

**Modelling Critical Success Factors of International Joint Ventures in Real
Estate Development: Perspective of a Capital Investor**

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ABSTRACT

The aim of this dissertation, undertaken between 2012 and 2017, is to contribute towards the improvement of international joint venture (“IJV”) management in real estate development projects by analysing performance and factors, critical for the success of real estate IJVs. The assumption is that a real estate capital investor acts as the international partner of the IJV-construct, while local developers, operators and/or real estate professionals represent the local partner. The thesis focuses on the perspective of the real estate capital investor as a key actor in an IJV.

The thesis adopts a systems approach in identifying and discussing the critical success factors of IJVs in the literature review, followed by the development of an integrated, theory-based framework that offers a theoretical conceptualisation of the research problem and key research questions. The methodology and research design were compiled using quantitative (questionnaire survey) and qualitative (focus group and semi-structured interviews) approaches. Data were collected from international capital providers investing as IJV-partners in real estate development using a mixed method approach, the thesis proposes and elaborates on a performance model for IJVs in real estate development, with an aim to ensure empirically valid performance measurement. The focus was to identify and justify determinants and their relationships.

The empirical investigation in the thesis supports the notion that the investment process and the selection of the partner are particularly important for a project’s success in real estate development IJVs. In addition, aspects related to the structural and organisational dimension are relevant to the overall IJV performance. Moreover, the model has shown significant relationships between the (1) structural, organisational and investment dimensions on the one hand, and the (2) external, organisational and investment dimensions, on the other hand, for the overall success in the formation-stage. With respect to the post-formation stage, relationships between (1) partner and organisational dimension, (2) partner and investment dimension and (3) investment and organisational dimensions have been proven relevant to improve IJV performance in the context of real estate development IJVs.

This study makes contributions to the international business, strategic management, IJV and foreign direct investment (“FDI”) literature. In addition, the findings inform IJV managers of factors that may contribute to the performance of IJVs in real estate development projects.

Author's declaration

I declare that the work in the Doctoral (PhD) thesis was carried out in accordance with the regulations of the University of Gloucestershire and is original, except where indicated by specific reference in the text. No part of this thesis has been submitted as part of any other academic award. The thesis has not been presented to any other education institution in the United Kingdom or overseas.

Any views expressed in the thesis are those of the author and in no way represent those of the University.

Signed: _____

Date: 15.07.2017

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LIST OF ABBREVIATIONS

CJV	Contractual joint venture
CSF	Critical success factor
EJV	Equity joint venture
FDI	Foreign direct investment
IJV	International joint venture
IRR	Internal rate of return
JV	Joint venture
LTV	Loan-to-value
Q	Question
M	Model
SEM	Structural equation modelling
SPV	Special purpose vehicle

GLOSSARY OF SPECIAL TERMS

Foreign direct investment	Money that is invested in companies, property, or other assets by people or organizations from other countries. It is different from portfolio investment as usually the FDI is above 10% of the value of the assets.
Internal rate of return	The average amount of money earned each year from a particular investment, calculated by comparing how much money it makes each year with the original amount invested.
Joint venture	At least two cooperating independent partners, sharing financial risk and profit while managing a specific and strategic economic activity in a separately established company.
Loan-to-value	A loan-to-value ratio is a number that describes the size of a loan compared to the value of the property securing the loan. Lenders and others use the ratio to understand the risk of a loan.
Mezzanine capital	Mezzanine capital is any subordinated debt or preferred equity instrument that represents a claim on an asset which is senior only to that of the equity or common shares.
Skin in the game	To have “skin in the game” is to have incurred risk (monetary or otherwise) by being involved in achieving a goal.
Special purpose vehicle	A special purpose vehicle is a subsidiary of a company which is bankruptcy remote from the main organisation (i.e. protected even if the parent organisation goes bankrupt). The actions of a SPV are usually very tightly controlled and they are only allowed to finance, buy and sell assets.
Strategic alliance	A strategic alliance is an agreement between two or more parties to pursue a set of agreed upon objectives needed.

PART I: THEORETICAL SETTING FOR INTERNATIONAL JOINT VENTURES IN REAL ESTATE DEVELOPMENT AND PERFORMANCE

1) Introduction

1.1) Preface

In present years, a low interest rate environment has been observed in developed economies, such as the European Union, the United States, Japan, Hong Kong, etc. (e.g. Dooley, Folkerts-Landau & Garber, 2008). Capital can be borrowed at a low cost, which enhances competition for sound investment opportunities, resulting in increased pricing and downward pressure on returns. The real estate asset class, with its underlying economic factors, is strongly impacted by this phenomenon as a growing number of investors identify it as a necessary component for diversification in their long-term oriented multi-asset portfolios (e.g. Lizieri, 2013; IPD 2013). Increased market volatility supports this trend, as there is low correlation between real estate and most other asset classes (Benk, Hass, Johanning & Schweizer, 2009). Therefore, many traditional real estate investors injecting capital into their asset class have to accept lower rates of return. Particularly, real estate private equity investors struggle with this problem, as they tend to prefer high yields (Hahn, Geltner & Gerardo-Lietz, 2005). Higher target returns can only be achieved by adding value to investments (e.g. proactively enhance value, improve income profile or facilitate marketability of properties by re-development, refurbishment and restructuring) or by identifying interesting investment opportunities, only accessible to certain market participants (e.g. specialty real estate, niche markets, complex structures or turn around distressed property situations). Adding value is part of a value creation process potentially facilitating positive monetary effects or other benefits to the sponsor. One way to accomplish this objective is to forge alliances or partnerships in the form of real estate international joint ventures (“IJVs”). Capabilities and resources of different partners can be combined in order to perform a joint task (Inkpen & Birkenshaw, 1994). This enables international capital providers to leverage on the local market expertise and the strong network of local developers, operators and or real estate professionals. Hatfield, Pearce, Sleeth & Pitts (1998) highlight that IJVs offer a variety of strategies to enhance the chances of success in highly competitive market environments. IJVs are being used as instruments of growth, learning, information collection and profitability

enhancement, while being more attractive than most other alternatives (Harrigan, 1988; Sovannara & Mccullough, 2010). This also explains the increasing number of IJV activities observed globally (Geringer & Hebert, 1991; Madhok, 1995; Hennart & Zeng, 2002, Julian, 2005; Mo, Abdelnaser & Hamid, 2012). Therefore, IJVs with a supportive risk-return profile are an interesting and important operational mode for the international real estate investment business. According to Hahn et al. (2005), the number of real estate private equity funds is growing; however, strong demand for capital by regional property developers and co-ownership vehicles is also prevalent. Overall, IJVs in real estate have become more competitive as an increasing number of companies are getting involved in construction-related projects (see Mo et al., 2012). Such activities “often face a highly complex and dynamic environment because, in most instances, they are formed to build large scale [...] projects” (Adnan, Kassim & Chong, 2012, p. 4115). After the global financial crisis in 2008, banks became more cautious in their financing activities, in particular, towards risky capital so that the capital requirement or appetite for real estate developments cannot be fully satisfied. This situation underlines the strategic relevance of IJVs in real estate as a management challenge. More emphasis and effort has to be placed on strategy definition and preparation for exit and replacement (Adnan et al., 2012). Demirbag & Mirza (2000) argue that IJV activity has picked up momentum in the international business environment, while Holtbrügge (2004) confirms that attention paid to international business cooperation, such as IJVs, has increased in management theory. There are a variety of studies on general IJV management and corresponding performance factors, the majority of which adopt a relatively theoretical approach, sometimes missing a direct link to actual practice. IJV research still needs acceleration of theory development as no dominant theoretical concept exists that can fully explain the economic outcomes of such ventures (Osland & Cavusgil, 1996; Parke, 1993 B; Robson, Leonidou & Katsikeas, 2002; Madhok, 2006; Nippa & Beechler, 2013). Nevertheless, previous research perspectives are relevant for gaining a deeper understanding of IJV concepts and for developing a specific approach for real estate related activities. This research study presents a conceptual synthesis of existing literature, followed by an analysis of the key elements of successful and unsuccessful real estate IJV investments. Managing IJVs has proved to be a difficult undertaking (Killing, 1982). Many investments fall short of expectations in terms of return. In reality, goals set for IJVs in real estate have often not been reached and the rate of failure is rather

high. Various studies provide evidence regarding unsatisfactory performance of IJVs, reporting that more than 50% are classified as unsuccessful undertakings (e.g. Harrigan, 1985; Levine & Byrne, 1986; Kraar, 1989; Parkhe, 1993 A; Raffee & Eisele, 1994; Shaker & Galal, 1994; Dacin, Hitt & Levitas, 1997; Buechel, Prange, Probst & Rueling, 1998; Le, 2009; Mo et al. , 2012). According to Brouthers & Bamossy (2006), this shows that strategic concepts which look good on paper are not necessarily so attractive in practice and do not always have successful outcomes. In many cases, the reasons for this lack of success are unclear (Rajan, 2004); however, in certain cases problems such as ineffective managerial decisions, mistrust, conflict between the partners, misalignment of interests, unsatisfied expectations, and loss of capital, have been identified as contributory factors (United Nations Centre of Transnational Corporations, 1987; Shaker & Galal, 1994; Nippa, Beechler & Klossek, 2007A). Glaister & Buckley (1998) highlight that the popularity of IJVs seems is conceptually surprising given their overall poor performance. This suggests that although managers experience difficulty in managing their execution, there is no real alternative to IJVs. Due to the regular occurrence of critical situations in the process of forming, managing and operating IJVs and/or other cooperative strategies, managers demonstrate a strong interest in establishing a guideline for successful venture management (Harrigan, 1988, Klossek, 2008).

1.2) Research aim and objectives

This dissertation aims to contribute towards the improvement of IJV investment and management in real estate development projects by analysing performance and factors, critical for the success of real estate IJVs. For the purposes of this thesis, the presumption is that a real estate capital investor (e.g. private equity fund) acts as the international partner of the IJV, while local developers, operators and/or real estate professionals generally represent the local partner. Therefore, the central focus is on the perspective of the real estate capital investor. The research results will have implications for academic researchers, firms, professionals, and government policy-makers engaged in the initiation, management and regulation of real estate IJVs.

A “comprehensive synthesis and evaluation of research findings” on critical success factors (CSFs) for IJVs in real estate development is relevant for both “theory

development and management practice in this important area of international business” (Robson et al., 2002, p.387). Hence, the objectives and contribution of this dissertation are as follows. First, the structure will systematically address the current knowledge base of performance and success factors for IJV management. This will provide an insight into IJV management by highlighting existing concepts through an overview of the available quantitative and qualitative research on IJV investment and management theory.

In the next step, this dissertation develops the argument that performance measurement of IJVs in real estate development is still an unresolved area of research. Through the literature review, the thesis demonstrates that existing knowledge is not able to satisfy the requirements of CSF for IJVs in real estate development, and so addresses the resulting need for an analysis of CSFs in this context.

In the main part, the dissertation develops an integrated, theory-based framework within the research design, describing research methods, analysing tools, and modelling techniques. A performance model for IJVs in real estate development is identified through a mixed method approach, in a way that ensures that the performance measurement is empirically valid and the relationships between the determinants are justified. The validity of the model is ensured by statistics applying univariate and multivariate regression analyses based on data collected through a questionnaire survey.

The dissertation will thereby facilitate researchers to gain a better understanding of the meaning of success, performance implications and CSFs in the specific context, whilst also providing practitioners (capital investors) with guidance to better understand and manage their investment allocations related to IJV in real estate development projects. This study aims to help potential capital investors become aware of the selection criteria and operational factors on which they should focus in order to successfully invest as partners in a real estate development project. This approach will thereby address the disparity between theoretical knowledge and the practical application of operational requirements.

The objectives of this research project are defined as follows:

- To define the meaning and interpretation of CSFs in IJVs based on extant literature.
- To discuss the measures and performance determinants of CSFs in IJVs based on extant literature.
- To develop an understanding of success in IJVs in real estate development from the perspective of international capital investors.
- To identify the CSFs of IJVs in real estate development based on the perspective of capital investors.
- To develop a conceptual model of potential performance determinants (CSFs) and their measures in IJVs in real estate development.
- To develop a model and test potential CSFs and their measures.
- To develop a model and test the relationship among IJVs' performance determinants (CSFs).
- To understand the meaning of IJVs' performance determinants.
- To identify managerial implications and develop recommendations for success in IJVs in real estate development.

The final section comprises a conclusion and recommendations, including theoretical, methodological and managerial implications of the study, a discussion of limitations of this research project, and an indication of future research directions.

1.3) Organisation of the thesis

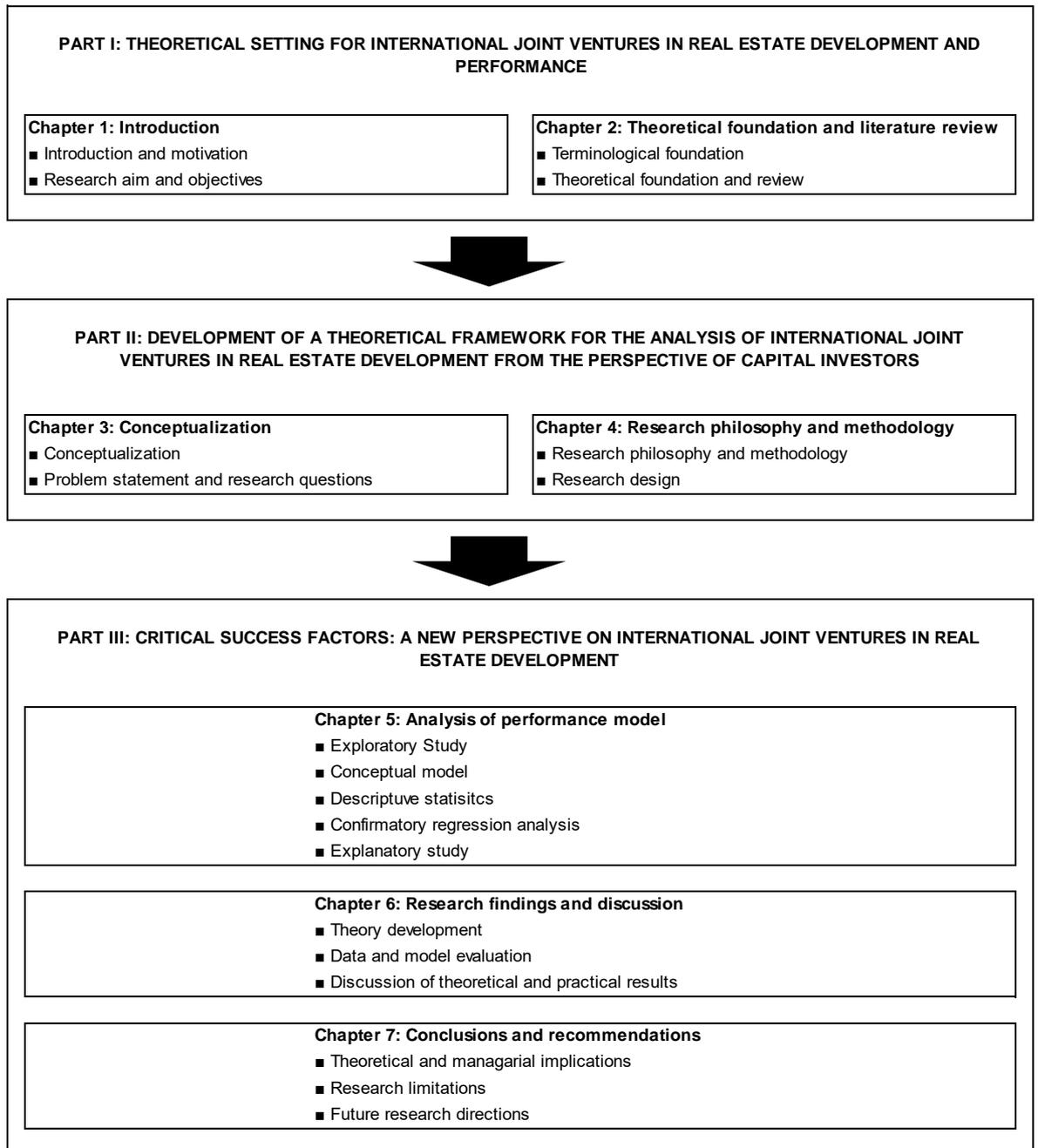


Figure 1.1: Course of analysis, created by the author.

2) Theoretical foundations and literature review

2.1) Joint venture as a form of business cooperation

2.1.1) Business Cooperation

Cooperative agreements have been common practice in the business community for a long time (Devlin & Bleakley, 1988). The term “cooperation” derives from the Latin word “cooperatio” composed of the prefix “co” and the word “opera”, the meaning of which can be defined as collaboration, coordination and participation, often used interchangeably (Kuhn & Hellingrath, 2002). The concept of cooperation is neither consistently defined in practice, nor in theory (Huy, 2001). There are certain characteristics associated with the concept of cooperation, which may serve as a general definition: “inter-firm collaboration between two or more partners, which remain independent in all areas that are not subject to collaboration, for the joint realization of specified tasks that cannot be realized by the collaborating firms alone” (Holtbrügge, 2004, p.259). Cooperation is a form of business activity, in which companies look outside the boundaries of the firm in order to meet expectations, either the company cannot realize alone or, which can be processed more efficiently or effectively by third parties (The Bureau of Industry Economics, 1995). Companies are able to expand their individual capabilities by working together towards a specific objective, sharing resources, and approaching tasks through joint processes (Gray, 1989; David, 2008). In reality, there are various forms of inter-company relationships that fall within the broad spectrum of business cooperation. The cooperation continuum ranges from cursory in nature to very close, highly cooperative relationships (The Bureau of Industry Economics, 1995). These cooperative mechanisms involve distinct levels of resource commitments, autonomy, and formality (David, 2008).

2.1.2) Strategic alliance

A strategic alliance is a form of business cooperation. The literature does not strictly distinguish between strategic alliance and business cooperation and these terms are often used as a synonym. However, it is clear that not all business cooperations are strategic. Thus, there is a need for a clarification between strategic alliance and business cooperation. According to Seppälä (2004), strategic alliances are defined as:

“An agreement (either formal or informal) to share resources and cooperate in one or several areas of business between two (or more) parties (firms or other organisations designed for a short- or long-term period, either of such significant (and not easily replaceable) magnitude that it is of great importance for the company or clearly linked to the strategic intent of the company, or both” (Seppälä, 2004, p.31).

A strategic alliance is, therefore, not the same as a business cooperation. This definition above acknowledges that a strategic alliance is a deeper form of business cooperation. This means that in a strategic alliance, the collaboration needs to be of significant importance (not easily replaceable), while being clearly connected to a strategic intent of the firm (Seppälä, 2004). According to Prasnikar & Skerlj (2006) alliances can be established in form of joint projects, licensing agreements, cross-licensing agreements and equity investments such as JVs. However, in academic literature it is not clearly defined whether the partners create or do not create a new legal entity. To this aspect, one finds different opinions; some definitions include legal formations such as joint ventures (e.g. Contractor & Ra, 2000; Todeva & Knoke, 2005), while others (e.g. Cravens, Shipp & Cravens, 1993) exclude those cooperation types from strategic alliances. The present study takes the view that strategic alliances include legal formations such as joint ventures. However, while recognizing that joint ventures are a type of strategic alliance, JVs are such in which two or more parties have equity stakes and they invest their equity to create a new venture separate from the parents' organisations.

2.1.3) Joint venture

The term “joint venture” (“JV”) derives from American legal language and is a generic concept used to denote various forms of project-related business cooperation (Wächterhäuser, 1992). As a form of business cooperation JVs are a very powerful tool, providing different groups or entities with a means of collaboration (Shishido, 1987), and are increasingly used as a vehicle for international business activities (Traem & Mueller-Patel, 1999). JVs are considered a more complex form of cooperation generally created with the intention to separate the venture entity from the parents' organisations (Borys & Jemison, 1989). Its interdependencies may be sequential or reciprocal and require an increased level

of boundary permeability (greater exchange or interaction between the partners) to promote effective collaboration and coordination. The term “joint venture”, in a broader sense, has multiple context-specific meanings. Therefore, whilst there is no universal definition of the term, closer examination of various JV concepts enables identification of the parameters of its different manifestations.

The thesis’s initial examination of various existing definitions of JVs will contribute to a better understanding of the phenomena, laying the foundations for the subsequent more in-depth discussion of various types of JVs. It is important to note that not all entrepreneurial cooperations are a JV. Nevertheless, definitions vary and lack clarity, demonstrating that it is very difficult to determine the precise characteristics of a JV.

A definition designed by Kabst (2000):

A JV is a legally independent organisation founded by two or more legally and economically independent companies jointly managed by the parent companies with participation in the decision-making process, but necessarily on equal terms.¹

This definition seems to set the intention of two or more persons to cooperate with each other as a minimum requirement. A contractual framework or agreement helps to document this intention properly and to avoid misunderstandings. In addition, the definition refers to the creation of a separate legal and independent entity as a key feature of a JV. However, it is not necessary to set up a new entity if one of the partners contributes capital to an already existing structure (Zielke, 1992). Moreover, the contribution to an entity may also be in form of a payment in kind if all parties can agree on a certain value of the alternative assets contributed.

A definition by Weder (1989):

¹ Original quote: “Ein Joint Venture [... ist] eine von zwei oder mehreren rechtlich und wirtschaftlich selbstständigen Unternehmen gegründete, rechtlich selbstständige Organisation, die von den Muttergesellschaften unter Beteiligung an den Entscheidungsprozessen gemeinschaftlich, jedoch nicht notwendigerweise paritätisch, geführt wird“ (Kabst, 2000, p. 12).

A joint venture is deemed to exist when independent partners (companies, governments) take mutual leadership responsibility and financial risk for a project.²

This definition mentions additional characteristics: all partners taking on financial risk and active leadership responsibility in the venture. In certain instances, a partner only takes on financial risk in the form of a silent participation contract. This is generally considered as a pure investment or a minority interest position that does not allow active participation in the management body of the venture. Zielke (1992) argues for the exclusion of this form of collaboration from the JV concept. In reality, this distinction is, *a priori*, difficult to assess without knowledge of the individual partnership agreement or the organisational structure. Exceptions exist where both partners exercise their equal right to transfer the sole responsibility of the venture's operational management or allocate individual responsibilities of separate functions between themselves. The way in which the partners actively participate always depends on individual aspects and motivation. In other words, there is no real requirement for a JV to be managed by all partners – parent companies can decide their scope of active participation in the management (Tadesse, 2008). In essence, companies, with respect to JVs, aim to develop individual and customised constructs in their decision-making processes in order to create a win-win situation, even under troublesome conditions (Wu, 1999) cited in (Yang & Lee, 2002). In case a partner just carries a managing function without taking equity risk, JV agreements can be reduced to a management or credit agreement depending on the business idea (Weder, 1989; Lubritz, 1998). Other scholars focus on the aspect of a minimum shareholding size as a requirement for a JV in their discussions of the topic. The shareholding size, however, strongly depends on the purpose of the venture and the intention of its partners. Partners with low capital commitment sometimes have a larger say in the venture management process as they contribute specific knowledge, particular market access, or innovative technologies in exchange for their lower capital commitment (Young & Bradford, 1977). These considerations need to be addressed in the definition of a JV.

A definition of JV is designed by Mason, Brennan and Deane (Chetwin, 2008).

² Original quote: *Ein Joint Venture liegt dann vor, wenn "[...] voneinander unabhängige Partner (Unternehmen, Regierungen) gemeinsam die führungsmäßige Verantwortung und das finanzielle Risiko aus einem Vorhaben übernehmen"* (Weder, 1989, pp. 33-34).

“The term 'joint venture' is not a technical one with a settled common law meaning. As a matter of ordinary language, it connotes an association of persons for the purpose of a particular trading, commercial, mining or other financial undertaking or endeavour with a view to mutual profit, with each participant usually (but not necessarily) contributing money, property or skill. Such a joint venture (or, under Scots' law, “adventure”) will often be a partnership. The term is, however, apposite to refer to a joint undertaking or activity carried out through a medium other than a partnership such as a company, a trust, an agency or joint ownership. The borderline between what can properly be described as a "joint venture" and what should more properly be seen as no more than a simple contractual relationship may on occasion be blurred” (O’Sullivan, 1992, p. 321).

This definition indicates that partners join forces to create a profit-oriented operating activity, which is intentionally jointly founded, and is not a coincidental or unintended accompanying effect of a strategy directed originally for other purposes, such as a 50% stakeholding purchased via shares at the stock-exchange (Zielke, 1992).

Participation in a JV requires limitations. In most cases, there are only two partners, although the recommendation is to not exceed five partners, as it would become quite difficult for the organisational complexity to be managed professionally (Zielke, 1992).

In light of the presented definitions, the following JV attributes can be summarized and/or recorded as minimum requirements: at least two cooperating independent partners, sharing financial risk and profit while managing a specific and strategic economic activity in a separately established company.

This summarized definition will assist in the examination of the JV related aspects of real estate and serves as a general basis for the understanding of the JV concept in the context of this research.

2.1.4) JV compared to other forms of business cooperation

In order to gain a better understanding of JVs and to delineate them from other cooperative business manifestations it may be helpful to take a closer look at other forms of business cooperation (see Table 2.3). Such business types can be distinguished, starting from a pure non-binding agreement to a JV. Necessary cooperative elements continuously increase in importance, based on the purely hierarchical nature of organisation approaches (Etter, 2003).

Cooperation without contract

According to Baran & Palffy (2006), cooperation without contract is the simplest way to collaborate without being constituted by any kind of contractual agreement. Companies keep their economic independence, while cooperating in the area of interest. Considered to be a very informal way of cooperation, this form is easily affected by de-stabilisation and break-ups.

Contractual cooperation

Contractual cooperation, including licence agreements, comprise a formal mode of general business collaboration, organizing a significant level of coordination between business units, while keeping them legally autonomous at the same time. Sometimes these cooperation processes are also regulated by licence agreements (Baran & Palffy, 2006).

Capital sharing

Companies mutually enter into a relationship of capital societies characterized by a two-side contribution of goods (capital, assets or technology) in order to perform a joint project, managed by the participating partners (Harrigan, 1986; Parkhe, 1993 B). In addition to a pure contractual agreement “ it is only natural that due to this participation the companies gain much stronger impact against their capital partners than conceivable under the mere cooperation relations” (Baran & Palffy, 2006, p.16).

Joint venture

The strongest way to institutionalize cooperation is to delineate the spheres where partners want to collaborate and turn these into an independent business unit called a JV (Baran & Palffy, 2006). This newly developed company will represent the respective business area based on the consensual interest of all sharing partners.

Items	Cooperation without contract	Cooperation with contract	Capital sharing	Joint venture
Contract	No	Yes	Yes	Yes
Capital participation	No	No	Yes	Yes
Independent business	No	No	No	Yes

Table 2.1: Summary of different forms of business cooperation, created by the author.

2.1.5) Types of JV

JVs can occur in different forms. Various dimensions to classify JV forms are summarized in Table 2.1.

Classification criterion	Forms	
Temporal dimension	Project-based	Traditional
Legal dimension	Equity	Contractual (non-equity)
Regional dimension	Domestic	International
Dimension of economic relationship	Vertical	Horizontal
Organisational dimension	Integrated	Non-integrated

Table 2.2: Summary of different dimensions of JV forms, created by the author.

Project-based vs. traditional JVs

Project-based JVs are different to traditional JVs in many aspects (Lynch, 1993). According to Aldrich (1979), project-based JVs are of temporary nature as their life span is limited to the realization of a specific project. Further to that characteristic there are other criteria like decision-making processes, operational activities or management style that allow for delineation (see Table 2.2). Partners contribute resources only on a limited basis, only as much as is required to perform a project, often with a focus on financial returns being realized at the end of project (Lorange & Roos, 1992; Sillars & Kangari, 2004).

Nature of comparison	Project-based JVs	Traditional JVs
Life span	Finite (Dissolution after project completion)	Indefinite (On-going)
Strategic Planning	Short-term oriented	Long-term oriented
Time to rectify default	During contract period	On-going process
Decision making	Relatively quick	Relatively slow
Management style	Operational - task oriented	Strategic - business oriented
Partner relationship	Short-term oriented	Long-term oriented
Information flow requirement	Must be quick	On-going process
Operational activity	Defined by contract	On-going process
Control	Hierarchy	Team work
Primary objective	Completion of project on time	Business objectives
Potential benefits	Possible win-lose situation	Win-win situation

Table 2.3: Comparison between project-based and traditional JVs. Adopted from “*Business Alliances Guide*”, by R. P. Lynch, 1993, p. 26. Copyright 1993 by John Wiley & Sons.

Equity Joint Venture (EJV) vs. contractual non-equity Joint Venture (CJV)

In an equity joint venture (“EJV”) the partners become shareholders of a joint company without giving up each other’s legal and economic independence (Fett & Spiering, 2010). This form of JVs requires capital commitments by the participating partners (Beamish & Banks, 1987). The partners create a new corporate entity, in which each of the partners owns a given share of equity according their capital commitment (Kale, Patil, Hiravennavar & Kamane, 2009). Resources other than capital, such as employees or factories, can also provide the capital commitment.

Contractual joint ventures (“CJV”) are also known as cooperative JVs. The terminological dimension of CJVs signifies that the partners are not establishing a separate JV company (legal person) as a vehicle of assets collectively owned (Fett & Spiering, 2010). The CJV is a broad term, which theoretically includes all forms of contractual cooperation, in which no formation of a JV entity is required. It represents an agreement possessing the features of a legal partnership. CJVs enable their partners to structure investments in a flexible way considering e.g. profits, losses, risks and management according the negotiated contract terms to fit the needs and requirements of their underlying business or industry (The US-China Business Council, 2011). CJVs tend to have more detailed contracts than EJVs, often followed by ancillary agreements or contractual amendments, which imply a time consuming and expensive process (Folta, 2005). A more intensive examination of contract components in advance may force partners to evaluate rights and

responsibility issues more carefully, as well as enhancing mutual understanding. Furthermore, termination of CJVs may be easier as partners hold their assets separately and determine contingency resolution terms in advance (Folta, 2005).

Domestic JV vs. IJV

In situations where at least one partner of the JV is headquartered outside the country of the JV operations or the JV activities are spread throughout multiple countries, then it may be called an IJV (Geringer & Hebert, 1989). For many international companies, IJVs are a key operating mode for sustaining and expanding their global business activities with particular relevance for companies in emerging markets (Nippa et al., 2007).

Vertical vs. horizontal JV

JVs are often classified by the economic relationship between the partners. In this context, the terms “vertical” versus “horizontal” are used to describe the way in which the partners collaborate. A horizontal JV represents a partnership of companies active in the same industry and at the same value creation stage (Huy, 2001). This can be seen as a JV between competitors. JV operations operating in successive value creation stages are called vertical JVs, while JV partnerships among different industries are known as conglomerates (e.g. Mueller & Goldberger, 1986; Eisele 1995).

Integrated vs. non-integrated JV

Within an integrated JV, all partners share profits and risks, while the JV managers drive the decision-making process (Mo et al., 2012). Moreover, the JV organisation puts strong focus on close coordination and frequent communication. According to Ho, Kin, Wu & Chu (2009), in non-integrated JVs different assignments/tasks are divided and distributed among the partners. This means each partner has primary responsibilities (technically and/or financially) with respect to their allocated works, and make direct decisions within their responsibilities without the need of formal consent from the other partners.

2.2) IJV and its management issues

2.2.1) JVs in an international context

The number of formations of IJVs has grown extensively throughout the last three decades (e.g. Killing, 1983; Beamish, 1988; Geringer & Hebert, 1989; Hennart & Zeng, 2002; Boateng & Glaister, 2002; Makino, Chan, Isobe & Beamish, 2007; Reus & Rottig, 2009; Nemeth & Nippa, 2013; Nippa & Beechler, 2013). IJVs are an important organisational and operational model for strategic investors, enabling them to expand into new investment markets and to sustain their global business activities (Nippa et al., 2007).

In reality, IJVs are management intensive, especially for emerging markets. Therefore, on-ground personnel with local expertise can be economically advantageous; however, it may also present serious management obstacles, evidenced by high failure rates. Failure rates in emerging markets tend to be higher than in developed markets as the level of instability related to the venture, combined with poor investment performance, is more pronounced (Nippa et al., 2007).

For an IJV to be successful, its parent firms must find a way to collaborate effectively. This is more complex in a cross-cultural context as IJV parents have different national backgrounds (Hennart & Zeng, 2002). According to Hofstede (1980, 1983, 1993, 1997), each nation has its own values, beliefs, communication, norms and behaviours based on their cultural concept; some countries are closer than others. It may be argued that these cultural concepts are reflected in the personality of individuals cooperating in daily business. Cultural differences are reflected in the different national mentality and approaches adopted by IJV partners (Kogut & Singh, 1988). These differences characterize the partnership in the sense that dialogue, agreeing on common goals, and solving issues which may arise (including through conflict resolution) might be much more complex (Hennart & Zeng, 2002; Yin 2008; Reus & Rottig, 2009). This regularly causes IJV failure, because the missing cultural exchanges among the parties may lead to conflicts and misunderstandings (Yin, 2008). Verbal exchange of information may suffer from perceptual barriers and contextual misunderstanding (Root, 1994). Moreover, the interpretation of nonverbal concepts may lead to even more serious problems (Hennart & Zeng, 2002; Hall, 1959). Finding a way to overcome these interferences will most likely improve internal communication and enhance operational management performance in IJVs.

2.2.2) Motives to engage into IJVs

For the most part, the basis for engaging in an IJV is the contribution of a different, but complementary, set of resources, knowledge, capabilities and markets by each partner (Dunning, 1993). Those commitments, in many cases, are substantial and the outcome is highly uncertain. Hence, the decision to engage in an IJV and to choose to share ownership with another company may have a variety of economic and other strategic reasons (Cleeve, 1997).

Synergy by transfer of resources

McConnell & Nantell (1985) present IJVs as one of a variety of possible approaches to pool resources between two companies to accomplish common objectives, creating synergistic effects. The cooperation is driven by the desire to achieve an ultimate goal, which the companies otherwise cannot pursue due to administrative, financial or technological constraints (Nueno & Oosterveld, 1988). There are various ways in which complementary resources can be combined. For example, multinational companies can supply cheap capital to their partners in emerging markets, while domestic firms provide access to cheaper labour (Chowdhury & Chowdhury, 2001). In general, IJVs hold significant wealth gain potential, mainly due to a larger excess rate of return and a premium by economies of scale generated through improved output of committed resources (McConnell & Nantell, 1985). Johnson & Houston (2000) support this conclusion and identify in their study that in horizontal IJVs wealth gains created by synergy sharing are positively correlated among all partners, whereas, in vertical IJVs, those effects are unbalanced. By deploying and using each other's resources, IJVs do not only lead to superior financial results, but also create product-related and operating synergies (Boateng & Glaister, 2003). Participants contribute one or more elements such as skills, talent or technology and support progress, which is not possible solely through internal development.

Risk reduction and cost sharing

Balakrishnan & Koza (1993) argue that IJVs are considered superior in situations, in which organisations are faced with inadequate information and/or operational uncertainty in the context of economic and opportunistic behaviours. Sharing costs of investment may limit the risk of losses in the event of a business failure (Boateng & Glaister, 2003). IJVs can be used as an instrument to limit business hazard, as

no partner has to cover the entire risk or cost in the course of the project (Porter & Fuller, 1986). Strategic business decisions sometimes require investments and create uncertainties in the outcome of business plans. Shaker & Galal (1994, p. 86) highlight that in cases where “the industry is beset by major technological upheavals, a firm may view IJVs as a means of reducing the risk associated with the new technological development”. Similar risk concerns may also prevent counterparts, suppliers or buyers from agreeing to a long-term contract with a high initial capital input. By establishing IJVs, the required capital for implementing the business idea can be shared between the partners. Decision-making processes can be performed more effectively when there are fewer committed resources at risk, enabling greater diversification as companies are able to invest in a greater number of projects with a set amount of capital (Johnson & Houston, 2000).

IJVs may also facilitate better control over political risk as local partners maintaining relationships with government officials can assist in limiting risk exposure while enabling better access to local resources (Eisele, 1995). Cost-sharing in the form of potential savings in the production, distribution or marketing process may also support and strengthen the competitive market position (Shaker & Galal, 1994).

Access to markets (market entry)

Access to previously untapped regional markets is at the heart of many IJV projects (Harrigan, 1986). The entry mode of an IJV presents several advantages, enabling local and international firms to utilize core competencies, complementary resources and innovative capacities (Kogut 1988 A; Geringer & Hebert, 1991; Lu & Shiang, 2006; Duan & Shuai, 2007; Zheng & Larimo, 2014). While an individual company may have inefficient internal resource capacities, IJVs provide meaningful opportunities to develop business strategies in current markets or to enter new markets (Eisele, 1995). Lack of market knowledge and local contacts in the process of an international market entry creates a critical obstacles in respect of cost, and timely and efficient execution. Thus, IJVs are viable strategic options for the reduction or removal of entry barriers (Goodnow & Kosenko, 1992). According to Álvarez (2003), the partner can contribute complementary knowledge for country-specific practices, or the firm can learn from the partner’s long-term experiences in the market. Generally, this information is not available in the marketplace due to high transaction costs and is difficult to obtain by means other than the creation of an IJV. This can be viewed as means to enable smoother market entry, however,

previous studies support the argument that, in more risky undertakings, companies try to avoid entry modes such as wholly owned subsidiaries (Chan, 1995). This is particularly true in situations, in which foreign firms from developed countries enter emerging markets as they face high uncertainty, particularly, in economic and opportunistic behaviours (Zheng & Larimo, 2014).

Increasing market power

Increasing market power (competitive position) can facilitate a company to mitigate potential market and industry-specific restrictions on output, avoid inequality of bargaining power, and take advantage of economy of scale effects (Luo, 1997; Scherer & Ross, 1990). Particularly for IJVs, a strong market position by the local partner may assist in strengthening the commitment to the local market platform and the related business operations (Luo, 1997; Adler & Hlavacek, 1976). Moreover, a strong competitive position can help to overcome institutional uncertainties. IJVs are also established to extend home country market power to new locations (Harrigan, 1984). This approach is often used to reduce costs and interferences in comparison to wholly owned subsidiaries (Tallman & Shenkar, 1994).

Transfer of organisational knowledge

Transfer of organisational knowledge means the exchange of existing information, expertise and skills between IJV networking parties (Berdrow & Lane, 2003). According to Zollo, Reuer & Singh (2002), transfer of knowledge should be part of the corporate development process in every company integrated as a proper learning mechanism. Various components of organisational knowledge can actually contribute to improved performance. Bedrow & Lane (2003, p.22) identify that “the most significant learning outcomes were in the IJVs' ability to surpass the combined knowledge contributions of the parent firms and create new value through knowledge transformation in its complementary activities”. Other studies support the idea that through acquisition of new organisational knowledge venturing companies can enhance their competitive positions, whereby it is important that the contribution is complementary to the existing knowledge base (Shenkar & Li, 1999). Sometimes new knowledge can also be developed by the IJV itself (Robson et al., 2002). In this sense, parental organisations must be ready to actively learn from IJV activities (Beamish & Berdrow, 2001).

2.2.3) Life cycle of an IJV

IJV life cycles have not been unanimously clearly defined in IJV literature (Le, 2009). According to Harrigan (1986), IJVs can be considered as transitional organisations based on a dynamic nature. The life cycle of an IJV can be divided into separate life cycle stages. Most concepts are based on a three-stage concept as outlined in the study of Le (2009).

Study	IJV life-cycle stages		
	Stage 1	Stage 2	Stage 3
Buechel (2000)	Formation	Adjustment	Evaluation
Heide (1994)	Relationship initiation	Relationship maintainance	Relationship termination
Wood & Gray (1991)	Precondition	Process	Outcome
Ott (2003)	Bargaining	Common agency	Repeated games
Kogut (2002)	Creation	Institutionalization	Termination

Table 2.4: Overview of IJV life cycles stages, created by the author in accordance with the summary of Le (2009, p. 30)

In Table 2.4 different concepts of IJV life cycles are presented, which are structured based on the nature of the research focus. The present study will focus on CSFs of IJVs, and thus follow a concept of two stages (see Figure 2.2), namely: formation (investment) and post-formation (management, operation and divestment). According to Gale & Luo (2004), many studies on CSFs did not focus on the different stages of the IJV life cycle, which led to confusion and caused problems for practitioners when they tried to implement recommended strategies. This approach reflects the fact that the strength of influence by the CSFs may change over time (Trommsdorff & Wilpert, 1994). Changes from earlier to later life cycle stages may have impact on IJV performance (Isidor, Schwens, Hornung & Kabst, 2015). Eisele (1995) argues that this perspective has the advantage that an exact identification of phase specific needs and challenges can be addressed. In this context, Larimo, Nguyen & Ali (2016) highlight that the choice of performance measurement is depending on the individual stage of the entity in the IJV life cycle. Moreover, a phased approach considers the relations of the partners, which may also change over time. The partner relationship may develop a completely new quality caused by longer-term interaction in a concrete project (Eisele, 1995). In this sense, it is necessary to differentiate life cycle stages in the investigation.

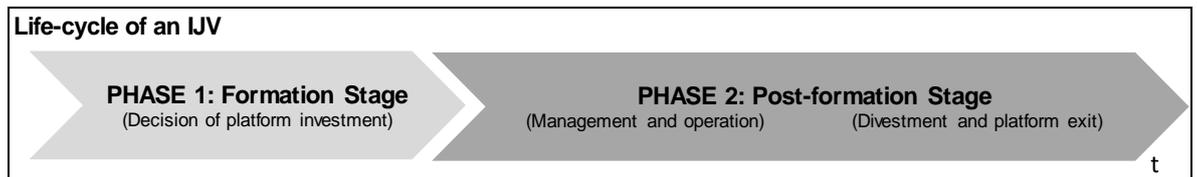


Figure 2.1: Life cycle of an IJV, created by the author.

PHASE 1: Formation stage (platform investment)

The formation of IJVs is based on different motives and strategies. It is important to find an appropriate partner as well as to make the right choice of location (Eisele, 1995). During the formation stage (also called investment or entry stage), potential partners aim to identify, understand and verify their alignment of interest and objectives regarding the task-related areas (Ozorhon, 2010). Companies define and configure negotiation targets, the conduct of negotiations, and relevant topics for negotiation. This involves considerations such as venture size, experiences, duration, investment type, clarity about contribution, share of ownership, control and decision-making policy, profit and loss distribution, composition of decision-making body, dispute resolution procedures, main motivation, and long-term orientation (Kwok, Then & Skitmore, 2000; Zheng & Larimo, 2014). In the course of negotiations, potential partners try to leverage their power and organisation specific advantages to strengthen their position in the IJV, which will then be based on contractual arrangements. In addition, issues regarding the legal framework of the host country and project management are important (Eisele, 1995).

PHASE 2: Post-formation stage (management, operation and divestment of platform)

The post-formation stage, which starts after the implementation (formation) of the IJV, focuses on its operation and management and ends with the resolution/termination of the platform. Reuer (2000) points out that the post-formation stage is an important part of a parent firm's collaborative strategy, influencing the overall outcome of the IJV. Brouthers & Bamossy (2006) argue that post-formation processes in IJVs are relevant for managers and scholars as they help to explain how to deal with difficulties in cooperation and communication, how to manage IJV evolution (reconfiguration, restructuring and adoptive action) and manage perceptions of IJV performance. Thus, many barriers to success emerge in the post-formation processes.

2.2.4) Key management issues

Nature of management of IJVs

A variety of cultural, behavioural and administrative actions make the operational management of an IJV a demanding task with respect to time, capital and effort (Adnan et al., 2012). Therefore, each IJV intention has to be carefully analysed with respect to its strengths, weaknesses, opportunities and risks in order to be able to evaluate the probability of success, problems and/or challenges.

Partner selection

According to Geringer (1991), partner selection for an IJV is the process of identifying an organisation that qualifies potentially as a complementary partner in order to build an alliance. He further argues that this information may be of substantial value to the managing body of an organisation, in the process of evaluating prospective involvement in an IJV; for example, in determining the most appropriate prospective partner firm or the relative bargaining power of each potential party. This is an extensive analysis, in which various aspects have to be processed.

Management control

Management control has been defined as the process of protecting a parent company's interest in an IJV (Li, Tang, Okano & Gao, 2011) by influencing the venture entity. This means that its members (e.g. IJV managers) need to behave in a way that follows the parent's organisational strategy/agenda. Such strategies have to be further broken down to individual operational objectives (Geringer & Hebert, 1989). Previous studies have highlighted the complexity of IJV control, as two or more partners are involved (Yan & Gray, 1994). The discussion on management control in IJV literature has focused on three dominating aspects: (1) control mechanism (equity ownership, representation in management bodies, management skills, etc), (2) control focus (the scope of activities over which the parent companies exercise control) and (3) extent of control (whether one or more partners play an active role in decision-making) (Geringer & Hebert, 1989; Glaister & Buckley, 1998; Groot & Merchant, 2000; Boateng & Glaister, 2002). In various studies, these aspects have been considered as complementary and/or interdependent (Geringer & Hebert, 1989; Hu & Chen, 1996).

IJV control

The basic mechanism of IJV control has been defined in terms of ownership (majority equity holdings) (Geringer & Hebert, 1989). However, due to contractual flexibility and delegation of responsibility and control in reality this will not be a direct and automatic consequence of ownership (Friedman & Beguin, 1971). Thus, a variety of mechanisms to exercise effective control are available, such as representation of management bodies, veto rights, special agreements, delegation of authority, and voting rights (e.g. Geringer & Hebert, 1989; Kumar & Seth, 1998; Li et al., 2011). Merchant (1998) defined a useful way to look at the object of IJV control, whether control is exercised by action and result, or personnel and culture. Groot & Merchant (2000) argue that partners can incorporate legal, physical or administrative means to ensure certain actions (e.g. granting certain approval rights, determining special policies, or agreeing on particular contract terms) and/or that the partners can concentrate on outcomes/results in order to be able to intervene if it becomes necessary (e.g. monitoring of key ratios, implement temporary task force or incentive plans). Moreover, partners can influence the willingness and ability of personnel to perform, thereby providing the basis for good performance as part of the IJV culture through measures such as training sessions, socialization and peer control (Groot & Merchant, 2000).

Focus of control

Focus of control is the degree of control exercised. Broad control generally means that parents exert control over the entire range of activities undertaken by the IJV, while narrow control is limited to specific activities and processes considered to be crucial for the overall achievement of strategic objectives (Groot & Merchant, 2000; Li et al., 2011). Tallman & Shenkar (1994) and Park (1996) argue that narrow control might be relevant to foreign and local partners, whereas broad control is likely to be more critical to foreign partners. A split control situation may arise where one partner exerts a very dominant control style over a limited number of activities (Schaan, 1983; Geringer & Hebert, 1989; Li et al., 2011).

Extent of control

The extent of control is focusing on the decision-making control (Pangarkar & Klein, 2004). According to Geringer & Hebert (1989), the parent companies decide over the relative allocation of control by staffing the senior management positions within

the IJV. Those positions have strategic relevance and affect the IJV operations as senior management coordinates with the parent companies, while running the IJV business (Schaan & Beamish, 1988). Geringer & Hebert (1989) argue that the relative power of the senior management in the IJV is defined in the governance structure ranging from autocratic (individual and dominant) to democratic (shared among many managers) control.

