the interdependence of any pair of partners is inversely related to the total number of partners (see Burt, 1980). Their dependence on the venture itself, however, is not.

Previous research has relied on participants’ perceptions about individual managers’ decision-making discretion for specific issues or activities at a particular point in time (Glaister, et al., 2003). This methodology leaves us to assume that the sum of these individual views reflects something meaningful at the organizational level without providing much by way of a theory of action. Such static analysis also fails to acknowledge the adaptive aspects of many decisions in general and the dynamic nature of joint ventures in particular. Since my approach locates adjustments in venture autonomy in the context of the decisions that lead to them, the motives and intentions behind venture manager actions can be more directly linked to results at the organizational level.

The findings suggest a number of areas for future research. First, further conceptualizing of the emergent nature of venture autonomy requires additional case studies that target for analysis
the same aspects of strategic and operational autonomy identified at SATCO and HEALTHCO. Replication of the present results would provide strong support for the validity of the constructs and the underlying theory, and discovering new dimensions of the phenomenon would be an important goal as well.

One means of further clarifying the nature of venture autonomy is to extend the pairing of partner dependence and goal congruence by selecting cases with different combinations of these conditions. For example, a sample of ventures for which dependence and goal congruence do not positively correlate might produce a clearer view of how these factors influence the level of venture autonomy together and separately. Another question along these lines is whether the combination of higher degrees of partner dependence and goal incongruence is associated with greater venture autonomy generally or if other conditions have more explanatory power for variations in a venture’s initial level of autonomy. A longitudinal study could seek confirmation that changes in levels of partner dependence and goal congruity are associated with adjustments in the level of venture autonomy.

This research has meaningful implications for both the managers of organizations that create joint ventures and the managers who lead them. First, the findings are a reminder that while considerable time and effort go into defining a partnership’s governance structures and processes at its formation, making these manifest in terms of managerial behavior may not turn out as intended. Agency theory tells us that agents are likely to pursue their own utility rather than the interests of principals, absent incentives to do otherwise. Because appropriate venture control has clear benefits for venture performance (Yan & Grey, 2001), it is important to get the balance between partner control and venture autonomy right. That objective may not be easy or even possible to
attain when the partners do not know each other well and newly appointed managers are similarly
developing their relationships to the partners.

Along these lines, the two case studies I analyzed suggest that there may not be an
optimum level of autonomy for a venture, but rather a range of levels depending on particular
issues and circumstances. This supports the hypothesis to that effect posed by López-Navarro and
Camisón-Zornoza (2003). For managers, this contingent approach means honing skills to assess
the scope and magnitude of their need for autonomy evaluating both the partners’ tolerance for
venture autonomy and their willingness to oppose or support it, developing negotiation skills to
navigate the tensions between partner control and venture autonomy, and devising strategies for
working with the partners to attain it.

The social-relational aspect of how venture autonomy emerges is important for prospective
partners to understand and consider in planning for a new venture. Some ventures may end up
following a strategic trajectory that leads toward independence. This is just one of the reasons
partners should discuss and negotiate exit options to accommodate the venture’s success or failure.
REFERENCES