IJV agreement

The IJV agreement is a complex document, resulting from extensive negotiations between the partners. According to Minja, Kikwasi & Thwala (2012) there are no standard forms of IJV agreements because the contract is generally customized to the specific needs of the venture. This means that there can be a range of different characteristics, such as (1) governance (e.g. majority/minority position, board size, board committees, selection of senior management, voting rights, dispute resolution), (2) operational requirements (e.g. business plan and budget approval rights, non-competition clause, management agreement, reporting and information rights, service agreements, compliance and other policies), and (3) exit provisions (e.g. transfer restrictions, pre-emption rights, drag-/tag-along rights, buy/sell procedures, put/call options, termination events, consequences of termination).

Rowan (2005) proposes that IJV agreements should at least do the following:

- Define the parties/partners to the agreement;
- Define the purposes and objectives of the IJV;
- Define the monetary and non-monetary contributions to be made by each of the contractual parties;
- Define the management structure of the IJV and the associated appointment mechanism;
- Define the (corporate) vehicle/ legal form under which the IJV will operate;
- Define the basis on which the participants in the IJV will share profit and loss in given situations;
- Define obligations and liabilities of the JV partners;
- Provide for a conflict resolution mechanism;
- Provide for termination mechanisms.

Challenges to manage IJVs

In any cooperation, problems arise creating challenges for the involved parties. According to Adnan et al. (2012), challenges related to IJVs are often caused by phenomena such as managerial issues, cultural diversity, partner-related problems, as well as financial and political impacts. Organisations have to learn to manage upcoming challenges in order to avoid instability and trouble during the implementation and/or operation of an IJV.

2.3) Performance measurement of IJVs

2.3.1) Theoretical background

2.3.1.1) Meaning of success in the business context

Scientific research in business administration, in general, is very much focused on developing an understanding of what makes some businesses more successful and/or perform better than others (Grunert & Ellegaard, 1993). Business practitioners regularly emphasize the need for general management, and appreciate detailed evaluation of function-specific contributions to success, with a particular focus on the underlying determinants.

The definition and measurement of organisational performance in the context of strategic alliances as a research topic has attracted much attention especially in the field of international management (Geringer & Hebert, 1991; Yan & Zeng, 1999; Ozorhon, Arditi, Dikmen & Birgonul, 2010). It is a controversial subject of discussion for academic researchers and practitioners working in different areas (Le, 2009). Although many attempts have been made to define and measure organisational performance, no universal theory has been developed, which can be applied across all organisations (Taoglu & Glaister, 1998). Organisational performance can be measured by considering the success of a business activity. While a common understanding of success exists, the exact meaning of success requires a more profound discussion. The Oxford English dictionary formally and generally defines success as “the accomplishment of an aim or purpose” (Jewell, 2006, p. 836); in other words, achieve something, which is desired, planned or attempted. A precise definition, however, has to consider the word in a particular context. Looking at success in an organisational context may require different definitions based on expectation, recognition and perception within the organisation, as well as the

underlying organisational objectives. Business or corporate success is a global, holistic phenomenon in target-oriented organisations or systems. Therefore, corporate success may be considered as the degree of achievement of organisational objectives (Fritz, 1992). The underlying understanding of corporate success can be most aptly distinguished or characterized by the terms “effectiveness” and “efficiency”. Effectiveness can be explained as the general suitability of a measure for achieving the desired objective (“doing the right thing”), or simply in terms of achieving the desired objective, considering only the outcome. Efficiency describes the degree of achievement of objectives (“doing the thing right”) or, in other words, looking at the output/input-relation (Cameron & Whetten, 1983; Kanter & Brinkerhoff, 1981; Steers, 1975). Effectiveness is usually viewed as an overall objective, whereby efficiency is classified as a possible secondary objective. The specific nature of concepts or definitions of success depends very much on the fundamental approach taken with respect to performance analysis (Fritz, 1992).

A general approach for measuring organisational performance is to differentiate between financial and non-financial or non-direct financial criteria (Walker & Brown, 2004). Traditionally, business success measures have focused on financial performance and ratios, like turnover, profit and return on investment (Ibrahim & Goodwin, 1986). Non-financial success measures can be supportive to a more sustainable business practice and increase the enterprise value in the long run. However, such measures are subject to certain challenges, as they are “subjective and personally defined and are subsequently more difficult to quantify” (Walker & Brown, 2004, p. 579).

A necessary requirement for the measurement of business success is the existence of organisational objectives. The concept of business success should not be limited to achieving an overall objective, but should also include an assessment of the ability to acquire resources, to maintain internal stability of the system by creating processes and structures, as well as the successfulness of the organisation’s interaction with its environment (Scherer & Pietsch, 2007). The concept of success becomes an abstract, multi-dimensional construct, with the strategic direction or development of the organisation as its main focus (Fritz, 1992).

The literature of IJV performance has been focused on three aspects: (1) critical success factors and determinants influencing IJV performance; (2) measurement of performance for IJVs; and (3) perspective of performance measurement in IJVs.

2.3.1.2) Critical success factors and performance determinants

The concept of critical success factors (“CSF”) was introduced by Rockart (1979), based on the original conceptual idea of success factors, first discussed in the academic literature by Daniel (1961). According to Bullen & Rockart (1981, p.7), CSFs are “the limited number of areas, in which satisfactory results will ensure successful competitive performance of the individual department or organisation. CSFs are the few key areas where ‘things must go right’ for the business to flourish and for the manager’s goals to be attained”. In this sense, CSFs can be seen as variables and/or conditions associated with the likelihood of positive or negative outcomes, which assist in identifying, and/or addressing key concerns of senior management (Boynton & Zmud, 1984), while enabling a multi-perspective understanding of what is critical to the success of a business. According to Ketelhohn (1998) and Vasconcellos e Sa (1988), the use of appropriate key performance measures facilitates the implementation and acceptance of the respective corporate strategy. The foundation of this competitive strategy is based on managers’ evaluation of the firm’s position and its relevant CSFs (Porter, 1980). Thus, CSFs are related to important areas of business activities that need to perform well in order to enable the company to outperform its competitors (Vasconcellos e Sa, 1988). These factors are generally set by the characteristics of the underlying industry (Porter, 1980) and by the specifics to be carried out by the IJV (Prahalad & Doz, 1987 as cited in Geringer, 1991). “They may vary by industry, by company, and may even change over time” (Geringer, 1991, pp. 46-47). Boynton & Zmud (1984) argue that transforming CSFs into implementable business processes helps the organisation to achieve higher performance and to establish guidelines for monitoring business activities. The CSF analysis may have material implications for the operational business due to required changes in the corporate attitude with the objective to improve effectiveness and efficiency. This involves the way in which data is processed. Staff productivity is increased and resources are allocated alongside the setting of overall strategic objectives and individual goals (Boynton, Shank & Zmud, 1985). Fortune & White (2006, p. 54) highlight “that the inter-relationships between factors are at least as important as the individual factors”. Therefore, it is crucial to not only focus on the CSFs, but also consider their inter-relationships, in order to provide useful guidance to practitioners developing effective management systems (Nandhakumar, 1996).

Performance determinants

Prior literature highlighted the importance of differentiating between variables that predict performance (performance determinants) and variables that indicate performance (performance measures) (see Lewin & Minton, 1986; Cameron, 1986).

Performance determinants are a set of variables that affect the CSFs (Hernan, Marin & Siotis, 2003; Chan & Chan, 2004). In general, determinants of performance focus on critical aspects of outputs and/or outcomes. For performance measurement to be effective, the performance determinants have to be accepted, understood and applied throughout the entire organisation (Chan & Chan, 2004).

2.3.1.3) Measurement of performance

Success and failure of IJVs is the defining theme of many academic discussions (Buechel, Prange, Probst & Rueling, 1997; Zielke, 1992). Success itself is a concept of IJV effectiveness, in which objectives of partners' parent companies are met (Hill & Hellriegel, 1994). Only a few studies have developed a clear definition of success. This clearly points out that measuring IJV performance has consistently proven difficult for researchers because of its complexity (Ozorhon et al., 2010).

IJVs have the need with their entrepreneurial activities and the typical underlying project characteristics to regularly identify reasons for success and failure as part of their cooperative assessment. Successful performance heavily depends on the parent companies' commitment to the IJV, which is strongly influenced by their motivation and strategic purpose (Isobe, Makino & Montgomery, 2000). Due to complex issues, IJV performance has to be considered based on a multidimensional concept (Hill & Hellriegel, 1994). According to Ozorhon et al. (2010), researchers have to do the following before they can start the evaluation of IJV performance:

- (1) Define the subject of performance measurement (e.g. IJV partner, IJV organisation or IJV project);
- (2) Decide whether to use performance measures with subjective and/or objective criteria;
- (3) Create a valid list of performance determinants and define their relationship to each other.

Parameters of success and failure are relative and difficult to determine as partners may define and measure the performance of a venture in different ways. Different sets of performance measures can lead to differing inferences about the success of an IJV (Beamish, Delios & Lecraw 1997; Delios & Beamish, 2004; Jain & Jain, 2004). This means that measures of performance may actually be negatively related to others (Hill & Hellriegel, 1994). Therefore, it is paramount for IJV research to analyse individual partners' perspectives on success-related issues. In many cases, success is associated with fundamentally divergent or convergent objectives like stability, financial performance, and operational and strategic aspects. Research that does not take multiple dimensions of performance into account or fails to define a clear underlying performance concept may lose richness and substance (Hill & Hellriegel, 1994). In this sense, various forms of performance measurement identified in extant literature will be discussed next.

Performance measures with subjective vs. objective criteria

Performance can be measured by either subjective or objective criteria. On one hand, factors with objective characteristics, such as financial performance, economic indicators or information about survival and stability of an organisation are often publicly available (e.g. annual reports, public databases, securities market data), allow for third party understanding and reconstruction of the underlying data (Robins, Tallman & Fladmoe-Lindquist, 2002). On the other hand, measures subjective criteria of performance are based on managers' personal judgement and perception (Killing, 1983; Schaan, 1983; Beamish, 1985; Inkpen, 1992; Hebert, 1994; Lee & Beamish, 1995; Hatfield et al., 1998; Rajan, 2004; Robson, Skarmeas & Spyropoulou, 2006; Sovannara & Mccullough, 2010). This consists of self-evaluation data (for predictor and criterion variables) about overall satisfaction related to performance or goal achievement, which can only be obtained through questionnaires (Cullen, Johnson & Sakano, 2000; Klossek, 2008). In principle, all performance concepts can be assessed through subjective criteria, whereas measurement with objective characteristics can only be conducted if appropriate public or private data is available. Measures based on subjective criteria are generally affected by informant bias, while objectively verifiable criteria tend to better ensure against misunderstanding and misinterpretation (Ramaswamy, Gomes & Veliyath, 1998; Robson et al., 2006). Even though disagreements exist regarding the comparability of measures with subjective or objective criteria, various studies

identify a positive correlation between them (e.g. Lecraw, 1984; Dess & Robinson, 1984; Dymsha, 1988; Geringer & Hebert, 1989; Beamish & Delios, 1989; Beamish & Banks, 1997). Performance measures with subjective criteria enable more flexibility, especially in multi-dimensional concepts, and are applied more frequently with more confidence subject to strict procedural (e.g. multiple respondents) and statistical (e.g. factor analysis, regression analysis, principal components and structural equation modelling) controls (Fryxell, Dooley & Vryza, 2002; Robson et al., 2006). In cases where objective data is not reported, either it is not publicly available or is only available on a consolidated basis, the data loses transparency (Dess & Robinson, 1984; Geringer & Hebert, 1989). Moreover, Woodcock, Beamish & Makino (1994) argue that in start-up phases of new IJVs, performance often appears less impressive due to market entry strategies, such as market penetration activities or achievement of economies of scale and/or scope. In this respect, Anderson (1990) highlights that most IJVs require a more balanced or subjective assessment than typically used in other organisational performance concepts as standard objective measurement criteria are misleading or limited. Therefore, it is not advisable to use standard objective measures for IJVs (Rajan, 2004), while the use of measures with subjective judgement is more preferable. A general overview of performance measurement of IJVs is provided by Figure 2.3.



Figure 2.2: General overview of performance measurement for IJVs, created by the author.

Economic performance measures

Economic performance measures are generally quantified in the form of financial performance, such as profitability (e.g. ROI, ROE or ROA), sales growth, market share, shareholder value of IJV and/or cost positions, which are appropriate indicators as they can be fully assessed, easily understood and interpreted by managers (Tomlinson, 1979; Lecraw, 1983; Anderson, 1990). However, many IJVs operate in a high risk and uncertainty context (with a long-term performance view excluding a current performance baseline for benchmark comparison). This means that short-term economic indicators constitute a poor performance measurement as the venture may develop well in terms of current non-financial or long-term goals (Anderson, 1990; Glaister & Buckley, 1998). In certain cases, in which valuable data is available, synthetic structures, such as management and licence fees or transfer pricing, often distort the financial results so that the information seems meaningless or is difficult to interpret (Geringer & Hebert, 1989; Chiao, Yu & Peng, 2009).

Stability

In principle, IJV performance, measured by stability or instability, focuses on the event referring to the termination of the original partnership, which can occur in five different ways: (1) one partner sells his ownership to the other partner(s); (2) one partner sells his ownership to a third party; (3) all partners sell their ownership to a third party; (4) the JV-contract is materially renegotiated; or (5) the IJV is liquidated (Gomes-Casseres, 1987; Blodgett, 1987; Geringer & Hebert, 1991; Blodgett, 1992; Hennart & Zeng, 2002). Often that means a change in the capital structure (equity holdings) or in the distribution of responsibilities. Similar concepts of stability are also discussed in terms of dissolution (Peng & Shenkar, 2002), survival (Franko, 1971; Killing, 1983; Geringer, 1990), longevity (Blanchot & Mayrhofer, 1998) or duration (Harrigan, 1986; Kogut, 1988 B) as a form of performance interpretation. Dissolution and survival are not linked to the IJV's age, while longevity and duration consider whether an IJV is still operating or not at the end of a given period. However, liquidation or a change in ownership does not necessarily reflect instability, just as poor performance or failure, survival or long duration does not inherently indicate success (e.g. Yan & Zeng, 1999; Parkhe, 2004). The termination of an IJV as a response to a changing strategy (Beamish & Inkpen, 1995) or environment (Gomes-Casseres, 1987) can clearly demonstrate a successful outcome. Conversely, the long duration of an IJV in undesirable conditions, such as

the existence of high exit barriers, may represent the partners' inability to dissolve their operational activities (Park & Ungson, 1997; Blanchot & Mayrhofer, 1998). Gomez-Casseres (1987) argues that many IJVs are unstable because they are frequently established on a temporary or intermediary basis. This means exit or liquidation is intended after the venture has fulfilled its initial or adapted purpose (Makino et al., 2007; Nemeth & Nippa, 2013). In this context, a better understanding of this form of IJV performance measurement needs to be developed by taking a closer look at the individual definition, interpretation and evaluation of partners' objectives (e.g. Geringer & Hebert, 1991; Hatfield et al., 1998; Reus & Ritchie, 2004; Mohr, 2006). This will enable an appropriate and adequate conclusion about IJV success or failure to be drawn (Yan & Zeng, 1999). Even though stability indicators are still used, they are considered to be inappropriate performance measures as they are affected by non-performance characteristics (Hatfield et al., 1998).

Strategic and operational IJV performance measure

According to Robins et al. (2002), strategic performance is driven by the contribution of complementary strategic resources, which are essential to the venture success. Moreover, they argue that strategic measures of performance are often related to economic indicators, such as profitability or sales growth, as well as to other factors, such as productivity, management development, quality of goods and services, and several other key strategic and operating areas. Different operational areas may affect the outcome (e.g. human resource management or quality control), meaning that operational and strategic performance measures are very closely related. Venkatraman & Ramanujam (1986) indicate that strategic measures are financially related, while operational measures are non-financially related. They also argue that the inclusion of operational performance measures enables a glance beyond the "black box" approach (just looking at financial indicators) as those operational success factors may lead to financial performance. In this sense, specific types of resource contributions are linked to strategic performance by the impact of operational activities, while others have direct effects on strategic performance (Robins et al., 2002). Anderson (1990) mentions that whatever performance measure is used it should somehow be related to the strategic intention of the subject organisation.

Even though theoretical research contributions often focus on CSFs for IJVs, their analysis and findings are inconsistent. Robson et al. (2002), therefore, list the

following reasons: “(1) the different theoretical underpinnings adopted by IJV studies; (2) the fact that many studies were conducted in isolation, with little regard for the findings of previous research; (3) the tendency to investigate simultaneously just a few of the many factors linked to IJV performance; (4) the use of disparate construct operationalisations and research designs; and (5) disregard for the influence of contextual externalities on IJV behaviour and success” (Robson et al., 2002, p.386).

The extensive debate surrounding IJV performance measurement clearly highlights the absence of a single, appropriate measurement criterion (Glaister & Buckley, 1998). It appears to be difficult to define an ideal performance measure across all IJVs, which would satisfy the entire set of classifications and address all their context specific natures (Rajan, 2004). The variety of measures used in academic studies to evaluate IJV performance reflects the way in which parent companies and IJV managers understand success and IJV performance, which in turn is a reflection of motives and reasons to establish IJVs (Contractor & Lorange, 1988; Porter & Fuller, 1986; Glaister & Buckley, 1998). The risk of IJV failure may increase in situations where executives lose their focus in the process of carefully assessing the requirements for success in each phase of the venture (Shaker & Galal, 1994). Success of a venture is directly and dependently determined by the quality of its actions and decisions, but may not be considered autonomously without environmental context of the venture (Zielke, 1992). In addition, success is influenced by structural conditions, characteristics and peculiarities of the corresponding industry. Due to these difficulties in assessing IJV performance, many studies have chosen to apply perceptual measures (with subjective criteria), which allow managers to assess the effectiveness of a given IJV in meeting the objectives of the defined construct (Geringer & Hebert 1989, Harrigan 1987, Hill & Hellriegel, 1994). Glaister & Buckley (1998) argue that measures with subjective criteria tend to be a more direct performance measure as the respondents, who are aware of the IJV objectives, should be able to evaluate the performance with these objectives in mind. According to Hill & Hellriegel (1994), this may help reduce some of the problems related to comparability between the investigated IJVs.

2.3.1.4) Perspective of performance measurement

In performance measurement of constructs with multiple stakeholders, the evaluation perspective is paramount to the overall understanding and interpretation of results. According to Rajan (2004), some researchers prefer to evaluate IJVs as independent entities, whereas others suggest also incorporating the parent perspectives. He further argues that studies perform the topic “in terms of fulfilment of objectives of the [I]JV/parents/both, while others have studied it in terms of the life span of the [I]JV [...]. From these different perspectives arise the different measures of performance in [I]JVs” (Rajan, 2004, p. 4). In other words, different performance criteria may be applied depending on the perspectives of the individual partners (Boateng & Glaister, 2002). Moreover, the different national backgrounds between the international and local partners may result in heterogeneous perceptions (Buechel & Thuy, 2001). This relates to aspects such as different objectives, motives or conflicting agendas (Beamish & Delios, 1989; Boateng & Glaister, 2002). Consequently, the performance evaluation perspective needs to be clearly defined in every study. Otherwise, cross-study comparison becomes difficult and generalisation of IJV performance (being a general concern in the evaluation of the wider spectrum of organisational performance) constitutes a particular problem (Glaister & Buckley, 1998). Previous research frequently used perceptual ratings for IJV performance measurement (e.g. Killing, 1983; Beamish, 1988; Rajan, 2004) with data sometimes collected only from one partner (Boateng & Glaister, 2002). Data obtained only from one partner will only reflect the perspective and opinion of performance of that particular partner (Geringer & Hebert, 1991), not necessarily other partner(s). Therefore, it is crucial to define a data collection strategy that is in line with the overall strategic goal of the research study.

2.3.2) Literature review

2.3.2.1) Method and result

This review presents a qualitative summary of previous research studies of performance and CSFs in IJVs. This serves as a knowledge base to build on a theory-based framework for IJVs in real estate development. According to Cook, Mulrow & Haynes (1997), a comprehensive review will be conducted by searching and studying published and unpublished literature and taking the reviewers’

decisions, procedures and conclusions into consideration. Tranfield, Denyer & Smart (2003) argue that this approach includes sources like published journals, listed bibliographic databases, conference proceedings and internet pages. Public studies were the focus of the research efforts in order to ensure a high degree of transparency and availability of the academic foundation.

For the purposes of this review, empirically oriented journals were searched via journal databases (*JSTOR*, *EBSCO*, *SpringerLink*, *SciVerse*, *informs*, *Wiley Online Library* and *JFQA*) via the access of the 'Electronic Journals Library' of the 'Bavarian State Library in Munich' and 'Moodle' from the 'University of Gloucestershire'. A procedure was applied that had been used in previous studies to analyse success factors published in widely acknowledged reviews (see Brown & Eisenhardt, 1995; Nippa, Beechler & Klossek, 2007 B). The review was based on eight empirically oriented, top-ranked journals (*Academy of Management Journal*, *Administrative Science Quarterly*, *Journal of International Business Studies*, *Journal of World Business*, *Management International Review*, *Organization Science*, *Strategic Management Journal* and *Academy of Management Review*).

The review of these journals covered the respective time spans that were available in the aforementioned databases and cover a timeline from 1956 to 2017. More detailed information is presented in Table 2.5. Due to the vast number of available studies, selection criteria through search terms were defined. The following search terms were narrowed down as the most effective for the research topic in the context of this study: 'joint venture'; 'international joint venture'; and 'strategic alliance' as this term is sometimes used as a synonym (Yiu & Makino, 2002). However, to avoid inadequate mixing of organisational forms, studies focussing on strategic alliances that had no real focus/reference on JVs/IJVs not explicitly mentioning the term 'joint venture (JV)', 'international joint venture (IJV)', 'equity joint venture (EJV)' or 'contractual joint venture (CJV)' were excluded from this sample. For similar reasons studies were excluded that mentioned above JV-terms, but did not particularly focus on these organisational forms. Moreover, only studies were included that covered aspects referring to success or failure, success factors, performance and/or other optimization aspects. Qualitative and quantitative research was taken into account.

A total of 4,347 potential articles were identified through computerised and manual procedures which were subjected to a selection process according to the criteria of inclusion and exclusion established. Due to this complexity, it was inappropriate to

use a pure keyword-based selection process. Therefore, in many studies, it was necessary to analyse full titles, key words and sometimes abstracts to identify relevant information. The majority of studies were filtered through these criteria, while around 200 articles were found to be directly related to the broader spectrum of IJVs with performance aspects. For these articles, it was necessary to read the full content to determine its relevance to the present study and, above all, to determine whether these studies contribute to the identification of CSFs. Of the 200 articles, only 40 articles were selected, as they were deemed relevant to the research topic referring to CSFs of IJVs. In addition, the citations and reference lists of the 40 selected studies have been carefully analysed to source relevant work published in other journals. As a result, 26 additional studies that contribute to the research field related to CSFs of IJVs were incorporated. The final sample of the selected peer-reviewed articles on the research topic constituted 66 studies. The sample included most – though probably not all – studies on the research topic published over the last decades, with a strong focus on high quality research (top-journals, back- and forward citing and peer-review). This approach aimed to avoid the exclusion of any relevant scholarly contributions. This process was repeated several times during the research phase to ensure that the most recent studies relevant to this topic were taken into account. The focus on high quality and peer-reviewed research assured a comprehensive reflection of the present knowledge in this field. Please refer to the grid (see Table 2.5) for the search results.

Journals	Database	Time Span	Hits				Selected Studies
			'joint venture'	'international joint venture'	'strategic alliance'	Total*	
Academy of Management Journal	JSTOR	1963 - 2011	128	28	63	219	1
	EBSCO	2011 - 2017	73	25	77	175	
Administrative Science Quarterly	JSTOR	1956 - 2013	54	0	37	91	0
	EBSCO	1974 - 2016	54	1	35	90	
Journal of International Business Studies	JSTOR	1970 - 2013	581	167	113	861	9
	SpringerLink	2013 - 2017	106	31	22	159	
Journal of World Business	SciVerse	1997 - 2017	438	115	160	713	12
Management International Review	JSTOR	1990 - 2013	357	90	52	499	7
	SpringerLink	2014 - 2017	49	14	16	79	
Organization Science	JSTOR	1990 - 2011	130	19	95	244	4
	informs	2007 - 2017	17	1	12	30	
Strategic Management Journal	JSTOR	1980 - 2011	325	61	170	556	6
	Wiley Online Library	2011 - 2017	163	66	152	381	
Academy of Management Review	JSTOR	1976 - 2011	130	14	49	193	1
	EBSCO	2011 - 2017	23	8	26	57	
Total I			2.628	640	1.079	4.347	40
Other Journals	Citations/ Reference List	N/A - 2017	N/A	26	N/A	26	26
Total II			2.628	666	1.079	4.373	66

* Double counts could not be avoided due to the use of multiple key search terms within the same database.

N/A = information not available.

Table 2.5: Overview of search results on published journal databases, created by the author.

Subsequently, searches were conducted on core bibliographic databases (*OPACplus of the Bavarian State Library in Munich and Gateway Bavaria of the Library of the University of Applied Science Munich*) and the internet to cover published books, doctoral dissertations and conference proceedings (papers). The same procedures as for the selection of the journals was applied. A total of 2,998 references were found, while the majority of studies were filtered and few studies were found to be directly related to the topic of the present study. As a result three doctoral dissertations, two conference proceedings (papers) as well as four essays were selected, containing nine additional studies. See the grid (see Table 2.6) for the search results.

Source	Database	Hits				Selected Books	Selected Dissertations/Papers
		'joint venture'	'international joint venture'	'strategic alliances'	Total*		
Bavarian State Library in Munich	OPACplus	796	34	255	1.085	1**	2
Library of University of Applied Science Munich	Gateway Bavaria	739	320	854	1.913	1	1
Internet	Other	N/A	N/A	N/A	N/A	0	6
Total		1.535	354	1.109	2.998	2	9

* Double counts could not be avoided due to the use of multiple key search terms within the same database.

** This book contains two relevant studies.

Table 2.6: Overview of search results on core bibliographic databases, created by the author.

The inclusion criteria for the selected studies are: (1) association with IJVs; and (2) direct relation to aspects of performance measurement or CSFs. Most studies addressed only very specific issues like analysing only one or few specific CSFs in detail. Therefore, this review put more focus on integrative multi-factor approaches and concepts covering the full spectrum of success and performance factors represented in the sample of selected studies. Moreover, the citations within the selected studies were verified to provide additional input that investigated the relevant topic. This served to develop a comprehensive understanding of the research topic. The objective was to provide the reader a prudent overview of the insights of the 75 reviewed studies (for the list of reviewed studies see Appendix A).

The structure of the review begins with an explanation of the most relevant motives to engage into IJVs. In the next step, the state of extant research on performance measurement of IJV was analysed in order to enable a presentation of the most significant achievements to date. Finally, the review laid the foundations for a more in-depth understanding of IJVs in real estate development and assisted in the answering of relevant research questions accordingly.

2.3.2.2) Academic foundation

Generally, research approaches to IJV performance are defined by an underpinning academic foundation, which adopts theoretical paradigms to comprehend and describe the logical aspects of the organisation, operation and governance of the venture (Robson et al., 2002). The most frequently applied theoretical explanations for IJV formation, development, management, dissolution and performance are based on transaction cost economics, resource-based view, organisation theory, contingency theory and strategic management. All these theories, while with varying areas of focus, aim to achieve certain strategic objectives. However, from a holistic perspective, they can be seen as complementary rather than competing.

Transaction cost economics

The idea of transaction cost economics was developed by Williamson (1975), who adopted a market-based approach in order to understand some services and goods. The entrepreneurial mission focuses on minimising the sum of production and transaction costs (Kogut 1988 B), comparing the creation of in-house capabilities with options available in the market. By describing the firm's boundaries, transaction cost economics explains the preference of IJVs over sole ownership or market transactions in situations, in which more promising control structures and governance modes can be deployed (Mjoen & Tallman, 1997; Nippa et al., 2007). Foreign market entry can be facilitated more efficiently by local partners' contribution of valuable market knowledge, lowering opportunism and reducing monitoring efforts (Robson et al., 2002).

Resource-based view

The resource-based view is driving collaboration by managing deficiency of one or more strategic resources or core competencies (Ozorhon et al., 2010). In this way, the resource-based view focuses on reducing uncertainty and promotes performance of IJVs by combining strategic and social resources, as well as relationships, to develop new business ideas in a competitive environment and to create competitive advantage situations and solutions (e.g. Eisenhardt & Schoonhoven, 1996; Reus & Rottig, 2009). In this sense, the needs of a partner's complementary skills or resources act as the predominant motive for IJV arrangements (Geringer, 1991). Therefore, IJVs can be characterised as value-creating actions, not easily duplicated by potential competitors (Das & Teng, 2000).

Organisation theory

Organisation theory analyses the structural design, and relationship with external environment and behaviour within the IJV organisation to coordinate power, authority and other relevant systematic aspects, and to influence the ventures activities and performance outcomes (Luo, Shenkar & Nyaw, 2001).

Contingency theory

Within contingency theory, there is no single preferable way to organize a venture (Robson et al., 2002). Contingency theory is concerned with the question of what constitutes a possible fit between environmental conditions, organisational structures and strategies (Child, Chung & Davis, 2003). According to Donaldson (2001), environmental conditions determine organisational strategies for superior performance, implying a certain requirement for environmental adaptation.

Strategic management

IJVs are initiated by strategic behaviour as a response to environmental conditions. Firms focus on becoming more competitive (maximize profits) through establishing sustainable competitive advantages (Adnan et al., 2008). The motivation to enter into an IJV is driven by strategic and economic benefits. In this context, performance depends on whether a mutual alignment between parent strategy and venture structure is achieved (Robson et al., 2002). The commitment for collaboration needs to be activated throughout all levels of the organisation (Adnan et al., 2008).

2.3.2.3) Previous research on CSFs of IJVs

Table 2.7 briefly summarizes the content and structure of the review concerning previous research of CSFs, which will be discussed in the following section.

Approach/ Model	Study	Academic foundation *	Dimensions of research work	Sample
empirical analysis on external and internal success factors of international joint ventures	Zielke (1992)	<ul style="list-style-type: none"> ▶ strategic management e.g. <i>Peters & Waterman (1982)</i> ▶ agency theory e.g. <i>Contractor & Lorange(1988), Harrigan (1985)</i> ▶ resource-based view e.g. <i>Kumar (1987)</i> ▶ organisational complexity e.g. <i>Killing (1988)</i> 	<p>external factors: ▶ market / ▶ product characteristics</p> <p>internal factors: ▶ degree of internationalisation</p> <ul style="list-style-type: none"> ▶ financial ratios / ▶ motives of partners / ▶ alternative approaches ▶ formation of joint venture / ▶ contribution to the joint venture ▶ performance creation and exchange of performance ▶ management and organisation / ▶ termination of joint venture 	60 interviews
theory based approach of international joint venture performance	Parkhe (1993, 2004)	<ul style="list-style-type: none"> ▶ transaction cost economics (TCE) e.g. <i>Hennart (1991)</i> ▶ organisation theory e.g. <i>Habib (1987)</i> ▶ resource dependence e.g. <i>Pfeffer & Nowak (1976)</i> ▶ game theory e.g. <i>Parkhe (1993)</i> ▶ strategic behavior e.g. <i>Kogut & Singh (1988)</i> ▶ networks e.g. <i>Walker (1988)</i> 	<ul style="list-style-type: none"> ▶ motives for international joint venture formation ▶ partner selection/ characteristics ▶ control/ conflict ▶ international joint venture stability/ performance ▶ "soft" behavioural variables: reciprocity, trust, opportunism, forbearance 	N/A
integrative model of international joint venture performance	Robson, Leonidou & Katsikeas (2002)	<ul style="list-style-type: none"> ▶ transaction cost economics (TCE) e.g. <i>Hennart (1988), Kogut (1988), Ramanathan, Seth & Thomas (1997)</i> ▶ agency theory e.g. <i>Reuer & Miller (1997), Contractor & Kundu (1998), Kumar & Seth (1998)</i> ▶ resource-based view e.g. <i>Eidenhardt & Schoonhoven (1996), Mjoen & Tallman (1997), Das & Teng (2000)</i> ▶ behavioural perspective e.g. <i>Inkpen & Birkenshaw (1994), Eroglu & Yavas (1996), Inkpen & Currall (1997)</i> ▶ organisational learning and knowledge e.g. <i>Inkpen & Crossnan (1995), Lyles & Salk (1996), Inkpen & Dinur (1998)</i> ▶ political economy e.g. <i>Leclaw (1984), Yan & Grey (1994), Lee & Beamish (1995)</i> ▶ strategic management e.g. <i>Harrigan (1988), Lyles & Baird (1994), Millington & Bayliss (1997)</i> 	<ul style="list-style-type: none"> ▶ background variables (domain of venture partners: intrapartner characteristics, interpartner fit) ▶ antecedent variables (domain of venture: structural variables e.g. venture demographics, contractual elements, managerial characteristics - processual factors e.g. control and supervision, project-specific relational aspects, organisational learning) ▶ core variables (domain of venture: strategic factors e.g. production, marketing, human resource) ▶ external variables (industry characteristics, regulatory environment) ▶ outcome variables (performance measurement: financial, stability, multidimensional assessments) 	36 studies
	Robson, Skarmas & Spyropoulou (2006)	<ul style="list-style-type: none"> ▶ transaction cost economics (TCE) e.g. <i>Hennart (1988), Reus & Ritchie (2004)</i> ▶ organisational learning e.g. <i>Kogut (1988), Hamel, Doz & Prahalad (1991)</i> ▶ behavioural perspective e.g. <i>Sakar, Echambadi, Cavusgil & Aulakh (2001), Inkpen & Currall (2004)</i> 	<p>behavioural attributes:</p> <ul style="list-style-type: none"> ▶ relationship capital (trust, commitment) ▶ exchange climate (cooperation, communication, conflict reduction) 	41 studies
lifecycle stage model of joint ventures performance	Eisele (1995)	<ul style="list-style-type: none"> ▶ transaction cost economics (TCE) e.g. <i>Kogut (1988)</i> ▶ organisation theory e.g. <i>Kieser & Kubicek (1983)</i> ▶ contingency approach e.g. <i>Raffée (1974), Kieser & Kubicek (1992)</i> 	<ul style="list-style-type: none"> ▶ initiation phase e.g. <i>prudent partner selection, similarities among partners, cultural differences</i> ▶ negotiation phase e.g. <i>detail of contract, seeking for majority interest, trust</i> ▶ implementation phase e.g. <i>organisational implementation, establishment of joint ventures on market</i> ▶ general aspects e.g. <i>partner 'fit', willingness to learn</i> ▶ environmental conditions 	survey of 131 top managers
	Parkhe (1993, 2004)	<ul style="list-style-type: none"> ▶ relationship initiation, relationship maintainance, relationship termination; <i>Heide (1994)</i> ▶ motivations, negotiation, operation, results; <i>Lyles & Rajadhyax (1988)</i> ▶ assessment, planning and designing, implementation, development; <i>Raben (1992)</i> ▶ pre-conditions, process, outcomes; <i>Wood & Gray (1991)</i> 	<ul style="list-style-type: none"> ▶ introspection and internal audit ▶ partner scanning / ▶ pre-contractual negotiations ▶ courtship / ▶ partner selection ▶ contractual negotiation / ▶ formal contract design ▶ informal role specification / ▶ joint venture initiation ▶ organisational learning/ adaptation ▶ joint venture outcome (success/ failure) 	N/A

Table 2.7: Overview of integrative multi-factor approaches/ models and review studies on success factors of international joint venture, created by the author. N/A = information not available. * For further explanation please refer to the Appendix A.

Zielke (1992) performs an empirical research to identify external and internal factors related to success or failure of IJVs. This study includes both partners' perspective, through interviews with parent companies in Germany and the United States. IJVs are used as a model to approach international competition, and therefore their success is dependent on the structural environment of the corresponding industry. External conditions like market (e.g. market size, market dynamic and volatility, degree of concentration, etc.) as well as product characteristics (e.g. sector specifics, technological change, rate of innovation, degree of standardisation, etc.) affect and determine the prospect of success. It is important to understand the market cycles and the lifespan of the deployed technology. Moreover, many production-related IJVs are not driven by economy of scale but rather by creation of competitive advantage. Nevertheless, external parameters are less influential than internal factors. Internal conditions and individual strategies of the IJV are relevant aspects of successful performance measurement. In this context, a number of powerful CSFs have been identified, which are allocated to two different phases of the life cycle of the venture, formation and management. In the formation stage, the following relevant parameters to ensure success are defined: (1) **efficient collaboration during restructuring processes**; (2) **doing specific and target oriented investments**; and (3) **proper transfer of knowledge**. According to Kwok et al. (2000), target-oriented investing implies business (or project) suitability, an understanding of local legislation and local business practice. Proper knowledge transfer requires the use of knowledge management. "Knowledge management is the conscious and active management of creating, disseminating, evolving and applying knowledge to strategic ends" (Berdrow & Lane, 2003, p.15). Park, Vertinsky & Becerra (2015) highlight the significant impact on performance transferring tacit knowledge, while the transfer of explicit knowledge improves performance of mature IJVs. According to Berdrow & Lane (2003), knowledge transformation effects show unexpected operational and marketing benefits, optimising internal processes, and contributing to positive financial performance in the IJV. For the management of on-going IJVs the most significant factors have been identified as: (1) **compatible objectives between the partners not being identical at the same time**; (2) **autonomy of the venture**; and (3) **substantial commitments by the partners** (Zielke 1992). Beamish (1994) purports that great contributions by local partners, as well as commitments with long-term relevance to the IJV, influence the prospect of success positively. The argument that long-term

commitment contributes towards IJV success is also supported by other studies (e.g. Geringer, 1988; Beamish, 1988; Fey, 1996). In this sense, Fey (1996) also emphasises the importance of real long-term contribution of all partners to the venture; however, he adds that IJV management is easier if one partner is more actively involved than the other(s). Commitment is evaluated as “the willingness of [...] partners to exert effort on behalf of the relationship” (Mohr & Spekman, 1994, p. 137). This includes valuable and rare resources, as both attributes are necessary to achieve competitive advantage (Ainuddin, Beamish, Hulland & Rouse, 2007). According to Lin & Germain (1999), mutual commitment facilitates the development of a shared identity, while other studies observed the creation of voluntary cooperation and/or mutual trust among the venture partners (Zheng & Larimo, 2014; Larimo & Nguyen, 2015). In this sense, mutual commitment may reduce conflicts, while increasing cooperation is stabilizing the relationship between the partners (Lin & Germain, 1999). Several studies argue that higher levels of commitment should affect organisational success and satisfaction positively (e.g. Angle & Parry, 1981; Mohr & Spekman, 1994; Adnan et al., 2012). All mentioned factors support the companies involved by offering attractive, specific and competitive advantage. Nevertheless, the factors require a high degree of strategic leadership and operational management. The study of Zielke (1992) contains a range of valid arguments. Yet, due to the long list of evaluated data, limited sample size, and the subjective nature of assessment of the examined spectrum of performance measurement, the reliability and representativeness of his study is compromised. Due to the focus on German and US firms, the study may also not be applicable in a global context. According to Eisele (1995), this study does not contribute to the complexity of the issue to the necessary extent.

Parkhe (1993 B, 2004) systematically develops, in his qualitative study, a theory-based approach in incorporating a core concept of IJV performance. The core concept contains partner-controlled parameters of behaviour; namely, reciprocity, trust, opportunism and forbearance. Those behavioural variables can be effectively linked with four interconnected dimensions for IJV success: motives for IJV formation; partner selection and characteristics; control and conflict issues; and IJV stability and performance. He highlights the importance of understanding the inter-organisational collaboration of IJVs and raises questions, such as why has the IJV mode been chosen, how was it established, and how does it change the relationship between the partners over time? He concludes that most theories focus on the

outcome rather than on the underlying process and criticises, in this context, the missing link to practical application. Moreover, he emphasises the general lack of understanding related to the invisible management processes, such as core behaviour variables (Figure 2.4), which may have significant influence on the dynamics, and, therefore, possibly on the performance of the IJV.

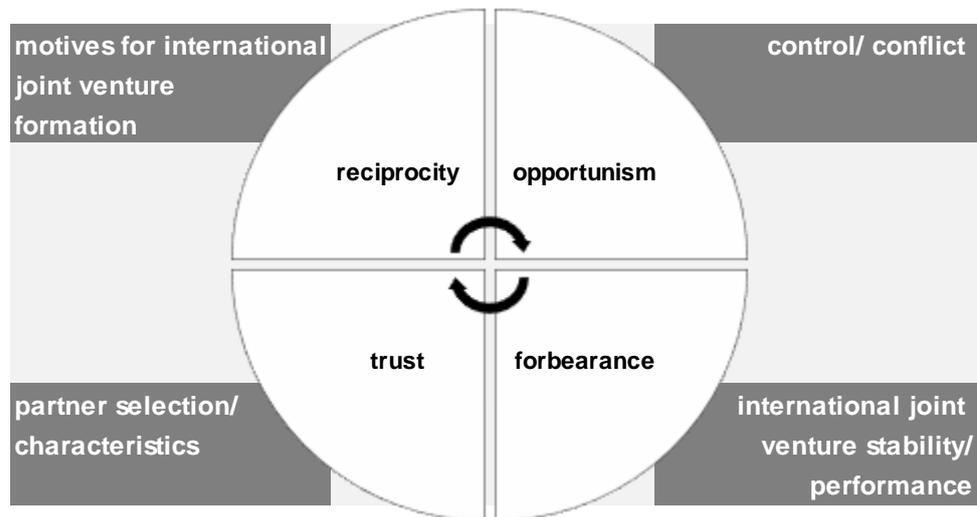


Figure 2.3: An integrative framework for core international joint venture concepts. Reprinted from ““Messy” research, methodological predispositions, and theory development in international joint ventures”, by A. Parkhe, 1993 B, *Academy of Management Review*, 18, p.231. Copyright 1993 by Academy of Management.

(1) Motives for IJV formation: motives for IJV formation have to also be considered as success factors. The most significant motives have been already discussed in this review (see paragraph 2.2.2). Parkhe (2004) defines motives as a basic imperative for any strategic alliance. Gale & Luo (2004) add that IJVs with long-term commitments to the partner tend to have higher chances of success than those motivated by short-term pursuit of profit.

(2) Partner selection and characteristics: according to Parkhe (2004), the prudent choice of an appropriate partner will potentially leverage the success of the venture, as the required cooperation, close collaboration, interaction and interdependence will result from this decision. Previous studies (Tomlinson, 1970; Berg & Friedman, 1982; Killing, 1983; Harrigan, 1985; as cited in Geringer, 1991) have addressed the importance of the partner selection process to IJV performance, since it determines the mix of skills and resources available to the venture. Geringer (1991, p.59) even argues that “firms tended to exhibit superior performance when their externally rated levels of skills and resources matched the projected CSFs of the firms’ competitive environments”. This enables the IJV to achieve its set objectives. However, the effort

to find the right partner has to be shaped by individually defined selection criteria. These include strategic, organisational and financial considerations, for example, functional skills, geographic presence or product features (Luo, 1998; Harrigan, 1985), as well as financial stability and commitment (Minja et al., 2012; Adnan et al., 2012). Capital funds are the basic requirement for expansion, while also providing a cushion for loss absorption (Boateng & Glaister, 2002). Mould (1987) argues that capital adequacy and financial stability is critical for firms to survive and to continue their business activities. In the context of strategic fit, compatible and harmonious objectives among partners may support comprehensive strategies. Divergence of objectives as a major problem of IJV may counteract success (Shaker & Galal, 1994). Goal congruity more likely results in a consensual position, which helps the business to approach competitive markets in a more successful way (Zeira & Parker, 1995; Boateng & Gleister, 2002). Beamish & Delios (1989) confirm the observation of higher performance by reaching consensus and/or congruity about strategy and objectives. To avoid communication problems, some firms prefer international partners who speak the same language as them (Minja et al., 2012). Adnan et al. (2012) pinpoint that favourable and complimentary organisational capabilities are key attributes for partner firms in IJVs, while the selection process of the partner should consider aspects, such as reputation (incl. track record and third party references) and access to resources. The ability to contribute resources and knowledge in a balanced way will avoid one-sided bargaining power and strengthen the relationship among the partners (Parkhe, 2004). Ozorhon et al. (2010) evidence that it may be helpful to check the workload of the partner to better understand his situation in terms of capacity and priority. Beamish (1988) argues that the ability to establish mutual trust is an additional important and more general criteria of selecting a partner. According to Madhok (1995, pp. 119-120), "trust is based on a set of mutual expectations or anticipations regarding each other's behaviour and each actor's fulfilment of its perceived obligations in light of such anticipation". In other words, this means that trust is set equal to the perceived likelihood of others not acting in a self-interested way. In many cases, trust is not pre-existing, but has to be built up. Therefore, trust appears in the post-formation stage of the IJV life cycle rather than in the formation stage (Le, 2009). However, trustworthiness may influence the willingness of partners to establish an IJV (Adnan et al., 2012). In this context, Mayer, Davis & Schoorman (1995) developed the concept of perceived trustworthiness (expectation of how another party will behave,

based on past actions) and trust propensity (willingness of a party to trust others). According to Brouthers & Bamossy (2006), both components affect transaction costs and IJV performance. In combination with performance satisfaction, trustworthiness may foster smooth and stable control (Hsieh & Rodrigues, 2014). Trust being established at a later stage may support partners to enhance trust-related behaviour (Cullen et al., 2000). Such behaviours include, for example, “meeting obligations and expectations, performing relevant tasks competently and reliably, sharing information, consistently delivering expertise and resources and generally nurturing the relationship” (Cullen et al., 2000, p. 234). This will reinforce confidence and motivation of the partners, encouraging them to reciprocate with similar behaviour. Other studies argue that distrust may affect defensive or opportunistic behaviour in IJVs in terms of increasing costs associated with monitoring and controlling of venture activities (e.g. Williamson, 1993; Brouthers & Bamossy 2006). According to Adnan & Morledge (2003), trust contributes to an enhanced and more effective strategy implementation, more extensive management coordination, as well as more efficient teamwork. Several studies highlight that trust between partners is an important factor in IJV success (e.g. Inkpen & Cullen, 2004; Madhok, 2006; Bener, 2008). In addition, Fey (1996) argues that trust between the IJV and its parents is particularly important for the overall success.

Based on the findings of Wang, Wee & Koh (1999), well-established relationships to authorities should be appreciated as a very relevant selection criterion as it may support smooth approval and other administrative processes. According to Luo (1997), the local partner’s market power before the formation of an IJV is a critical determinant of overall performance as it is positively associated to risk reduction, growth of business activity, and financial returns. Venturing with state-owned entities shall be avoided as these projects tend to be less productive (Merchant, 2005). In general, selecting the appropriate partner is key to the operational success in the post-formation stage of the IJV (Dikmen, Birgonul, Ozorhon & Eren, 2008).

(3) Control and conflict issues: for many decades, the approach of conceptualizing and operationalizing control has been a topic of considerable discussion (Demirbag & Mirza, 2000), as well as a focal management point, as in any system, managers are responsible for their actions and decisions (Child, Faulkner & Tallman, 2005). As explained by Geringer & Hebert (1989, p. 237-238),

“control refers to the process, by which one entity influences, to varying degrees, the behaviour and output of another entity through the use of power, authority and a wide range of bureaucratic, cultural and informal mechanisms”. As an important component in a firm’s goal achieving capability, control ensures that particular benefits can be obtained, which parents are actually seeking (Glaister & Buckley, 1998). Within certain limits, control can be exercised in different ways from formal authority to the ability to influence affiliates driven by the mechanism developed and implemented by the parent companies (Demirbag & Mirza, 2000). Even social control through means such as regular meetings can be possible (Inkpen & Currall, 2004). Due to its dynamic nature, management control in IJVs is an intractable problem, as the entity has to be managed jointly (Parkhe, 2004). This element makes it a complex issue, as two or more parties are involved and have to share control (Geringer & Hebert, 1989; Gray & Yan, 1992; Yan & Gray, 2001). In this function, control may have influence over the IJV manager as well as other parent companies (Child, Yan & Lu, 1997). This means that from the perspective of the parent company, the greater the strategic significance of the venture, the more desire for control will emerge. The share of ownership structure, generally determined by the partners’ bargaining power, can materialize management control (Zheng & Larimo, 2014). Gomes-Casseres (1987) confirms that the degree of power one party possesses may define (influence) its share of ownership. IJVs with a dominant partner (majority-minority IJVs) (Blodgett, 1992) or, in which equity distribution is not perceived to be fair (Ring & Van de Ven, 1994) tend to experience more frequent renegotiation activities. In this context, changes in equity ownership may prevent venture failure and facilitate cooperation. Hence, relationships reflected by equity ownership share may have a significant impact on IJV performance (Yan & Zeng, 1999; Reuer, 2000; Reuer, Zollo & Singh, 2002; Brouthers & Bamossy, 2006). The share of equity mainly exercises strategic and operational control, while the scope of control is positively correlated with the size of equity interest (Child & Yan, 1999; Lee & Beamish, 1995). In this sense, ownership structures with extent of control may affect transaction costs, and therefore contribute positively to IJV success (Hennart, 1989; Geringer & Hebert, 1989; Das & Teng, 1998; Brouthers & Bamossy, 2006; Madhok, 2006). However, Mjoen & Tallman (1997) discover no significant relationship between ownership and overall control and performance, but confirm a positive correlation between management control and performance, which is also supported by other studies

(e.g. Killing, 1983; Schaan, 1983; Yan & Gray, 1994; Luo et al., 2001; Pangarkar & Klein, 2004). Additional findings argue that dominant hierarchical control (Killing, 1983) and/or a tight degree of control (Mjoen, 1993) may lead to improved performance. However, Reus and Rottig (2009) suggest that too much control over activities may limit the flexibility within the partnership, which can create conflict potential. Geringer & Hebert (1989) conclude that control, as a key organisational process, requires the right choice of control mechanism, which facilitates additional valuable opportunities and performance outcomes. Formal and tight controls by foreign parents during the formation stage in the IJV life cycle tend to contribute positively to IJV performance (Le, 2009). This course of action is especially relevant in emerging countries, like China, where local managers are afraid of accepting personal responsibility, which heavily influences their decision-making behaviour (Child, Markoczy & Cheung, 1994). In those cases, local managers need proactive training to accept responsibility in managing the venture (Le, 2009). In the later post-formation stage of the IJV, once the relationship between foreign parent and local parent firm has strengthened, and IJV management has developed the appropriate skills to manage the venture, a formal control mechanism can lead to conflicts and encourage distrust between parent firms (Ring & Van de Ven, 1994; Le, 2009). Therefore, Vaidya (2000) argues that it is necessary to re-evaluate and modify control practices on a constant basis to reflect changing circumstances and to avoid control related failures. Yan & Child (2004) and Kauser (2007) suggest that in the post-formation stage, foreign companies should focus their control function on a particular activity, such as resource contribution, rather than controlling the entire IJV activities, which may lead to superior performance. As a general remark, the role of control has received a lot of attention in the literature, but the topic generates rather mixed findings (see Ding, 1997; Geringer & Hebert, 1989; Mjoen & Tallman, 1997; Reus & Rottig, 2009). In particular, arguments of control, and its impact on performance, are strongly shifting from developing to developed countries (Demirbag & Mirza, 2000), reflecting situational differences of ventures and divergent environmental context.

Friedman & Kalmanoff (1961) have initially addressed partner conflicts in IJVs. According to Reus & Rottig (2009), the topic refers to the extent to which partners disagree and/or clash. Conflicts between the partners are significant triggers for IJV failure (Harrigan, 1986) or incite lower probability of success (Lyles & Baird, 1994; Ding, 1997). Schmidt & Kochan (1972, p. 363) explain the concept of conflict in a

way of “overt behaviour arising out of a process, in which one unit seeks the advancement of its own interest in its relationship with others”. This means that conflict between IJV partners is caused by a dynamic and complex interaction, whereby the manifest conflict is the activity dimension (Habib, 1987; Demirbag & Mirza, 2000). Habib (1987) argues that conflictual behaviour is driven by action referring to exchange of expressing disagreement between the parties, which may range from passive resistance to open aggression. According to Pony (1967) this could include feelings of stress, tension and hostility, but also actions of uncooperative attitude. Parkhe (2004) indicates two primary sources for conflicts, inter-firm diversity and actual or potential opportunism of IJV partners. Both are hindering sustainable development and operational effectiveness of the IJV project. Therefore, the right choice to approach conflict resolution like joint problem solving or arbitration encourages win-win solutions and contributes to satisfaction within the partnership (Mohr & Spekman, 1994).

(4) IJV stability and performance: discussion of performance measurements for IJV success is a very complex and controversial topic, which should be interpreted on a case-by-case basis (Parkhe, 2004). Venkatraman & Ramanujam (1986) suggest a combined set of performance measurement, capturing financial, operational and effectiveness factors. However, the dynamism within different IJVs is extremely diverse such that an evaluation of success or failure cannot be determined via a general approach.

Robson et al. (2002) develops, in his review, an integrative model, summarising various CSFs identified in previous studies. With elaborating four cluster groups of performance factors, each single parameter identified in the underlying studies has been discussed extensively and allocated to one of them (see Table 2.8). In general, the assessment detects a set of conflicting findings; however, a range of factors considered as most relevant show consistent patterns of performance.

Cluster	Factors of success
background variables	(1) intrapartner characteristics, (2) interpartner fit
antecedent variables	structural: (3) venture demographics, (4) contractual elements, (5) managerial characteristics processual: (6) control and supervision, (7) project-specific relational aspects, (8) organisational learning
core variables	(9) R & D and technology, (10) production, (11) marketing, (12) human resource
external variables	(13) industry characteristics, (14) regulatory environment

Table 2.8: Cluster of success factors. Adapted from "Factors influencing international joint venture performance: theoretical perspectives, assessment, and future directions", by M. J. Robson L. C. Leonidou and C. S. Katsikeas, 2002, *Management International Review*, 42, 385-418. Copyright 2002 by Springer Verlag.

(1) Intra-partner characteristics: An affirmative attitude towards collaboration affects IJV performance favourably (Robson et al., 2002). This is confirmed unanimously by the research landscape. Previous host country experience (Barkema & Vermeulen, 1997), collaborative experience (Sim & Ali, 1998; Zollo et al., 2002; Child & Yan, 2003) and general international experience (Delios & Beamish, 2004) are considered to improve IJV outcome. Luo (1997) identifies that local partner's market experience has a profound and positive implication on the growth of the joint business and activity, as well as on its risk reduction, while experience in cooperative relationships facilitates the partners' capability for cooperation (Lyles, 1988; Hunoldt & Bausch, 2009). According to Kumar (1995), international experience can sharpen knowledge, skills, and values in the context of modern management methods. Adnan et al. (2012) understand that previous experience with the same partner may increase the chances of IJV success. However, Goerzen (2007) argues that repeated relationships with a prior partner, potentially driven by positive experiences, tend to underperform from an economic perspective. Towards intra-partner characteristics, such as international business involvement, parent's investment opportunities, etc., controversies exist as research findings show inhomogeneous results (Robson et al., 2002). The firm's size seems to be an essential factor in IJV performance (Pan & Chi, 1999; Merchant, 2000; Pan & Li, 2000; Peng & Luo, 2000). Boateng & Glaister (2002) argue that larger companies generally have easier access to capital, which is necessary to employ managerial expertise and to provide adequate and valuable resources in order to enhance IJV capabilities of innovation and competitiveness.

(2) Inter-partner fit: it is in the nature of the IJV construct that different cultures meet and some researchers argue that culture impacts IJV performance (Li, Lam & Qian, 2001). Increasing extent of cultural distance can affect IJV performance negatively (Parkhe, 1991; Barkema, Shenkar, Vermeulen & Bell, 1997; Mjoen & Tallman, 1997; Hennart & Zheng, 2002) and levers the potential for conflicts (Reus & Rottig, 2009). Moreover, Reus & Rottig (2009) argue that cultural differences may hinder joint efforts to achieve objectives, and thus successful cooperation. Shaker & Galal (1994, p. 90) point out that “national cultures are the foundation of values, aspirations, and modes of operation of companies participating in the IJV”. Both studies (Shaker & Galal, 1994; Reus & Rottig, 2009) highlight that management should focus on avoiding manifestation of one-sided national identities in the organisational culture and setup, even though it is often difficult to overcome the subtlety of cultural norms and behaviours. In cases where cultural differences are extreme, it may be challenging, if not impossible, to execute effective strategies in the context of cooperative arrangements (Barkema & Vermeulen, 1997; Brouthers & Bamossy, 2006). Brouthers & Bamossy (2006) suggest that cultural differences may increase transaction costs, while reducing cooperation in IJVs, which ultimately reduces the chances of IJV success. In addition, Tayeb (2001) argues that cultural insensitivity could easily lead to the failure of the alliance. According to Reus & Rottig (2009) not all empirical findings on direct effects between cultural distance and IJV performance are conclusive. For example, the study of Park & Ungson (1997) could not reveal a direct connection between cultural distance and IJV dissolution. Pothukuchi, Damanpour, Choi, Chen & Park (2002) have observed relevant connection between organisation culture and IJV success, in particular in the scope of motivation to share skills or other resources and to create a more pleasant communication climate. Jalalkamali, Ali, Hyun & Nikbin (2016) suggest that informational and relational communication satisfaction have significant impact on contextual and task-related employee job performance. Complimentary resources, especially in cases where both partners contribute in a balanced form, have a positive impact on perceived performance (Sim & Ali, 1998). Choi & Beamish (2013, p. 561) support this argument, suggesting that “the synergetic effects of both partners’ complimentary resources on JV performance can be substantive”. Turpin (1993) argues that IJVs can be more successful if partners avoid complexity. Poor communication is generally a big problem and may result from several sources, including differences in organisational cultures and decision-making styles,

insufficient flow of information and poor design of formal structures (Shaker & Galal, 1994). Effective communication is an important factor to ensure that initial agreements can be sustained, while mutual understanding of each other's objectives and goals may facilitate the process of reaching a contractual agreement (Famakin, Aje & Ogunsemi, 2012). As a central factor, effective communication also facilitates team integration and decision-making processes, as involved parties originate from different cultures (Adnan et al., 2012). It is important to understand and share each other's values. Anderson (1990) argues that harmony among partners needs to be a focal point, as this condition facilitates coordinated efforts, as well as favourable interpersonal relations. However, he further points out that harmonious partners do not guarantee successful ventures, but one can hardly imagine that IJVs have lasting success if no harmony prevails.

(3) Venture demographics: Previous studies provide no clear conclusion as to whether partner size affects IJV performance (Robson et al., 2002). According to Isobe et al. (2000), the larger the partner, the lower the performance of the IJV, while Barkema & Vermeulen (1997) find no relationship between partner or parent size and IJV performance. In terms of number of partners joining the venture, Park & Russo (1996) identify an inverse relation to the failure rate. If the parents' business is related to the IJV's activity, there is a high chance that the venture will benefit from it (Koh & Venkatraman, 1991).

(4) Contractual elements: Past research focuses on the contractual aspect of equity ownership and its distribution. Yet, despite extensive discussion, no clear conclusion has emerged, as empirical results are inconsistent (Robson et al., 2002). Blodgett (1992) found that a balanced equity ownership outperforms dominant partner formation, whereas Ramaswamy et al. (1998) attained contradictory results. Another study identifies an inverse relationship between ownership size and IJV instability (Dhanaraj & Beamish, 2004). General consent exists that contract agreement is an essential condition for any cooperation (Adnan, 2005; Adnan, 2008; Minja et al., 2012; Famakin et al., 2012; Adnan et al., 2012). Contract completeness and previous cooperation with the same partner facilitating contractual adaptability may enhance performance effects in IJVs (e.g. Luo, 2002 A; Luo & Tan, 2003). Moreover, a clear statement of the IJV agreement provides the partners with a better understanding of all relevant coherences within the venture and assists to avoid misunderstandings, in particular in respect of the contribution of resources (Fey,

1996; Gale & Luo, 2004) and the distribution of profits (Kwok et al., 2000; Gale & Luo, 2004). However, this also concerns aspects such as definition of responsibilities and duties, dispute resolution procedures as well as termination mechanism/exit strategies (Graiwer, 2008). Clarity on these specific contractual elements will increase commitment to collaboration.

(5) Managerial characteristics: Managerial decision-making is a complex process “guided by a variety of non-economic issues and by a quasi-rational assessment of economic costs and benefits that also are filtered through behavioural processes of perception and interpretation” (Tallman & Shenkar, 1994, p.95). Managerial attempts to reduce uncertainty as well as performance expectations are crucial components, contributing successfully to strategy implementation of IJVs (Tallman, 1992). Interpersonal skills and managerial flexibility are explored as significant performance drivers (Parker, Zeira & Hatem, 1996). Gale & Luo (2004) argue that the compatibility of the partners’ management culture is a critical factor in avoiding serious conflicts, instability, and failure of IJVs.

(6) Control and supervision: For the discussion of control, please refer to page 45. In terms of monitoring or supervision, there are diverging and inconclusive research findings as to whether dominant parental, foreign partner or local partner control has positive, negative, or even no impact on IJV performance (Robson et al., 2002).

(7) Project-specific relational aspects: Chances for success improve in partnerships where all partners maintain sustainable satisfaction with their equity distribution (Zeira, Newburry & Yeheskel, 1997). Mutual forbearance, as a central function (Inkpen & Currall, 2004), and cooperation, as an essential requirement for a well-performing relationship (Hyder & Ghauri, 1993; Sim & Ali, 1998), are identified as significant performance determinants.

(8) Organisational learning: According to Jiang & Li (2008), organisational learning is positively linked to financial performance, especially if partners’ businesses are related to the same industry. Mihailova (2015) argues that learning outcomes, on the operational level, may change functional types of technological, as well as managerial, capabilities, while, on the strategic level, it may facilitate restructuring processes, support modernization, and promote long-term competitiveness. Inkpen & Currall (2004) develop a concept looking at the learning process from two

different, directly-related angles. Learning from the partner (e.g. knowledge transfer) helps the parent firm to generate knowledge about strategy and operation, but has no material effect on the venture itself; while learning about the partner enhances constitution of trust between partners.

(9) R&D and technology: R&D intensive IJVs indicate more stability (Kogut, 1989), whereas technology improvement is discussed in both directions, without clear evidence on the actual outcome of performance (Robson et al., 2002). However, in many cases, technology transfer is a key objective, meaning that the successful outcome of the IJV depends on the exchange of knowledge and know-how (Gale & Luo, 2004). It is, therefore, necessary that at least one partner provides knowledge.

(10) Production: Specialisation by aggregation of production functions and rationalisation show cost-cutting effects. However, no real link to IJV performance can be proven (Robson et al., 2002). IJV objectives, which include sharing and exchanging of products or services, show positive association to performance (Nakamura, Shaver & Yeung, 1996). With respect to new product performance Jin, Zhou & Wang (2016) identified a trend towards exploitation in IJVs in case product similarity is high, while exploration will be supported in case similarity of the partner's products is low.

(11) Marketing: Research focused on the relation between marketing and IJVs is pretty limited (Robson et al., 2002) and more relevant for industries associated to direct/indirect exporting (Julian, 2005). Merchant & Schendel (2000) identify low correlation between extensive marketing and performance, while Liu & Pak (1999) find favourable linkage. Aaby & Slater (1989) identify direct impact of a firm's business strategy on its marketing performance. Further beneficial effects can be derived from individual components of the marketing strategy mix, such as product quality and cheap pricing (Robson et al., 2002), or offering, distribution channels, promotion, and pricing in general (Cavusgil, 1983). Various studies recognize a link between marketing strategy and performance (e.g. Cavusgil & Zuo, 1994; Julian & O'Cass, 2004), but in the context of IJVs, the picture is not as clear (Julian, 2005).

(12) Human resources: Professional human resource management has to create the ability to attract high quality local professionals and highly skilled workers at reasonable cost to establish a successful IJV operation (Yang & Lee, 2002). For large corporations, Hlavacek (1974) suggests selection of key personnel team

members for more successful venture management as qualified staff facilitate greater productivity and corporate growth. Adnan et al. (2012) highlight the importance of developing an integrated culture of teamwork in order to prepare the organisation to operate in a cross-cultural environment. The process of organisational learning in IJVs can be improved by the transformation of the human resource system (Pucik, 1988). In order to avoid major problems in the IJV platform, the human resource department, in collaboration with senior management and the support of the parents organisations, will have to manage employee conflict in a manner loyal to the venture – job dissatisfaction caused by ambiguity, selective recruitment (avoiding too high concentration of authority among expatriates of foreign firms), adequate personnel training and a performance evaluation system (avoiding a perception of unfair treatment) (Shaker & Galal, 1994). According to Lyles & Baird (1994), benefit schemes and fair remuneration will improve IJV effectiveness, while Wong, Wong & Wong (2015) identified that employees' turnover intention is caused by perceived organisational support (distributive justice, trust and/or job security) and affirmative commitment, which will have significant impact on employees' work performance.

(13) Industry characteristics: Industry characteristics are external influences, which cannot be controlled by active management (Robson et al., 2002). Even though scholars have dedicated only little attention to this topic, most findings, such as industry concentration, labour, or capital intensity and technology level, show no fundamental evidence directly related to IJV performance (e.g. Kogut, 1989; Hu & Chen, 1996). Luo (1997) found a positive link between industry growth rate and overall IJV performance; however, financial returns and domestic sales dominate. Chiao et al. (2009) argue that industry characteristics are significant performance factors, as the results of their study show that IJVs compared among different industries tend to have diverging performance outcomes.

(14) Regulatory environment: Beamish (1985) considers investments in developing countries generally as less stable compared to those in the industrial world. Ozorhon et al. (2010) argue that the reliability in the legal system of the host country is of material importance in the formation and post-formation activity of IJVs as it regulates enforceability of rights in critical situations, such as management of claims, conflicts, disputes, and all contract related disagreements. In this sense, a functional legal system may provide more comfort for foreign capital and, in many

cases it is an essential precondition for investment decisions as the legal framework will have a direct impact on the operations of international investors and their IJV activities (Yang & Lee, 2002). Shen, Wu & Ng (2001) add that political risk, in environments of developing and reforming economy systems, is also of material significance with respect to successful performance. In particular, risk is associated with increasing costs due to policy changes and losses caused by the impact of bureaucratic delays, and, therefore, late approvals. Such unexpected changes in governmental policies can create instability with respect to IJVs, which potentially leads to poor performance outcomes (e.g. Vernon, 1977; Blodgett, 1992; Brewer, 1992; Boddewyn & Brewer, 1994; as cited in Zheng & Zhang, 2011). Merchant (2002) does not confirm this relationship within his study. However, in countries with restrictions on foreign direct investments, IJV activities may be monitored, which leads to less contractual renegotiation events (Blodgett, 1992). Nevertheless, those restrictions may sometimes cause problems in repatriating profits from the venture, which means that host countries cannot always deliver on their initial promises (Shaker & Galal, 1994).

In a later study, Robson et al. (2006) refer to an additional category of CSFs focusing on behavioural attributes defined as: (1) **relationship capital**; and (2) **exchange climate**. Relationship capital focuses on trust-building concepts as a core social input for the organisation and mutual commitment as a context related factor conditionally influencing other performance drivers with its supportive characteristics. Exchange climate combines cooperation, conflict reduction and communication as behavioural variables with positive association to IJV performance. In an earlier study, Inkpen & Birkenshaw (1994) mentioned in this context that this concept is also heavily dependent on the compatibility of the partners, their determination of their relative bargaining power, as well as their operational relationship norms.

The shareholder value that investors derive from an IJV is dependent upon a complex and precarious series of investment decisions and processes, from the formation to the conclusion of the venture (Reuer, 2000). In this context, a more pragmatic approach, based on the life cycle of the IJV, and focusing on the importance of process related parameters, is commonly discussed (e.g. Harrigan, 1986; Eisele, 1995; Reuer, 2000; Parkhe, 2004). Those collaborative stages do not have to follow a predetermined structure, and can therefore be conceptualised,

based on the specific need of the venture. Eisele (1995) performed an empirical study considering a transaction-based approach with the following three phases: initiation, negotiation, and implementation. Among them, he summarised several previously discussed endogenous and exogenous factors influencing IJV performance. In the initiation phase, results show significant relevance for: (1) **conduct of a proper partner due diligence**; (2) **similarity of the partners in respect to their hard and soft structural features**; and (3) **low psychological distance to the home country of the IJV** as success-enhancing factors. A critical performance driver in the negotiation phase is the (4) **development of an effective relationship of trust**. Trust among the parents is an important determinant of business performance (Lane, Salk & Lyles, 2001) and satisfaction (Lin & Wang, 2008) in IJVs. For successful implementation of the IJV, it is important to (5) **equip local management with operational autonomy**, as well as to (6) **establish a strategic consensus at the partner level**. Finally, it was identified that phases 1 and 3 are more highly prioritised than phase 2. Parkhe (2004) suggests that the individual life cycle phases or processes do not necessarily have to be sequential or linear, but rather integrative and circular. This means the entire life cycle should be considered as a series of interrelated stages, rather than separated components.

Other environmental factors: The motivation to enter into an IJV from an international partner's perspective also depends on the economic conditions of the local market. Key drivers are market potential (Yang & Lee, 2002), state of the market cycle (market timing), and macroeconomic strength, such as fluctuations in the economic conditions, profits and losses caused by foreign exchange rates, and inflation, among others, which may also materially impact the overall performance of the IJV (Ozorhon et al., 2010). Existing infrastructure, such as logistics, transportation systems, and telecommunications systems, is a basic requirement for most business activities and is crucial for any operational setup (Zheng & Larimo, 2014). Moreover, the availability of skilled workers (labour resource) will affect the execution of the defined strategy (Yang & Lee, 2002). Thus, the ability to attract highly skilled professionals will facilitate the quality of the outcome and influence the venture success.

In summary, the research landscape cannot negate that many CSFs have been analysed and studied. According to Nippa & Beechler (2013) there is a great number of IJV-focused articles in leading management journals. In general, it can be

observed that the proportion of quantitative studies exceeds the qualitative ones. Different concepts and theories (Nippa & Beechler, 2013), such as transaction cost economics (e.g. Geringer & Hebert, 1989; Hennart & Zeng, 2002; Yin, 2008), resource-based view (e.g. Child & Yan, 1999; Cullen et al., 2000; Minja et al., 2012), and/or organisation theory (Blodgett, 1992; Wang et al., 1999; Berdrow & Lane, 2004), have been adopted to explain motivation, objectives, as well as performance of managerial actions in IJVs. As a result, the majority of research appears relatively exploratory, isolated and distinct in its approach. This imbalance causes problems by the shortcomings of theory improvement, while theory confirmation is overused. Nippa et al. (2007) argue that the overemphasis of quantitative methods and analysis (deductive theory testing and nomothetic approaches) hampers substantive theory development.

Many studies contain valuable information, but limit their perspective to the formation stage, rather than including the post-formation stage as part of an integrative and holistic conceptualisation of the IJV life cycle. The potential change of relevant factors over time is frequently ignored. Others consider the exit of the IJV as an indicator for success or failure, ignoring different termination modes and motivations. This can lead to imprecise findings and misleading conclusions (Nemeth & Nippa, 2013), implying the need to explicitly define and distinguish alternative exit modes in the context of the underlying venture motives and objectives. More importantly, various studies have not provided a clear definition of success or CSFs (also lack clarification between performance indicators and CSFs) and, furthermore, fail to adequately address the method of performance measurement (e.g. Glaister & Buckley, 1998; Rajan, 2004; Reus & Rottig, 2009). "Quite a few of chosen ways are a little general such as only from objective and subjective views or lack of close relationships from one to another" (Zheng & Zhang, 2011, p. 168). Yan & Gray (1994) further stress the need for IJV performance evaluation, arguing that each venture adopts idiosyncratic criteria. Beamish & Killing (1997), as cited in Reus & Rottig (2009), argue that there needs to be a greater consolidation of present and future thinking on international cooperation, while Geringer (1998) points out that the various different research approaches (theoretical and empirical) in combination with the on-going inability to generate a consensus with respect to the appropriate performance measures, hinder such proposed consolidation. This complicates the operationalization of IJV performance as no universal consensus can be reached (Geringer & Hebert, 1989). Referring to

the existing research, a wide range of CSFs has been identified. Differing analysing concepts (e.g. performance measures) and underlying data studies tend to lead in some cases to heterogeneous outcomes and divergent interpretations. Therefore, few CSF have been identified that show clear consistency in outcomes. Some investigations just focus on a single or few independent factors, such as ownership, which are very specific and detailed but unsystematic (Madhok, 2006; Zheng & Zhang, 2011). Overall, there is only limited agreement among authors on CSFs influencing IJV success. Chen, Hu & Shieh (1991) confirm the occurrence of the results in IJV research to be partly mixed and argue that most studies are unable to integrate contemporaneous effects, such as the level of development of the host country, efficiency of markets, or other IJV specific influences. Missing adequate theoretical frameworks and underpinnings of empirical studies are evident in CSF research in the area of IJVs (e.g. Robson at al. 2002; Nemeth & Nippa, 2013). The determination of variables and parameters for the analysis of CSFs using pure subjective criteria represents a further deficit in some research analyses. Some authors have recognized the importance of considering the interrelation between CSFs, and that, generally, their combination may lead to success or failure of the IJV (Dymsza, 1988; Gale & Luo, 2004). According to Adnan et al. (2012), structural factors of IJV success have been analysed extensively, while process-related determinants have been largely ignored. Even though many theoretical stances have been elaborated in the literature, a link between this knowledge and operational practice, and vice versa, is still absent. Practical implications and guidance on how to translate research outcomes and recommendations into practical instructions will support managers and other practitioners in their learning process and in their strive for operational excellence. However, Bell, den Ouden & Ziggers (2006) argue that academic research regarding the dynamics of cooperative ventures do not successfully contribute towards a coherent knowledge basis due to incomplete, fragmented and disconnected theoretical development, which does not address managerial questions in an appropriate manner.

2.4) IJVs in the real estate context

2.4.1) Introduction of IJVs in real estate

IJVs are a resource-combining vehicle, frequently employed for real estate projects (Ravichandran & Sa-Aadu, 1988). Therefore, in this study, IJVs in real estate are

considered as project-based IJVs. The studies of McConnell & Nantell (1985) and Elayan (1993), showing evidence of value creation for shareholders within IJVs, are based on data with a high concentration of IJV occurrences in real estate developments. The formation of a real estate IJV follows motives that vary within the sector and nature of IJV activity. Most IJVs in real estate are structured as investment vehicles to provide capital funding to real estate projects and do not follow the traditional path of motives for corporate strategies of IJVs (Spore, 2007). Real estate investments generally require a substantial amount of capital but also a well-diversified skill set for the development and management of the respective properties (Bell, 1992). The IJV concept provides a structure that can help bring these two unique attributes together with the objective of carrying out business plans.

In the next section, various vehicles will be presented in order to gain a better understanding of the different forms of IJVs in real estate. According to Spore (2007), respective IJVs are often based on legal entities, such as general partnerships, limited partnerships, or limited liability companies.

2.4.2) Forms of IJVs in real estate

IJV in real estate development

An IJV in real estate development is a partnership being formed to set up a business for the purpose of real estate development intentions promoting new development, re-development or refurbishment projects (Ashley, 1980). The partners deploy their capital in order to develop real estate projects. The services performed by a real estate developer include a wide range of value adding activities, such as buying and improving land and/or properties, financing real estate deals, obtaining necessary building permits, planning constructions, managing construction process, hiring construction companies, subdividing properties and land parcels, converting usage rights and ultimately selling them. In summary, real estate developers control and orchestrate the development process from beginning to end.

IJV in construction

IJVs in construction are established between two or more construction companies to operate on a joint platform with the objective to realize real estate and/or

infrastructure (e.g. highways, power generations, ports or airports) construction projects as well as civil engineering works (Adnan, Rahmat & Morledge, 2008). Construction companies promote their own development projects, however, they often build for third parties on a contractual basis or similar terms. Therefore, most projects they are working on are not known by their names, instead they will be known by the name of the developer.

Real estate co-ownership IJV

A real estate co-ownership IJV, also called concurrent ownership structure, provides IJV participants the ability to hold a direct interest in the underlying existing real estate investment (Blakes, 2010). In practice, a special purpose vehicle is incorporated to invest in the property and IJV partners hold a stake of the special purpose vehicle.

IJV in a private real estate operating company

A real estate operating company is an entity that invests 50% or more of its assets in real estate. Such an entity is directly engaged in the real estate operation and development activities (Gaines & Koen, 2000).

Participating mortgage

A participating mortgage is a loan-based agreement. The lender accepts an interest coupon below market rate and receives, as quid pro quo, a participation in the cash flow produced by the underlying real property (Alvayay, Harter & Smith, 2005). The cash flow participation provides compensation for the additional risk exposure and the reduced coupon payment.

A participating mortgage is more of a commercial agreement, therefore, it is unclear whether this form is covered by the definition of IJV.

2.5) Success in the context of IJVs in real estate development

2.5.1) IJVs in real estate development and its project-based nature

Most IJVs in real estate development are based on a private special purpose vehicle (SPV)/ holding company (HoldCo), which is subject to the investment activity. The partners (typically the local partner as the sponsor, the foreign partner only as

investor) hold an equity interest in the SPV. This simple bilateral sponsor-investor relationship is used to illustrate the IJV structure. Those SPVs are not officially registered as IJVs, thus they are difficult to identify. The IJV itself may carry their human resources and operating functions. This means that the companies often do not employ their own staff. In such cases, the entities are managed by their parent companies (the IJV partners). According to Sillars & Kangari (2004), IJVs are commonly used in construction-related industries as their nature allows for a quick setup of a platform. Moreover, construction related IJVs are regularly established on a project basis with a limited lifetime (intended exit) and well defined objectives, often between local and foreign partners (Walker & Johannes, 2001; Adnan et al., 2012). In this context, IJVs in real estate development are also project-based in order to meet the partners' project needs and expectations. These IJVs are terminated upon the completion of the given development project after its initial and adopted purpose has been fulfilled. In other words, the developed properties are divested either immediately, or after a lease-up period, or a property-stabilization-programme. In case the partners decide to stay in the investment long-term, the IJV-profile may be converted into a co-ownership IJV-structure.

Often the purpose of IJVs in real estate development is commercial. This includes earning an equitable return from the project based on the resources invested, while ensuring continued viability of the parent organisation. Adnan et al. (2012) argue that project-based IJVs are capital intensive to maintain venture effort, while many companies are limited in financial resources and capabilities. Therefore, many local firms are looking for strong international partners in order to promote their planned projects. Gale & Luo (2004) state that most project-based IJVs are used as a mode of either a foreign investment or technology transfer.

2.5.2) Perspective of capital investors

Due to an increase in global awareness of efficiency, modern economies cannot reach their full potential without developing the innovative potential of their entrepreneurs (Schwartz, 1994). To enable this realisation, an active engine, such as venture capital, is required. Schwartz (1994) argues that such capital, in the form of equity or debt, enhances economic capabilities. Venture capitalists include capital investors, such as real estate private equity investors, with their international

investment funds, as providers of capital. According to Hutchison (2012, p.87), “private equity as an alternative investment class has grown rapidly in recent years and the private equity industry has become a very popular destination [...and] is extremely important in project finance, particularly in the real estate industry”. They are globally searching for sound investment opportunities and for reliable, trustworthy and professional local partners, such as development companies, asset and property managers, or other real estate professionals to facilitate the allocation of their capital (Collier, Collier & Halperin, 2008).

Capital investors partnering in real estate development projects predominantly act as fund managers for value-added and opportunistic funds collecting capital commitments from institutional and high net worth investors (Hahn et al., 2005), while also applying principal capital (own balance sheet money). These real estate (private equity) funds are structured with high risk-return profiles, providing equity or equity-like (e.g. mezzanine capital) funding to development projects, existing properties or property portfolios with turnaround strategies, real estate operating companies and non-performing loan portfolios (Rottke, 2004). Sometimes they also become actively involved in the management board of their investment ventures if needed, which is normally the case for IJV structures. Moreover, IJVs in real estate development enable capital investors to allocate their funds in markets (e.g. emerging markets) where they usually face uncertainties induced by economic and opportunistic behaviour (Zheng & Larimo, 2014). In addition, IJVs allow for investing at an early stage at low cost (construction costs), which supports development companies in their capital funding to start and realise planned development projects. Whatever investment strategy an international capital investor likes or needs to deploy for their real estate projects, there will be someone in the local market, possessing that particular expert knowledge (Famakin et al., 2012). According to Hung et al. (2002), collaborative agreements become more popular in investment projects. However, it is difficult to overcome a general concern from a foreign investor’s perspective, which is the limitation of collaboration risk associated with the unpredictable behaviour of the local IJV partner, which can only be detected after the venture has been initiated (Meschi & Wassmer, 2013; Das & Teng, 1999).

The principles of private equity investing appear to be equal across different investment types (Hutchison, 2012). Hutchison (2012) describes the setup of both private equity funds and IJVs in a way that establishes a general or operating

partner, joining with at least one capital partner, to place investments in operating companies or real assets; for example a real estate development project. In general, private equity funds have a limited lifetime (are closed-ended) with an investment and holding period of 5 to 10 years. Fund managers presenting the capital investor in an IJV in real estate development are often private equity or investment banking firms. Those funds enter into project-specific IJV agreements with local developers, operators and/or real estate professionals. Within the partnership agreement, both parties assign management responsibilities and allocate profit and risk among other terms and conditions.

2.5.3) IJVs as an option for capital investors to engage in a real estate development

The judgement that a capital investor has to make is whether an IJV in real estate development is an efficient investment choice against alternatives, such as an acquisition combined with the contraction of construction companies and other services firms. The real estate industry is challenging and regularly faces limited access to financing. This enables capital investors to enter the playground relatively easy by collaborating with industry players, such as local developers, operators and/or real estate professionals through IJVs.

The home-biased focus of real estate investing is changing with the globalization of real estate, driven by large international capital investors - many of which have explicit global mandates. The barriers for engaging into real estate development projects on an international level are high because of specific market and industry knowledge, competencies and experience, optimal use of available resources and infrastructure on local level, as well as country specific issues (such as networks, laws, regulations, access to the product (potential land), required building permits, etc.). Collaboration with a local partner may create significant benefits by counteracting these resistances, while reducing the risk. The combination of a capital partner and a local developer, operator and/or a real estate professional is complementary and non-competitive in nature. Moreover, such a partnership may increase credibility in the market for both parties.

2.5.4) Success in the context of IJVs in real estate development

Commercial real estate performance is linked to the organisational objectives and real estate strategy of the underlying business (Jordan, McCarty & Velo, 2009). Adnan et al. (2012) argue that an assessment of project feasibility (e.g. a feasibility study and/or a comprehensive business plan) may assist in challenging the potential of the real estate project, and therefore determine the likelihood of success. This approach refines the business case and brings together important considerations supporting the decision-making process. IJVs in real estate development are recognized as risky businesses as the participating parties are taking construction risk. According to Adnan (2008), construction activities are associated with a high level of risk in terms of business character, operational environment, and complexity of organisation. In this context, the partners have to ensure that they are in a position to bring along the right competences and knowledge required for the construction-related project, such as access to technology and labour, multidisciplinary project teams, efficient bidding-processes to award the right contractors, and proper emphasis on past experience in order to be successful (Adnan et al., 2012). In general, the success of the real estate development project depends on satisfying the level of outcome of the originally defined and adjusted objectives. In this sense, projects are dynamic in nature in terms of controlling and reducing project costs as well as construction time while focusing on high quality of the final product (Famakin et al., 2012). This requires companies to carefully manage internal and external risks, organisational instabilities and uncertainties confronting the project (Adnan, 2008). The assessment of the performance in the context of IJVs in real estate development is a complex procedure, and thus requires a systematically structured and comprehensive approach. This may involve measures considering subjective as well as objective criteria.

PART II: DEVELOPMENT OF A THEORETICAL FRAMEWORK FOR THE ANALYSIS OF INTERNATIONAL JOINT VENTURES IN REAL ESTATE DEVELOPMENT FROM THE PERSPECTIVE OF CAPITAL INVESTORS

3) Conceptualization

3.1) Synthesis

Most IJVs in real estate are formed to serve the purposes of co-investment activities/ co-ownership or provide joint equity funding for real estate development projects (Spore, 2007). The focus of this study will be on IJVs in real estate development structures from the perspective of international investment funds (e.g. real estate private equity investors) providing capital for local real estate development projects, meaning that partners will generally be located in different countries. Nevertheless, many aspects, which are discussed in the context of IJVs, may also apply to national JVs since a distinction often does not exist. Some research was found regarding construction-related IJVs/ JVs between two or more construction companies (incorporated in the literature review, which focused on discussing relevant aspects of IJVs in general), but almost no research evidence of performance or critical success factors (CSF) concerning IJVs in real estate or real estate development is available. The fact that almost no underpinning research on the respective topic is available may imply that the research community assumes that there is no significant divergence in IJV theory towards the context of real estate. The synthesis will highlight existing discrepancies as well as peculiarities and argue the need for separate analysis.

The project-based character of IJVs in real estate development leads to limitation in time that can create specific managerial implications, for example, rapid decision-making processes or challenges, such as the appropriate selection of the right partner (Hung, Naidu, Cavusgil & Yam, 2002). Due to time pressure, capital investors in IJVs in real estate development lack understanding of the local environment, which increases the requirements towards and dependencies with the local partner significantly. Many studies determine IJV exits to be proxies of economic failure and/or instability (Cui, Calantone & Griffith, 2011; Nemeth & Nippa, 2013) without considering that this action may be a consequence of business objectives having been achieved (Yan, 1998). The lifetime of the IJV in real estate development is predetermined with a programmed (intended) exit, which is a

deviation to conventional (traditional) IJVs that are in many cases rated on their capability to survive (longevity), defining an unintended exit generally as a failure or underperformance. Academic research has placed very little focus on project-based IJVs, so formal inquiry is required in order to reach a conclusion about distinction from and comparability with traditional IJVs (Hung et al., 2002). Ozorhon et al. (2010) argue that aspects such as completeness of project definition, as well as effectiveness of project management functions, may be of particular importance. Even though some firms may cooperate with the same partners in more than one project on an on-going basis, IJVs in the construction-related industry are generally considered to be project-based, rather than continuous businesses (Ozorhon & Arditi, 2012).

Unlike most IJVs, IJVs in real estate development often do not employ staff in the venture unit. The development project is often carried out by the parents' operational capacity. This means the IJV managers are employed in the parent companies. This particular characteristic presents a management challenge for the partners in the context of the overall business cooperation and collaboration. Moreover, Adnan (2008) argues that risk management systems are not very well developed in construction-related businesses as most action is based on intuitive methods instead of on proven techniques. This implies the need to further analyse, understand and limit associated risks, which may facilitate success and improve performance in an IJV in real estate development.

In the subject consideration of IJVs in real estate development, the partner perspectives are essentially different. The foreign partner, as a capital provider, contributes a big stake of capital, while the focus of the local partner is on the contribution of skills, expertise and competency, such as market knowledge, business contacts, access to investment opportunities, etc. In this sense, the nature of the IJV is driven by heterogeneous contributions, which may also affect the partners' negotiation power. Clear contractual statements may be of particular importance because in distressed situations of the underlying project, the alignment of interests may easily fall apart. Different objectives driven by the divergent nature of businesses may complicate restructuring processes. Moreover, the perspectives of the partners may change over the lifetime of the IJV. Le (2009) argues that the influences of IJV performance characteristics, and, therefore, CSFs may change from the formation to the post-formation stage.

All capital allocations into IJV can be considered as investments. An adequate underwriting for the capital allocation has not been discussed in the context of IJV as a material implication to success. However, it is a key element for each real estate investment, thus also for a joint investment into real estate development projects. An underwriting process includes aspects such as the development of a business plan (a financial model with realistic assumptions able to withstand stress), a proper feasibility study, a complete project strategy and/or a definition of potential exit scenarios before investment execution. It is important to understand the implications of a reliable investment analysis on the performance outcome of a potential investment into an IJV in real estate development. According to Spore (2007), real estate development projects are based on business plans (financial models) with strong cash flow orientation. This cash flow can be divided into an investment and a divestment cash flow with the objective to create a positive return. In most IJVs in real estate development returns are not distributed on a pro rata basis. The exact distribution is generally customized upon negotiation between the parties and includes waterfall structures for capital repayment and profit pay-outs based on preferred returns and incentive concepts.

According to Kumaraswamy, Palaneeswaran & Humphreys (2000), the increasing magnitude accompanied by complexities and risks in projects associated with construction activities brings organisations together with different profiles (diverse risks and weaknesses) to establish IJVs in order to participate in bidding-processes or to execute transactions. According to Jamil, Mufti & Khan (2008), construction-related processes are difficult to manage and require a special skill-set. In this sense, it is very common, in IJVs in real estate, to establish minority interest positions because many local developers, operators and/or real estate professionals do not have the economic strength to make significant contributions to project capital requirements; however, there is a strong interest by capital investors to buy-in their particular knowledge. Common contribution structures are 95/5 or 90/10. Buckley (1983) mentions in this context that even minority interests of local partners can be structured or equipped with necessary control and management rights. In IJV in real estate development sometimes it is not necessary for both partners to contribute equity; capital may also be deployed in the form of a contractual liability or debt using the flexibility of the capital structure.

The literature review showed that many aspects, relevant to IJVs in real estate development, have been largely ignored. Particular aspects and characteristics such as business focus, nature of IJV, life span, and strategic planning, among others, are presented in Table 3.1 below.

Nature of comparison	IJVs in real estate development	Traditional IJVs
Industry	Real estate development	Various
Business focus	Investment	Business development
Nature of IJV	Project-based/ high risk	On-going operation
Life span	Finite (Dissolution after project completion)	Indefinite (On-going)
Strategic Planning	Short-term/ cash flow oriented	Long-term oriented
Management activity/ employment	In partent companies	In IJV-entity
Popular ownership structures	Minority/majority (95/5) or (90/10)	Equal partners (50/50) or (49/51)
Contributions	Heterogeneous	Homogeneous
Decision making	Relatively quick	Relatively slow
Management style	operational - task oriented	strategic - business oriented
Information flow requirement	Must be quick	On-going process
Operational activity	Defined by contract	On-going process
Primary objective	Completion of project on time	Business objectives
Profit distribution	Customized waterfall structures	Pro rata

Table 3.1: Comparison between IJVs in real estate development and traditional IJVs, created by the author.

Table 3.1 highlights and confirms the main differences between traditional IJVs and IJVs in real estate development. Therefore, it can be concluded that identified CSFs for IJVs do not apply to all industries in the same way. For some industries, there may be additional, fewer, or even a very different set of relevant factors. According to Zou, Zhang & Wang (2007), construction-related IJVs have to deal with unique features, such as complicated processes, long duration, dynamic organisation structures, and huge financial expenses. Therefore, it may be advisable to analyse IJVs in various industries as industry context may matter and have its own specifics, for example, real estate. This may also be the reason why many existing research studies reach different results and conclusions. The application of different research methods, slightly varying phenomena under study, and changing contextual implications to the same phenomenon, additionally influences the outcome of a study.

A growing number of IJVs in real estate construction can be observed globally, particularly in developing countries (Lim & Liu, 2001; Adnan et al., 2008). This

implies that foreign direct investments to this asset type are continuously increasing not only in form of deploying capital to the operating construction companies but also directly to the real estate development projects. The perspective of the capital partner in this context is characteristically important as much foreign investment capital is driven by international investment funds (i.e. real estate private equity funds). In this sense, the present dissertation contributes to knowledge, not only by looking at the specific industry and form of IJV (IJVs in real estate development), but by also considering the foreign partner's perspective as capital investor.

3.2) Purpose of the research

The literature provides a great number of studies focusing on IJV performance, from national and regional perspectives, in developed and emerging countries (see Killing, 1983; Beamish, 1984; Boateng & Glaister, 2002). However, in industry specific contexts, performance has been analysed only on a limited basis. The majority of studies focus on the manufacturing sector (e.g. Kogut A, 1988; Geringer & Hebert, 1991; Hennart & Zeng, 2002), while other studies do not mention the industry (e.g. Pothukuchi et al., 2002) or use mixed industry samples (e.g. Harrigan, 1988; Mjoen & Tallman, 1997; Delios & Beamish, 2004). The purpose of this research is to identify and understand CSFs to improve investment and management for capital investors partnering in IJVs related to real estate development projects. The review of literature illustrates that theoretical studies on IJVs in the context of real estate have not drawn much scholarly attention (see also Crumley & Fisher, 2005). Moreover, no practically oriented publications on the topic of IJVs in real estate development are available in academic journals. Although significant corporate activity can be observed surrounding this industry, experiential knowledge has not been collected or methodically documented and studied. This presents the need for further exploration of IJVs in real estate development. The literature review has shown gaps in the meaning and interpretation of success and, hence, in the identification of CSFs not only to IJVs in general, but even more so within specific contextual limitations. Consequently, this thesis will explore the conceptual understanding of success and seek to identify CSFs that are embedded in the context of IJVs in real estate development.

The subject of this research study is IJVs in real estate development as there has been notable growth in the number of IJVs in real estate (Girmscheid & Brockmann, 2009) and their importance is set to increase, particularly for capital providers who act as partners in IJVs in real estate (e.g. real estate private equity funds). Generating knowledge by study and identification of the CSFs of IJV investment and management may help to understand successful IJVs in real estate, improve their performance, avoid failure and support management in day-to-day operations. The knowledge gap is the eminent practical and tacit knowledge that is available through successful IJVs in real estate, not yet studied and codified, nor explored or disseminated, to increase the success rate of IJVs in real estate. Moreover, the academic research has not provided much clarity on what the CSFs in IJVs in real estate are and how they can be used in the management of these IJVs. Some CSFs for IJVs in real estate may be drawn from the extant theory of IJVs, but there may be some factors that are either process or context specific to real estate.

Most existing research, referenced in the literature review, has discussed CSFs for IJVs, but the aspect of how CSFs can contribute to improve management of the IJVs has often been ignored. In that way, this research will be embedded in existing more general theory on IJVs and CSFs, but the contextual specifics related to real estate development may call for adjustments as well as for examination and explanation that is more detailed. A “comprehensive synthesis and evaluation of research findings” on CSFs for IJVs in real estate development is relevant for both “theory development and management practice in this important area of international business” (Robson et al., 2002, p.387).

3.3) Problem statement and research questions

Theoretical reflection on IJVs in real estate development in general and their CSFs, in particular, are limited as not much research has been undertaken in this field. This opens up areas for scientific enquiry and points to new study directions. The present research aims to bridge this gap and focuses on success, CSFs, and their application in enhancing the performance of capital investors engaging in IJVs in real estate development. In other words, the findings may influence the way in which IJVs that develop real estate projects are conceptualized and managed in the future. Moreover, greater understanding of the CSFs may increase the chances of success

and facilitate positive IJV outcomes. Thus, this study will seek to answer the following research questions:

- (1) How is success of international joint ventures (IJVs) in the context of investment and management of real estate development projects defined?** Before discussing potential CSFs, it is necessary to gain a sound understanding of the meaning and interpretation of success in the context of IJVs in real estate development.
- (2) What are the critical success factors (CSFs) of IJVs in real estate development from the perspective of capital investors?** It is necessary to understand and test all identified and selected CSFs with implications on performance of IJVs, highlighted and synthesised in the review, and evaluate their relevance for IJVs in real estate development. Furthermore, additional potential CSFs only relevant for IJVs in real estate developments, which have not been mentioned so far, shall be identified and analysed.
- (3) What are the CSF determinants and what is their meaning in the process of improving the performance of IJVs in real estate development from the perspective of capital investors?** This aspect will be of relevance to the decision-making of practitioners. To identify managerial implications and develop recommendations that can enable changes to promote success in IJVs in real estate development. The understanding of actual measures and performance determinants may increase the success rate of IJVs in real estate development and help capital investors to optimize their investment allocation in the real estate industry.

It is the author's intention that the outcome of this study provides a useful guideline for forming and operating effective, efficient, and successful IJVs in real estate development.

3.4) Theoretical Framework

The theoretical framework for this study consists of an initial, *a priori*, conceptual model based on the knowledge of the literature review, which is modified and further developed to a final, *a posteriori*, conceptual model informed by qualitative study (see section 5.1). The *a posteriori* conceptual model is used to develop the

quantitative analysis of this research study. This “atheoretical” approach (sequential mixed methods approach, see section 4.3) breaks with the tradition of a full theoretical framework before starting the data collection process for pure quantitative research designs. Munhall & Chenail (2008, p. 9) argue that “if you study the theory before collecting data, it could influence your perceptions and interpretations”. This means that the initial conceptual model serves as a foundation, while supplementary theoretical aspects and components informed by qualitative study may affect the modified conceptual model.

A priori framework (initial conceptual model)

A new conceptual model investigating CSFs for IJVs in real estate development is presented in this section, integrating knowledge of prior conceptualisations as presented in the literature review. This model will assist in systematically investigating the key determinants of performance in IJVs in real estate development. Conceptual models have become an integral part of social science and business studies for a long time (Miller, 1977). Ackerman & Parsons (1966) argue that conceptual models help explain social systems in a way that these theoretical devices maximize analytical attention to its connectedness in a disciplined fashion. The model of this thesis is based on the systems approach synthesizing theoretical findings from a multi-theoretical perspective considering theoretic approaches, such as transaction cost economics, resource-based view, organisation theory, contingency theory, and strategic management.

Real estate development projects are unique by nature, which requires a certain degree of discretion within the model in order to allow situational and flexible consideration of different cases. CSFs in particular situations may be more important than in other situations, which means that the outcome of the model will not be able to produce universally valid statements, but to provide recommendations to improve general management and increase the success rate of IJVs in real estate development. The idea of the model is to present a general strategy to be followed as a guideline.

As this research is guided by open discussion and questions, a conceptual model, considered as a constructed abstraction, can assist in perceiving reality and understanding specific situations (Jonker & Pennink, 2010). The objective of this model is to systemise the searching process for CSFs, as well as to identify and

explain contextual relations. The conceptual model will consider existing knowledge, discussed in the literature review, relevant to the specifics of this phenomenon under study.

Most previous research focuses on the CSFs of the whole IJV life cycle, rather than looking at the factors with respect to their different life cycle stages (Reuer, 2000; Kogut, 1988 B). According to Gale & Luo (2004), respective studies did not consider the view of different IJV live-cycle stages, complicating the implementation of the recommended strategies by practitioners. The relationship between the motivations to create and to terminate IJVs implies the need to analyse factors of success from the perspective of the life cycle (Kogut, 1988 B). This is especially true for IJV in real estate development as lifetime is limited and conceptually predetermined at the point of underwriting the joint investment (real estate development project). Therefore, a life cycle model appears to be a suitable fit to build a theoretical foundation in form of a process related approach. Delineating the individual phase has the following advantages. On the one hand, the significance of the CSF may change over time and, on the other hand, this consideration allows for the investigation of phase-specific CSFs (Eisele, 1995). Thereby, inter-phase performance-related aspects of IJV management may not be neglected. The model shows that investing in and managing of an IJV in real estate development depends on how the international capital investor makes sense of the investment, partner, structural, organisational and external dimension. Figure 3.1 shows an initial, *a priori*, conceptual model, in which all synthesised CSFs identified in the literature review, considered relevant to real estate development projects, are allocated to their respective dimensions. The highlighted life cycle stages will allow for a phase-specific analysis and will serve as a conceptual framework to investigate CSFs for IJVs in real estate development. This study considers two individual phases (1) formation (perspective of investing into the platform/project), and (2) post-formation (perspective of managing, operating and divesting the platform/project). This two-phase approach appears to be appropriate as it reflects the two main perspectives of a capital investor.

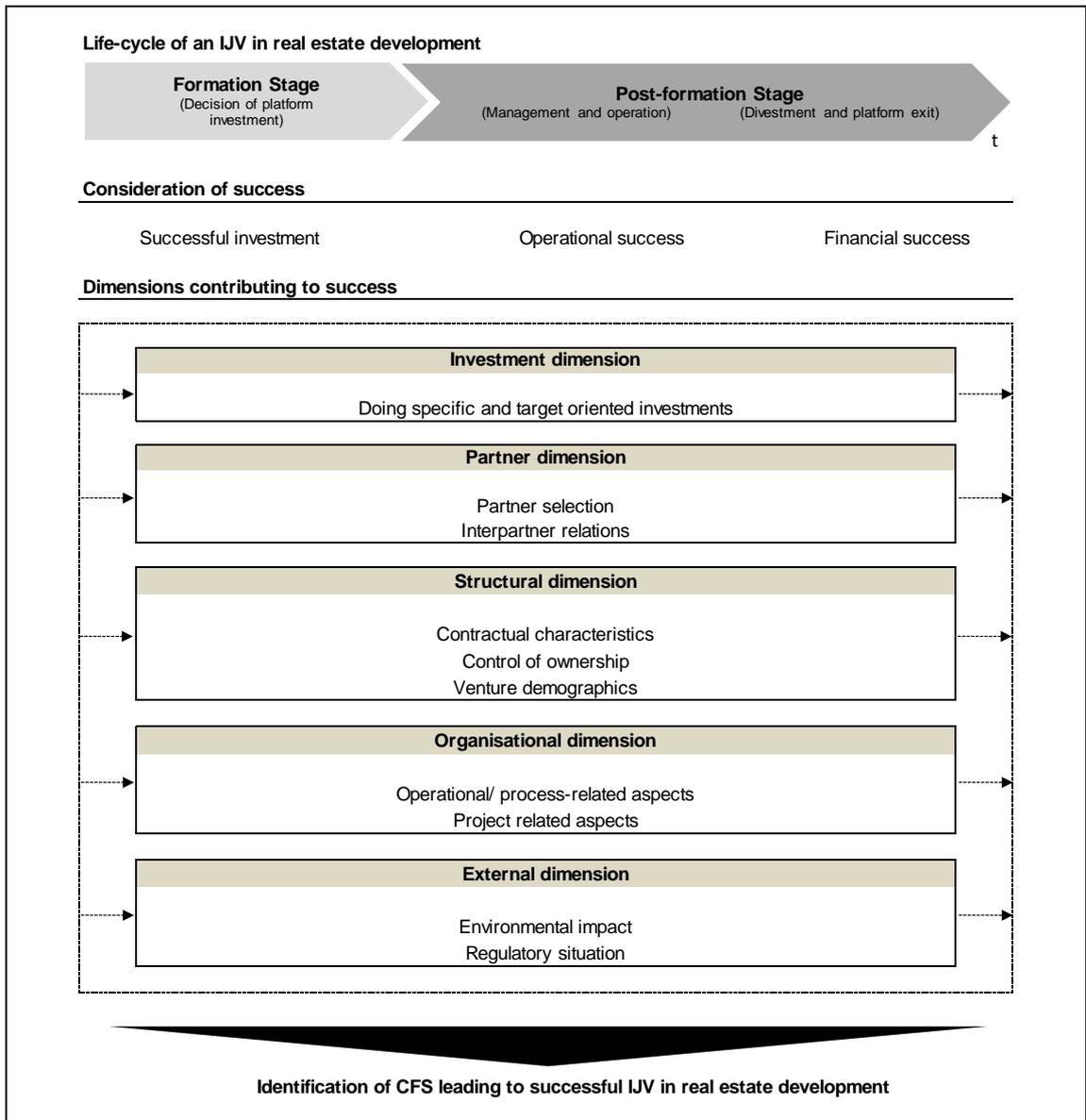


Figure 3.1: Initial conceptual model for identifying CSFs for IJV in real estate development, created by the author.

3.4.1) Investment dimension

Capital investors view engagement into an IJV in real estate development as an investment. Therefore, the underlying decision-making process for the engagement is based on an investment decision to be approved by the appropriate level of authority, in many cases called the investment committee. For this approval process, typically an investment memo has to be prepared by the transaction team containing the right level of analysis. After the investment has been approved and executed, the responsibility will be transferred to an asset and/or portfolio management team. They will overlook the day-to-day management.



Figure 3.2: Investment dimension: success factors and performance determinants, created by the author.

The investment decision, as well as the investment management process, regarding IJVs has been discussed very little in the literature so far. However, both are of importance in the context of real estate development, particularly from the perspective of a capital investor.

Doing specific and target oriented investments

According to De Brouwer (2012, p. 102), “investments are no goal in itself/[their own], but [they] serve a purpose”. The investment manager has to ensure that the investments (investment decision and management process) are aligned with the strategy, fit into the overall portfolio composition, and fulfil the minimum investment criteria. It may be assumed that the higher the invested capital (invested equity), the greater the expectations in the outcome and the attention management will pay to a particular investment.

Project suitability

Each potential real estate construction (development) project has to be assessed for its suitability in respect of the underlying investment strategy (see Kwok et al., 2000). This includes a clear understanding of the type of projects in which to invest as a wide range of project types, such as commercial development, residential development, green and brown field development, new building projects, property conversion, redevelopment, repositioning, refurbishment, renovation, and land purchase (land banking), are available.

Familiarity with local business practice

Doing business in a new market is far from easy for the newcomer and extensive local knowledge is paramount to facilitate a successful investment. International capital investors have to assure that they are familiar with local business practice (see Kwok et al., 2000; Ozorhon et al., 2010) and customs in order to understand how to take advantage of various investment opportunities. This level of knowledge

is vital to realise full investment potential and can be attained through means such as substantial research, discussions with local business participants, and through observing the subject market over a certain period of time. It may be advisable to gain experience and familiarity with local business practice by commencing with smaller investments, reducing the capital at risk, before allocating a greater amount of capital.

Familiarity with local legislation

Being familiar with local legislation and regulation is crucial to perform international business (see Kwok et al., 2000; Ozorhon et al., 2010). Legal and contractual frameworks, regional and national building and construction regulations, local transaction procedures, among other associated factors, have to be taken into account before establishing a local partnership and making the decision to invest. This aspect will also include taxation, which requires an optimized and sophisticated corporate, legal and tax structure. It is important particularly for foreign investors to base planning on legal certainty, while understanding how to enforce their right if necessary. This knowledge can also be acquired through an external and independent knowledge carrier.

Intended duration of IJV

Each business plan determines the potential term for individual investments. Any investment opportunity in terms of duration, therefore, has to be in-line with the defined business plan (investment strategy). Moreover, it is particularly important, as a partnership is being formed and the partners, who need to be aware of the intended duration (targeted investment horizon), must also agree with this investment strategy. According to Zheng & Larimo (2014), the main distinction in intended duration of IJVs is made between short-term and long-term focus.

3.4.2) Partner dimension

The partner dimension refers to the partner selection process and the inter-partner relationship during the IJV partnership. According to Dacin et al. (1997), partners enter into IJV with particular expectations and objectives. Therefore, it may be critical to understand and identify partner selection criteria before entering into a collaborative venture, while the nature and dynamic of the inter-partner relationship,

which to a certain extent is subject to the venture management, may influence the overall operation.

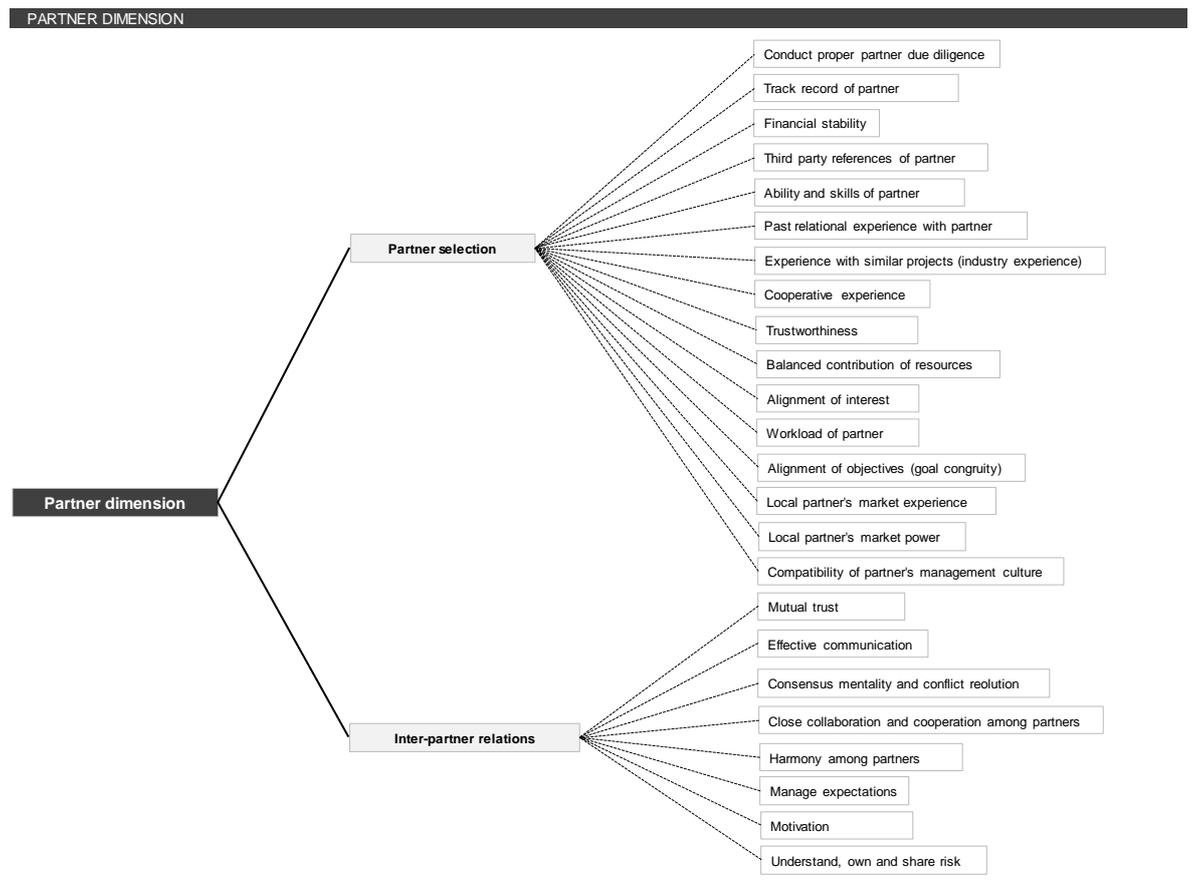


Figure 3.3: Partner dimension: success factors and performance determinants, created by the author.

Partner selection

Within an IJV in real estate development, the choice of a partner points the way forward for the execution of the project. Hence, it is paramount to find the right partner, which requires a diligent, prudent and sometimes time-consuming selection process.

Conduct a proper partner due diligence

Eisele (1995) identified partner due diligence to be a relevant aspect for IJV performance. Conducting due diligence on international business partners has become common practice for firms, active in international jurisdictions (Leonard, 2011), creating transparency, proving integrity, and identifying latent risks that may emerge from envisaged business relations. Increasing compliance requirements (e.g. US Foreign Corruption Practices Act - FCPA, UK Bribery Act or other

multinational agreements) obligate firms to know their foreign partners, which makes it indispensable to incorporate screening processes and corruption checks into standard procedure in order to protect the capital investor's reputation and prevent financial damages, such as penalties, fines or pecuniary losses. According to Leonard (2011), potential partners have to disclose meaningful information and allow background checks on the company and its employees. Support by external specialist firms may ensure an independent perspective and allow capital investors to leverage on experience and benefit from sources not otherwise available.

Track record of partner

From an international capital investor's standpoint, it is important to work with established and reputable companies in the areas, in which investments are sourced. Valuable local expertise has to be considered an essential contribution to the investment. Therefore, local developers, operators and or real estate professionals with proven track records of delivering successful real estate development projects in the respective real estate markets may ensure that execution from a development perspective is prudently, safely and professionally handled on behalf of the IJV. The track record will demonstrate the understanding, knowledge, capabilities and hands-on involvement regarding investments previously managed by the potential local partner (Adnan et al., 2012).

Financial stability

Financial stability is an important factor for IJV performance (see Mould, 1987; Minja et al., 2012; Adnan et al., 2012). It determines the financial strength and confirms the financial soundness of IJV partners, ensuring that the project funding will cover all real estate development costs even in distressed and/or downturn market cycles. Moreover, unforeseen liquidity shortfalls can be solved easier. Capital calls have to be funded in a timely manner. In many cases, the IJV entity is an SPV with only little capital and/or financial resources. Thus, their legal and financial liabilities have to be guaranteed and/or financially supported by its parent companies or other related entities. Potential partners can prove their capital stability by providing financial statements, bank statements and/or other evidence of financial means. In addition, financial stability enables easier access to other external capital resources, such as bank financings, which may help to optimize the capital cost structure.

Third party references of partner

References and opinions of other parties interviewed provide information on the general reputation of a potential IJV partner in real estate development. Third party references document the experience others made in partnering, cooperating and collaboration with the potential IJV partner, which is important in the selection process (Adnan et al., 2012). Moreover, outside credentials will provide some insight into the work quality and style of the potential partner, while strengthening the confidence in a prospective partnership.

Ability and skills of partner

One of the main motives of establishing an IJV is the combination of resources and the use of synergetic effects. This means that the ability and skill of the partner hold particular importance (see Tomlinson, 1970; Berg & Friedman, 1982; Killing, 1983; Harrigan, 1985; Geringer, 1991). From the perspective of an international capital investor, it is particularly relevant to buy-in local real estate expertise for real estate development projects, which directly reflects onto the ability and skills of the partner; these include ability to source potential investment projects, application of sophisticated methods in analysing potential real estate developments and produce transparent and high quality reporting.

Past relational experience with partner

Experience in a prior relationship between IJV partners may facilitate the willingness to establish a new partnership with the known partner. Partner identification and selection is often driven by past business relations (Tomlinson, 1970; Ulas, 2005). According to a study conducted by Gulati (1995), companies tend to build up future engagements with partners based on previous collaborative experiences. Information about suitability, reliability, operational approach and work style of a partner helps to develop mutual trust, creates confidence and may serve as a catalyst to continue common strategies and projects.

Experience with similar projects (industry experience)

Prior experience and competence in managing real estate development projects of a similar nature, being familiar with related structural issues, scope of conditions, special procedures, financial planning, cost estimation, and sizing of the project are all valuable and beneficial assets. Dikmen et al. (2008) argues that that the

likelihood of success of the partnership benefits extensively from the partner's previous project experience, particularly from skills already established. This knowledge may facilitate comfort and reduce operational risk, while ensuring a higher probability of project success. Moreover, local developers, operators and/or real estate professionals have a better understanding of the needs and obstacles, which may obstruct the real estate development project.

Cooperative experience

Past and on-going experience with IJVs in real estate development may lead to an accumulation of knowledge relevant to such business activities (Sim & Ali, 1998). According to Zollo et al. (2002), learning from experience refers to general alliance management (how to handle the complexities within IJV processes) and specific expertise associated with the real estate development process within an IJV. Both partners may benefit from each other's cooperative experience particularly in the context of formation and operation processes.

Trustworthiness

Trustworthiness will form the foundation for the motive of cooperation and mutual orientation, which will determine the actions, which are in the IJV's best interest. Moreover, it may encourage limiting control intensity or other deployment governance measures (Hsieh & Rodrigues, 2014). Trustworthiness will later convert into trust, which creates flexibility within the relationship, and improve operating efficiencies (Wilkins & Ouchi, 1983).

Balanced contribution of resources

Contribution of resources is an important aspect of IJV performance (see Beamish, 1994; Fey, 1996). It refers to capital and other additional resources, such as knowledge, expertise, and management capacity that should be in line with the ownership and/or return distribution structures. It is important that all partners contribute, but also have the perception that the other partners contribute resources in a balanced way to avoid conflict potential. In an IJV focusing on real estate development, this means, for example, that the local partner may contribute local market knowledge, while the international partner contributes professional management structures and international experience. In general, return distribution structures are based on the ownership structure. However, additional resource

contributions also have to be taken into consideration, which can be reflected through incentive and/or other differing profit distribution structures.

Alignment of interest

Alignment of interests between partners may affect the performance of the IJV (see Reuer & Miller, 1997). Aligned interests mean that all partners face the same situation in terms of chances and risks relative to their commitment at all stages of the venture's life cycle. In other words, all partners receive fair treatment regarding profit and loss allocation depending on the overall IJV performance. This means that all partners need to commit capital to the IJV-vehicle. The exact structure has to be defined in the partnership agreement. This component is important for IJVs in real estate development to avoid misalignments and conflict potentials, while facilitating a more symmetrical partnership. If one of the partners receives an asset management fee, the other partners have to ensure that the fee does not over-compensate the respective capital commitment. Otherwise, this will automatically create a conflict of interests.

Workload of partner

The workload is an important organisational aspect (see Beamish, 1984; Ozorhon et al. 2010). A heavy workload (e.g. many real estate development projects simultaneously, dealing with various different partnerships at the same time) may prevent the partner investing the right amount of attention to the subject real estate development project of the IJV. Such an unfavorable scenario can produce a significant negative performance output. Therefore, it may be advisable to check the volume of workload of all partners, while considering their available capacity. This measure will assist in understanding the partners' personal, commercial and strategic judgment as well as their ability to realistically plan. In addition, future workload that could lead to capacity constraints should be contractually restricted.

Alignment of objectives (goal congruity)

Alignment of objectives (or goal congruity) may help to avoid conflicts, disputes and/or opportunism (Geringer & Hebert, 1989). In real estate development projects the defined objectives are strongly associated with the business strategy. Therefore, all business partners should aim to work towards the same strategic objectives in order to ensure overall project success. Even though full compatibility of goals is

difficult to achieve, alliance partners have to ensure that they implicitly understand, agree and respect each other's breakdown of individual objectives and expectations, avoiding direct discrepancy (Yan & Luo, 2001). For example, the international partner may have the intention to invest in the building to be developed on a long-term basis, while the local partner wants to realize its profit shortly after completion and stabilization. In such a situation, both partners need to find a mechanism that can simultaneously implement both goals. According to Park (1996), similar goals contribute to an organisational fit and strategic balance. Moreover, Fey (1996) identified that a basic misunderstanding related to objectives of the IJV partners regularly leads to IJV failure.

Local partner's market experience

According to Luo (1997) the partner's market experience has a profound and positive impact on the growth of the joint business. It is key for international capital investors to identify local developers, operators and/or real estate professionals (their partners), who are familiar with their surrounding markets. The local partner's knowledge and information about the market (particularly standards, habits and framework conditions) can be significant and invaluable for foreign partners if they are keen to invest in local real estate development projects. The access to and use of existing relationships with building and construction companies, architects and local authorities may enable a competitive advantage otherwise unobtainable for an outside firm.

Local partner's market power

Local partner's market power generally describes the industry and business background, market position, and distribution networks of a developer, operator, and/or real estate professional, while facilitating mitigation of industry-wide restrictions, bargaining power, and positive effects from economy of scale (Yan & Luo, 2001). This is especially important for real estate development projects, as they face, on the one hand, plenty of approval processes with local authorities and, on the other hand, extensive negotiations with local contractors. Therefore, strong market power of a local partner can strengthen the overall commitment of an IJV to the local market (Luo, 2002 B).

Compatibility of partner's management culture

According to Tayeb (2001), differences of corporate culture and management styles play a significant role in the management of IJVs. The organisational culture stipulates the flow of knowledge within an organisation, but at the same, it can emerge as an obstruction in the management process (Almeida, Grant & Phene, 2002). Thus, incompatibility between corporate cultures of the partners results in poor integration and cooperation, which may ultimately provoke alliance failure.

Inter-partner relations

According to Inkpen (1995), inter-partner relationships constitute the willingness and ability of venture partners to introduce a culture of open communication and share information with one another. Inter-partner relations refer to interaction on both the partners' company levels, and on the managers (individual level) actions. Many inter-partner actions are social in nature, and thus embedded in relationships between individuals (Granovetter 1985). Parkhe (1993 A) and Ring & Van de Ven (1994) conclude that IJV research has to analyse the inter-personal level of cooperative ventures.

Mutual trust

Mutual trust may be critical to open the boundaries of the partners' relationship (Dikmen et al., 2008). As a consequence, it can facilitate an open dialogue relieve stress, increase information exchange, enhance adaptability, address problems at an early stage, support a mentality of joint problem solving, and promise better outcomes (Williamson, 1985; Mohr & Spekman, 1994; Cheng, Li & Love., 2000; Dikmen et al., 2008). In real estate development IJVs, it is essential to establish a relationship of mutual trust and understanding among the partners, particularly if there are managing (active) and non-managing (passive) partners. Without mutual trust an underperforming status of the project, such as cost overruns, delays and macroeconomic impacts, or personal conflicts, may easily damage the partnership and, consequently, the performance potential of the alliance strategy (DePucchio, 2012).

Effective communication

Effective communication skills facilitate the exchange of ideas and visions (Cheng et al., 2000; Adnan et al., 2012) and contribute to a mutual understanding between

the IJV partners. This may result in stimulating mutual trust, while resulting in fewer misunderstandings. Speaking the same language will affect all levels of the alliance partnership, from upper-level executives, to lower-level staff members in a similar way, ensuring clear communication, coordinating business activities, processing of data, and preparation of reporting between the parties. Cross-border ventures, such as IJVs in real estate development, depend on close collaboration between the involved partners that requires intense efforts to enable effective communication. Those efforts vary and are generally customized to the specific characteristics of the IJV and its underlying business areas. If communication between the partners in a JV is disturbed, a lack of coordination emerges, which could potentially result in IJV failure (Doz, 1996; Pothukuchi et al., 2002).

Consensus mentality and conflict resolution

Managing conflict situations with non-confrontational means, such as avoiding conflict or compromising, (Wang, Lin, Chan & Shi, 2005) will facilitate a consensus mentality and conflict resolution. Avoiding is “a strategy for managing conflict that involves ignoring or failing to deal with the conflict” (Floyd, 2011, p. 375), while compromising refers to a way of conflict resolution seeking middle ground between both parties’ initial position (Froman & Cohen, 1970). In many IJV agreements in real estate development, conflict resolution mechanisms are already integrated as a basis to avoid bad surprises and to eliminate disputes in the area of IJV management.

Close collaboration and cooperation among partners

Understanding the nature and scope of collaboration and cooperation may be crucial in analysing the operational success of a partnership (Dikmen et al., 2008). Close collaboration and cooperation is a basic requirement for IJVs in real estate development to bring the underlying project to success and to execute the international investment strategy of the capital investor. Project teams of IJVs in real estate development may consist of parent company level employees, as well as of IJV entity level (holding SPV) employees. Inter-firm cooperation within the project team is particularly important, as IJVs in real estate development rarely operate autonomously. Close collaboration and cooperation facilitates learning processes, effective task management, data processing and communication. Moreover, it may help to overcome potential misunderstandings and difficulties arising from

coordination mainly caused by differences in organisational and managerial practice (Das & Teng, 1998).

Harmony among partners

Harmony among partners makes IJVs less sensitive to disagreement, dispute and conflict situation. A harmonious relationship among partners means that they can concentrate their entire energy on running the business instead of causing trouble (Wang et al., 1999). In conflict situations, mediation and bargaining procedures may result in compromises and help to maintain harmonious relationships (Wang et al., 2005). Kozan (1997) argues that harmony business models are more likely to be found in collectivist cultures.

Manage expectations

According to Cullen et al. (2000) it is important to meet the partner's expectation. Partners in real estate development IJVs have inflated expectations for return. These expectations are based on management's market views and assumptions, bearing in mind certain risks and uncertainties. Therefore, venture partners have to understand that such information is related to an expectation, which does not reflect an actual attained result. Performance may materially differ from the original expectation and change the project outcome due to future events, economic development and/or other impacts that cannot be fully controlled. Both partners have to manage each other's expectations in the real estate development project (e.g. underwrite the financial model with more moderate assumptions) in order to reduce conflict potential and to implement a successful strategy.

Motivation

Motivation is a key aspect of forming an IJV (see Blodgett, 1992; Wang et al., 1999; Berdrow & Lane, 2004). Both/all partners should be motivated to a similar extent to enter into an IJV. The motivation varies by nature across international and national JV partners. Therefore, it is vital to understand each other's motivation (or motives), while ensuring that the motivation is rectified and does not conflict.

Understand, own and share risk

Every organisational activity is associated with risk. Risk sharing is, arguably, a vital motivation in construction-related IJVs, such as real estate developments (Zhang &

Zou, 2007). Once partners agree to commit capital to an IJV they should be aware that they take on risk. Therefore, it is important to understand the risk appetite of the partner(s), discuss potential risks, mitigate risks if possible, and implement an appropriate risk management system.

3.4.3) Structural dimension

The structural dimension will refer to aspects such as contractual characteristics, control of ownership and venture demographics potentially influencing the overall IJV performance.

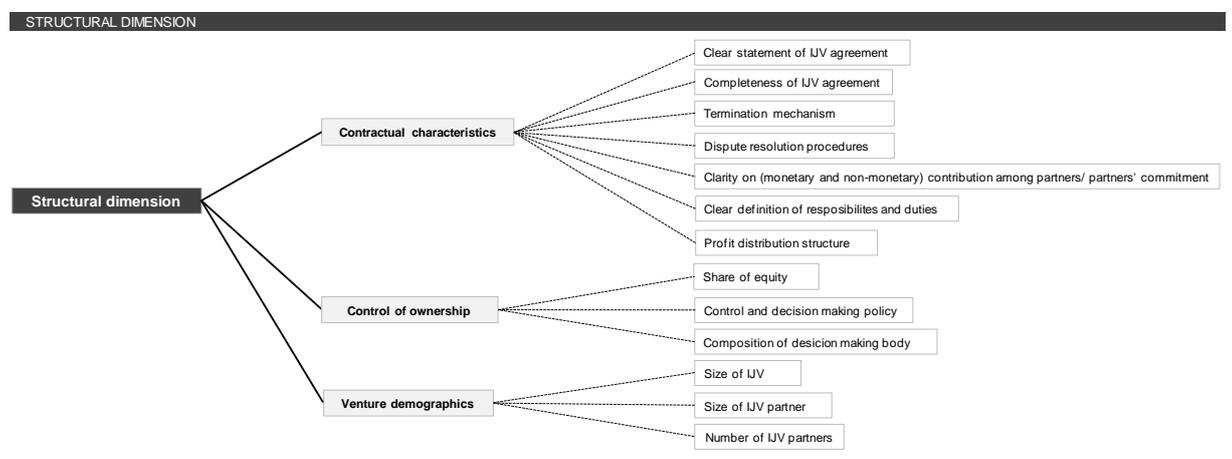


Figure 3.4: Structural dimension: success factors and performance determinants, created by the author.

Contractual characteristics

The IJV contract for a sophisticated real estate development project is a complex document, being the product of extensive negotiations among the partners and their legal advisors (Minja et al., 2012). Each IJV agreement is customized and varies from the next, as a great variety of contractual characteristics are involved. Nevertheless, important, critical and strategic issues, referring to contractual characteristics may have an impact or may even predict project success in IJV in real estate development, albeit at different levels of importance between the capital investor and the local partner being a developer, operator and/or real estate professional.

Clear statement of IJV agreement

Since many potential problems arise during the development phase, the contract between the IJV partners should clearly state the obligations, rights and responsibilities of each party (see Gale & Luo, 2004).

Completeness of IJV agreement

According to Saussier (2000), incomplete contracts are contracts that do not include all relevant contractual terms. Such contracts occur frequently due to the inability of organisations to predict future events (e.g. maybe because of bounded rationality) (Sumo, van der Valk, van Weele & Duysters, 2013) and difficulties in clearly defining the entire scope of the project (Aibinu, 2007). Incomplete contractual situations may cause performance problems during the project phase when contingencies occur that are not covered by formal contract provisions, hampering the ability of parties to adjust. This encourages opportunistic behavior, creating conflict potential and dispute among the partners, which could eventually increase overall costs (Yates & Hardcastle, 2003; Aibinu, 2007). Thus, the completeness of the agreement between the IJV partners can be a key factor in avoiding a great deal of trouble and conflict in future operations (Bing & Tiong 1999).

Termination mechanism

Termination mechanisms are an important component of the IJV agreement in terms of exit strategies (Rowan, 2005; Graiwer, 2008). IJV contracts in real estate development should contain practical and escalating means of compelling the partner to meet its obligations. Measures such as an early termination mechanism (buy-in and/or sell-out provision) can preserve the positive relationship between the partners, while providing a way to exit the alliance in case the partners lose their mutual fit.

Dispute resolution procedures

Often IJVs in real estate development are forced into litigation processes to solve their disputes. Litigation processes are difficult to control, cost-intensive, and time-consuming. A better way to deal with such circumstances may be to integrate dispute resolution procedures (e.g. arbitration) into the contractual agreement (see Kwok et al., 2000; Rowan, 2005; Zheng & Larimo, 2014). This, for instance, allows for the opportunity to mandate an expert in the relevant field as an arbitrator, while

avoiding reliance on judges who probably lack familiarity with the real estate industry. Dispute resolution procedures provide more flexibility. Moreover, such measures ensure confidentiality and privacy, particularly important in cases where parties decide to continue the JV, not being prepared to share internal affairs with the public.

Clarity on (monetary and non-monetary) contribution among partners/ partners' commitment

The IJV contract should clearly define the monetary (capital) and non-monetary (other resources) contributions of all partners (Rowan, 2005). This refers to initial, as well as to on-going, commitments. Real estate markets are often uncertain (e.g. volatility of valuation, tightening credit markets and/or increase of holding periods due to unexpected market cycle changes), which means commitment requirements may increase. Such events either have to be addressed in the IJV agreement, or the contract has to allow for adjustment of unexpected commitments without surprising the contracting partners.

Clear definition of responsibilities and duties

In general, the IJV contract defines a legally bound, institutional framework, explicitly determining each party's rights and obligations, while specifying the objectives, policies and strategies of the underlying partnership (Dikmen et al., 2008). Therefore, it is paramount to identify and record each partner's clear, exact and detailed role, responsibilities and duties with respect to capital, execution, management, coordination, financials, etc. to be mentioned in the contract and associated documents (Langeroudi, Safaiefar, Maghsoudi, Mobtadi, Takabi & Zarif, 2010). In addition, it is important to determine the responsibilities and duties of each position/member in the project team in a way that avoids overlap and remaining gaps.

Profit distribution structure

The profit distribution has to be structured in a way that all partners are motivated, while conflict of interest is avoided and alignment of interest assured. This can be a difficult exercise. According to Hutchison (2012), IJV agreements in real estate development should be structured with a preferred return on invested equity (defined by a threshold or IRR performance hurdle rate) for the capital investor in

order to ensure the operating partner has “skin in the game”. Local developers, operators and/or real estate professionals are often only capable of contributing a small stake of equity. Therefore, once the preferred return threshold or IRR performance hurdle rate has been met the operating partner will benefit disproportionately in the excess cash flows. This means that in a successful IJV the proportion of cash flow distributed to the operating partner will be greater than his share of invested equity. This difference in cash flow is generally called incentive fee or promotion payment. The exact determination of parameters (leverage, IRR performance hurdle rates, preferred returns, etc.) for such profit distributions is called ‘waterfall structure’.

Control of ownership

Share of equity

The scope of control is positively correlated with the size of equity interest (Child & Yan, 1999; Lee & Beamish, 1995). Hutchison (2012) argues that the share of total equity invested by local developers, operators and or real estate professionals in IJVs related to real estate development is generally small, ranging from 2,5% to 20%. In this sense, the capital investor dominates ownership structures. This extent of control may influence transaction costs, and therefore contribute positively to IJV success (Hennart, 1989; Geringer & Hebert, 1989; Das & Teng, 1998; Brouthers & Bamossy, 2006; Madhok, 2006).

Control and decision-making policy

In IJVs in real estate development, generally, all parties (the local partner, the international capital partner, as well as eventually employees of the IJV entity) are actively involved in all or in particular functions related to the management of the venture. A control and decision-making policy (see Kwok et al., 2000; Zheng & Larimo, 2014) may potentially facilitate and formalise the overall decision-making process, while providing a guideline to all stakeholders. A project team will have to run the day-to-day business of the IJV. The IJV partners should decide upon their roles and authorities. Such a policy has to define competences with different actors at different levels, thus simplifying control and improving performance.

Composition of decision-making body

According to Kwok et al. (2000) the decision-making body shall be part of the negotiation process and policy agreement. The decision-making body is generally presented by the board of the IJV entity responsible for the ultimate decisions for the IJV. Therefore, the size and composition of the decision-making body drives the control mechanism and may be vital to the success of the IJV project.

Venture demographics

Size of IJV

According to Griffith, Hu & Chen (1998), the size of an IJV can best be described by the amount of all capital (debt and equity) being invested into the venture platform. The amount of overall capital investment is defined by the specific needs of the IJV to secure necessary factor inputs (Griffith et al., 1998). In terms of IJVs in real estate development, this would mean that the size of the development project measured by the total investment volume would have an impact on IJV performance. According to Kim, Zhan & Erramilli (2011), IJV size may affect power over competitors in the local market. Moreover, it facilitates the potential to improve economies of scale and, in addition, enables better access to valuable resources.

Size of IJV partner

For IJVs in real estate development, the international capital partner will have to consider the size of the local partner firm (big vs. small player) and its implication on IJV management and performance (see Ozorhon, 2010). Larger partners may have a different focus than smaller ones in terms of rational and strategic objectives, influencing collaborative activities. Quantity of employment, turnover, or total project volume can define the size of the IJV partner.

Number of IJV partners

The number of local and international partners joining the partnership may contribute to the success of the IJV in real estate development: two-partner vs. multi-partner IJVs. The conventional partnership would be based on one international capital investment firm partnering with one local developer, operator and/or real estate professional. In addition, multi-partner constellations (involving three or more partners) are conceivable. Chung & Beamish (2012) argue that multi-party IJVs

have increased monitoring costs, higher probability of opportunism and defection, while also being prone to conflicts in change processes. Therefore, if IJVs in real estate development differ with respect to the number of partners, business performance may vary. The more partners join the IJV the higher the complexity of coordination and management, as more parties may participate in the discussion and the decision-making process.

3.4.4) Organisational dimension

The organisational dimension focuses on aspects, which are organisational, process-related, or project-related in nature.

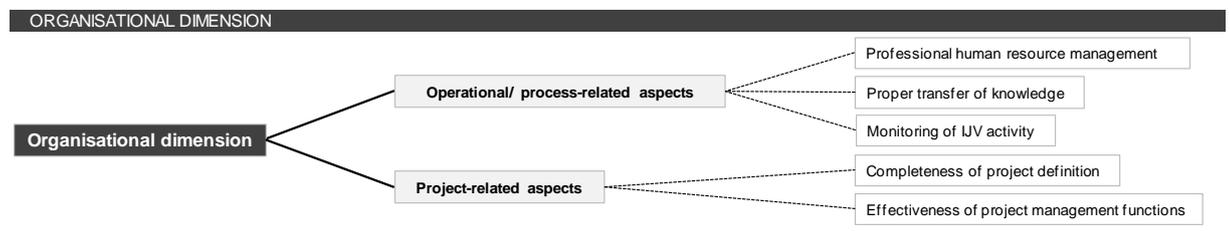


Figure 3.5: Organisational dimension: success factors and performance determinants, created by the author.

Operational/ process-related aspects

Professional human resource management

Human resources management is generally regarded as an important area of IJV management, focusing on aspects such as recruitment, gaps between present and desired staffing, unity and loyalty of the IJV's employees, personnel development, and turnover of IJV managers (Shenkar & Zeira, 1987; Robson et al., 2002). Moreover, Pucik (1988) argues that effective human resource management systems facilitate and enable learning processes within the IJV structure. In this context, Shenkar & Zeira (1987) suggest that professional human resource practices customized to the individual needs of the venture's conditions, and adjusted to changes in environmental demands and work force compositions may improve the dynamics, flexibility, and performance of IJVs. Since real estate development projects are limited in time, human resource management is a particular challenge.

Proper transfer of knowledge

With respect to IJVs in real estate development, the transfer of explicit and tacit knowledge may be an important issue for the international capital partner. The acquisition of local market and management know how may improve their expertise, assist in developing a better understanding of future investment criteria, and strengthen their power of negotiation. According to Berdrow & Lane (2003), knowledge transfer between the partners may enhance internal processes and contribute positively to financial performance of the IJV.

Monitoring of IJV activity

Real estate development projects are prone to opportunistic behavior. One way to mitigate such behavior would be to implement monitoring mechanisms to control activities of the partner firm(s) and the IJV entity. Devlin & Bleackley (1988) recommend monitoring of IJV activities on a regular basis in order to promote venture success, while Chowdhury (2009, p. 127) points out that “with monitoring of course, it is easy to see why allegations of cheating and interference may arise”. Nevertheless, additional expenses for monitoring activities will arise and increase transaction costs, which in turn may enhance the level of efficiency with respect to collaboration and improve the output potential of the venture (Inkpen & Currall, 2004).

Project-related aspects

Completeness of project definition

Completeness of project definition refers to critical elements being part of the development project’s scope definition package, including aspects such as design objectives, project schedule, and site location, among others (e.g. Gibson & Dumont, 1996; Muramatsu & Menches, 2010). The idea is to describe all project elements in detail in order to ensure a consistent, realistic and mutual understanding among the stakeholders (Muramatsu & Menches, 2010), while assisting the partners of the IJV in being able to quickly analyse the scope of project definition and predict factors referring to potential project risk (Gibson & Dumont, 1996). The measurement of the completeness of project definition is frequently been implemented in real estate development as a planning tool and is common practice within the real estate construction industry.

Effectiveness of project management functions

Ozorhon et al. (2010) suggest effectiveness of project management functions to be a relevant aspect in supporting IJV performance. According to Ribeiro (1999, p.184) “the execution of a given project management function commanded the system to access all the information of the project relevant to the function under consideration stored in the project database, assemble this information, analyse and evaluate the information, and produce reports”. The implementation of effective project management functions, such as planning, coordinating and controlling, may facilitate transparency and information relevant to the IJV management and the respective procurement, real estate development, and construction process.

3.4.5) External dimension

The external dimension considers factors driven by the environmental impact and the regulatory situation, which are difficult to control.

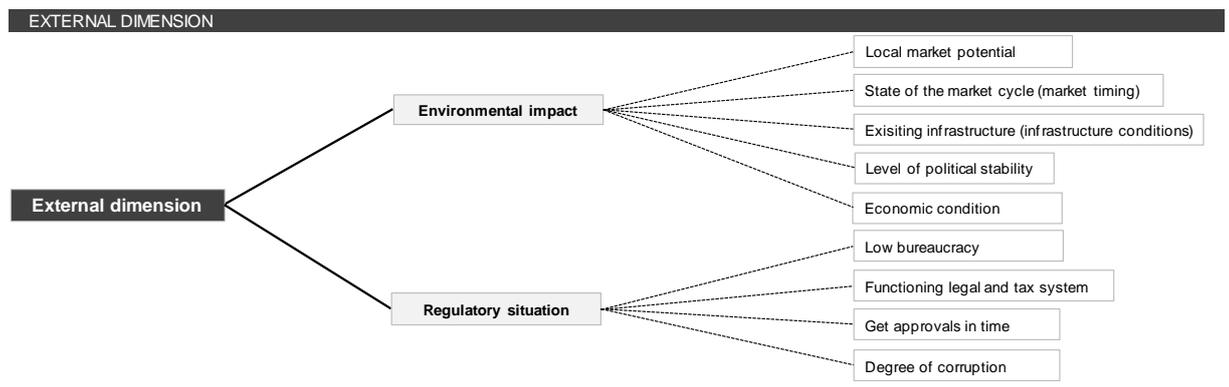


Figure 3.6: External dimension: success factors and performance determinants, created by the author.

Environmental impact

Local market potential

Local market potential generally attracts foreign direct investments. Therefore, local market potential can be of great advantage for real estate development projects. Market potential refers to market growth, existence of potential economies of scale effects and other cost related factors, positive market trends and size (e.g. Douglas & Craig, 1989; Agarwal & Ramaswami, 1992).

State of the market cycle (market timing)

Real estate represents a considerable portion of global wealth. As with other asset classes, the real estate market is also subject to fluctuation. According to Zielke (1992), diverse interaction of each other's comprehension of the market cycle and its state may have impact on the IJV outcome. Therefore, the right timing to place investments in real estate development projects through IJVs is relevant to the overall outcome or performance of the venture. Economic conditions (such as available leverage, credit spreads, supply, productivity, exchange rates, inflation, etc.) change over time in line with the market cycle of the economy. This includes periods of expansion as well as contraction.

Existing infrastructure (infrastructure conditions)

Infrastructure conditions are a relevant external factor for IJV projects (see Zheng & Larimo, 2014). Real estate development projects require human infrastructure (skilled staff) to execute planning and construction works. If the subject market does not provide access to those qualified people, the performance of the real estate development will become more complicated. Moreover, physical infrastructure, such as roads, utilities and telecommunications facilities, may affect the construction process in terms of quality, time and overall costs.

Level of political stability

Shen et al. (2001) suggest that political risk also has material significance with respect to successful performance. According to Ozorhon et al. (2010), political risk can also be expressed in the form of political stability. This may affect the decision for an investment destination, particularly if it concerns a developing country. Events, such as reverse policy by succeeding governments, military coups or social turmoil, may suddenly disturb or even destroy the applied business case. This may adversely affect the IJV's ability to generate and distribute profits and/or repatriate invested capital.

Economic conditions

According to Ozorhon et al. (2010), macroeconomic conditions in the host country may impact IJV performance. Favourable and stable macroeconomic conditions are generally very important for IJVs in real estate development both in developing and developed countries. According to Li, Akintoye, Edwards & Hardcastle (2005),

ensured economic conditions in lower risk markets might increase opportunities for project success.

Regulatory situation

Low bureaucracy

Low bureaucracy environments are generally favourable for business alliance activities, such as IJVs facilitating high quality outcomes and strong accountability. Low bureaucracy standards can be determined in the IJV agreement, being a fundamental basis for the cooperation. Often bureaucratic requirements are defined by implemented policy decisions (laws, rules and regulations) made by the respective jurisdictions, in which business activities are planned. A high level of bureaucracy can be a huge burden, while bureaucratic discretion may be capricious in awarding land tenders or development rights for real estate construction projects. Shen et al. (2001) argue that losses occur due to bureaucratic delays causing late approvals.

Functioning legal and tax system

A well-functioning and reliable legal and tax system (see Carter, Cushman & Hartz, 1988; Yang & Lee, 2002; Ozorhon et al., 2010) is important and lays the foundations for any business activity and capital investment. For instance, a confusing tax system may become a major problem for foreign business operations, causing significant uncertainties. These are framework requirements aimed at ensuring that real estate developments within an IJV structure can be performed. Such requirements at the subject business location have to be assessed within the due diligence process in order to avoid business risks related to this matter.

Get approvals in time

Minja et al. (2012) highlights the risk of delays in approval. For real estate development projects, it is paramount to obtain necessary approvals in time (such as land use conversions, building permits, structural plans and layout approvals, environment clearance or development licenses) in order to start construction work, as time determines the distribution of cash flow, and therefore the return potential. Effective internal and/or external approval management may facilitate and streamline such approval procedures. This will include overall coordination and tracking of approval processes, changes or re-submittals to authorities and

preparation of supplemental information. The timeline is highly dependent on the regulatory environment, which is defined by country, state, regional and city governance, and thus may affect the selection of the subject property development location.

Degree of corruption

Many countries, particularly emerging economies, face challenges of corruption, such as bribery, extortion and/or malfeasance (including fraud and embezzlement) (Gray & Kaufmann, 1998). In this sense, corruption is the use of public office to generate private gain. Sovannara & Mccullough (2010) argue that corruption constitutes a notable problem, generating significant costs and other major obstacles for IJV businesses. IJVs in real estate development are particularly affected due to the need of several public approval processes among other official interactions.

As mentioned earlier in the study, these CSFs represent the partners' perspective as international capital investor in an IJV.

3.5) Scope and limitations

In the economic literature, a wide range of potential CSFs for organisations are discussed. The objective should be to analyse these as fully as possible in order to create an integrated IJV management concept (Eisele, 1995). In reality, not all aspects and cause-effect relationships can be covered, so the present study focuses on selected CSFs that appear to be particularly important, in the context of the IJVs.

The present study will be limited to success and CSFs and their effect on successful performance in the context of IJVs in real estate development, considering all stages of the IJV life cycle. Moreover, the investment decision-making process of the capital investor, before partnering in a potential IJV in real estate development, may be of particular importance for the later progress of the IJV and its performance.

This means that the analysis has to consider internal organisational factors, as well as external investment decision-making and investment management aspects, leading to possible success of the IJV. This view will divide the perspective of the

real estate investment manager as partner of the IJV into two sub-perspectives: passive investor and active management partner. The objective is to understand how capital investors have to act in order to facilitate a positive (including financial) outcome looking at all life cycle stages of the investment and management process.

This study focuses on IJVs in real estate development, excluding other types of IJVs in real estate (e.g. co-ownership IJV or IJV in a private real estate operating company), as the CSFs most likely differ because of the different nature of the constructs. Moreover, the study assumes that the formation of an IJV is limited to serving the purposes of a single real estate development project.

The international capital investor (e.g. a real estate private equity fund; referred to as offshore partner) will represent the foreign IJV partner, whereas the regional developer or project manager acts as the local IJV partner (referred to as the onshore partner).

Most IJVs in real estate development are private SPVs, and are not publicly registered. Typically, the SPV of an IJV in real estate development does not employ people. Its parents generally manage the operating activities of the IJV. The accessibility to professionals within the investment industry, with experience in IJVs in real estate development is very limited. Therefore, the sample selection for the data collection (among the various methods) and the distribution of international origin of data collection points (location of professional, as well as market coverage) within the three main active regions (United States, Europe and Asia) is very much driven by the accessibility to those professionals. The researcher will focus on all three markets.

4) Research philosophy and methodology

4.1) Philosophical assumptions and methodological principles

“The ways in which we know and re-present the world (both nature and society) are inseparable from the ways we choose to live in it. Knowledge and its material embodiments are at once products of social work and constitutive of forms of social life” (Jasanoff, 2004, p.2).

The researcher's philosophical assumptions are the basis to form the arguments. This means that the philosophical assumptions will have effect, make differences, and enact realities (Law & Urry, 2004). Hopper & Powell (1985) argue that philosophical assumptions are fundamental to any piece of research as they state the researcher's perception of reality and truth. Burrell & Morgan (1979) mentioned that philosophical assumptions can be framed in the researcher's ontological and epistemological position followed by the research methodology. By forming a coherent system of inter-related practice and thinking, those three components define the nature of enquiry known as the research paradigm (Terre Blanche & Durrheim, 1999). The term paradigm was introduced by Kuhn (1962) derived from the Greek word “paradeigma” translated as “pattern”. According to Kuhn (1962, p. 187), paradigm is characterized as “an integrated cluster of substantive concepts, variables and problems attached with corresponding methodological approaches and tools”. In social science, the paradigm in its common sense may be used as a basic belief system or worldview, which will guide the action of research (Guba & Lincoln, 1994; Crotty, 1998). Different paradigms have emerged, determining the way to approach different conceptions, interpretations and problems of social reality in various forms of inquiry.

Through applying a constructivist approach, theories are developed regarding the meaning of problems with the focus on understanding particular situations. According to Jonker & Pennink, 2010, the aim is to constantly reconstruct realities, change them in order to adopt the situation, or development and generate true insights.

Pragmatic researchers believe “real” and “true” to be normative and that the observed phenomena cannot truly be perceived if it is reflecting the real world or a simulated environment with its own values (Cherryholmes, 1992). This means that objective reality cannot be detected and understood in a perfect way; therefore, the researcher's knowledge of reality is imperfect (Bradley, 1893). This leads to acceptance that the real world exists independently of our own thinking and that

researchers may experience fallibility of their own knowledge (mistakes and false interpretation) (Sayer, 2000).

Researchers that only accept given findings by interpreting scientific observation, such as sensory experience or mathematical treatment of data, are known as positivists (Macionis & Gerber, 2010). This philosophy of science believes that the real world exists and the inquirer of knowledge has to separate the phenomena under consideration. Valid knowledge (truth) has to be logically proven by scientific inference (Weimer, 1977).

Positivism is criticised as being naive realism (knowledge can easily be captured and generalized) (Guba & Lincoln, 1994) and realism is criticised for not taking into consideration the subtleties of anti-realist arguments, as well as the effects of its own position (Nightingale & Cromby, 2002). Consequently, critical realism has emerged as a new way to address ontology and epistemology in the form of a more efficient and sophisticated post-positivist paradigm (Zachariadis, Scott & Barrett, 2010). This approach of social and scientific co-production allows the researcher to avoid radical constructivism, while stepping back from the rigorous traditional view of scientific truth as direct correspondence to reality (Jasanoff, 2004). In this sense, Layder (1993) argues that critical realism, even though not positivistic in its approach, adopts a “scientific” stance towards social research. It is also important to note that it concurrently recognizes the equivalent importance of the actors’ meanings related to events taking place in the social world, through which necessary and adequate explanations of social phenomena are generated (Coldwell, 2007). Therefore, the theoretical foundation and concept of reality applied in this study will follow the philosophical tradition of critical realism.

Theoretical Perspective	Ontology	Epistemology
Positivism	Real world exists	Researcher is separate from the phenomenon under investigation to ensure objectivity
Critical Realism	Real world is independent of human thought, but meaning or knowledge is always a human construction	Researcher strives to adopt a contemporary scientific approach, universalistic in scope but particular in interpretation
Constructivism	Real world is independent of human thought, but meaning or knowledge is always a human construction	Realities exist in multiple mental constructs, researcher and the phenomenon under investigation interact to create findings

Table 4.1: Worldviews, created by the author.

Claims are made on behalf of critical realism to guide development of theory in social or, in particular, management science. Theories enable conceptualization of an idea or set of ideas that intend to explain something in an abstract fashion. All too often this process is “based on evidence and careful reasoning but it cannot be completely proved” (Cobuild, 1987, p. 1515). However, theories are necessary to observe, explain and interpret reality and assist in understanding patterns of phenomena in that reality (Jonker & Pennink, 2010). In this sense, theories, indirectly referring to reality or a specific view of the world, will guide the scientific investigation (Guba & Lincoln, 1994) and form the basis of “logically held together assumptions, concepts and propositions that orientate thinking and research” (Bogdan & Biklen, 1982, p. 30).

The research methodology is directed by the specifics of the research topic as well as the behaviour of the researcher. This means that the implicit and/or explicit decision for the research paradigm is guided by the nature of the research question, the phenomena to be studied and the affinity of the researcher (Jonker & Pennink, 2010). By phrasing the research questions, the scholar directs the investigation, with the objective of solving the underlying problem. Consequently, the research paradigm frames and guides the research process, through research approach and method, method of data collection, and choice of data analysis in order to develop a consistent concept (research design), to be able to interpret the results, and thus to gain a solid understanding of the social phenomenon. This requires an iterative process of reflection on the way in which both the research questions and methods

interact and influence each other in an optimal way to address the research topic. Adjustments whenever and wherever appropriate and feasible, may promote a high degree of consistency within the study, facilitating the production of robust, reliable and valid research results.

According to Popper (1972), the idea of explanation is a fundamental element concerning sociology and natural sciences. The specification made in this study for the idea of the explanation is based on the epistemological model of critical rationalism, which considers reason as the source of knowledge. In this context, it is necessary to elaborate the phenomena to be explained and to describe them in a precise way to be able to identify underlying conditions (Popper, 1972).

Critical realism can help to clarify what can be known, while accepting that insiders' different points of views might create discrepancy, trigger different behaviour, or facilitate multiple interpretations within the same social situation, each feasible, but of different social significance (Olsen, 2010).

Peacock (2000, p.2) highlights that "the critical realist position consists in a transcendental deduction of a social ontology according to which reality exists independently of theorists' conceptions about it". This view supports the explanatory power in economic theory and/or social science that is equally important to the discipline as its deductivist method (Bhaskar, 1975; Lawson, 1997; Peacock, 2000). According to the principle, "neither *a priori* true nor *a posteriori* demonstrable" (Peacock, 2000, p.2). This means that "the most powerful theories are those explaining the widest range of the phenomena [..., while theory development] mirrors the stratification of the ontological domain" (Pratschke, 2003, p.16). The researcher has to accept the existence of gaps and/or black boxes in his research, which may subsequently be closed, in the context of further research results, on a deeper or more fundamental level (Bhaskar, 1979).

Regarding the ontological position, the researcher – a critical realist – believes that the real world is independent of human thoughts, but meaning and knowledge have to be a human construction (Crotty, 1998). Business reality will be considered as being fundamentally socially constructed. However, if the researcher understands that "cause and effect [are] real but difficult to observe" (Olsen, 2009, p.3), critical realists can carry out research projects without being forced into pure relativist or total constructivist ontology. This implies that people working in business

organisations make decisions, which reflect the situation in concert with their motives and objectives. In this way, these individuals influence their business reality, however, only to a certain degree, as a modified objective perspective cannot presume to fully understand the real world, and external factors (like environment) are difficult to influence. This involves decisions whether or not to enter into an IJV or how to manage internal and external processes. The outcome of the study should help managers reach decisions proactively, instead of reactively, in a given situation and environment. In terms of epistemology, the research also applies a post-positivist character, as the investigator seeks to understand success and wants to gain profound insight into CSFs in the context of IJVs in real estate development. A positivist approach would tend to prefer pure quantitative methods, not being appropriate to support the exploratory nature of the investigation, to handle the complexity of the real life phenomena and to provide an answer as to why the factors are critical and how this knowledge can be practically applied.

The purpose of a theory is to explain reality (complex facts) by reducing complexity, applying assumptions, explanations and predictions (e.g. Bacharach, 1989; Bell et al., 2006; Nemeth & Nippa, 2013). Theory with respect to the present study will approach organisations based on the broad concept of systems thinking, as this consideration allows a flexible analysis of complex phenomena from various situational and contextual perspectives. In general, a system can be delineated as an organized, target oriented structure, which pursues a specific objective (Distefano, Puliafito & Trivedi, 2012). The idea, on which system theory is based, explains organisations by modelling complex entities. Dealing with the interaction of components created by abstraction of certain structural details helps analyse the dynamic effects on characteristic functions, behaviours, properties, regular patterns and relations (Laszlo & Krippner, 1998). The approach looks at phenomena in a context related, fact-filling, systematic and structural way, whereas reality is considered to be objective and opinions to be subjective (Arbnor & Bjerke, 2009). Business knowledge shall be described and explained, helping to clarify entrepreneurial reality (Arbnor & Bjerke, 2009). The purpose of this research work is to identify CSFs for IJVs in real estate development and their application to the real world.

International capital investors (e.g. real estate private equity funds) partner with regional developers or project managers. Therefore, the partner's perspective of the

investment fund will be the focal point of attention. This will require an objective and situational assessment because each IJV in real estate development is unique in its nature – every project is different, driven by individual needs, requirements and necessities of the organisations. This approach implies situational thinking and critical reflection of existing paradigms, which can be interpreted as a concept of customized business management (Ulrich & Fluri, 1995). Arbnor & Bjerke (2009, p. 103) argue that “scientific holism holds that the behaviour of a system cannot be perfectly predicted, no matter how much data is available”. This means it is not possible to determine all system states, because there may be unexpected behaviours not covered in the extent of events simulated in the system. For this reason, the idea of this study is to generate situational relativized statements to certain situations, which do not claim to be universal truths, but help to understand context based critical management issues and create awareness for necessary action to avoid IJV failure, or in other words, to improve IJV performance. Coldwell (2007) points out that by applying this approach the researcher accepts to contribute to knowledge only in a practically and dynamically sensitive, but useable way, whereby the outcomes will not be translated into invariable laws. The objective is to produce adequate and accurate explanations in so far as the content and context of the study allows. According to Pfeffer & Sutton (2006), this kind of management research encourages evidence-based, scientific-oriented, decision-making processes. Therefore, it is necessary to derive cause-effect relationships to predict patterns of behaviour (Putnam, 1983). Systems thinking makes it possible to go beyond the linear cause-effect paradigm and to study interrelationships between the parts of the system, while developing a much deeper understanding of how single elements operate (Bellinger, 2012). To facilitate scientific rational evaluation of measures for IJV management in the context of situational thinking, one must refer to specific constellations of concrete situational factors (Eisele, 1995). The right combination of circumstances shall serve as a basic perspective to provide pragmatic business solutions (Arbnor & Bjerke, 2009).

As discussed in the literature review, there is no predominant theory about success of IJV management. Moreover, the limited ability of single theories to explain the real world (reality) has been discussed extensively (e.g. Robson et al, 2002; Nemeth & Nippa, 2013). Hence, it seems appropriate to add the methodological principle of theoretical pluralism in order to develop confirmatory or, in other words, theory-based statements (Eisele, 1995). The purpose is to enable the observer to focus on

the phenomenon and have recourse to theories of different origins when it is found useable for the study of CSFs in real estate IJV management. The combination of theories will enhance the exploratory value and relevance of the study (e.g. Puck, Holtbrügge & Mohr, 2009). In addition, this approach will provide different perspectives and further enable a deductive process of knowledge development. In addition, it will avoid testing a single theory or method, which limits knowledge acquisition of managerial activities (Tallman & Shenkar, 1994). This also aligns with the consideration of Parkhe (1993 B), who comments that IJV research is still classified as being in the “test of realism” phase, not yet having reached the level of positivist theory testing.

IJVs, as organisational entities, are driven by complex decision-making processes. In this context, the researcher argues that people within the organisation make decisions, not the company as an organisation. This means that organisations cannot act; only their individual members can act. Therefore, the study will follow the principle of liberal, methodological individualism as a foundation of behavioural business studies. It explains social phenomena through interaction of individual behaviour (Fritz, 1992). This means that social reality can be explained through situations, dispositions or conditions (e.g. Albert, 1998; Mantzavinos, 2009). This methodological position enables organisations to be viewed and interpreted as corporate actors and allows for conclusions to be reached regarding the individual behaviour of members of the organisation (Vanberg, 1982). Social organisations can be considered as entities without claiming their “reification”. In other words, social organisations can only exist completely dependent on individual behaviour to avoid a conflict with methodological collectivism or holism (Fritz, 1992).

The basic assumptions outlined above, which shape the researcher’s view on the research paradigm and the methodological principles, will be applied to the study of the thesis problem statement. In the following sections, the research will focus on methodology and methods applied to the thesis.

4.2) Distinction between qualitative and quantitative research methodology

Working towards research calls for a reflexive awareness of the researcher’s worldview and a conscious effort to start the research journey with the basic desire

to understand and make sense of the world (O’Leary, 2004). Qualitative methodology is considered appropriate to carry out research within the ontological and epistemological assumptions of phenomenology and hermeneutics, whereas quantitative methodology is presumed to use methods of choice for empirical research (Dzurec & Abraham, 1993). Traditional distinctions associated with the two positions are outlined in Table 4.2.

Traditional distinctions associated with qualitative and quantitative methodology

	Qualitative Methodology	Quantitative Methodology
Ontology	Intangible reality	Tangible reality
Epistemology	Knowledge constructed via social interaction/ hermeneutic understanding	Regularities established via empirical research and deductive/inductive reasoning
Method	In-depth fieldwork	Hypothesis testing
Data Analysis	Interpretation of meaning	Verification/ Falsification

Table 4.2: Traditional distinctions associated with qualitative and quantitative methodology. Reprinted from “A critical realist rationale for using a combination of quantitative and qualitative methods”, by P. McEvoy and D. Richards, 2006, *Journal of Research in Nursing*, 11, p.68. Copyright 2006 by Sage Publications.

Qualitative approaches associated with establishing a grounded theory or analysing documentary materials (interpretivist paradigm) are based on symbolic modelling and non-numeric narratives (Miklos, 1992; McEvoy & Richards, 2006). There is more emphasis to understand the world and its underlying social construct in context-specific settings (Hoepfl, 1997; Blaikie, 2000). Methods of qualitative research can be characterized as follows (Wrona, 2009, p.228; Kuß, 2010, p. 118):

- The main objective is to gain understanding and to develop theory
- Openness towards new results
- Relatively small sample size (N<30, samples are generally not representative)
- Findings arise from the description and interpretation
- Phases of data collection and interpretation alternate and mutually influence each other

According to Whyte (1989), there exists a certain belief that theory first has to have solid foundations; single cases ought to be intensively studied before a point can be reached where researchers can commence valid generalisation across those cases. Qualitative research methods tend to be small-scale but intensively focus on the

interaction between investigator and participants (e.g. practitioners) of the research process, so require close working relations between both groups (Whyte, 1989; Philip, 1998; McEvoy & Richards, 2006). Any type of research can be classified as qualitative, if the results are not obtained by statistical calculations, or by other means of quantifications (Strauss & Corbin, 1990). Concerns are raised, whether qualitative methods produce results with enough validity, due to the researcher's subjective judgement and biases, as well as the lack of quantification (small number of observations) (Adler & Adler, 1994; Brady & Collier, 2004).

Quantitative approaches are generally applied upon positivist or scientific paradigms associated with natural sciences using statistical techniques (like sampling theory, inferential statistics, or multivariate analysis methods) and standardized measures (like experimental design, psychometrics, or survey methods) with a focus on numerical data that can be quantified and summarized (McEvoy & Richards, 2006). Moreover, Denzin & Lincoln (1998) argue that quantitative research emphasis the measurement and analysis of causal relationships among variables. According to Wrona (2009, p. 228), quantitative methods can be summarised based on the following characteristics:

- The main objective is explanation of variance, tests of hypotheses, and estimation of characteristic distributions in the parent population;
- Study objectives are determined beforehand;
- Relatively large sample size ($N > 30$, to be a representative sample);
- Findings arise from statistical analysis of the data; and
- Application of systematic and usually standardized measurement tools.

Golafshani (2003) clarifies that quantitative research allows academics to work intensively on a problem or concept under study, which may also generate hypotheses to be tested. This means (1) a strong focus on facts and causes of behaviour (Bogdan & Biklen, 1982), (2) a lot of attention on the mathematical process being the norm for analysing numeric data and (3) final results being presented in form of statistical terminologies (Charles, 1995).

Identifying impartial, objective evidence (facts) and making statements on generalizable laws is the aim of positivistic research (Ackroyd, 2004). The research approach is designed based on sampling techniques enabling conclusions from the sample to the general population (McEvoy & Richards, 2006). Thereby, potential

preconceptions and other sources of bias are eliminated. However, concern is increasingly expressed that exclusive reliance on statistical data and experimental testing of hypothesis excludes contextual implications in order to allow for generalizable and reproducible results (Kaplan & Duchon, 1988). Olsen (2010) highlights that quantitative research is always based upon conceptual and theoretical frameworks derived from qualitative activity. Moreover, there is doubt in the academic arena that science can progress effectively purely by testing statistical significance of hypotheses (Meehl, 1978). Whyte (1989) argues that the quantitative approach of conducting research emphasises a clear distinction between theory and practice, which can be recognized in the way research results of practical relevance are presented. The academic form and language is often not intelligible to a broad audience of practitioners.

With reference to the profiles of the research process, (see Figure 4.1) you can clearly highlight the difference between the qualitative and quantitative research approach (Flick, 2007).

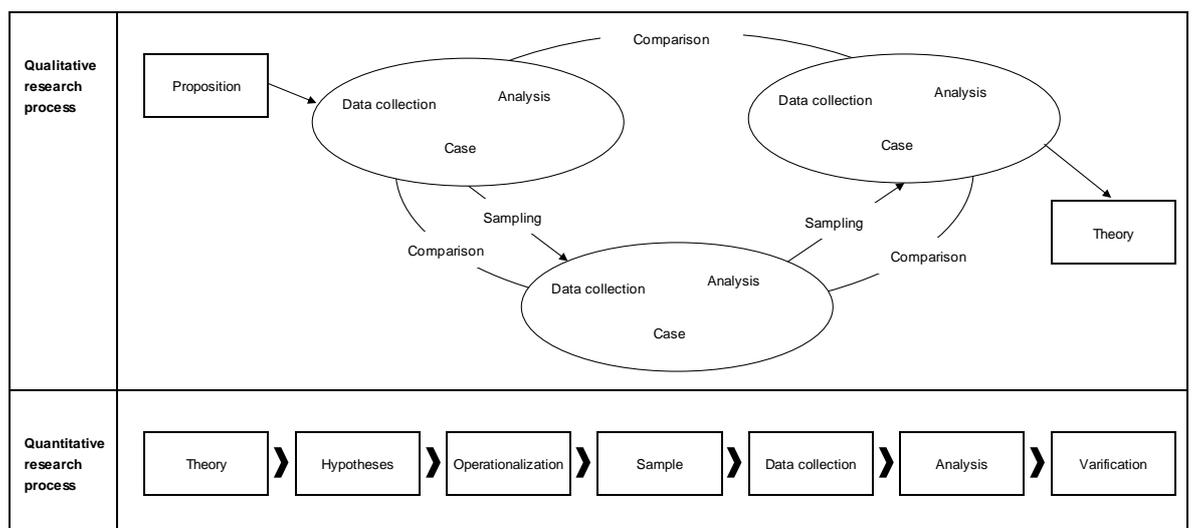


Figure 4.1: Qualitative versus quantitative research process. Adopted from „Qualitative Sozialforschung“ by U. Flick, 2007, p. 128. Copyright 2007 by Rowohlt-Verlag.

Even though qualitative versus quantitative methodologies are opposing methods, it is worth putting more effort into integrating those techniques (allowing testability and context within one study), such as in mixed-method research. This approach will overcome the debate of which approach is superior and assist in focusing and improving the quality of research outcomes.

4.3) Combining qualitative and quantitative research methodology

This research builds on the perspectives of evidence-based management, and thus does not exist in abstract. Like other social sciences, management science affects and, in turn, is affected by actual and ideological thinking, social, economic and political changes, among other influences (Schensul & Stern, 1985). Those influences are driving the choice of methodology, research methods and style of presenting the research outcomes. For questions on underexplored topics, as in this thesis, the precise elaboration of the facts to be explained is itself an essential component of explanation-oriented research (Fritz, 1992). This is true for phenomena with non-linear interactions, where complexity can be high, with vagueness permeating the research process (Law, 2004). Complexity is caused by the multidimensionality of the CSFs, the international alignment of the topic, the consideration of different life cycle stages, and the specific perspective of the collaboration between the partners, as well as other influencing factors. Therefore, it is necessary to develop a suitable conceptual model and proper operational approach within the research strategy.

“Research strategies should be driven by the research questions we seek to answer, and part of this must involve choosing methods that are appropriate to the questions being addressed” (Mason, 2006, p.13). It is important to recognize that research questions themselves help to express, but are also bound by, the particular ontological and epistemological point of view framing the research design (Mason, 2006). To answer the consecutive, coherent and closely related research questions of this study, it seems adequate to apply a mixed method approach. Mixed method approaches are commonly used to validate quantitative research in case the research phenomenon under investigation has limited theoretical underpinnings (Hussein, 2009). Without reducing, necessarily one approach to a subordinate status, a study of qualitative and quantitative methods can be structured in different research phases and in a sequentially connected fashion (Flick, 2008). In this way, the study will be structured sequentially with one-way impacts from qualitative to quantitative and quantitative to qualitative. In this sense, the mixed method approach allows addressing exploratory and explanatory research questions within the same study (Teddlie & Tashakkori 2003, 2009). The combination of qualitative and quantitative methods in form of a qualitative exploratory investigation, followed by an confirmatory quantitative data analysis (descriptive statistics) and finally, a

pragmatic and explanatory qualitative study (QUAL → QUAN → QUAL, Figure 4.2) appears to be suitable for this inquiry process; the basic design follows the nature of the problem statement, and findings from the previous method (or also approach) inform the next, according to the subsequent actions (Ang & Slaughter, 2001; Venkatesh, Brown & Bala, 2013). The resulting dialectical synthesis highlights the contrast between what seems self-evident in interactions, such as focus groups, what seems to be the basis of lay discourses, what seems to be the truth of in survey results, and what differences arise with the comparison of all these findings with official interpretations of the same phenomenon (Olsen, 2004 A).

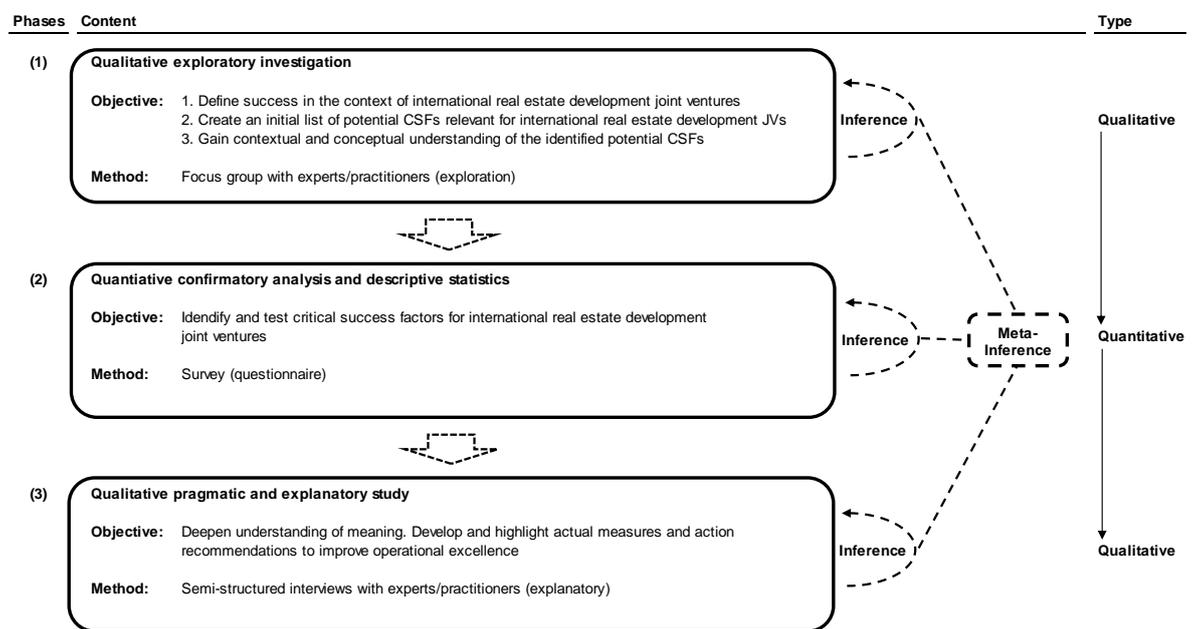


Figure 4.2: Sequential mixed method design, created by the author.

The use of mixed methods in a single study is also called methodological triangulation. Consequently, researchers have to pay particular attention to linking methods appropriately in order to deliver a measure with more accurate and robust research outcomes. Jack & Raturi (2006, p. 346) highlight that “several management studies have now used triangulation to resolve difficulties in interpretation and theory building”. The combination of qualitative and quantitative methods is becoming increasingly popular (Bryman, 2006) and has emerged as a way of improving research process and practice in distinct research areas. Bryman (1996) argues that qualitative conceptual frameworks are supportive to quantitative data analysis, which he outlines in his book *Quantity, and Quality in Social Research*. Methodological triangulation can be defined as the application of two or more methods, each one conducted and complete in itself, exploring the same

phenomenon under investigation from several angles (Mitchell, 1986; Morse, 2003). In other words, the synthesis enables “to throw light on the same object from different positions” (Schröder, 2001, p.29). For each method, indicators have to be defined, and corresponding data collected and analyzed, before the underlying concept can be assessed or measured. However, Hunt (1991) argues that using both qualitative and quantitative methods within one study might lead to divergence in epistemological and ontological perspective. Nevertheless, this depends heavily on the assumptions of the underlying qualitative and quantitative methodologies. Do these methodologies really exclude each other, or is there a way of combining them (Spicer, 2004)? It is of particular importance that the different methodologies are “designed towards understanding about a particular subject area of interest” with their strengths and weaknesses (Hussein, 2009, p. 4). Any study based on a single research method or strategy will have to accept inherent flaws, and consequently, the conclusion that can be drawn will be limited by the choice of that method (McGrath, 1982). Hussein (2009) suggests that combining methodologies creates the opportunity to neutralize the flaw of one in exchange of strengthening the achievements of the other for a better research outcome. In this context, different methodologies should complement, instead of substitute each other. As a result, mixed methods should leverage on additional strengths and non-overlapping weaknesses of a pure qualitative or quantitative study (Johnson & Turner, 2003). According to Venkatesh et al. (2013, p.24), “proponents of mixed methods research appreciate the value of both quantitative and qualitative worldviews to develop a deep understanding of a phenomenon of interest”.

Modern quantitative research may not be reduced to the traditional description and definition of scientific activities and intellect as it is no longer tenable (McGinn & Roth, 2004). The research literature amply documents contingent decisions, situated actions, social relations and contextual influences along the scientific research process predominately in social science (e.g. Latour & Woolgar, 1986; Knorr-Cetina, 1991; McGinn et al., 2004). The challenge in social science is to satisfy the heterogeneity of the linkages between science and society (Schützenmeister, 2008). Therefore, social phenomena should not purely be studied on the basis of physical action and reaction, but also consider or even integrate inter-subjectively valid sets of norms, values and meanings as part of immediate determining factors of behavior (Peters & Robinson, 1984). In this context, “scientific knowledge is seen as emerging from disciplined ways of

organizing and making sense of the [...] world through particular discourses” (McGinn et al., 2004, p.). Wherever quantitative data analysis based on numbers fails to answer all questions, mixed methods seek a form of data validation stimulating the quality, reliability and potential of results by allowing for creative approaches and room for discussion of contextual aspects or meaningful interpretation (and triangulated re-interpretations) (Tashakkori & Teddlie, 1998). Frissen & Punie (1998) highlight the divergence of qualitative and quantitative methods in their pragmatic definition that one method can tell us a lot about few people, while the other can tell us a little bit about a lot of people. Schröder (2001, p. 30) complements this line of reasoning by explaining the synergetic effect of triangulation in “a method that can tell us a lot about a lot of people”.

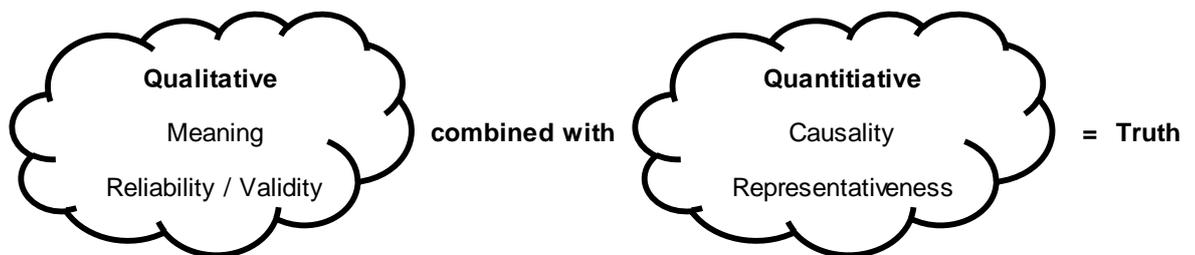


Figure 4.3: Triangulation (mixed methods), created by the author.

Triangulation goes beyond sheer validation of findings, applying an innovative method of “bottom-up” qualitative and “top-down” quantitative operationalization to process existing research concepts with the emergence of new research constructs in order to promote understanding and meaning (Olsen, 2004 B; Coldwell, 2007). In this sense, triangulation enables the combination of high reliability, high validity, and representativeness in the research process in order to make it more convincing and able to withstand critical debates. In this context, Schröder (2001) mentions four elemental criteria:

- (1) The study should include a qualitative element to ensure validity.
- (2) Reliability should be built via analytical inter-subjectivity driven by a systematic approach.
- (3) To achieve representativeness many respondents should be involved.
- (4) In order to be more compelling, the study should be quantitatively oriented.

All too often, people experience that social interaction and lived realities in organisations are complex and multi-faceted (Kieser & Walgenbach, 2010). In other words, organisations have multi-dimensional components and perspectives. The research process may prevent a clear understanding of the phenomena, only investigating a single dimension (Mason, 2006). Mixing methods emerge as a synergetic product of distinct theoretical traditions and create significant potential for exploring complex social phenomena (Fielding & Fielding, 1986; Greene & Caracelli, 1997). As a result, the researcher is free to develop relevant knowledge claims with a broader approach adopted with respect to the unit under study.

Furthermore, this approach enables to account for dynamic business situations generating practically relevant knowledge, which is beneficial to managerial decision-making processes. Coldwell (2007) explains that meeting all requirements of explanation for meaning (qualitative paradigm) and causality (quantitative paradigm) in the methodological synthesis at each level will not be entirely possible. However, this approach may be the only way to obtain an interdisciplinary and holistic explanation in order to develop robust and practically useable statements on effective business behavior (Coldwell, 2007). The researcher has to nonetheless accept that those statements are provisional and subject to refinement or modification, if not fundamental change (Coldwell, 1981). According to Savenye & Robinson (2004, p.1064), “using a triangulation of methodology researchers can be assured that the picture they present of the reality of a setting or situation is clear and true”.

A pragmatic pluralism, mixed methods approach provides a flexible instrument, which enables the customization of the research design in accordance with the specific needs of the underlying research topic. In this sense, Coldwell (2007) argues that triangulation, operated from the philosophical stance of critical realism, considers people’s ontological situation, while providing a coherent epistemological foundation for our understanding of the social world.

Research based on mixed methods enables a greater assessment of divergent and/or complementary perspectives (Teddlie et al., 2009). During the research process, a scholar may draw the same, different, complimentary or contradictory conclusions from the application of qualitative and quantitative research findings (Venkatesh et al., 2013). According to Venkatesh et al. (2013), those findings lead to a refinement of the underlying assumptions (conceptual model), as well as to an

evaluation of the boundary conditions (relationships of all relevant components), which facilitate the development of substantive theory, while opening up potential paths and ways for future inquiry.

This approach is particularly relevant to this study, since the researcher seeks to develop an understanding of both the theoretical and practical level. As a result, recommendations for action shall be established, which can be applied in a situation-based manner supporting the decision-making process of IJV managers. Moreover, it is important to identify relevant CSFs/performance indicators that are explained in the right context.

4.4) Research design

4.4.1) General aspects

This research design is developed in a way which allows for the development of a more profound understanding of how to manage complex IJVs in real estate development, “which is grounded in research insights drawn from real world settings” (Koutsikouri, Austin & Dainty, 2008, p.199). It is important to consider the fact that practitioners have to manage multiple IJVs at various stages of their life cycles, and thus are confronted with competing priorities on a daily basis (Jugdev & Müller, 2005). A systems approach will be used to frame the device to process CSFs, which have been absorbed in the literature review. Figure 4.4 illustrates the way in which different parties can be related to each other, in order to facilitate the understanding of the setup of and relationships within an IJV in real estate development. The capital investor (e.g. real estate private equity fund, pension fund, endowment fund, or investment banks) represents the foreign partner and the local partner (e.g. developer, real estate professional, real estate operating company, or land owner). The partners will set up a joint company for developing a real estate project. This is based on a partnership agreement that governs the operation of the property investment and the distribution of profits.

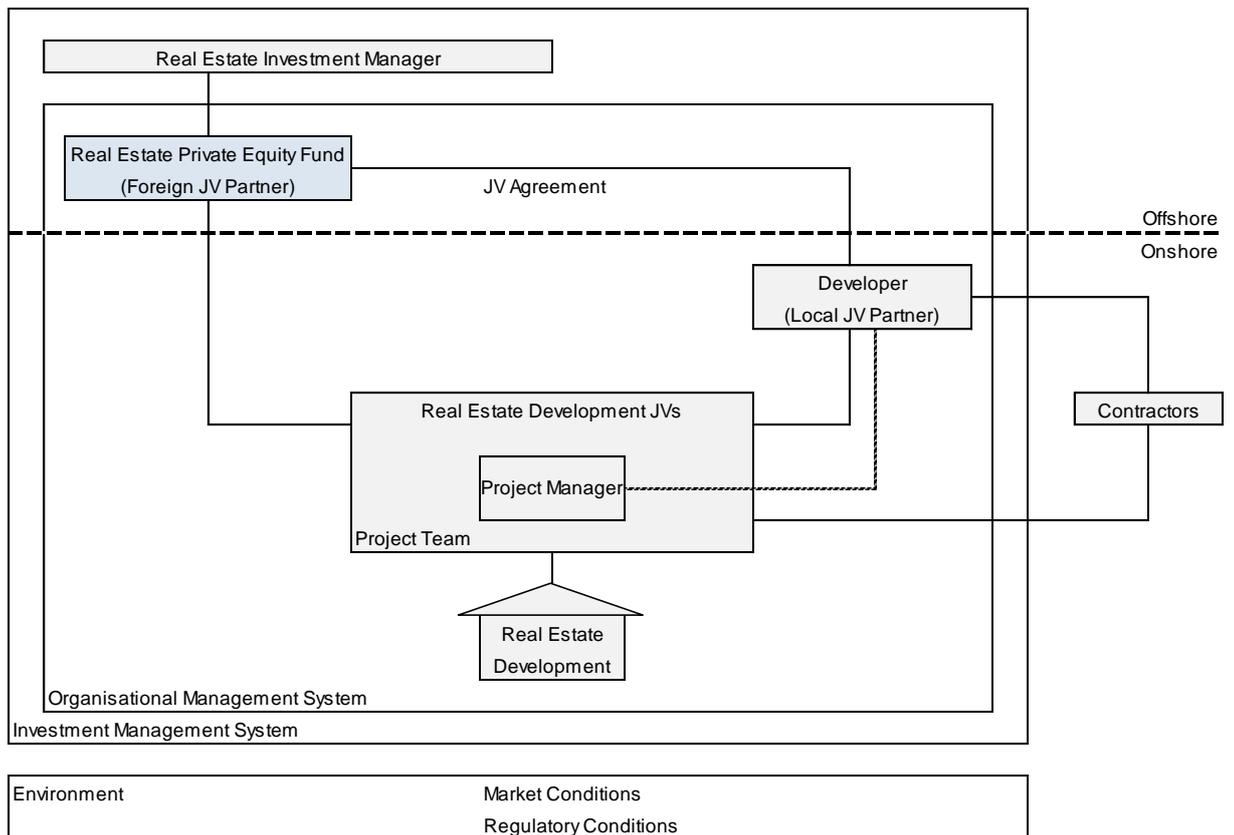


Figure 4.4: Organisational system of IJVs in real estate development (from a capital investor's perspective), created by the author.

4.4.2) Research methods

The research commences with a qualitative study (focus group), followed by a questionnaire, which will be statistically analysed. The qualitative information is used to develop an instrument for the quantitative data collection. Finally, the results will be deepened in a second qualitative analysis.

This research process conformed to the handbook of research ethics of the University of Gloucestershire. The participation in the focus group, interviews and questionnaire survey was voluntary and employees of several organisations were approached. The focus group discussion was partly and the interviews fully recorded with the acceptance of the informants. The collected data was only used for the research purpose. All information was anonymous and kept confidential.

4.4.2.1) Research method 1: focus group

The focus group, as a means of qualitative data collection, has become popular amongst professionals within various research fields (e.g. Rabiee, 2004). For the purpose of this thesis, a focus group was conducted to provide better and more profound insights into the different components of the construct of CSFs for real estate development IJVs. The first research phase was exploratory, with the primary objective to generate theory. The researcher conceded that the study was limited by the willingness of practitioners to participate, share knowledge and experience, and by their comprehension, or lack thereof, of the research questions and study objectives. The aim was to develop an *a posteriori* theoretical framework (modified conceptual model) to deepen the understanding of the business activity by discussing the topic during a focus group session.

Focus group (with real estate investment professionals): The focus group aimed to assist in (A) gaining a sound understanding of the meaning of success in the context of IJVs in real estate development. Furthermore, the aim of this exploratory study was to (B) create a list of potential CSFs for capital investors partnering in IJVs in real estate development in accordance with the existing knowledge highlighted in the literature review. The literature review already provided a comprehensive overview of identified CSFs for IJVs, based on the research landscape. The above-mentioned factors served as a starting point (*a priori* theoretical framework) and were synthesised into a list of potential CSFs for IJVs in real estate development. The participants had been motivated to bring up additional aspects of potential CSFs relevant to the subject IJVs and to discuss them in the focus group. In addition, the discussion should also (C) help to develop a contextual and conceptual understanding of the individual CSFs. This process assisted the researcher to verify and enrich the dimensions of CSFs for IJVs derived from the literature review, and to apply this knowledge towards the subject IJVs of this thesis. Moreover, the researcher was aiming to develop a more comprehensive content domain for the concept of CSFs for IJVs in real estate development.

Guided by a pluralistic approach, this method incorporated a meaningful tool for assessing CSFs, which affect performance of IJVs in real estate development, and facilitated the development of an appropriate conceptual model. The result, in the form of a complete list of potential CSFs, served as the input of the subsequent quantitative analysis.

Focus groups represent a classic qualitative research method with direct interaction, and assist the scholar in gathering the respective data to explore the research area, to elaborate answers to the specific research question, and to carry out the study goal (Savenye & Robinson, 2004). In the epistemological tradition, this way of interviewing tends to be more constructionist than positivist, as the participants should act as meaning-makers and facilitate the construction of a reality (Warren, 2001). Rabiee (2004, p. 657) argues that the process of a focus group “aims to bring meaning to a situation rather than the search for truth focused on by quantitative research”. Therefore, the purpose of this method is to derive interpretations from the focus group dialogue. According to Mintzberg (1994), focus groups provide a powerful way for emergent thinking and opinion formation. Participants are open to express their understanding and perception in a permissive, non-threatening surrounding (Krueger & Casey, 2000). This enables access to tacit knowledge, a resource that is generally difficult to obtain (Alfred, Shults, Jacquette & Strickland, 2009). Theoretical frameworks based on such a process ensure better validity and reliability, while supporting greater flexibility of interpretation with respect to emerging themes, increasing the rigor of the study (Lincoln & Guba, 1985; Strauss & Cobin; 1997; Yin, 2003). According to Glaser & Strauss, 1967, adopting a grounded approach, such as a focus group, assists in developing and modifying an appropriate and realistic *a posteriori* theoretical framework (modified conceptual model) in order to create the basis for statistical testing.

4.4.2.2) Research phase 2: survey (questionnaire)

Questionnaire: An extensive literature review, in combination with a focus group, built the basis for an *a posteriori* theoretical framework (modified conceptual model), which served as a solid basis for the development of the research hypothesis:

Capital investors as foreign IJV partners of an IJV in real estate development attribute the success of the venture to different critical factors at various stages of the life cycle.

In the second phase of data collection, a questionnaire survey was conducted to test and confirm the relevance of the identified set of CSFs (investment and operation variables). The design of the questionnaire was based upon the conceptual model. Again, real estate investment professionals were approached to

further analyse the partnership variables for IJVs in real estate development. The questionnaire compared the roles of different professionals working in the team of investing, managing, operating, and divesting those real estate development projects. By documenting their experience, this study focused on understanding the effects of their various project attributes, providing reference for IJV partnerships in the industry. Previous research on strategic management issues showed that self-reporting is a sophisticated and valuable method for identifying strategy performance (intended vs. realized strategy) (Hambrick, 1980) producing reliable data (Pearce, Robbins & Robinson, 1987; Geringer, 1991). Performance measurement employed in this study was based on categorical variables representing the perceptions of IJV managers in real estate development on alternative performance determinants. This means performance was quantified by perceptive measures reflecting the perception of the manager on different determinants of performance. All variables were *ex post* measures. Respondents were asked to identify the perceived relative importance to the performance of each CSF category, as evaluated at the time of the venture formation and post-formation stage. To be able to capture the dynamics associated with the multidimensionality of the phenomenon (Rajan, 2004) two types of performance measures had been defined for this study:

- (1) Overall satisfaction of financial performance rated by real estate investment managers (working with IJV in real estate development projects); and
- (2) Financial performance of IJVs in real estate development ((1) planned vs. realized performance; (2) performance realized).

The first form was a measure of performance using subjective criteria defined in terms of overall satisfaction of the IJV manager in real estate development based on an approach frequently applied in earlier studies (e.g. Killing, 1983; Schaan, 1983; Beamish, 1985; Lee & Beamish, 1995; Rajan, 2004; Sovannara & Mccullough, 2010). The overall satisfaction referred to financial performance in order to make the individual ratings comparable. Absolute financial measures, such as profitability, applied in earlier studies, was strongly criticised (Ramaswamy et al., 1998; Rajan 2004) as financial results were often difficult to interpret (incompleteness and incomparability of the underlying data), and therefore information remained meaningless (Geringer & Hebert, 1989; Chiao, et al., 2009). However, in the context of this study absolute financial measures were relevant as

the corresponding IJVs were project-based in one specific industry and the perspective of the international capital investor strongly relied on specific financial performance measures. Therefore, the second form of measurement was objective based on a specific financial measure that had been identified in the focus group study. This approach relied on previous research, as there had been major efforts to include measures with objective criteria into the studies (e.g. Woodcock et al., 1994; Makino & Delios, 1996; Beamish et al., 1997; Makino & Beamish, 1998; Rajan, 2004; Sovannara & Mccullough, 2010).

The purpose of the self-administered structured questionnaire was to assess how participants evaluate these variables in terms of their importance for success of IJVs in real estate development on a Likert-type scale. Such a standard scale setting was used, due to its simplicity and wide acceptance. Its application had prevailed in previous studies, thus reducing problems associated with reliability and validity (e.g. Killing, 1983; Schaan, 1983; Beamish, 1988; Inkpen, 1992; Hebert, 1994; Fey, 1996; Rajan, 2004). The success factors (variables) supported by performance determinants were categorized into relevant dimensions (latent constructs) as reviewed in the literature and modified by the focus group session. The questionnaire survey was sent out to a broader group of real estate investment managers (working with IJV in real estate development projects) via e-mail with a target sampling frame of this study consisting of >30 respondents who should evaluate those factors based on their practical experiences. The researcher, working in the industry, used his professional network in order to directly contact relevant key knowledge holders with extensive experience in this subject. In terms of regional orientation, international investment manager from Europe, United States and Asia were consulted. As a significant step, the survey consolidated the preceding analysis in developing the final list of CSFs in a supportive way (see Koutsikouri et al., 2008). The hypothesis was phrased upon the assumption that all real estate investment practitioners had a divergent conceptual understanding on how to successfully complete an IJV in real estate development in the course of the different life cycle stages (Gale & Luo, 2004).

4.4.2.3) Research phase 3: semi-structured interviews

Semi-structured interviews: The interviews were designed upon a semi-structured agenda with the intention of attaining responses to open-ended questions, with accompanying queries that explore/probe for contextual and more detailed data (Piercy, 2004). This course of action allowed in-depth discussions of the complexity of the high demanding topic, while the outcome of the quantitative analysis could be verified. This rich information helped to understand meanings attributed to lived experiences (Piercy, 2004). In order to ensure a broad spectrum of beliefs and values across the group of participants, the sample was structured to represent different areas of expertise (Koutsikouri et al., 2008): general managers, portfolio managers, transaction managers and asset managers. Since desired information was specialized in nature, participants had to be in an executive position with direct responsibility for the IJV's operation, as they were most knowledgeable about the respective topic (Geringer, 1991). However, to avoid the problem of interviewees focusing too much on one factor and ignoring other important factors (Bourne, Neely, Platts & Mills, 2002), the interviewer guided the process via a semi-structured approach that resulted in the following interview format:

- Each interview started with an introduction and a short series of open-ended questions;
- Replies to the open-ended questions were probed to ensure that both parties understand each other's context; furthermore, the participants should be encouraged to frankly thought-shower and freely express their opinions, and make free associations about success and CSFs;
- The interviewer provided additional context where necessary and guided the direction by asking systematic and comprehensive questions, which assisted in keeping interaction focused on the list of relevant factors identified in the literature review, discussed in the focus group and tested in the quantitative analysis.

This approach gave respondents ample opportunity to express, reflect and describe the nature of their relation to IJVs in real estate development. Due to the difficulty to access experienced practitioners and the magnitude of each interview, the researcher targeted a sample of 5 interviews. A face-to-face situation with individual

participants was preferable. All interviews were recorded and additional notes were made during the interview process that served as the basis for the analysis.

The key question that was addressed in this phase was, **“What are the CSF determinants and what is their meaning in the process of improving the performance of IJVs in real estate development from the perspective of capital investors?”** The explanatory study method enhanced insight into the contemporary phenomenon in a real world context and demonstrated the application of the theoretical knowledge. In addition, this method was used to collect empirical evidence to supplement, confirm and contradict the findings of the questionnaire survey. The intention was to allow an investigation to retain the meaningful characteristics of real-life application. Primary data were sourced through a series of individual semi-structured interviews with real estate investment professionals in order to find a way to link theoretical with practical knowledge and to transform identified CSFs/performance determinants (theoretical findings) into context and/or action recommendations. The aim was to structure the collected data and to develop a practical guideline or principles for the community of practitioners in the international real estate industry, which should offer recommendations for the implementation necessary changes to increase the success rate of IJVs in real estate development and improve their organisational excellence.

4.4.3) Data analysis and interpretation

The study was based on an extensive literature review followed by an iterative process in form of triangulation (data collection process through three-stages), in which CSFs of IJVs in real estate development were refined and modified (see Figure 4.5).

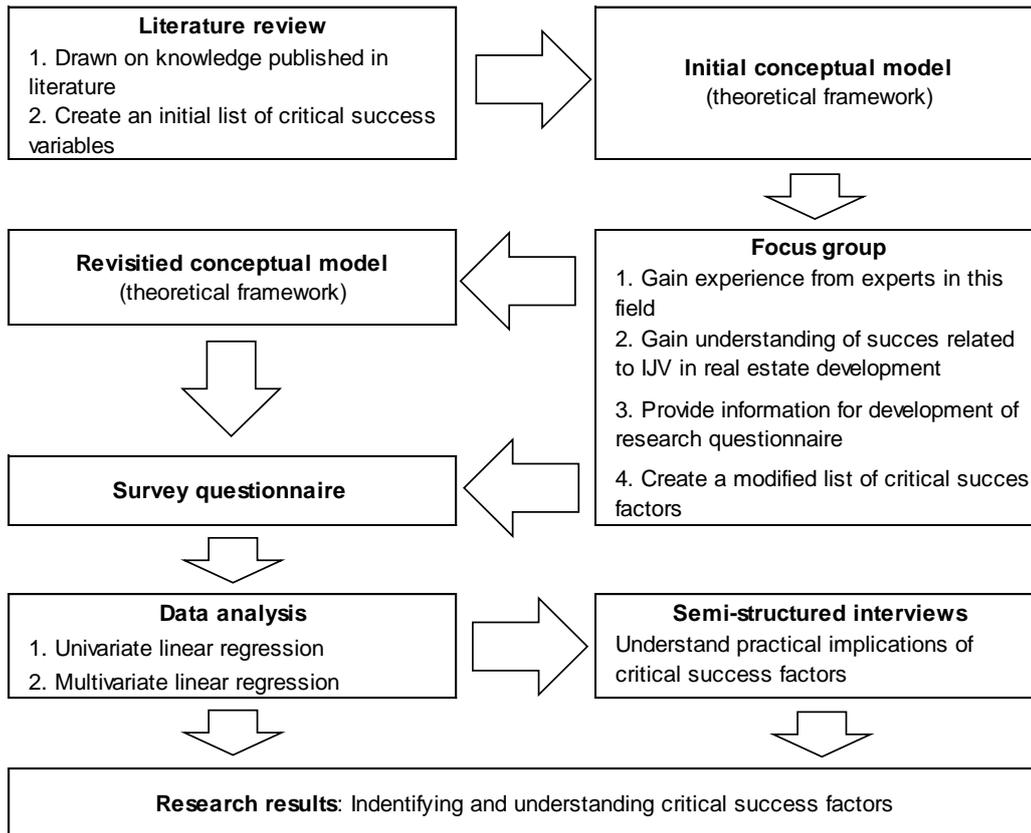


Figure 4.5: Overall research framework, created by the author.

The focus group (qualitative data analysis) involved a creative approach to examine the collected facts and information in a logical and meaningful, but holistic manner in order to find meaningful interpretations (Hoepfl, 1997). Strauss & Corbin (1990) argued that a complex qualitative process based on a combination of inductive and deductive thinking includes categories and concepts that help understand the phenomenon under study, contextual and causal conditions, interactional behavior, and, finally, consequences related to the phenomenon. The purpose of structuring data in this study was not only to enable knowledge creation through description,

but also, more importantly, to develop new methods of understanding the phenomenon under investigation (Hoepfl, 1997).

The hypothesis testing (quantitative data analysis) was completed using a linear regression model. This allowed identifying the correlation between the variables, and, in addition, confirming the importance of the variables based on the underlying model. This means that the importance of each single performance determinant/CSF and/or combination of performance determinants/CSFs could be assessed in a confirming manner.

The purpose of the third phase qualitative study consisted of finding explanations for causal relations and highlighting strategies for organisational changes in the form of best-practice actions.

4.4.4) Research reliability and validity

“Reliability and validity are tools of an essentially positivist epistemology” (Watling, as cited in Winter, 2000, p.7).

Reliability: Reliability presents the idea of reproducibility of the measurements (Lehner, 1979) or repeatability or replicability of research outcomes, results and/or observations (Golafshani, 2003). This means that “if the results of a study can be reproduced under a similar method, then the research instrument is considered to be reliable” (Miyata & Kai, 2009, p. 58). Moreover, Miyata & Kai (2009) argue that each measurement tool has to accept a certain level of nonsystematic error, which means that it is impossible to get rid of all systematic error. Kirk & Miller (1986, pp. 41-42) developed three categories of reliability referring to quantitative research: (1) producing similar results under similar measurement conditions (quixotic reliability), (2) the stability of a measurement with respect to time (synchronic reliability) and (3) the similarity of measurements in a given time period (diachronic reliability). According to Stenbacka (2001) reliability refers to the concept of high quality research. While this concept of quality refers to a purpose of explanation in quantitative study, there is a focus on generating understanding in qualitative research.

Golafshani (2003, p. 599) argues that “although the researcher may be able to prove the research instrument repeatability and internal consistency, and, therefore reliability, the instrument itself may not be valid”.

Validity: The positivist tradition is based on the systematic theory of validity with empirical conceptions such as universal law, evidence, objectivity, truth, deduction, reason, actuality, fact among others (Winter, 2000). Validity determines whether the means of measurement are accurate by truly measuring that, which is intended to be measured (Joppe, 2000). According to Winter (2000, p.1) the concept of validity is “rather a contingent construct, inescapably grounded in the processes and intentions of particular research methodologies and projects”.

Quantitative and qualitative research cannot be evaluated by the same criteria due to the different and inconsistent notion of each paradigm (Silva, 2008). Positivism presumes a static world or a closed system, whereas qualitative research assumes that the world is always socially construed by humankind (Sousa, 2010). In essence, the terms “reliability” and “validity” are definitions for quality in quantitative paradigms, while in qualitative paradigms, the more specific and corresponding terms are “credibility”, “neutrality”, “confirmability”, “consistency”, “dependability”, “applicability” and/or “transferability” (see Lincoln & Guba, 1985; Marshall & Rossmann, 2006; Silva, 2008).

Golafshani (2003) argues that triangulation is generally applied as a strategy to improve evaluation of findings as well as the validity and reliability of the study. Therefore, the combination of qualitative and quantitative methodologies by using several methods and sources of data can strengthen validity and reliability of the research (Patton, 2002). Babour (1998) highlights that mixing methods within one paradigm might create problems as each methodology has its own assumptions. However, judging validity and reliability within the paradigm of critical realism, which builds on a concept of multiple perceptions of the real world is possible, if the interpretation of the multiple perceptions match and the different methodologies (including methods) are structured in a way to complement each other (Healy & Perry, 2000). In this study, the qualitative data from the focus group and interviews, in addition to the questionnaire, assisted in avoiding spurious and misleading conclusions, to support critical evaluation of noise created by extraneous variables, and to highlight critical factors, processes and interactions relevant to the phenomenon under study (Sovannara & McCullough, 2010).

4.4.5) Researcher visibility and confidentiality

Researcher visibility (in a professional field): It is important to highlight that the researcher is part of the real estate investment community and working in the professional field of this research context. The researcher completed this study on a part-time basis whilst continuing his regular job. Professionals undertaking studies within their professional networks (practitioner-based research) are exposed to particular ethical and other issues in relation to the research process, in addition, to those conventionally raised, as they act as ‘insider researcher’ (Mercer, 2007). The debate of inside versus outside researchers’ perspective (including epistemological, methodological, political and ethical problems) has been discussed across research disciplines: anthropology (e.g. Aguilar, 1981; Narayan, 1993), sociology (e.g. Merton, 1972; Griffith, 1998), nursing (e.g. Bonner & Tolhurst, 2002; Carter, 2004) and management (e.g. Louis & Bartunek, 1992; Cassell, 2005). According to Simmel (1950) only an outsider can achieve an objective observation of human interaction, since one only has the appropriate degree of distance from the object of the research in this position. However, as a “professional insider” you are in a better position due to the researcher’s knowledge with respect to gaining ‘privileged’ access, understanding social settings and context, while making meaning’ (Shah, 2004; Mercer, 2007). ‘Insider researchers’ have generally a high level of credibility and rapport with the subjects of their study, a fact that can generate a greater deal of openness than would otherwise be the case (Mercer, 2007). Such considerations apply to all types of research in various forms in which human participants are directly involved, and personal data are used. This means that the informants’ willingness to talk and what they tell you, is influenced by and depends on the perception of the person they are talking to (Drever, 2003). Moreover, such considerations provide the researcher with a set of "moral equations" during the research process that need to be answered from study design through data collection and analysis to completion of the study (Gregory, 2003; Oliver, 2010; Wilson, 2015). In this context, Hammersley (1992, p. 145) argues that it is important to understand that “each position has advantages and disadvantages, though these will take on slightly different weights, depending on the particular circumstances and purposes of the research.”

This research was conducted in the context of the ethical rules and regulations for research at the University of Gloucestershire. Moreover, the researcher stepped

back in the research process in order to take the position of a researcher (not participating as an informant). Although the research was undertaken by a “professional insider” analyzing a niche phenomenon, the study was not conducted at the researcher’s place of work. However, it was possible for the researcher to use his professional environment and network, without which the necessary access to the hardly available data of similar quality would have been difficult. Moreover, the willingness to participate in the research project could only be represented by own contacts and the own network. Knowledgeable professionals were the foundation for the generation of robust research data. In addition, triangulation was applied to assess different (divergent and complimentary) perspectives and to improve the validity of the findings in order to increase trustworthiness of the research.

Confidentiality: The topic of this research required the access to confidential information. In particular, the researcher had to pay attention to the external perception of his role between a researcher and an investment manager in order to gain the trust of his informants. The researcher was concerned that confidentiality might compromise the quality of data collection. Due to the very sensitive data, it was very important that the informants speak openly and without distrust about their experiences on this topic. In this context the pledge of informant confidentiality was particularly important. The researcher expressly assured all participants that their data will not be made available to his employer but will be used solely for research purposes in the doctoral thesis. This meant that individuals were only willing to share information for the research purpose with the understanding that their informative contribution was protected from disclosure outside the research environment or from unauthorized persons. According to Remenyi (2011, p.23) “the purpose of the confidentiality requirement is to ensure that no harm may come to the informant as a result of participating in the research”. Thus, all data was treated in an anonymized way and held securely until it is destroyed. This is part of a professional handling of the relationship between the informant and the researcher (Remenyi, 2011) and was the only way to convince informants to contribute rich information to the present study. This further included that all research participants were clearly informed about how the data was reported and the study findings released.

4.4.6) Subjective versus objective perspective

Research in the social sciences requires the collection of data to understand the phenomenon under study. This can be done in different ways and depends on the level of existing knowledge of the subject area. Moreover, the perspective depends on the researcher's ontological and epistemological assumptions. In this research, the researcher as a critical realist, considered both subjective and objective perspectives which means that reality is considered to be objective and opinions to be subjective, while knowledge development is an on-going process.

Subjective perspective: The concept of subjective research is generally referred to as phenomenological research and considers the result of human processes. In general, subjective research refers to subjective experiences, judgements and perceptions of research informants. In addition, the researcher's perspective is more likely to be embedded in the research process than to be considered completely detached. The objective perspective tends to the constructivist paradigm.

Objective perspective: The concept of objective research is based on facts and data that can be statistically analysed and generalized. Quantitative methodologies are used that are based on measurement and numbers. The objective perspective tends to the positivist paradigm.

As a "professional insider" it is difficult to have an independent view. This is not a problem, as in qualitative research one cannot be completely neutral, independent and outside of the study phenomenon (Pollner & Emerson, 1988). Moreover, the researcher has to accept that even in the production of objective research results subjective influences cannot be avoided. This applies above all to the quantitative analysis (survey questionnaire), since the qualitative studies are inherently subjective in nature. Such subjective influences affect among others the following aspects:

- (1) Subjective opinion of informants
- (2) Measures with subjective criteria
- (3) Interpretation of research results

It was important to recognize that the use of perceived performance (for measures with subjective criteria) by business executives was imperfect, distorted by subjective judgments, various cognitive bias, and human inability to process

complex information (e.g. Grunert & Ellegaard, 1993; Adnan et al., 2008). Rockart (1982) argues that CSFs by definition need to be subjective as many responses relate to „soft“ issues depending on expert opinions. However, to reduce the risk of the aforementioned distortions, the following steps have been taken:

- (1) Combination of a focus group, a questionnaire and semi-structured interviews (triangulation);
- (2) During the focus group and interview sessions: the informants had background checks in order to direct questions towards their expertise, while judgements on non-covered areas were avoided. A researcher with particular knowledge of the topic under study carried out the interviews with the clear assignment to elicit information, while avoiding the reflection of his own perception.

PART III: CRITICAL SUCCESS FACTORS: A NEW PERSPECTIVE ON INTERNATIONAL JOINT VENTURES IN REAL ESTATE DEVELOPMENT

5) Analysis of performance model

5.1) Research phase 1

5.1.1) Data collection

The focus group discussion was conducted in a single meeting with four participants. To generate reliable results, the composition of the focus group was very important. Only a homogenous group of participants with similar backgrounds allowed for a fruitful discussion. However, it turned out that implementing the focus group with competent people was not easy. The only way to organize such a discussion on an international level with the available resources was through collaboration with an international investment company. The focus group was conducted following an international management event of the company. Even though the informants worked in the same company, this was not the workplace of the researcher. Moreover, the participants did not work in the same teams, so the risk of an existing group dynamic (that potentially could have had a negative impact on the findings) was bypassed.

The participants were composed as follows: two portfolio managers (one from Germany and one from Singapore) and two transaction managers (one from Germany and one from the US), all with specialized knowledge and extensive experience with respect to IJVs in real estate development. The session lasted about 150 minutes including a 30 minutes break. Such a small focus group is considered to be a mini-focus group (Krueger, 1994); a meaningful approach if you are looking for very specialized expertise (e.g. Krueger, 1994; Morgan 1997). Furthermore, this enabled an easier moderation as well as a more intensive discussion among the participants. The researcher served as the moderator, and was responsible for facilitating and stimulating the discussion. The main purpose of the discussion was the generation of additional information for the rework of the, *a priori*, theoretical framework in order to develop an adequate modified conceptual model. Participants in the focus group discussions were asked to comment on the meaning of success with respect to IJVs in real estate development and to outline potential CSFs not yet mentioned in the *a priori* theoretical framework. To enable sound preparation, an equal information basis, as well as an effective starting point

for the discussion, the initial conceptual model was distributed to all focus group participants beforehand. During the focus group session, all participants were requested to indicate what they considered their additional CSFs, based on their personal experience. The researcher focused on generating rich data from the discussion by making written notes, while due to technical complications only part of the session was recorded. Thus, only the second session after the break was recorded. However, the informants were asked to repeat important aspects for documentation purpose. In addition, summary notes were prepared immediately after the session. The discussion was conducted in a way that allowed the practitioners to respond to and comment on each other's ideas and opinions. By using open questions, the risk to missing important aspects of the answers was reduced. The interaction of the group increased the willingness to talk and a clear need for discussion emerged. Furthermore, the atmosphere of the meeting allowed discussion of the topic from a multitude of perspectives. The process was meaningful as a concrete discussion input was given and the participants had the opportunity to react on it in a creative way. The final themes (outcomes) produced from the focus group were sent to the participants/informants for final confirmation in order to ensure that their input was properly reflected and interpreted. The method proved very effective as a variety of new potential factors/determinants emerged.

After the focus group, the researcher decided to follow up with two additional interviews (with informants outside the company of the participants of the focus group) to verify and possibly extend the understanding gained from the focus group. Moreover, the interviews were important not to reflect the perspective of only one company. The results of the focus group study were discussed in the interviews. The interviewees (a general manager from Germany and a portfolio manager from the US) had the opportunity to challenge and/or enrich the information collected from the focus group session. Additional comments from the interviews were combined with the outcome of the focus group. The two interviews provided some additional input, context and understanding which brought in some further ideas that have been considered in the revision of the *a priori* conceptual model.

#	Informant	Format of data collection	Area of expertise	Position	Region of activity
1	Participant 1	Focus group	Portfolio Management	Managing Director	Europe
2	Participant 2	Focus group	Portfolio Management	Executive Director	Asia
3	Participant 3	Focus group	Transaction Management	Managing Director	Europe
4	Participant 4	Focus group	Transaction Management	Vice President	United States
5	Interviewee 1	Interview	General Management	CEO	Europe
6	Interviewee 2	Interview	Portfolio Management	Managing Director	United States

Table 5.1: Overview of informants, created by author.

5.1.2) Data analysis

The process of data analysis began during the data collection phase, through skilful facilitation and stipulation of the discussion. The researcher analysed the qualitative data by familiarising himself with the written notes and by reading and rereading them. The key themes which emerged from the data are presented in the results. Moreover, the participants have been asked afterwards by e-mail to confirm their comments and had the chance to refine their comments where appropriate/needed.

5.1.3) Results

The qualitative data collected from the focus group has generated useful insight, which covers a number of aspects related to CSFs. The results are presented in the next two paragraphs, which finally assist in revisiting the *a priori* framework.

5.1.3.1) Meaning of success and failure

A general idea of success and failure in the context of IJVs has already been described in the theoretical foundation of this study. However, it is important to understand the nature of success and failure in the context of IJVs in real estate development projects. Participant 1 stated that “*real estate and “private equity-like” investors primarily focus on financial performance measures*”. This means that these projects/ventures are focusing on the economic outcome of the investment. Interviewee 1 argued that “*such type of investors operate in a high risk business environment with plenty of uncertainty, thus they underwrite potential investment projects based on discounted cash flow models (DCF) looking at return ratios such as internal rate of return (IRR) or equity multiple (EM)*”. Due to the uncertain market

environment a reliable partner is core. Thus, facilitating a relationship for a series of follow-up projects may reduce some risk. Participant 4 explained, “*the IRR is the magic number for all investors looking into real estate development investments, as it means the annual return you are earning on your invested equity for the time being invested. It makes project with similar investment horizons easy to compare. In cases the projects are very short term (investment horizon < 1 year) or the investor wants to gain a quick understanding of the total profit potential of an investment, it may make sense to refer to the EM*”. Participant 2 added, “*IRR is a metric easy to calculate, while it provides a simple means, by which investors are able to compare various real estate development projects*”. This means that before executing such investments, investment managers generate a cash flow model to determine a target return (target IRR/planned performance). Consequently, the IRR seems to be a very relevant financial performance measure for IJVs in real estate development. In this sense, participant 3 argued: “*often financial models are adjusted over time if circumstances change, e.g. scope of building permission, available level of leverage and/or changes of tax rates. In those cases projects are still rated to be successful if they meet the modified target return of the financial model and the return hurdle of the fund and/or source of money*”. Real estate development projects in such ventures are considered successful if they can deliver at least the target return (target IRR) as defined in the underwriting cash flow model. However, if the project cannot reach the defined target IRR, does this automatically mean that the investment has failed? If one just looks at the IRR as an objective criteria, maybe yes, but sometimes the perception of managers may be different. In this context, participant 2 explained that “*during the financial crisis between 2007 and 2008 almost no project or only very few projects could achieve the proposed return. In this market situation a project was sometimes considered successful from the perspective of the managers and investors if invested capital could be preserved or a little return was earned*”. This means that the performance outcome of a real estate IJV does not always clearly distinguish whether it is actually a success or a failure without looking at some additional factors/influences, such as e.g. the market cycle. Thus, the consideration of success and failure may be different depending on the perspective of judgement. This means that even if the financial performance measure is poor (below expectations), the perception of the manager might be different. This difference may include valuable information for the management of these ventures to investigate. Therefore, this thesis considered success and failure

looking at the financial measure IRR, but also involved the perception of the managers. This approach allowed different measurement perspectives, with subjective as well as objective criteria.

5.1.3.2) Additional performance determinants

This section presents the information collected within the qualitative analysis. The new input added to the figures is shown in the white boxes.

5.1.3.2.1) Investment dimension revisited

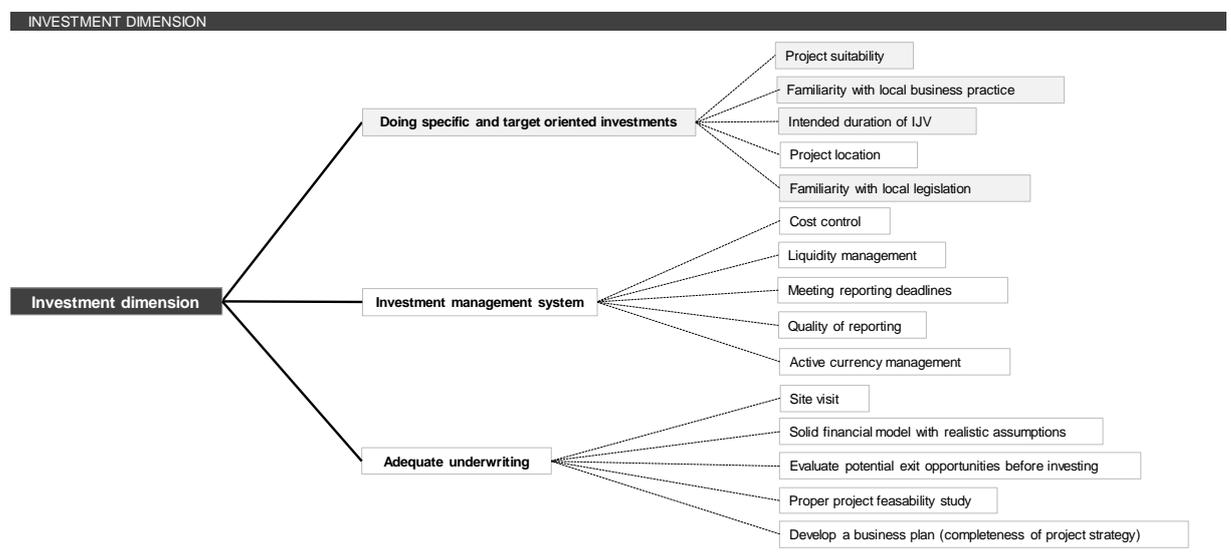


Figure 5.1: Investment dimension revisited: success factors and performance determinants, created by the author.

Doing specific and target oriented investments

Project location

Participant 1 argued that “*the project location is a very critical and one of the most competitive aspects for a potential real estate development as it defines the competitive advantage of the projected property to be built*”. This requires a detailed analysis of the strength, weaknesses, opportunities and threats of the potential project location. Participant 3 highlighted that “*location is an important factor for the property value and attractiveness*”. Interviewee 1 added that “*in principle, one can*

assume: The better the location, the better the pricing of a particular property". This means the supply-demand-situation is favourable, which generally positively affects pricing and marketability.

Investment management system

Cost control

Participant 3 emphasised that "*cost monitoring is essential for the outcome of the IJV*". The costs of a real estate development project can be divided into four categories: (1) cost for building land (including greening land, equipped facility land and/or property management land); (2) construction costs (including construction material); (3) costs for equipment and machineries; and (4) other costs (including investigation, design and project supervision). Participant 1 reported about his experience that "*the overall development costs may change materially from the beginning to the project completion due to a lack of cost control systems*". This means that appropriate cost control systems may assist in avoiding impacts such as poor reliability of budget, time constraints not allowing for proper cost estimation, contracts not being managed and construction companies not following written terms (especially with respect to sub-contractors and external workers), and irregular project management with very frequent changes (see Gao, 2009). According to Gao (2009), a cost control system should strengthen internal control, build an effective constraint mechanism, introduce financial management rules and implement an approval process for expenditures in order to reduce and/or optimize total costs.

Liquidity management

Participant 4 explained that "*real estate development projects have the challenge to find the right balance between having sufficient available funds (financing structure with an optimal combination of equity and debt) and the steady access to liquidity as required by the progress of the development*". This means the liquidity plan of the investment has to comply with its underlying obligations, which may change over the lifetime of the development process. Participant 3 highlighted that "*a lack of liquidity may threaten the completion of the development, and thus the execution of the investment strategy*". Therefore, the implementation of appropriate liquidity measurement procedures and instruments is mandatory to allow for continuous monitoring and stress testing to identify warning signals for liquidity risk. Moreover,

budgets and cash flow pro-forma models need to be validated and integrated in liquidity planning and consideration. Participant 4 added that “*regular updates of cash flow models and liquidity plans will ensure that liquidity management can be performed properly on an on-going basis*”.

Meeting reporting deadlines

Interviewee 2 pointed out that “*the investment businesses frequently require quick decisions. Decisions have to be made on a solid basis of information such as updated reports*”. Ensuring appropriate information for decision-making processes is important for meeting reporting deadlines. Participant 1 also mentioned that “*real estate development activities being part of the construction business are associated with higher risks. Because of that, reporting deadlines have to be met in order to ensure that the latest knowledge of progress regarding the development process is available when required in an accurate and timely manner to support business decisions*”. The development of reporting templates and action plans with timetables may assist with the fulfilment of this reporting requirement. Furthermore, participant 2 argued that “*reporting processes should be managed in accordance with the finance calendar*”.

Quality of reporting

Several studies argue that higher financial reporting quality can improve investment efficiency (e.g. Bushman & Smith, 2001; Biddle & Hilary 2006; Lambert, Leuz & Verrecchia, 2007; Biddle, Hilary & Verdi, 2009). Participant 1 suggested that “*the reporting setup and structure has to ensure that the capital investor gets the right level and quality of reporting in order to enable a transparent overview of the real estate development project*”. Main aspects of the reporting consider financial statements and asset management updates. According to Ball, Robin & Wu (2003), the quality of financial reporting is strongly dependant on the ability, capability, expertise, and motivation of the local preparer (which can be improved through training and incentives). Moreover, high quality accounting standards cannot be effectively processed without the backing of a reliable, functional and well-developed reporting environment (e.g. Ball et al., 2003; Leuz & Wysocki, 2008; Chen, Lo, Tsang & Zhang, 2014). Interviewee 2 explained that “*asset management updates have to focus on all relevant and asset specific aspects of the development process, highlight risks and opportunities, while considering micro and macro-*

economic impacts". Such measures can facilitate a better organisation of the IJV and improve the outcome of the business venture.

Active currency management

Interviewee 2 mentioned the aspect that "*cross-border investing from an international investor's perspective often requires capital allocation in foreign currency*". Active currency management known as currency overlay management includes the full range of currency hedging solutions and enables investors to protect their offshore investment allocations from the impact of currency movements. Participant 2 proposed that "*debt financing in local currency can provide a natural hedge*". Actively hedging currency exposures in international investments may limit the size and frequency of currency losses, while allowing currency gains to pass through. Participant 4 concluded that "*the main benefit of active currency management is the reduction of overall currency volatility*". Moreover, active currency management allows for risk-adjusted returns and cash flow management, but requires stringent monitoring of liquidity and/or collateral risk at the same time.

Adequate underwriting

Site visit

Participant 1 stated that "*before making decisions or taking actions regarding investments, capital investors should visit the project site*". This applies to investment decisions before partnering (collaborating) with new local developers, operators and/or real estate professionals for a particular development project. In addition, this is relevant in situations where a partnership for a multi-development programme has already been established, but new development sites are being acquired. Interviewee 1 argued that "*site visits pre-acquisition/pre-construction are important to understand the quality of location, available infrastructure, structural and environmental implications of the neighbourhood*". Moreover, the site visit mitigates the risk for capital investors of existing divergence between the site description and/or expectation and the actual project site.

Solid financial model with realistic assumptions

Participant 4 argued that "*most financial projection models are prepared on excel-based pro-forma templates and used to analyze commercial projects in real estate*

development and to underpin investment decision-making. In order to generate a detailed and reliable financial model within the underwriting process it is important to define realistic assumptions regarding: total development budget, financing costs, lease-up costs, time to stabilization, rental rates, operating expenses, capitalization rates, economic growth rates, taxation, etc.". According to Roche (2011), real estate development projects require a great level of expertise in order to construct comprehensive, accurate, and solid financial models, which reflect the capital structure (the role of equity and debt), the IJV-structure, various corporate levels, waterfall cash flows, return metrics, debt covenants, valuations, and to develop a strategy on how to deal with financial risk properly. Participant 3 added that "*pricing matters - reasonable pricing has to be evaluated in the financial model in order to make a proper decision for the execution of the respective acquisition*".

Evaluate potential exit opportunities before investing

Participant 2 claimed that "*capital investors looking for real estate developments should always consider their exit potentials*". This means that real estate development investment decisions should be targeted towards those ventures that can create potential upside and produce an optimum outcome within pre-defined exit strategies regardless of underlying economic conditions (McKaskill, 2009). Interviewee 1 argued that "*commencing exit planning early in the process may generate better results than starting later and just hoping that a future buyer willing to pay a good price will pop up easily*". According to McKaskill (2009, p. xiii), it is not advisable to "invest unless there is a clear path to a strategic sale. A focus on a highly probable premium exit aligns investor and venture management interests, provides a very clear path to a harvest for all parties, significantly reduces the business development hurdles and usually results in a much shorter investment period". This approach enables investors to be aware of a potential exit strategy, facilitating the creation of the necessary conditions for the planned exit during the investment-holding period.

Proper project feasibility study

Participant 3 mentioned that "*feasibility studies are an integral part in the process of real estate development analysing potential negative and positive implications of a real estate project*". Such kind of analyses are conducted before project start and allow investors to assess market, competition, location, usage concept, risk and

opportunities in economic, legal, structural and technological aspects relevant for a successful completion. Implemented at the right time and in the right format, the feasibility study can prevent project failures, while also locating significant opportunities (Novak, 1996).

Develop a business plan (completeness of project strategy)

Interviewee 2 argued that “*international real estate development projects have to focus on completing and implementing a strategy in form of a business plan in order to ensure a sustainable competitive advantage, which may lead to business profitability*”. According to Dobre (2011, p. 65), “knowledge is the key competitive advantage in real estate industry, the element, which creates and sustains the competitive advantage on the long run. A developer may have a great knowledge of particular customer needs, a specific area, of the market, in which operates or it can be better than the competitors in terms of economic intelligence”. A solid strategy may support the construction/creation of unique and attractive products at a low cost and/or allow exit at high prices. Thereby, real estate developers can benefit from differentiation potentials, such as of future innovation, complementary growth and/or better customer relationships (Dobre, 2011).

5.1.3.2.2) Partner dimension revisited

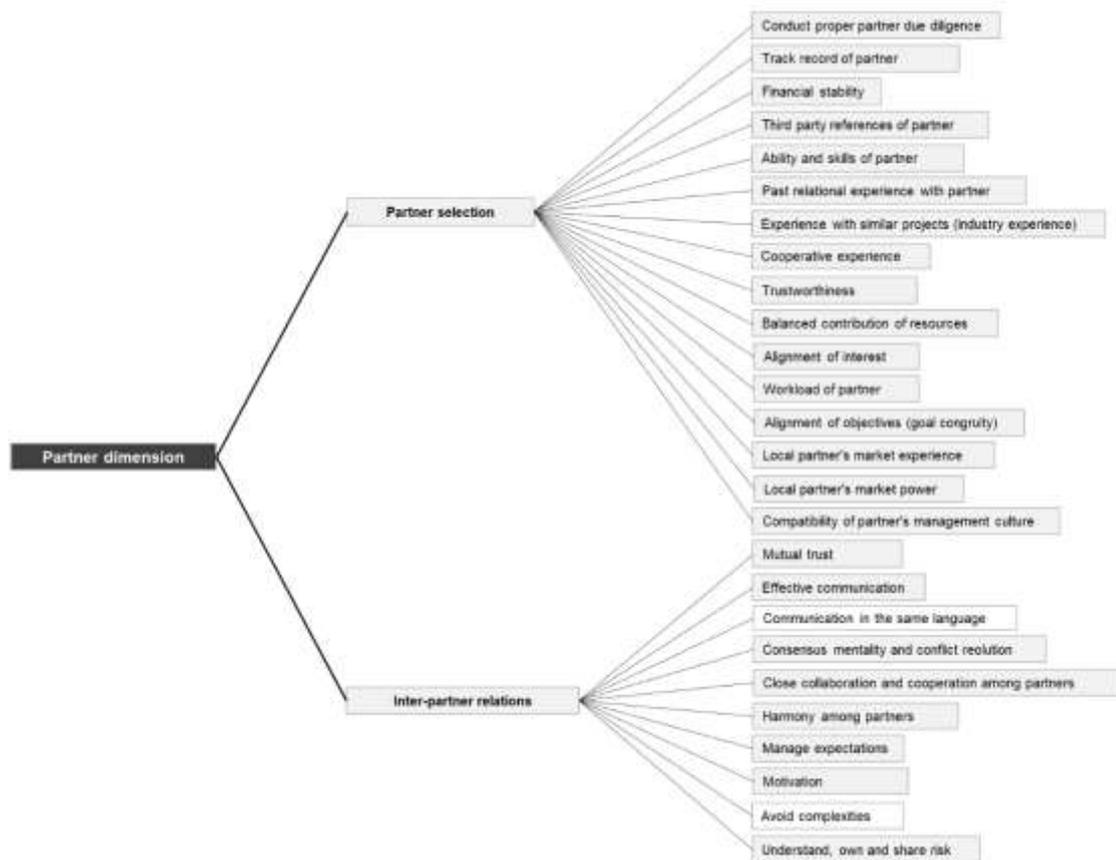


Figure 5.2: Partner dimension revisited: success factors and performance determinants, created by the author.

Interpartner relations

Communication in the same language

Interviewee 2 noted that “*speaking the same language is very helpful to avoid communication problems*”. During the construction project, there is a need to exchange information quickly with all of the parties and partners involved, also between the IJV partners; therefore, information exchange is facilitated when all parties speak the same language

Avoid complexities

Participant 2 argued to anticipate and avoid complexities according to the motto “*make everything as simple as possible*”, as not all partners can deal equally with complexity. This can refer to management structures, dependencies in the decision-

making process, as well as to capital, legal and tax structures. This approach may also help to reduce operational costs.

5.1.3.2.3) Structural dimension revisited

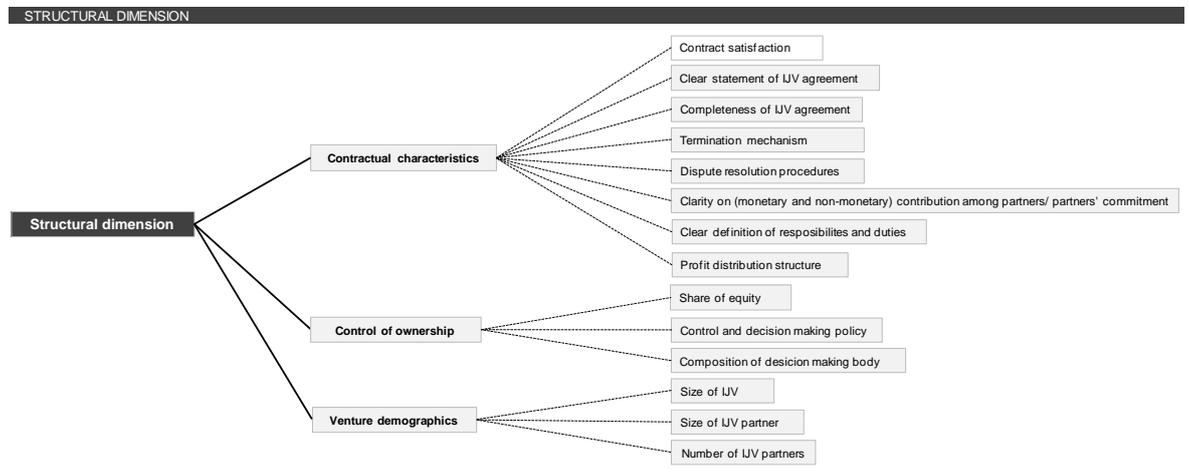


Figure 5.3: Structural dimension revisited: success factors and performance determinants, created by the author.

Contractual characteristics

Contract satisfaction

Participant 2 pointed out that “*all parties should be satisfied with the executed IJV contract*”. Contract satisfaction can be established by determining contractual terms and conditions being fair to all contract partners. According to Bing & Tiong (1999), a detailed and sophisticated IJV contract is paramount to avoid trouble and conflict in future venture operations. Contract satisfaction is also associated with fulfilment of the partners’ commitments.

5.1.3.2.4) Organisational dimension revisited

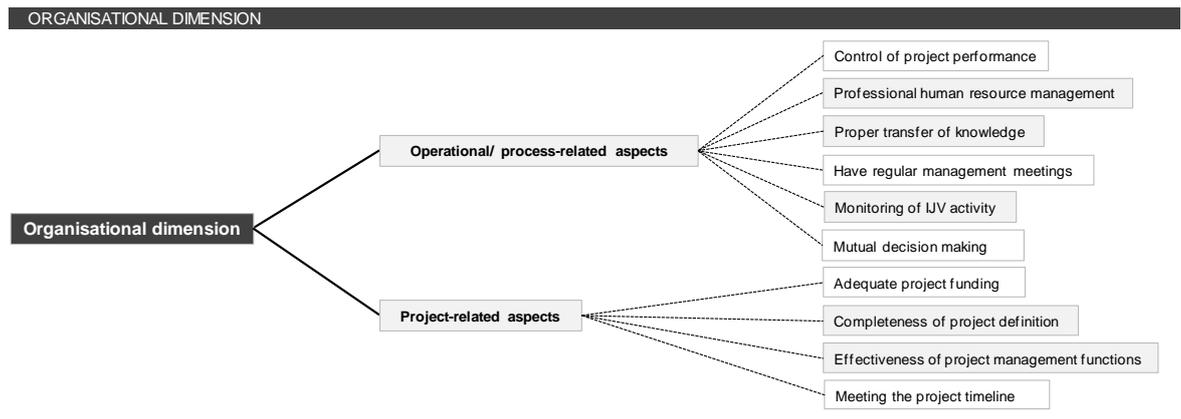


Figure 5.4: Organisational dimension revisited: success factors and performance determinants, created by the author.

Operational/ process-related aspects

Control of project performance

Participant 4 explained that “controlling of the project performance level against measurable goals helps to determine the status quo of the project at all stages”. Participant 3 was convinced that “such considerations are pivotal to the understanding of the success potential, while it may indicate the need for intervention at an early stage”. Within real estate development projects schedules are tightly planned, so a timely response to negative developments is of great importance.

Have regular management meetings

Interviewee 2 highlighted that “regular and structured management meetings (jour fixe) are important and can be integrated in the overall management system facilitating the project-related control function and the coordination of real estate development projects”. Such meetings may ensure that all relevant key personal is continually updated and informed about the project status and activities, potentially being a crucial element for the project success. In addition, the discussion of project decisions is stimulated, which often leads to a consensual conclusion. Minutes can easily be taken to document discussed topics and decisions. Moreover, Demirbag & Mirza (2000) argue that regular meetings of executives generally reduce conflict potential.

Mutual decision-making

IJVs are strategic alliances for cooperation, which refer to joint and collaborative working or mutual decision-making and recognition of joint strategies. Participant 2 argued that “*mutual decision-making is a concept, in which all IJV partners in a real estate development project participate in a shared process of making decisions on a number of complex and material issues*”. This approach will potentially strengthen the partnership, while providing more expressiveness and significance to these decisions. According to Cheng et al. (2000) a high degree of participation among partners may facilitate the creation of commitment to mutually agreed solutions.

Project-related aspects

Adequate project funding

Participant 1 stressed that “*all real estate development programmes require adequate project funding*”. The partners of an IJV in real estate development are responsible for the identification and procurement of adequate project funding in order to meet contractual obligations, for example the payment of contractors when they bill their invoices (Peca, 2009). The project funding may be structured through various sources, such as equity capital, equity-like capital (e.g. mezzanine capital) and/or debt capital. Interviewee 1 highlighted that “*any funding gap may easily lead to negative implications challenging the entire development project*”.

Meeting the IJV project timeline

Interviewee 2 commented that “*based on his experience meeting the timeline goals, in particular, the key milestones and/or deadlines can provide a certain indication for having appropriate planning in place, while confirming the right setup for the project*”. In order to be able to track the IJV project timeline, specific project management functions have to be established. This will require the preparation of a timeline, the communication of deadlines, realistic planning, and a breakdown of the project with clear statements of the outcome.

5.1.3.2.5) External dimension revisited

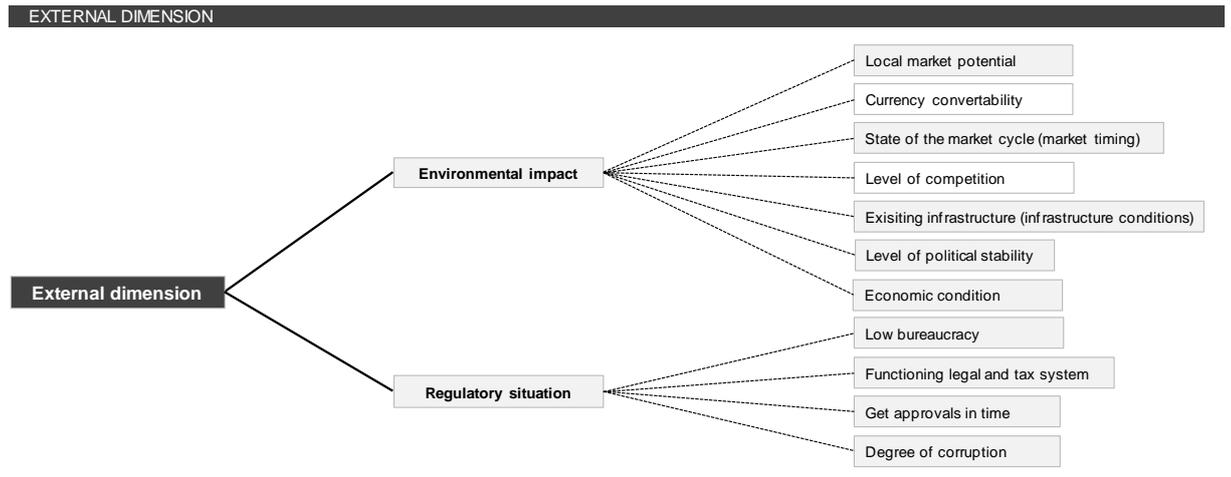


Figure 5.5: External dimension revisited: success factors and performance determinants, created by the author.

Environmental Impact

Currency convertability

Interviewee 1 argued that “*currency restrictions may influence the performance of the investment into an IJV. Particularly, countries with soft currencies are often restricted in conversion and are subject to material currency fluctuation*”. Such conditions may negatively impact profitability, and thus IJV performance for the international partner.

Level of competition

Participant 4 stated that “*the level of competition in a particular market may impact the performance of an IJV in real estate development. Local players often dominate markets. This supports the argument of getting involved into an IJV. However, if the competition is too high it may be worth to reconsider the investment*”. Based on the degree of competition that currently or prospectively exists in the potential target market, capital investors, being the international partner within an IJV structure in real estate development, may decide to pursue or pass on a given market. In cases where a potential target market is saturated with competitors, alternative markets with less competition may offer better opportunities. Smaller markets attract generally less attention, which may lead to less competitive pressure.

5.1.4) **Summary**

Qualitative research methods are a means of understanding a social phenomenon from the perspective of those involved. According to Glesne (2006), the aim is to understand and interpret how participants/informants construct the world around them. For the achievement of this, the researcher has to be exploratory open-minded. This qualitative analysis (in research phase 1) has clarified the understanding of success and identified additional aspects that could be useful in the analysis of potential CSFs. The focus group in addition to the two interviews helped to better understand potential factors in the context of IJVs in real estate development projects by discussing performance determinants and expanding their scope. The outcome contributes as an input for the development of the *a posteriori* research framework (modified conceptual model) which is outlined in the next paragraph.

5.2) Revisited theoretical framework

A posteriori framework (modified conceptual model)

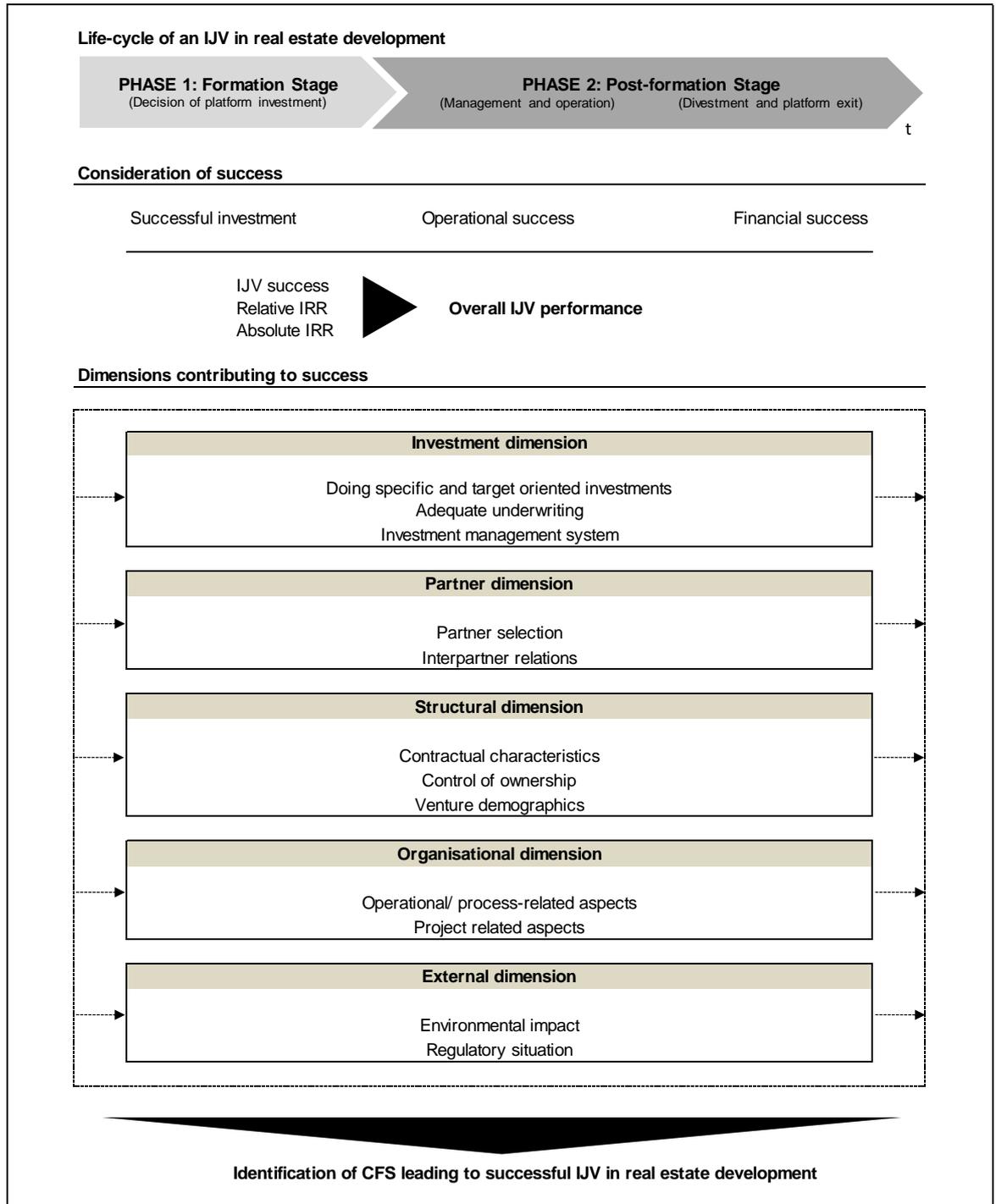


Figure 5.6: Modified conceptual model for identifying CSFs for IJV in real estate development, created by the author.

The modified conceptual model shows that methods for investing and managing an IJV in real estate development depend on how the international capital investor makes sense of the investment, partner, structural, organisational and external dimension. Figure 5.6 shows the *a posteriori* framework, in which all synthesised

CSFs identified in the literature review, as well as in the focus group/interview study, were allocated to their respective dimensions and were considered relevant for testing in the context of IJVs in real estate development projects. The highlighted life cycle stages allowed for a phase-specific analysis and served as a conceptual framework to investigate CSFs for IJVs in real estate development. The second study, a quantitative e research method, (in research phase 2) analyses two different life cycle stages of the subject IJVs: (1) the formation stage (perspective of investing into the platform/project); and (2) the post-formation stage (perspective of managing, operating and divesting the platform/project). This two-phase approach appeared to be appropriate as it reflects the two main perspectives of a capital investor. Moreover, multiple indicators were applied for the consideration of success in order to enable divergent and convergent perspectives of IJV performance in real estate development.

Based on the literature review and the results of the focus group/interview study, the following list of potential CSFs/performance determinants has been developed (see Table 5.2). This list of potential CSFs/ performance determinants served as the basis for the second study (in research phase 2). The listed performance determinants were used as input variables for the quantitative analysis. This approach allowed for a confirmatory understanding of the priority of such variables and the significance of their relationships.

Overview of all potential CSF based on the *a posteriori* framework (modified conceptual model)

Dimension	CSF category	ID	Performance determinants	PHASE 1	PHASE 2	Reference		
(1) INVESTMENT	- Doing specific and target oriented Investments	i15	- Project suitability	x		Kwok et al. (2000)		
		i4	- Familiarity with local business practice	x		Kwok et al. (2000), Ozorhon et al. (2010)		
		i18	- Intended duration of IJV	x		Zheng & Larimo (2014)		
		i16	- Project location	x		Focus group study		
	- Investment management system	i3	- Familiarity with local legislation	x		Kwok et al. (2000), Ozorhon et al. (2010)		
		i20	- Cost control		x	Focus group study		
		i38/i39	- Liquidity management	x	x	Focus group study		
		i30	- Meeting reporting deadlines		x	Focus group study		
		i29	- Quality of reporting		x	Focus group study		
		i36/i37	- Active currency management	x	x	Focus group study		
	- Adequate underwriting	i68/i69	- Site visit	x	x	Focus group study		
		i34/i35	- Solid financial model with realistic assumptions	x	x	Focus group study		
		i5	- Evaluate potential exit opportunities before investing	x		Focus group study		
		i6	- Proper project feasibility study	x		Focus group study		
		i2/i33	- Develop a business plan (completeness of project strategy)	x		Focus group study		
		(2) PARTNER	- Partner selection	i7	- Conduct proper partner due diligence	x		Eisele (1995), Leonard (2011)
				i14	- Track record of partner	x		Adnan et al. (2012)
i80	- Financial stability			x		Mould (1987), Minja et al. (2012), Adnan et al. (2012)		
i8	- Third party references of partner			x		Adnan et al. (2012)		
i40/i41	- Ability and skills of partner			x	x	Tomlinson (1970), Berg & Friedman (1982), Killing (1983), Harrigan (1985), Geringer (1991)		
i13	- Past relational experience with partner			x		Tomlinson (1970), Gulati (1995), Ulas (2005)		
i9	- Experience with similar projects (industry experience)			x		Dikmen et al. (2008)		
i10	- Cooperative experience			x		Sim & Ali (1998), Zollo et al. (2002)		
i11	- Trustworthiness			x		Wilkins & Ouchi (1983), Hsieh & Rodrigues (2014)		
i98	- Balanced contribution of resources			x		Beamish (1994), Fey (1996)		
i46/i47	- Alignment of interest	x	x	Reuer & Miller (1997)				
i60/i61	- Workload of partner	x	x	Beamish (1984), Ozorhon et al. (2010)				
i48/i49	- Alignment of objectives (goal congruity)	x	x	Geringer & Hebert (1989), Park (1996), Fey (1996), Yan & Luo (2001)				

Dimension	CSF category	ID*	Performance determinants			Reference	
				PHASE 1	PHASE 2		
(3) STRUCTURAL	- Interpartner relations	i44/i45	- Local partner's market experience	x	x	Luo (1997)	
		i42/i43	- Local partner's market power	x	x	Yan & Luo (2001), Luo,(2002 B)	
		i62/i63	- Compatibility of partner's management culture	x	x	Tayeb (2001), Almeida et al.(2002)	
		i21	- Mutual trust		x	Williamson (1985), Mohr & Spekman (1994), Cheng et al. (2000), Dikmen et al. (2008), Bener (2008), DePucchio (2012)	
		i54/i55	- Effective communication	x	x	Doz (1996), Cheng et al. (2000), Pothukuchi et al. (2002), Adnan et al. (2012), Minja et al. (2012)	
		i101	- Communication in the same language		x	Focus group study	
		i52/i53	- Consensus mentality and conflict resolution	x	x	Froman & Cohen (1970), Wang et al. (2005), Floyd (2011)	
		i56/i57	- Close collaboration among partners	x	x	Das & Teng (1998), Parkhe (2004), Dikmen et al. (2008)	
		i58/i59	- Close cooperation among partners	x	x	Das & Teng (1998), Parkhe (2004), Dikmen et al. (2008)	
		i64/i65	- Harmony among partners	x	x	Anderson (1990), Kozan (1997), Wang et al. (1999), Wang et al. (2005)	
	- Contractual characteristics	i50/i51	- Manage expectations	x	x	Cullen et al. (2000)	
		i66/i67	- Motivation	x	x	Blodgett (1992), Wang et al. (1999), Berdrow & Lane (2004)	
		i99	- Avoid complexities	x		Focus group study	
		i100	- Understand, own and share risk		x	Zhang & Zou (2007)	
		i72	- Contract satisfaction	x		Focus group study	
		i73	- Clear statement of IJV agreement	x		Gale & Luo (2004)	
		i74	- Completeness of IJV agreement	x		Bing & Tiong (1999), Saussier (2000), Yates & Hardcastle (2003), Aibinu (2007), Sumo et al. (2013)	
		i79	- Termination mechanism	x		Rowan (2005), Graiwer (2008)	
		i78	- Dispute resolution procedures	x		Kwok et al. (2000), Rowan (2005), Zheng & Larimo (2014)	
		i75	- Clarity on (monetary and non-monetary) contribution among partners/ partners' commitment	x		Rowan (2005)	
		i77	- Clear definition of responsibilities and duties	x		Dikmen et al. (2008), Langeroudi et al. (2010)	
		- Control of ownership	i76	- Profit distribution structure	x		Hutchison (2012)
			i94	- Share of equity	x		Hennart (1989), Geringer & Hebert (1989), Das & Teng (1998), Child & Yan (1999), Lee & Beamish (1995), Brouthers & Bamossy (2006), Madhok (2006), Hutchison (2012)
			i22	- Control and decision-making policy		x	Kwok et al. (2000), Zheng & Larimo (2014)

Dimension	CSF category	ID*	Performance determinants	PHASE 1	PHASE 2	Reference
(4) ORGANISATIONAL	- Venture demographics	i95	- Composition of decision-making body	x		Kwok et al. (2000)
		i92	- Size of IJV	x		Griffith et al. (1998), Kim et al. (2011)
		i93	- Size of IJV partner	x		Ozorhon, 2010
		i96	- Number of IJV partners	x		Chung & Beamish (2012)
	- Operational/ process-related Aspects	i25	- Control of project performance		x	Focus group study
		i27	- Professional human resource management		x	Shenkar & Zeira (1987), Pucik (1988), Robson et al. (2002)
		i24	- Proper transfer of knowledge		x	Berdrow & Lane (2003), Park et al. (2015)
		i31	- Have regular management meetings		x	Focus group study
		i23	- Monitoring of IJV activity		x	Devlin & Bleackley (1988), Inkpen & Curral (2004), Chowdhury (2009)
		i26	- Mutual decision-making			x
- Project-related aspects	i70/i71	- Adequate project funding		x	x	Focus group study
	i12/i19	- Completeness of project definition		x	x	Gibson & Dumont (1996), Muramatsu & Menches (2010)
	i28	- Effectiveness of project management functions		x		Ribeiro (1999), Ozorhon et al. (2010)
	i90	- Meeting the project timeline			x	Focus group study
	(5) EXTERNAL	- Environmental impact	i81	- Local market potential	x	
i97			- Currency convertibility	x		Focus group study
i17/i32			- State of the market cycle (market timing)	x	x	Zielke (1992)
i87			- Level of competition	x		Focus group study
i86			- Existing infrastructure (infrastructure conditions)	x		Zheng & Larimo (2014)
- Regulatory situation		i83	- Level of political stability	x		Ozorhon et al. (2010), Shen et al. (2001)
		i82	- Economic condition	x		Ozorhon et al. (2010), Li et al. (2005)
		i88	- Low bureaucracy	x		Shen et al. (2001)
		i84	- Functioning legal system	x		Ozorhon et al. (2010), Yang & Lee (2002), Carter et al. (1988)
		i85	- Functioning tax system	x		Carter et al. (1988)
i91	- Get approvals in time			x	Minja et al. (2012)	
i89	- Degree of corruption			x	Sovannara & Mccullough (2010), Gray & Kaufmann, (1998)	

* Code of identification in accordance with the structure of the questionnaire

Table 5.2: Overview of all potential CSFs based on the *a posteriori* framework, created by the author.

5.3) Research phase 2

5.3.1) Data collection

5.3.1.1) Assumptions of the questionnaire

The following are the assumptions made in this questionnaire:

- The performance model considers variables (factors and/or determinants) related to both the formation and the post-formation stage. In order to measure the performance of an IJV in real estate development, only completed projects will be considered.
- Only international IJVs with a foreign real estate capital investor and a local local developer, operator, and/or real estate professional are taken into account.
- IJVs have to be evaluated on an individual project level separately.
- The sample will consist of a combined study approach considering successful and non-successful IJVs. Due to the dichotomous expression of the IJV outcome it is possible to achieve a specific understanding (implication, designation and/or importance) of failure and success.

5.3.1.2) Administration of the questionnaire

Based on the *a posteriori* framework (final conceptual model) presented in section 5.3, a questionnaire was designed to test the individual performance determinants and the relations between the variables. The questionnaire survey was administered via e-mail and the web-platform “surveymonkey” to well-experienced real estate investment managers in Europe, United States, and Asia. The survey was conducted in the three regions between March and December 2015. A total of 101 questionnaires were sent out to direct contacts, of which 34 were completed and returned for data analysis. Thus, the response rate was around 33.7%.

Sample frame

Most IJVs in real estate development are private SPVs, not publicly registered. Typically, the SPV of an IJV in real estate development does not employ people. Its parents generally manage the operating activities of the IJV. The availability of professionals within the investment industry with experience in IJVs in real estate development is very limited. Therefore, the sample selection for the data collection (among the various methods) and the international origin of data collection points

(location of professional as well as market coverage) within the three main active regions (United States, Europe and Asia) is very much driven by the notion of accessibility of those professionals. The researcher put emphasis on covering all three markets as well as possible. Access to the appropriate respondents could be organized through direct contacts and established networks of the researcher in his professional life. According to the above argumentation, a random sample was not feasible and effectively a convenience sample had to be used. That was the only option to generate valuable data. In this context, it is important to point out that the informants were not identified by a fishing expedition on the internet or an e-mail list of any real estate manager. Rather, it was an e-mail list of well-experienced and recognized real estate managers with direct experience relevant to this topic.

Sample size

According to Swanson & Holton, 2005, an appropriate sample size is highly important in ensuring sufficient variance in responses, while avoiding implications of an idiosyncratic context. Moreover, the selected sample has to demonstrate the behaviours and/or the attitudes under investigation. The use of small sample sizes can be better in terms of statistical purposes and convenience (Swanson & Holton, 2005). Various researchers argue that the use of small samples may facilitate the distinction between practical and statistical significance (e.g. Stone, 1978; Runkel & McGrath, 1984). According to Becchatti, McCulloch & Sigal (2008), as cited in Becchatti, Deeks & McCune (2011, p.2), "the projected value of a scientific study is difficult to precisely define, diminishing marginal returns are present for any reasonable definition, including statistical power". Becchatti, McCulloch & Sigal (2008) showed the evidence in their paper, using detailed mathematical derivations, that decreasing marginal returns are particularly distinct in early stage, innovative studies, such as the present work, justifying the use of smaller sample sizes compared to later stage, more confirmatory research. In this sense, even small sample studies can contribute to knowledge if they are conducted well.

In the present study, the sample size is rather small considering such kind of statistical analyses. However, a statistical test is the product of a sample size and effect size (Rosenthal, 1991; Kline, 2004). The p value is considered, as a common-language translation of a variety of test statistics (Greenwald, Gonzales, Guthrie & Harris, 1996), therefore as a function of practical significance and sample size, and defined as follows: $p = f(ES, N)$. If the effect is large and the sample size small, the

p value will be statistically significant (Kühberger, Fritz, Lermer & Scherndl, 2015). Kalinowski & Fidler (2010) argue that if the sample is big enough, trivial effects can also be statistically significant. Therefore, significance tests require the consideration of the combination of sample size and effect size in order to enable a correct interpretation (Wilkerson & Olson, 1997). Previous studies in the field of CSFs in IJVs had to deal with the similar problem of small sample sizes (see Inkpen & Birkenshaw, 1994; Adnan et al., 2012; Famakin et al., 2012; Minja et al., 2012).

Author	Methodology	Style/Test	Sample
Adnan et al. (2012)	Quantitative	Regression analysis	30 questionnaires
Demirbag & Mirza (2000)	Quantitative	Principal components/ factor analysis	47 IJVs (interviews & questionnaires)
Famakin et al. (2012)	Quantitative	Factor analysis	35 questionnaires
Hatfield et al. (1998)	Quantitative	2 Hypotheses	50 JV companies
Inkpen & Birkenshaw (1994)	Mixed	Explanatory study/ 9 Hypotheses	40 JV companies
Le (2009)	Quantitative	2 Hypotheses	survey 49 Finnish IJVs
Lee & Beamish (1995)	Quantitative	10 Hypotheses	survey 41 Korean JV companies
Minja et al. (2012)	Quantitative	Descriptive statistics	35 questionnaires
Dikmen et al. (2008)	Quantitative	Confirmatory study	49 questionnaires

Table 5.3: Studies in the field of CSFs in IJV with small samples, created by author.

People/experts working in real estate private equity with the required specific knowledge and experience are difficult to access. Many IJV projects are not publicly registered and transactions in IJVs in real estate developments are generally handled/managed very confidential, with prudence and discretion. Thus, the difficulty in identifying of such partnerships is a great barrier/constraint. Moreover, the researcher experienced a consistent lack of capital managers' willingness and motivation to fill in questionnaires due to high workload. Particularly junior and senior level managers reported such arguments, while executive management/ partner level/ executive board members often did not respond at all. The study strictly focused on high quality input, only focusing on respondents with direct experience in the management of IJV real estate development projects, to ensure credible and reliable output. Additionally, the comprehensive questionnaire may have discouraged responses, but this extent/scope was necessary to gain a holistic view, understanding, interpretation, and explanation of the underlying phenomenon. The researcher did not accept any trade-off on this aspect.

Based on this argumentation and due to the fact that expert knowledge on this topic is very limited, the researcher has to accept the small sample size (similar to previous studies in the broader field of CSFs in IJVs). However, satisfactory results can be obtained due to appropriate methods incorporated into the analysis of the study. In order to improve generalisability of the present study, there is a need for replication of similar models for IJVs in real estate development, potentially with a larger sample and different geographic distributions.

5.3.1.3) Content of the questionnaire

The questionnaire is composed of 51 questions (125 questions including all sub-questions). The first part of the questionnaire (Q1-Q8) is developed to search for some descriptive statistics, to identify the general characteristics of the respondents, as well as their referenced IJVs. This information enables recognition of the overall picture of the IJV projects, having been managed by the respondents. The second part of the questionnaire (Q9-Q45) focuses on the data collection for the quantitative model. For each performance determinant, one question has been asked, considering a phase-specific evaluation. This means that performance determinants are referring to the formation and/or post-formation stage. The final part (Q46-Q51) addresses open questions to collect some general feedback/additional information from the experienced managers. A copy of the questionnaire can be found in the appendix (Appendix B).

To cover this large number of questions, it was necessary to structure the questions in clusters in order to simplify the answering process. In this context, the scaling could not always be assigned to 100% matching. However, the intention of scaling was usually self-explanatory. The questionnaire and its questions were tested and discussed in advance with three practitioners in a pilot study and appropriate optimization proposals/recommendations/changes were incorporated. However, some of the questions were not quite accurate, for people outside the business of real estate IJVs and the topics raised in the questionnaire might be difficult to understand. Moreover, the information process could not be controlled by the researcher. Therefore, the outcomes of the survey should be treated cautiously, which is why the results were verified from a different perspective in the course of interviews.

5.3.2) Data analysis

5.3.2.1) Descriptive statistics

As mentioned previously, a total of 34 completed questionnaires were returned for data analysis, collected from managers having been involved in specific IJV projects in real estate development. The respondents were asked to report from either a successful or a non-successful real estate development project. For each variable, additional descriptive statistics and/or an overview of all answers can be found in corresponding tables in Appendix C. Some important information about the profile of the respondents and characteristics of the referenced IJVs is presented next.

Management level

There is an even distribution of respondents working in the senior or executive management level and the junior or mid-level management. The distribution of management level of the respondents can be seen in Table 5.4.

Management level	Response percent	Response count
Junior level	8.8%	3
Mid-level	41.2%	14
Senior level	29.4%	10
Executive management/ partner level/ executive board	20.6%	7
answered question		34

Table 5.4: Distribution of management level of respondents, created by author.

Area of expertise

The majority of respondents are working in the area of portfolio management (47.1%). The distribution of the area of expertise of the respondents can be seen in Table 5.5.

Area of expertise	Response percent	Response count
Portfolio management	47.1%	16
Transaction management	35.3%	12
Asset management	5.9%	2
General management	14.7%	5
Other	8.8%	3
answered question		34

Table 5.5: Distribution of area of expertise of respondents, created by author.

Work experience in the real estate business

The average number of years respondents have worked in the real estate business is 10.03 years. The distribution of work experience (in years) of the respondents can be seen in Table 5.6.

Work experience in the real estate business	Response percent	Response count
< 5 years	8.8%	3
6-10 years	41.2%	14
11-20 years	32.4%	11
21-30 years	17.6%	6
>30 years	0.0%	0
answered question		34

Table 5.6: Distribution of work experience (in years) of respondents in the real estate business, created by author.

Management experience in IJVs in real estate development

The average number of projects respondents have worked with is around 9. The distribution of management experience (number of projects) of the respondents can be seen in Table 5.7.

Management experience in IJVs in real estate development	Response percent	Response count
1 project	0.0%	0
2-5 projects	44.1%	15
6-10 projects	29.4%	10
11-20 projects	11.8%	4
>20 projects	14.7%	5
answered question		34

Table 5.7: Distribution of management experience (number of projects) of respondents in IJVs in real estate development, created by author.

Regions of activity

The majority of referenced IJVs were located in Asia (50.0%). The distribution of regions of the referenced IJVs can be seen in Table 5.8.

Regions of activity	Response percent	Response count
Europe	26.5%	9
North-America	23.5%	8
Asia	50.0%	17
Other	0.0%	0
answered question		34

Table 5.8: Distribution of regions of the referenced IJVs, created by author.

Countries of activity

The most reported countries of activity were the United States (20%) and Germany (14%). The distribution of countries of the referenced IJVs can be seen in Figure 5.7.

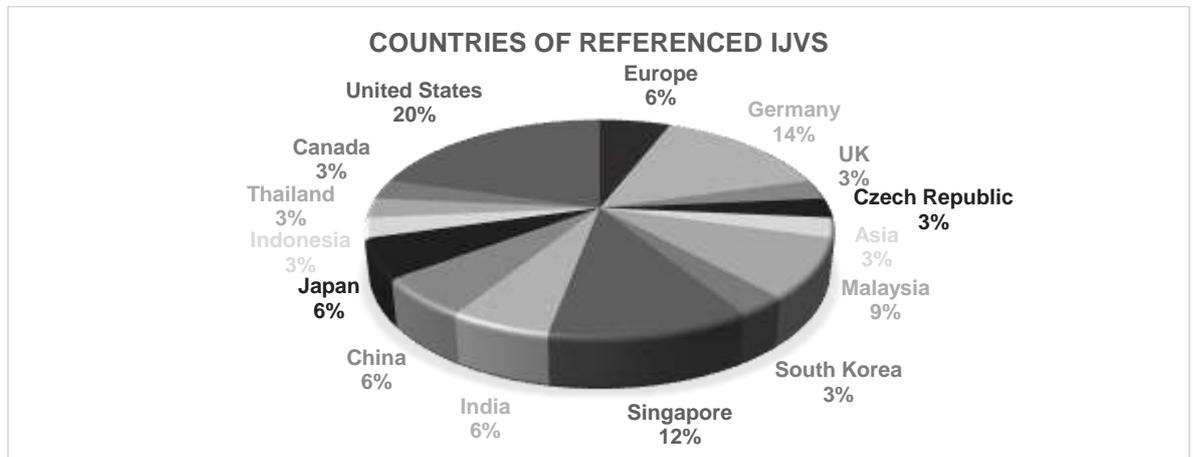


Figure 5.7: Distribution of countries of the referenced IJVs, created by author.

Investment strategies

The most reported investment strategy was “opportunistic” (44.1%), followed by “value add” (41.2%). The distribution of investment strategies of the referenced IJVs can be seen in Table 5.9.

Investment strategies	Response percent	Response count
Core	14.7%	5
Value add	41.2%	14
Opportunistic	44.1%	15
answered question		34
answered question		34

Table 5.9: Distribution of the investment strategies of the investment in the referenced IJVs, created by author.

5.3.2.2) Linear regression modelling

5.3.2.2.1) Overview of statistical techniques

This research conducts linear regression to examine the validity of the proposed research model. The table below brings in context alternative statistical techniques with the approach used in the present research study.

Issue	LISREL	PLS	Linear Regression
Objective of overall analysis	Show the null hypothesis of the entire proposed model is plausible, while rejecting path-specific null hypotheses of no effect.	Reject a set of path-specific hypotheses of no effect.	Reject a set of path-specific hypotheses of no effect.
Objective of variance analysis	Overall model fit, such as insignificant chi-square or high AGFI.	Variance explanation (high R-square)	Variance explanation (high R-square)
Required theory base	Requires sound theory base. Supports confirmatory research.	Does not necessarily require sound theory base. Supports both exploratory and confirmatory research.	Does not necessarily require sound theory base. Supports both exploratory and confirmatory research.
Assumed distribution	Multivariate normal, if estimation is through ML. Deviations from multivariate normal are supported with other estimation techniques.	Relatively robust to deviations from a multivariate distribution.	Relatively robust to deviations from a multivariate distribution, with established methods of handling non-multivariate distributions.
Required minimal sample size	At least 100-150 cases.	At least 10 times the number of items in the most complex construct.	Supports smaller samples, although a sample of at least 30 is required.

Table 5.10: Comparison between statistical techniques (Gefen & Ragowsky, 2005, p.9).

In the present study, linear regression was considered the best fit because of the small sample size and the exploratory nature of the study.

5.3.2.2.2) Scale development process

The generation of items is a key part of developing sound measures. The items need to respect content validity and require a clear link to their theoretical domain (Hinkin, 1995). "This can be accomplished by beginning with a strong theoretical framework and employing a rigorous sorting process that matches items to construct definitions" (Hinkin, 1995, p. 971).

In this context, it is paramount to define the number of items that should be obtained in the scale. According to Hinkin, Tracey & Enz (1997), there are no specific principles regarding the number of items representing the scale. The measures need to be internally consistent, while being parsimonious, containing a minimum

number of elements that evaluate the topic of interest appropriately (Thurstone, 1947). Various researchers suggest the requirement to obtain four or five items per scale (e.g. Harvey, Billings and Nilan, 1985; Hinkin & Schriesheim, 1989), and at least three (Cook, Hepwoth, Wall & Warr, 1981), to ensure adequate internal consistency reliabilities. Minimizing response biases caused by boredom or fatigue can be achieved by keeping a measure brief (Schmitt & Stults, 1985, Schriesheim & Eisenbach, 1990). Scales with a number of items that is too high potentially creates problems of respondent fatigue and/or response biases (Anastasi, 1976). Moreover, a higher number of items demand more time in developing and administrating the measures, while affecting scale reliability negatively (Carmines & Zeller, 1979). Based on the argumentation, a quality scale comprising three to five items may work for the majority of constructs or conceptual dimensions.

In the process of scaling the items, it is necessary that the scale used allows sufficient variance among respondents to support the subsequent statistical analyses (Swanson & Holton, 2005). Though a variety of different scaling techniques is available, Likert-type scales are very popular among academics and are a reliable method with respect to survey research (Cook et al., 1981).

In case the question was not dichotomous, generally a 5-point (Likert-type) scale ranging from “1 = very unimportant” to “5 = very important” was applied. In some cases, the logical consequence required a reduction of the scale to 4-points or even 3-points. This was necessary to reflect the scope of available items in the best way. For details, please, refer to Table 5.11.

Q1 - Q8	general questions about participant and IJV project				
Scale development	1	2	3	4	5
Q9, Q10, Q13, Q37	very good	good	moderate	poor	very poor
Q17-Q29, Q36	very good	good	moderate	bad	very bad
Q30, Q38	very high	high	moderate	low	very low
Q31-Q33	very much	much	normal	little	very little
Q40	< EUR 20 M	EUR 20-50M	EUR 51-100M	EUR 101-250M	> EUR 250M
Q41	0%-20%	21%-49%	50%	51%-80%	81%-99%
Q42	No	1	2-3	4-5	>5
Q43	1	2	3	4	>4
Q11, Q15	growing	peaking	Falling	bottoming	
Q14, Q34, Q39	frequently	infrequently	only once	never	
Q45	very successful	successful	acceptable	not acceptable	
Q12	1-3 years	4-5 years	>5 years		
Q16, Q35, Q44	yes	no			
Q46-Q51	open questions				

Table 5.11: Structure of scale in questionnaire, created by author.

5.3.2.2.3) Re-grouping (factor-transformation)

The categorical variables are coded as previously described. If the constructed variables are entered directly into the regression model, the purely ordinal scale of values would receive an arbitrary cardinal interpretation. Consequently, the transformation to a meaningful interpretable cardinal scale is necessary. To restore a consistent relationship between hierarchy of categories and predictive power, there is the option of merging categories with a similar meaning. The individual categories are still obtained, but with the effect of having the same influence in the regression model. Such a re-grouping is required in order to achieve a significant number of observations for each category, while optimizing the scale to receive reliable results (see Appendix D).

5.3.2.2.4) Dependent variables

Dependent variables are three performance measures, which are defined as follows:

- (1) IJV success (using subjective criteria) is defined as overall satisfaction of financial performance rated by real estate investment managers (working with IJV in real estate development projects);
- (2) Relative IRR (using objective criteria) is defined as financial performance of IJV in real estate development (planned vs. realized IRR performance);³
- (3) Absolute IRR (using objective criteria) is defined as financial performance of IJV in real estate development (IRR performance realized).

5.3.2.2.5) Independent variables

Independent variables, as defined in the *a posteriori* research framework, are 63 formation stage and 38 in the post-formation stage (see Table 5.12/Table 5.13).

³ Very successful: realized IRR \geq target IRR \times 1.2; successful: realized IRR \geq target IRR \times 0.8 < target IRR \times 1.2; acceptable: realized IRR \geq target IRR \times 0.5 < target IRR \times 0.8; and not acceptable: realized IRR < target IRR \times 0.5

5.3.2.2.6) Univariate linear regression model

The univariate regression analysis is used to examine the magnitude of the independent variable. The model attempts to explain the variability in one dependent variable with the help of one independent variable by asserting a linear relationship between them.

Phase 1: Formation stage

Rank*	ID**	Performance determinant	R ²			
			IJV success	Relative IRR	Absolute IRR	Average
1	i38	Liquidity management	0.685	0.428	0.585	0.57
2	i34	Solid financial model with realistic assumptions	0.576	0.532	0.508	0.54
3	i2	Develop a proper business plan	0.611	0.457	0.412	0.49
4	i3	Familiarity with local legislation	0.512	0.457	0.465	0.48
5	i73	Clear statement of IJV agreement	0.542	0.271	0.400	0.40
6	i7	Conduct proper partner due diligence	0.485	0.269	0.425	0.39
6	i46	Alignment of interest	0.485	0.269	0.425	0.39
8	i72	Contract satisfaction	0.512	0.291	0.288	0.36
9	i44	Local partner's market experience	0.310	0.269	0.375	0.32
9	i66	Motivation	0.310	0.269	0.375	0.32
9	i80	Financial stability	0.310	0.269	0.375	0.32
12	i12	Completeness of project definition	0.310	0.269	0.374	0.30
13	i86	Existing infrastructure	0.445	0.190	0.303	0.32
14	i48	Alignment of objectives	0.370	0.269	0.266	0.31
15	i4	Familiarity with local business practice	0.207	0.269	0.375	0.28
16	i93	Size of IJV partner	0.152	0.259	0.321	0.21
17	i64	Harmony among partners	0.262	0.233	0.158	0.21
18	i83	Level or political stability	0.270	0.140	0.234	0.22
18	i84	Functioning legal system	0.192	0.194	0.215	0.21
18	i85	Functioning tax system	0.235	0.191	0.202	0.21
21	i98	Balanced contribution of resources	0.329	0.136	0.172	0.21
22	i74	Completeness of IJV agreement	0.294	0.132	0.209	0.24
23	i77	Clear definition of responsibilities and duties	0.261	0.156	0.217	0.21
24	i89	Degree of corruption	0.203	0.180	0.250	0.21
25	i76	Profit distribution structure	0.261	0.178	0.113	0.18
26	i88	Low bureaucracy	0.251	0.109	0.121	0.15
27	i62	Compatibility of partner's management culture	0.181	0.149	0.129	0.16
28	i50	Manage expectations	0.284	0.061	0.113	0.15
29	i97	Currency convertibility	0.125	0.110	0.220	0.15
30	i5	Evaluate potential exit opportunities before investing	0.173	0.096	0.166	0.15
31	i11	Trustworthiness	0.207	0.128	0.077	0.13
31	i60	Workload of partner	0.207	0.128	0.077	0.14
33	i94	Share of equity	0.172	0.123	0.115	0.14
34	i58	Close cooperation among partners	0.149	0.128	0.120	0.12
35	i14	Track record of partner	0.255	NA	0.129	0.14
36	i8	Third party references of partner	0.254	NA	0.120	0.13
37	i79	Termination mechanism	0.222	0.062	0.083	0.12
38	i56	Close collaboration among partners	0.156	0.096	0.102	0.12
38	i40	Ability and skills of partner	0.156	0.096	0.102	0.12
38	i54	Effective communication	0.156	0.096	0.102	0.12
41	i75	Clarity on contribution among partners	0.220	0.060	0.039	0.11
42	i15	Project suitability	0.149	0.060	0.091	0.09
43	i78	Dispute resolution procedures	0.146	0.093	0.043	0.09
44	i87	Level of competition	0.061	0.143	0.073	0.10
45	i96	Number of IJV partners	0.096	0.074	0.106	0.09
46	i99	Avoid complexities	0.054	0.092	0.096	0.07
47	i70	Adequate project funding	0.028	0.043	0.143	0.08
48	i16	Project location	0.145	0.020	0.045	0.07
49	i68	Site visit	0.072	0.041	0.086	0.07
50	i52	Consensus mentality and conflict resolution	0.141	0.027	0.029	0.06
51	i10	Cooperative experience	0.091	0.044	0.031	0.04
52	i6	Proper project feasibility study	0.123	0.031	0.006	0.07
53	i81	Local market potential	0.074	0.028	0.043	0.05
53	i95	Composition of decision-making body?	0.145	NA	NA	0.04
55	i82	Economic condition	0.003	0.128	0.003	0.05
56	i1	Type of investment strategy	0.073	0.043	0.000	0.03
57	i17	State of the market cycle	0.009	0.084	0.021	0.05
58	i42	Local partner's market power	0.002	0.071	0.014	0.04
59	i18	Intended duration of IJV	0.086	NA	NA	0.03
60	i13	Past relational experience with partner	0.033	NA	NA	0.01
61	i9	Experience with similar projects	0.001	0.000	0.020	0.01
62	i92	Size of IJV	0.002	0.001	0.003	0.00
63	i36	Active currency management	NA	NA	NA	0.00

* The ranking is based on an average weight of all three performance measures

** Code of identification in accordance with the structure of the questionnaire

Table 5.12: Results of univariate linear regression model with respect to the formation stage, created by author.

Findings

The univariate regression identified eight independent variables, explaining on average above 35% of the variation of the three performance indicators (dependent variables): liquidity management (average R-squared 0.57), solid financial model with realistic assumptions (average R-squared 0.54), develop a proper business plan (average R-squared 0.49), familiarity with local legislation (average R-squared 0.48), clear statement of IJV agreement (average R-squared 0.40), conduct proper partner due diligence (average R-squared 0.39), alignment of interest (average R-squared 0.39) and contract satisfaction (average R-squared 0.36).

Phase 2: Post-formation stage

Rank*	ID**	Performance determinant	R ²			Average
			IJV success	Relative IRR	Absolute IRR	
1	i90	Meeting the project timeline	0.370	0.606	0.474	0.48
2	i40	Ability and skills of partner	0.514	0.292	0.384	0.40
2	i46	Alignment of interest	0.514	0.292	0.384	0.40
4	i34	Solid financial model with realistic assumptions	0.489	0.269	0.424	0.39
5	i23	Monitoring of IJV activities	0.542	0.271	0.305	0.37
6	i48	Alignment of objectives	0.421	0.292	0.384	0.37
7	i2	Develop a proper business plan	0.358	0.327	0.356	0.35
8	i25	Control of project performance	0.399	0.382	0.259	0.35
9	i44	Local partner's market experience	0.310	0.269	0.374	0.32
10	i17	State of the market cycle	0.257	0.329	0.364	0.32
11	i66	Motivation	0.156	0.429	0.318	0.30
12	i54	Effective communication	0.361	0.273	0.262	0.30
13	i62	Compatibility of partner's management culture	0.303	0.223	0.313	0.28
14	i20	Cost control	0.274	0.275	0.284	0.28
15	i100	Understand, own and share risk	0.257	0.269	0.266	0.26
16	i12	Completeness of project definition	0.244	0.247	0.236	0.24
17	i28	Effectiveness of project management functions	0.357	0.118	0.192	0.22
18	i64	Harmony among partners	0.248	0.275	0.117	0.21
19	i21	Mutual trust	0.332	0.146	0.156	0.21
19	i30	Meeting reporting deadlines	0.332	0.146	0.156	0.21
21	i56	Close collaboration among partners	0.332	0.146	0.155	0.21
22	i29	Quality of reporting	0.204	0.222	0.182	0.20
23	i22	Control and decision-making policy	0.334	0.072	0.157	0.19
24	i24	Proper transfer of knowledge	0.149	0.135	0.165	0.15
25	i58	Close cooperation among partners	0.170	0.146	0.092	0.14
26	i27	Professional human resource management	0.204	0.127	0.077	0.14
27	i91	Get approvals in time	0.149	0.127	0.119	0.13
28	i38	Liquidity management	0.156	0.130	0.095	0.13
29	i52	Consensus mentality and conflict resolution	0.205	0.038	0.038	0.09
30	i50	Manage expectations	0.157	0.049	0.057	0.09
31	i31	Have regular management meetings	0.121	0.009	0.087	0.07
32	i42	Local partner's market power	0.054	0.096	0.040	0.06
33	i26	Mutual decision-making	0.115	0.019	0.014	0.05
34	i101	Communication in the same language	0.000	0.128	0.000	0.04
35	i68	Site visit	0.088	0.004	0.028	0.04
36	i60	Workload of partner	0.018	0.062	0.004	0.03
37	i36	Active currency management	NA	NA	NA	0.00
37	i70	Adequate project funding	NA	NA	NA	0.00

** Code of identification in accordance with the structure of the questionnaire

Table 5.13: Results of univariate linear regression model with respect to the post-formation stage, created by author.

Findings

The univariate regression identified eight independent variables, explaining on average at least 35% of the variation of the three performance indicators (dependent variables): meeting the project timeline (average r-squared 0.48), ability and skills of partner (average r-squared 0.40), alignment of interest (average r-squared 0.40), solid financial model with realistic assumptions (average r-squared 0.39), monitoring of IJV activities (average r-squared 0.37), alignment of objectives (average r-squared 0.37), develop a proper business plan (average r-squared 0.35) and control of project performance (average r-squared 0.35).

5.3.2.2.7) Multivariate linear regression model

Given the nature and context of the research question and its associated hypothesis, multivariate regression analysis is adopted to assert the relationship between the set of independent variables and the dependent variable. The objective of this study is to identify which factors influence the performance of IJVs in real estate development, as well as to understand the relative importance of each performance determinant. The technique of using multivariate regression analysis is well-suited to examining the relationship between a dependent and several independent variables (Tabachnick & Fidell, 1989; Hair, Anderson & Tatham, 2006). This approach aims to predict a single dependent variable from the knowledge of various independent variables. The generalisability of a multivariate regression analysis is strongly affected by the sample size. Hair et al. (2006) suggest a minimum ratio of five observations for each independent variable. This means a ratio of at least of 5:1 in order to avoid the risk of overfitting. In this study the multivariate regression was restricted to models with three independent variables to eliminate the specific risk of overfitting. Therefore, a set of three independent variables were always tested to predict each dependent variable.

To identify the best model, i.e. find the best combination of three independent variables with the highest predictive power, a “brute force” model selection was applied by testing each possible three-variable model. This approach allowed for a reasonable trade-off in terms of the delimitations of survey data availability and computation times conceded. The “brute force” approach, therefore, tries all permutations and picks the best. In this context, the regression analysis involves

matrix calculations to hold the dependent and independent variables, while operations are used to compute, for example, regression estimates. Linear regression excludes models with p value > 0.1 and if the univariate sign does not reflect the sign of weight. Typically, the results of the best models are selected and presented. According to Meilgaard, Civile & Carr (2016), the R-squared ratio is a common measure to determine which models are the best in all possible regressions, with larger values being preferred. Moreover, the p value, f -statistics, the number of observations, and the sign of weight were referenced, while qualitative means, such as intuition and plausibility-checks, were used to evaluate and select the best models.

The evaluation of the basic assumptions of multivariate techniques was executed with the assistance of the program "R". Regression analysis examined the multivariate relationship between the 63 (formation stage)/ 38 (post-formation stage) independent variables in order to predict three dependent variables "IJV success", "relative IRR", and "absolute IRR".

The relevant statistics associated with multivariate regression analysis are the adjusted coefficient of determination (adjusted R-squared), the beta coefficients, and collinearity tests (Hair et al. 2006). The coefficient of determination (R-squared) measures the proportion of the variance in the dependent variable being explained by the independent or predictor variables (Allen, 1997). This ratio is computed by the variance of the errors of prediction or of the predicted values in relation to the variance of the observed values on the dependent variable. The adjusted R-squared is a modified measure, taking into account the number of independent variables as reflected in the regression equation, as well as the size of the sample. This ratio enables the comparison of regression equations with a different number of independent variables and/or different sample sizes. The coefficient of determination (R-squared/adjusted R-squared) ranges from 0 to 1. The higher the value, the better the prediction of the independent variable, and thus the explanatory power. The p value was applied to evaluate the significance of the coefficient of determination.

Phase 1: Formation stage

Model 1: IJV success

Independent variables:

i2 = Develop a proper business plan

i70 = Adequate project funding

i94 = Share of equity

Ratios:

Number of observations: 26

Max p value = 0.0014

F value = 33.59

Multiple R-squared = 0.8208

Adjusted R-squared = 0.7964

p values

	Estimate	Std. Error	t value	Pr(> t)	
(Intercept)	2.9474	0.7817	3.770	0.00105	**
i2	1.8947	0.2189	8.657	1.55e-08	***
i70	-1.2632	0.3439	-3.673	0.00134	**
i94	-0.6842	0.1867	-3.664	0.00136	**

Significance codes: *** p < 0.001; ** < 0.01; * p < 0.05

Comparison of factor weight vs. univariate sign and R²

	i2	i70	i94
Factor loadings	1.8947368	-1.26315789	-0.6842105
univ. sign	1	-1	-1
univ. R ²	0.6111607	0.02790179	0.1720238

Model assumptions: linear regression excludes models with p value > 0.1 and univariate sign <> sign of weight

Correlation matrix

	i2	i70	i94
i2	1,00	0,18	-0,13
i70	0,18	1,00	-0,07
i94	-0,13	-0,07	1,00

Table 5.14: Results of multivariate linear regression M1, created by author.

Table 5.14 shows a summary of *p* values, factor loadings, univariate signs, R-squared as well as correlation matrix for the independent variables of the subject model selection. This model indicates support for the combination of the following independent variables: **develop a proper business plan** ($p < 0.001$), **adequate project funding** ($p < 0.01$), and **share of equity** ($p < 0.01$) in the context of the formation stage. The “IJV success” is negatively correlated to adequate project funding and share of equity. Multiple regression was conducted to predict “IJV success”. Table 5.14 shows that model 1 was significant ($p < 0.01$, $F = 33.59$), while the regression explains well over 79% of the variation of the perceived IJV success (r -squared = 0.8202; adjusted r -squared = 0.7964). The total amount of variation explained is substantial. The regression procedure suggests that **develop[ing] a proper business plan** has a positive impact on perceived IJV success, while the results show that **equity share** by the local partners below 20% has a negative implication. With respect to **adequate project funding**, results show support for

postponing the execution of full financing (funding) to the post-formation stage. However, it is important to ensure the funding is secured.

Check of regression model 1 assumptions

Residuals vs. fitted values: The first plot (Figure 5.8) seems to indicate that the residuals and the fitted values are uncorrelated, as they should be in a homoscedastic linear model with normally distributed errors. The residuals "bounce randomly" around the 0 line. This suggests that the assumption of the model is reasonable and predicted well, while the relationship is linear. The residuals roughly form a "horizontal band" around the 0 line. This suggests that the variances of the error terms are equal. The residual plot with the approximate mean and spread of points (limits that include most of the values) at each value of fitted marked in - to a rough approximation indicating the conditional mean (red).

Normal Q-Q: The second plot (Figure 5.9) shows a normal probability plot, which is a graphical method for comparing two probability distributions by plotting their quantiles against each other. The straight line indicates that the errors are distributed normally and the data fits well to the extent that the plotted points match the diagonal line. The points 8, 28 and 30 deviate little bit from the straight line. However, the overall normal distribution seems to be robust.

Scale location: In the third plot (Figure 5.10) the residuals are square-root standardized in order to check the assumption of equal variance (homoscedasticity). The line shows a relatively horizontal trend with equally (randomly) spread points supporting the model assumptions.

Cook's distance: (residuals vs. leverage): The last plot (Figure 5.11) shows which points have the greatest influence on the regression (leverage points). Note that the standardized residuals are centered around zero and reach around 1 and -2 standard deviations away from zero, and symmetrically so about zero, as is to be expected for a normal distribution. Leverage is a measure of how much each data point influences the regression. Because the regression must pass through the centroid, points that lie far from the centroid have greater leverage, and their leverage increases if there are fewer points nearby. As a result, leverage reflects both the distance from the centroid and the isolation of a point. The plot also contours values of Cook's distance, which measures how much the regression would change if a point was deleted. Cook's distance is increased by leverage and

by large residuals: a point far from the centroid with a large residual can severely distort the regression. On this plot, it is important to see that the red smoothed line stays close to the horizontal gray dashed line and that no points have a large Cook's distance (i.e., >0.5). Both are true here.

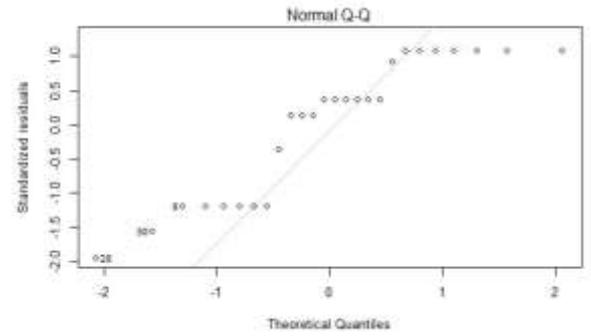
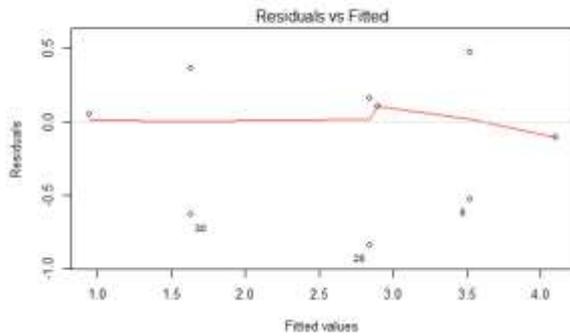


Figure 5.8: Residuals vs. fitted values (M1), created by author.

Figure 5.9: Normal Q-Q (M1), created by author.

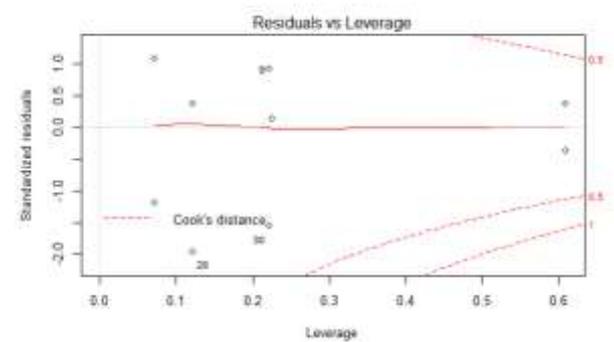
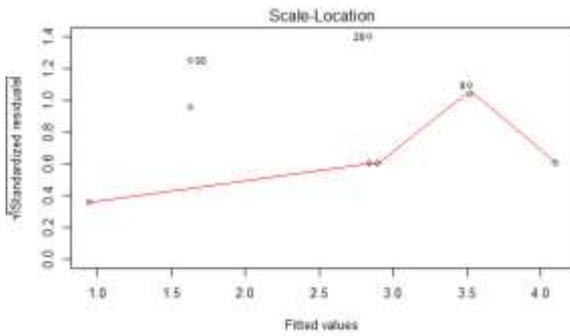


Figure 5.10: Scale location (M1), created by author.

Figure 5.11: Cook's distance (M1), created by author.

Model 2: Relative IRR

Independent variables:

i2 = Develop a proper business plan

i17 = State of the market cycle

i93 = Size of JV partner

Ratios:

Number of observations: 18

Max p value = 0.0059

F value = 20.28

Multiple R-squared = 0.8129

Adjusted R-squared = 0.7729

p values

	Estimate	Std. Error	t value	Pr(> t)	
(Intercept)	-10.1533	2.0576	-4.935	0.000220	***
i2	1.2404	0.3820	3.247	0.005848	**
i17	2.1289	0.4994	4.263	0.000789	***
i93	1.4530	0.3532	4.114	0.001052	**

Significance codes: *** p < 0.001; ** < 0.01; * p < 0.05

Comparison of factor weight vs. univariate sign and R²

	i2	i17	i93
Factor loadings	1.2404181	2.12891986	1.4529617
univ. sign	1	1	1
univ. R ²	0.4567953	0.08363449	0.2593792

Model assumptions: linear regression excludes models with p value > 0.1 and univariate sign <> sign of weight

Correlation matrix

	i2	i17	i93
i2	1,00	0,09	0,26
i17	0,09	1,00	0,12
i93	0,26	0,12	1,00

Table 5.15: Results of multivariate linear regression M2, created by author.

Table 5.15 summarizes *p* values, factor loadings, univariate signs, R-squared, and correlation matrix for the independent variables of model 2. This model indicates support for the combination of the following independent variables: **develop a proper business plan** ($p < 0.01$), **state of the market cycle** ($p < 0.001$), and **size of JV partner** ($p < 0.01$) during the formation stage. Multiple regression was conducted to predict “relative IRR”. The *p* value of model 2 ($p < 0.01$, $F = 20.28$) confirms statistical significance. The regression explains well over 77% of the variation of the realized “relative IRR” (R-squared = 0.8129; adjusted R-squared = 0.7729). The regression procedure again supports the positive impact of the factor to **develop a proper business plan** on the performance measure “relative IRR”. Moreover, results show positive implications with respect to investing in real estate development during growing and falling markets, while such activities at the peak of a market cycle heavily jeopardize return potential. With respect to the **size of the JV partner**, results highlight the importance of a strong JV partner supporting a partner with market value (capitalization) greater than EUR 20 million.

Check of regression model 2 assumptions

Residuals vs. fitted values: The first plot (Figure 5.12) seems to indicate that the residuals and the fitted values are uncorrelated, as they should be in a homoscedastic linear model with normally distributed errors. The residuals "bounce randomly" around the 0 line. This suggests that the assumption of the model is reasonable and predicted well, while the relationship is linear. The residuals roughly form a "horizontal band" around the 0 line. This suggests that the variances of the error terms are equal. The residual plot with the approximate mean and spread of points (limits that include most of the values) at each value of fitted marked in - to a rough approximation indicating the conditional mean (red).

Normal Q-Q: The second plot (Figure 5.13) shows a normal probability plot, which is a graphical method for comparing two probability distributions by plotting their quantiles against each other. The straight line indicates that the errors are distributed normally and the data fits well to the extent that the plotted points match the diagonal line. The points 7, 22 and 28 deviate a little bit from the straight line. However, the overall normal distribution seems to be robust.

Scale location: In the third plot (Figure 5.14) the residuals are square-root standardized in order to check the assumption of equal variance (homoscedasticity). The line shows a relatively horizontal trend with equally (randomly) spread points supporting the model assumptions.

Cook's distance (residuals vs. leverage): The last plot (Figure 5.15) shows which points have the greatest influence on the regression (leverage points). Note that the standardized residuals are centered around zero and reach around 1 and -2 standard deviations away from zero, symmetrically, so about zero, as is to be expected for a normal distribution. Leverage is a measure of how much each data point influences the regression. Because the regression must pass through the centroid, points that lie far from the centroid have greater leverage, and their leverage increases if there are fewer points nearby. As a result, leverage reflects both the distance from the centroid and the isolation of a point. The plot also contours values of Cook's distance, which measures how much the regression would change if a point was deleted. Cook's distance is increased by leverage and by large residuals: a point far from the centroid with a large residual can severely distort the regression. On this plot, it is important to see that the red smoothed line stays relatively close to the horizontal gray dashed line and that no points have a large Cook's distance (i.e., >1.0). Both are true here.

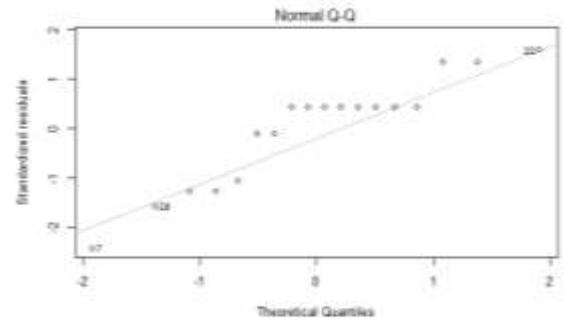
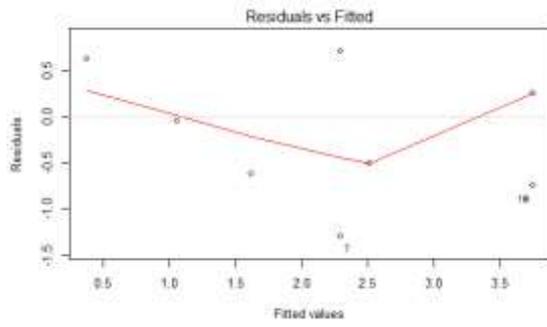


Figure 5.12: Residuals vs. fitted values (M2), created by author. Figure 5.13: Normal Q-Q (M2), created by author.

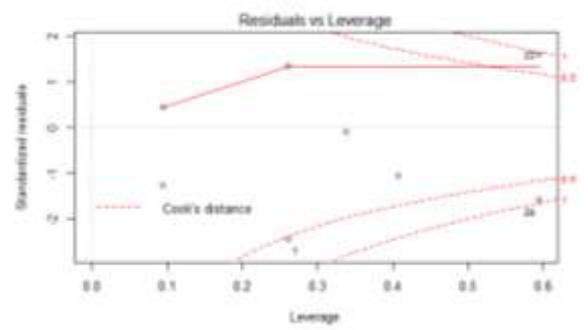
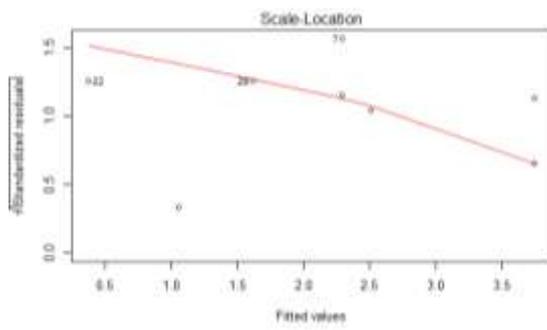


Figure 5.14: Scale location (M2), created by author.

Figure 5.15: Cook's distance (M2), created by author.

Model 3: Absolute IRR

Independent variables:

i2 = Develop a proper business plan
 i70 = Adequate project funding
 i94 = Share of equity

Ratios:

Number of observations: 23
 Max p value = 0.0287
 F value = 17.88
 Multiple R-squared = 0.7329
 Adjusted R-squared = 0.6908

p values

	Estimate	Std. Error	t value	Pr(> t)	
(Intercept)	0.33200	0.10899	3.046	0.00665	**
i2	0.17400	0.03054	5.697	1.72e-05	***
i70	-0.20160	0.04729	-4.263	0.00042	***
i94	-0.06426	0.02715	-2.367	0.02873	*

Significance codes: *** p < 0.001; ** < 0.01; * p < 0.05

Comparison of factor weight vs. univariate sign and R²

	i2	i70	i94
Factor loadings	0.1739969	-0.2016019	-0.06426235
univ. sign	1	-1	-1
univ. R ²	0.4116063	0.1427039	0.11521621

Model assumptions: linear regression excludes models with p value > 0.1 and univariate sign <> sign of weight

Correlation matrix

	i2	i70	i94
i2	1,00	0,18	-0,13
i70	0,18	1,00	-0,07
i94	-0,13	-0,07	1,00

Table 5.16: Results of multivariate linear regression M3, created by author.

Table 5.16 presents an overview of *p* values, factor loadings, univariate signs, R-squared, and correlation matrix for the independent variables with respect to model 3. This model indicates support for the same combination of the following independent variables as the one presented in model 1: **develop a proper business plan** ($p < 0.001$), **adequate project funding** ($p < 0.001$), and **share of equity** ($p < 0.05$) relevant for the formation stage. Again, the performance measure is negatively correlated with **adequate project funding** and **share of equity**. Multiple regression was conducted to predict “absolute IRR”. Table 5.16 shows that model 3 was significant ($p < 0.05$, $F = 17.88$), while the regression explains well over 69% of the variation of the “absolute IRR” (R-squared = 0.7329; adjusted R-squared = 0.6908). The regression procedure suggests that **develop a proper business plan** has a positive impact on the realized IRR, while the results show the **equity share** by the local partners below 20% has a negative implication. With respect to an **adequate project funding**, results show that it is beneficial to postpone the execution of full financing (funding) to the post-formation stage. However, it is

important to ensure the funding needs to be secured. Due to the support of both, a performance measures with subjective and objective criteria, this factor combination may be of particular relevance.

Check of regression model 3 assumptions

Residuals vs. fitted values: The first plot (Figure 5.16) seems to indicate that the residuals and the fitted values are uncorrelated, as they should be in a homoscedastic linear model with normally distributed errors. The residuals "bounce randomly" around the 0 line. This suggests that the assumption of the model is reasonable and predicted well, while the relationship is linear. The residuals roughly form a "horizontal band" around the 0 line. This suggests that the variances of the error terms are equal. The residual plot with the approximate mean and spread of points (limits that include most of the values) at each value of fitted marked in - to a rough approximation indicating the conditional mean (red).

Normal Q-Q: The second plot (Figure 5.17) shows a normal probability plot, which is a graphical method for comparing two probability distributions by plotting their quantiles against each other. The straight line indicates that the errors are distributed normally and the data fits well to the extent that the plotted points match the diagonal line. The points 9, 29, and 30 deviate little bit from the straight line. However, the overall normal distribution seems to be robust.

Scale location: In the third plot (Figure 5.18) the residuals are square-root standardized in order to check the assumption of equal variance (homoscedasticity). The line shows a horizontal trend with equally (randomly) spread points, supporting the model assumptions.

Cook's distance (residuals vs. leverage): The last plot (Figure 5.19) shows which points have the greatest influence on the regression (leverage points). Note that the standardized residuals are centered around zero and reach 1-2 standard deviations away from zero, symmetrically, so about zero, as is to be expected for a normal distribution. Leverage is a measure of how much each data point influences the regression. Since the regression must pass through the centroid, points that lie far from the centroid have greater leverage, and their leverage increases if there are fewer points nearby. As a result, leverage reflects both the distance from the centroid and the isolation of a point. The plot also contours values of Cook's distance, which measures how much the regression would change if a point was

deleted. Cook's distance is increased by leverage and by large residuals: a point far from the centroid with a large residual can severely distort the regression. On this plot, it is important to see that the red smoothed line stays close to the horizontal gray dashed line and that no points have a large Cook's distance (i.e., >0.5). Both are true here.

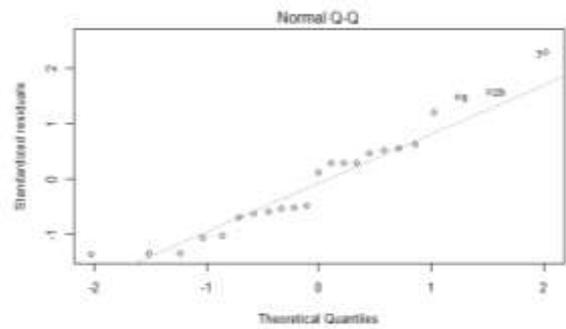
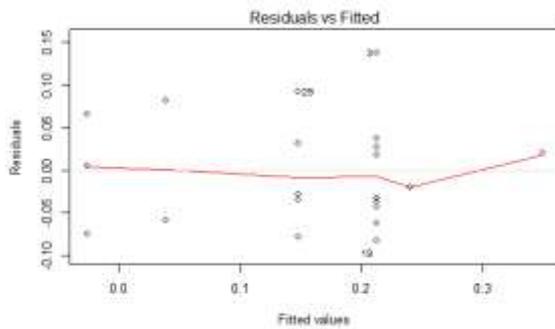


Figure 5.16: Residuals vs. fitted values (M3), created by author. Figure 5.17: Normal Q-Q (M3), created by author.

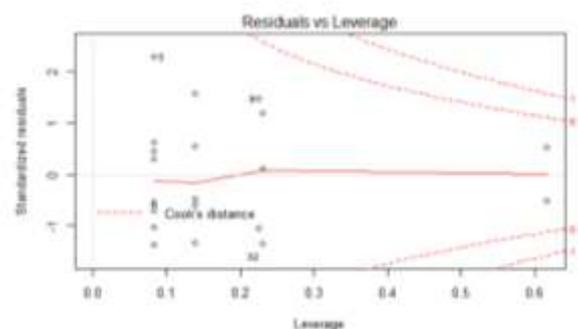
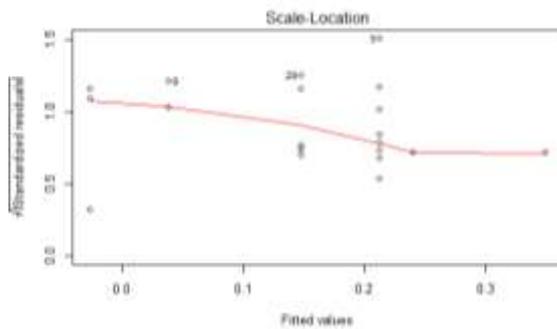


Figure 5.18: Scale location (M3), created by author.

Figure 5.19: Cook's distance (M3), created by author.

Phase 2: Post-formation stage

Model 4: IJV success

Independent variables:

i31 = Have regular management meetings

i41 = Ability and skills of partner

i65 = Harmony among partners

Ratios:

Number of observations: 24

Max p value = 0.0422

F value = 22.33

Multiple R-squared = 0.7700

Adjusted R-squared = 0.7356

p values

	Estimate	Std. Error	t value	Pr(> t)	
(Intercept)	-15.294	0.5749	-2.660	0.01503	*
i31	0.5294	0.2440	2.170	0.04222	*
i41	13.529	0.3727	3.631	0.00167	**
i65	0.7647	0.2740	2.790	0.01129	*

Significance codes: *** p < 0.001; ** < 0.01; * p < 0.05

Comparison of factor weight vs. univariate sign and R²

	i31	i41	i65
Factor loadings	0.5294118	1.3529412	0.7647059
univ. sign	1	1	1
univ. R ²	0.4116063	0.1427039	0.11521621

Model assumptions: linear regression excludes models with p value > 0.1 and univariate sign <> sign of weight

Correlation matrix

	i31	i41	i65
i31	1,00	0,30	-0,20
i41	0,30	1,00	0,53
i65	-0,20	0,53	1,00

Table 5.17: Results of multivariate linear regression M4, created by author.

Table 5.17 shows a summary of *p* values, factor loadings, univariate signs, R-squared, and correlation matrix for the independent variables of model 4. The parameter estimate suggests support for the combination of following independent variables: **develop a proper business plan** ($p < 0.001$), **adequate project funding** ($p < 0.01$), and **share of equity** ($p < 0.01$) during the post-formation stage. Multiple regression was conducted to predict "IJV success". Table 5.17 shows that model 4 was significant ($p < 0.05$, $F = 22.33$), while the regression explains well over 73% of the variation of the perceived IJV success (R -squared = 0.7700; adjusted R -squared = 0.7356). The regression procedure suggests that **having regular management meetings** on a regular basis in combination with good or very good **abilities and skills of partner** and **harmony among partners** has a positive impact on perceived IJV success.

Check of regression model 4 assumptions

Residuals vs. fitted values: The first plot (Figure 5.20) seems to indicate that the residuals and the fitted values are uncorrelated, as they should be in a homoscedastic linear model with normally distributed errors. The residuals "bounce randomly" around the 0 line. This suggests that the assumption of the model is reasonable and predicted well, while the relationship is linear. The residuals roughly form a "horizontal band" around the 0 line. This suggests that the variances of the error terms are equal. The residual plot with the approximate mean and spread of points (limits that include most of the values) at each value of fitted marked in - to a rough approximation indicating the conditional mean (red).

Normal Q-Q: The second plot (Figure 5.21) shows a normal probability plot, which is a graphical method for comparing two probability distributions by plotting their quantiles against each other. The straight line indicates that the errors are distributed normally and the data fits well to the extent that the plotted points match the diagonal line. The points 6, 28, and 33 deviate little bit from the straight line. However, the overall normal distribution seems to be robust.

Scale location: In the third plot (Figure 5.22) the residuals are square-root standardized in order to check the assumption of equal variance (homoscedasticity). The line shows that distribution does not change substantially for different values supporting the model assumptions.

Cook's distance (residuals vs. leverage): The last plot (Figure 5.23) shows which points have the greatest influence on the regression (leverage points). Note that the standardized residuals are centered around zero and reach around 2 standard deviations away from zero, symmetrically, so about zero, as is to be expected for a normal distribution. Leverage is a measure of how much each data point influences the regression. Since the regression must pass through the centroid, points that lie far from the centroid have greater leverage, and their leverage increases if there are fewer points nearby. As a result, leverage reflects both the distance from the centroid and the isolation of a point. The plot also contours values of Cook's distance, which measures how much the regression would change if a point was deleted. Cook's distance is increased by leverage and by large residuals: a point far from the centroid with a large residual can severely distort the regression. On this plot, it is important to see that the red smoothed line stays close to the horizontal

gray dashed line and that no points have a large Cook's distance (i.e., >0.5). Both are true here.

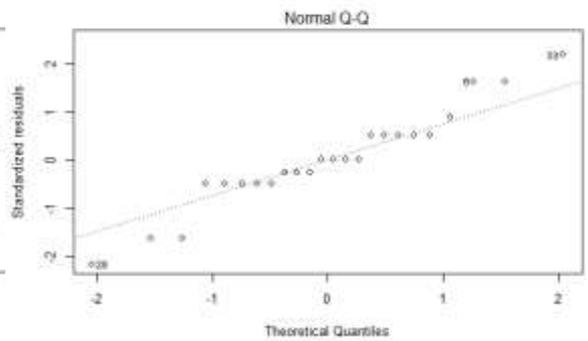
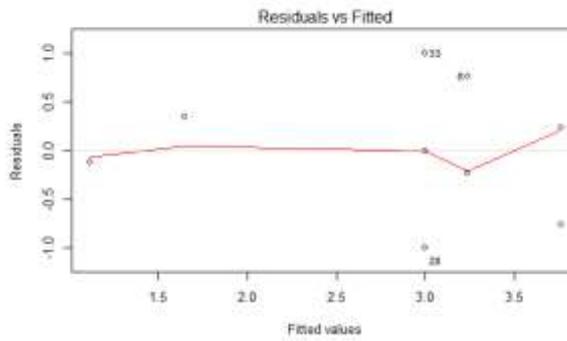


Figure 5.20: Residuals vs. fitted values (M4), created by author. Figure 5.21: Normal Q-Q (M4), created by author.

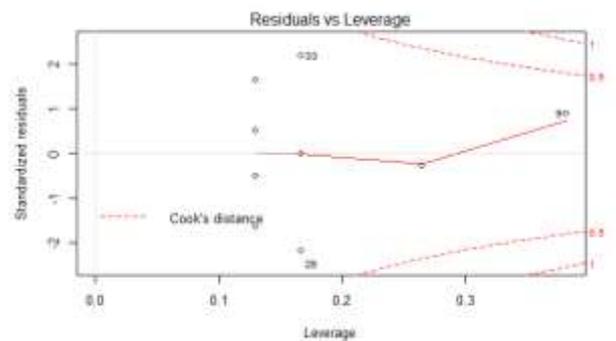
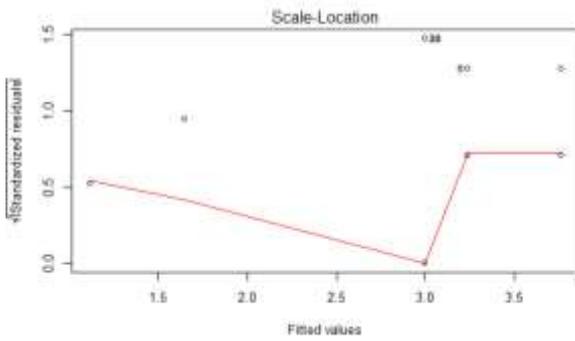


Figure 5.22: Scale location (M4), created by author. author.

Figure 5.23: Cook's distance (M4), created by author.

Model 5: Relative IRR

Independent variables:

i31 = Have regular management meetings
 i35 = Solid financial model with realistic assumptions
 i55 = Effective communication

Ratios:

Number of observations: 18
 Max p value = 0.0473
 F value = 7.91
 Multiple R-squared = 0.6289
 Adjusted R-squared = 0.5493

p values

	Estimate	Std. Error	t value	Pr(> t)	
(Intercept)	-1.1194	1.2044	-0.929	0.3684	
i31	-1.1119	0.4479	-2.483	0.0263	*
i35	2.0746	0.8146	2.547	0.0233	*
i55	1.1567	0.5319	2.175	0.0473	*

Significance codes: *** p < 0.001; ** < 0.01; * p < 0.05; ° p < 0.1

Comparison of factor weight vs. univariate sign and R²

	i31	i35	i55
Factor loadings	-1.111940299	2.0746269	1.1567164
univ. sign	-1	1	1
univ. R ²	0.008699634	0.2693827	0.2729934

Model assumptions: linear regression excludes models with p value > 0.1 and univariate sign <> sign of weight

Correlation matrix

	i31	i35	i55
i31	1,00	0,44	0,29
i35	0,44	1,00	0,65
i55	0,29	0,65	1,00

Table 5.18: Results of multivariate linear regression M5, created by author

Table 5.18 summarizes *p* values, factor loadings, univariate signs, R-squared, and correlation matrix for the independent variables of model 5. This model indicates support for the combination of the following independent variables: **have regular management meetings** ($p < 0.05$), **solid financial model with realistic assumptions** ($p < 0.05$), and **effective communication** ($p < 0.05$) during the post-formation stage. Multiple regression was conducted to predict “relative IRR”. The *p* value of model 5 ($p < 0.05$, $F = 7.91$) confirms statistical significance. The regression explains around 55% of the variation of the realized “relative IRR” (R-squared = 0.6289; adjusted R-squared = 0.5493). The regression procedure shows a negative implication of management cultures in IJVs in real estate development projects with infrequent management meetings. Moreover, the results highlight the importance of **solid financial model with realistic assumptions** and **effective communication** among the partners.

Check of regression model 5 assumptions

Residuals vs. fitted values: The first plot (Figure 5.24) seems to indicate that the residuals and the fitted values are uncorrelated, as they should be in a homoscedastic linear model with normally distributed errors. The residuals "bounce randomly" around the 0 line. This suggests that the assumption of the model is reasonable and well-predicted, while the relationship is linear. The residuals roughly form a "horizontal band" around the 0 line. This suggests that the variances of the error terms are equal. The residual plot with the approximate mean and spread of points (limits that include most of the values) at each value of fitted marked in - to a rough approximation indicating the conditional mean (red).

Normal Q-Q: The second plot (Figure 5.25) shows a normal probability plot, which is a graphical method for comparing two probability distributions by plotting their quantiles against each other. The straight line indicates that the errors are distributed normally and the data fits well to the extent that the plotted points match the diagonal line. The points 7, 25, and 28 deviate a little bit from the straight line. However, the overall normal distribution seems to be robust.

Scale location: In the third plot (Figure 5.26) the residuals are square-root standardized in order to check the assumption of equal variance (homoscedasticity). The line shows that distribution does not change substantially for different values, supporting the model assumptions.

Cook's distance (residuals vs. leverage): The last plot (Figure 5.27) shows which points have the greatest influence on the regression (leverage points). Note that the standardized residuals are centered around zero and reach around 3 standard deviations away from zero, symmetrically, so about zero, as is to be expected for a normal distribution. Leverage is a measure of how much each data point influences the regression. Since the regression must pass through the centroid, points that lie far from the centroid have greater leverage, and their leverage increases if there are fewer points nearby. As a result, leverage reflects both the distance from the centroid and the isolation of a point. The plot also contours values of Cook's distance, which measures how much the regression would change if a point was deleted. Cook's distance is increased by leverage and by large residuals: a point far from the centroid with a large residual can severely distort the regression. On this plot, it is important to see that the red smoothed line stays close to the horizontal

gray dashed line and that no points have a large Cook's distance (i.e., >0.5). Both are true here.

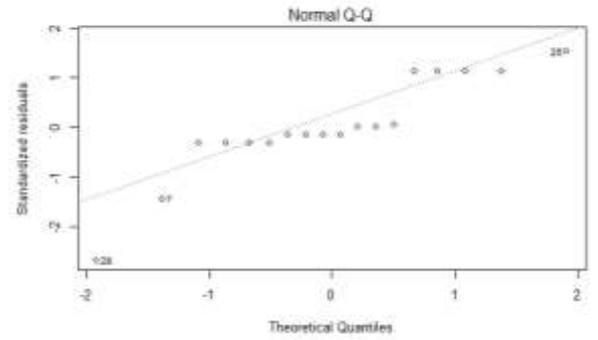
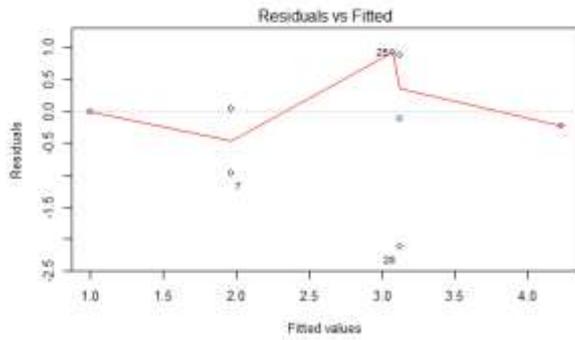


Figure 5.24: Residuals vs. fitted values (M5), created by author. Figure 5.25: Normal Q-Q (M5), created by author.

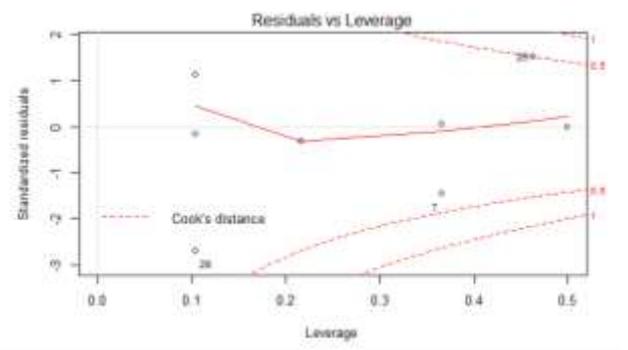
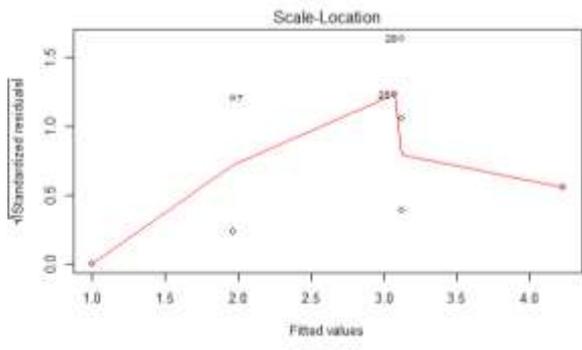


Figure 5.26: Scale location (M5), created by author.

Figure 5.27: Cook's distance (M5), created by author.

Model 6: Absolute IRR

Independent variables:

i33 = Develop a proper business plan
 i35 = Solid financial model with realistic assumptions
 i90 = Meeting the project timeline

Ratios:

Number of observations: 22
 Max p value = 0.0893
 F value = 11.78
 Multiple R-squared = 0.6626
 Adjusted R-squared = 0.6064

p values

	Estimate	Std. Error	t value	Pr(> t)	
(Intercept)	-0.12929	0.15211	-0.850	0.4065	
i33	-0.08514	0.04639	-1.835	0.0830	∞
i35	0.11786	0.05289	2.228	0.0389	*
i90	0.09500	0.05289	1.796	0.0893	∞

Significance codes: *** p < 0.001; ** p < 0.01; * p < 0.05; ∞ p < 0.1

Comparison of factor weight vs. univariate sign and R²

	i33	i35	i90
Factor loadings	-0.08514286	0.1178571	0.0950000
univ. sign	-1	1	1
univ. R ²	0.35621092	0.4238154	0.4737205

Model assumptions: linear regression excludes models with p value > 0.1 and univariate sign <> sign of weight

Correlation matrix

	i33	i35	i90
i33	1,00	-0,43	-0,53
i35	-0,43	1,00	0,51
i90	-0,53	0,51	1,00

Table 5.19: Results of multivariate linear regression M6, created by author.

Table 5.19 presents an overview of p values, factor loadings, univariate signs, R-squared, and correlation matrix for the independent variables with respect to model 6. This model indicates support for the combination of the following independent variables: **develop a proper business plan** (p < 0.1), **solid financial model with realistic assumptions** (p < 0.05), and **meeting the project timeline** (p < 0.01), relevant for the post-formation stage. Multiple regression was conducted to predict “absolute IRR”. Table 5.19 shows that model 6 was significant (p < 0.05, F = 11.78), while the regression explains well over 60% of the variation of the “absolute IRR” (R-squared = 0.6626; adjusted R-squared = 0.6064). The performance measure is negatively correlated with **develop a proper business plan**, which means that there was no need for re-defining the investment strategy or the original business plan during the post-formation stage. Therefore, the regression procedure suggests that a well-developed business plan (during the formation stage) with no need for re-definition (during the post-formation stage) has a positive impact on realized IRR.

In addition, the results show a supportive fit in the combination of a **solid financial model with realistic assumptions** with **meeting the project timeline**.

Check of regression model 6 assumptions

Residuals vs. fitted values: The first plot (Figure 5.28) seems to indicate that the residuals and the fitted values are uncorrelated, as they should be in a homoscedastic linear model with normally distributed errors. The residuals "bounce randomly" around the 0 line. This suggests that the assumption of the model is reasonable and well-predicted, while the relationship is linear. The residuals roughly form a "horizontal band" around the 0 line. This suggests that the variances of the error terms are equal. The residual plot with the approximate mean and spread of points (limits that include most of the values) at each value of fitted marked in - to a rough approximation indicating the conditional mean (red).

Normal Q-Q: The second plot (Figure 5.29) shows a normal probability plot, which is a graphical method for comparing two probability distributions by plotting their quantiles against each other. The straight line indicates that the errors are distributed normally and the data fits well to the extent that the plotted points match the diagonal line. The points 3, 28, and 33 deviate little bit from the straight line. However, the overall normal distribution seems to be robust.

Scale location: In the third plot (Figure 5.30) the residuals are square-root standardized in order to check the assumption of equal variance (homoscedasticity). The line shows a relatively horizontal trend with equally (randomly) spread points, supporting the model assumptions.

Cook's distance (residuals vs. leverage): The last plot (Figure 5.31) shows which points have the greatest influence on the regression (leverage points). Note that the standardized residuals are centered around zero and reach around 2 standard deviations away from zero, symmetrically, so about zero, as is to be expected for a normal distribution. Leverage is a measure of how much each data point influences the regression. Because the regression must pass through the centroid, points that lie far from the centroid have greater leverage, and their leverage increases if there are fewer points nearby. As a result, leverage reflects both the distance from the centroid and the isolation of a point. The plot also contours values of Cook's distance, which measures how much the regression would change if a point was deleted. Cook's distance is increased by leverage and by large residuals: a point far

from the centroid with a large residual can severely distort the regression. On this plot, it is important to see that the red smoothed line stays close to the horizontal gray dashed line and that no points have a large Cook's distance (i.e, >0.5). Both are true here.

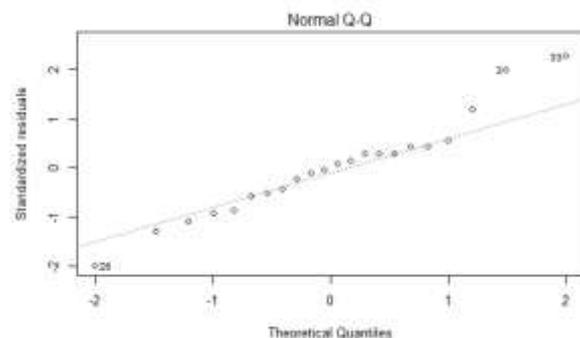
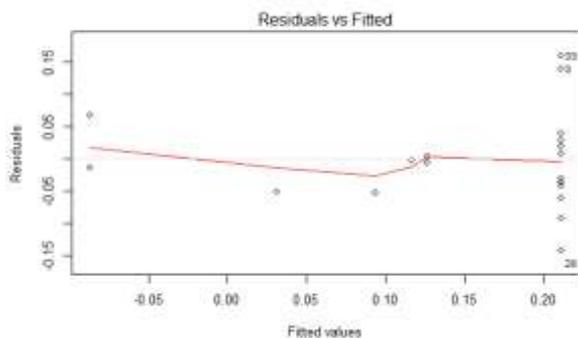


Figure 5.28: Residuals vs. fitted values (M6), created by author. Figure 5.29: Normal Q-Q (M6), created by author.

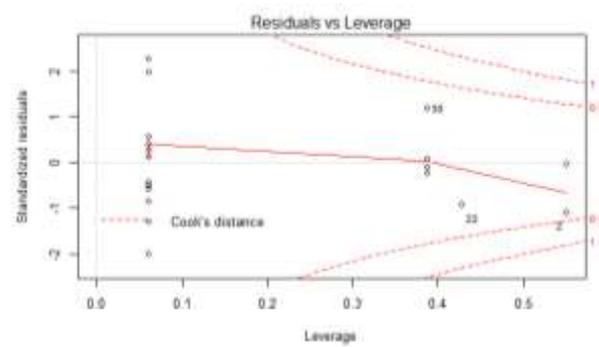
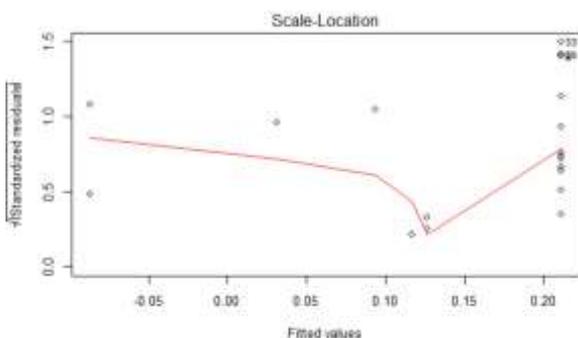


Figure 5.30: Scale location (M6), created by author.

Figure 5.31: Cook's distance (M6), created by author.

5.3.3) Summary

All performance determinants and CSFs identified in the literature review and research phase 1 were tested in this chapter by statistical analyses. The results of the regression analyses showed that various CSFs and their performance determinants individually and in combination support IJV performance. Thus, CSFs and their relationships have been identified. The findings support the argument of the present research, which emphasize the importance of particular performance determinants divided in the formation and post-formation process of IJVs in real estate development projects, and therefore confirm the existence of CSFs in this

context. The consolidated list of key performance determinants and CSFs served as the starting point for the research phase in the following chapter. The objective of research phase 3 was to gain a better contextual understanding of the relevant performance determinants and CSF identified. The researcher wanted to achieve this understanding with the help of detailed semi-structured interviews. Respective knowledge is important to improve the success rate and to reduce the probability of default of such ventures. Moreover, the findings will be relevant to both theoretical and practical perspectives.

5.4) Research phase 3

5.4.1) Data Collection

Interviewees

In order to ensure a broad spectrum of beliefs and values across the group of participants, the sample was structured to represent four different areas of expertise: general managers, portfolio managers, transaction managers and asset managers. All participants (see Table 5.20) were in executive positions with direct responsibility for the IJV's operation, being most knowledgeable about the respective topic. Five semi-structured interviews among experienced IJV managers were conducted. Three interviews took place in German as for both the interviewee and the researcher, German was the mother tongue, the rest of the interviews were conducted in English. In cross-language qualitative research, it is important to mediate the language barrier to ensure accuracy and to generate robust research results. The interviews were analysed in the original text. However, the text passages relevant to the study were first translated by the researcher and then checked by a professional translator. Subsequently, the translations were submitted to the respective interviewee and accepted. This process ensured the correct translation and interpretation throughout the research process.

#	Area of expertise	Job level	Work experience
1	Transaction Management	Managing Partner	20 years
2	Portfolio Management	Managing Partner	12 years
3	Portfolio Management	Executive Director	11 years
4	General Management	Managing Director	11 years
5	Asset Management	Managing Partner	10 years

Table 5.20: Overview of participants, created by author.

The semi-structured interview

Background Information	1) What is your title?	
	2) What is your function?	
	3) What is your age?	
	4) How many years have you been working in the real estate industry?	
	5) How many years have you been working in the management of IJVs in real estate development?	
	6) What is your relation to those IJVs?	
Overview of the CSFs identified in Research phase 2	Formation stage	Post-formation stage
	Familiarity with local legislation	
	Liquidity management	
	Solid financial model with realistic assumptions	
	Develop a proper business plan	
	Conduct a proper partner due diligence	Ability and skills of partner
	Alignment of interest	
		Alignment of objectives
	Clear statement of IJV agreement	
	Contract satisfaction	
		Monitoring of IJV activities
		Control of project performance
	Meeting the project time line	
Questions with respect to the outcome of research phase 2	7) Do you confirm the importance of the factors?	
	8) Why are those factors important?	
	9) Do the results make sense?	
	10) How do the results make sense?	
	11) What is your opinion on the factors?	
	12) How can the factors affect the performance of an IJV in real estate development?	
	13) How do those factors play a role or influence your practical action?	
General questions	14) Would you like to add a topic?	
	15) Do you think an important aspect/factor is missing?	
	16) Do you have general comments?	

Table 5.21: Interview guideline and list of questions in the semi-structured interviews, created by author.

The structure of the interview guideline (interview questions) outlined in Table 5.21 is based on the outcome of the quantitative analysis research phase 2. The outcome of research phase 2 via triangulation will be challenged by practitioners in order to confirm those results and develop a better understanding of the topic.

5.4.2) Data Analysis

Conceptual content analysis

Conceptual content analysis (also known as thematic analysis) scrutinizes text to check the existence of a specific theme by breaking down the text into words, phrases, or sentences (see Neuendorf, 2002; Krippendorff, 2004; Busch, De Maret, Flynn, Kellum, Le, Meyers, Saunders, White & Palmquist, 2005; Colorado State University, 2006; Kulatunga, Amaratunga & Haigh, 2007). According to Franzosi

(2004), using this method, one can identify dominant concepts reflected in the text, categorized into broader themes. This procedure enables researchers to find similar cognitions under the same concept, while the underlying principle focuses on systemically identifying the properties of the categories and the occurrence of selected terms within the text (Webb, Campbell, Schwartz & Sechrest, 1966; Swan, 1997). Such terms may be implicitly or explicitly related to the topic under investigation (Smith, 1992; Palmquist, Carley & Dale, 1997; Zhang & Kuo, 2001). The repetition of certain terms demonstrates the strength or weakness of those particular terms in the discussion with the experts. Franzosi (2004) argues that a prudent realization of a conceptual content analysis requires an in-depth understanding of the text to be able to precisely determine the implicit terms before starting the data analysis process.

In the context of this research, broader thematic text analysis was conducted, assessing meaningful sentences and paragraphs relating to themes connected to the identified performance determinants, narratives that report particular situation and instances, the structure of the interview, and the interview as a whole. By reducing and rearranging the answers/narratives, individual parts of the text were analysed in order to determine the influence of social discourses, as shown in these texts. The answers/narratives were grouped according to their common core concepts. The focus was on generating explanations with respect to the identified performance determinants and CSFs. This approach allowed for well-organized data analysis, focusing on the research questions with the objective of deepening understanding and developing recommendations for the improvement of IJV operation in real estate development. Excel software was used to organize the thematic structure. The IJV managers' expertise provided extensive insight, context and situational background information about factors contributing to successful IJV projects in real estate development.

5.4.3) Results

Table 5.22 shows an overview of the interview responses confirming the main identified themes/categories from research phase 2.

Interview topic	Confirmation of relevance to IJV manager (interviewees)				
	1	2	3	4	5
Familiarity with local legislation (formation stage)	X	X	X	X	X
Liquidity management (formation stage)	X	X	X	X	X
Solid financial model with realistic assumptions	X	X	X	X	X
Develop a proper business plan	X	X	X	X	X
Conduct a proper partner due diligence (formation stage)	X		X	X	X
Ability and skills of partner (post-formation stage)	X		X	X	X
Alignment of interest	X	X	X	X	X
Alignment of objectives (post-formation stage)			X	X	X
Clear statement of IJV agreement (formation stage)	X		X	X	X
Contract satisfaction (formation stage)	X		X	X	X
Monitoring of IJV activities (post-formation stage)	X		X	X	X
Control of project performance (post-formation stage)	X	X	X	X	
Meeting the project time line (post-formation stage)	X	X	X	X	X

Table 5.22: Overview of responses confirming the main identified themes form research phase 2, created by author.

5.3.2.3) Investment dimension

Doing specific and target oriented investments

Familiarity with local legislation

Understanding local legal legislation on matters such as contract law, dispute resolution, and specific economic structures was deemed highly necessary. This knowledge helps investors to determine how to achieve sector regulatory compliance. Little or no familiarity with local legislation may create mayor risks and/or challenges. They argued that a lack of own control, and heavy reliance on the local partner, may cause IJV failure.

Evidence	Source
<i>"[...] understanding local legal culture will assist investors determining how to achieve sector regulatory compliance [...] The knowledge will enable them to generate an overview of relevant tax laws, currency and foreign investment restrictions and other regimes that may influence the economics and structure of the transaction."</i>	Interviewee 2
<i>"Not understanding the local legislation causes a "lack of "real" control, and heavy reliance on the local partner, which results in an unsatisfactory return of the project."</i>	Interviewee 1
<i>„[...] normalerweise sollte man natürlich in ein JV nur investieren, wenn man Erfahrung mit dem Rechtssystem hat und weiß auf was man sich einlässt.“</i> Translation: Generally, you should only invest in a JV, if you have experience with the legal system and know what you are doing.	Interviewee 4

Table 5.23: Summary of responses providing the evidence of "familiarity with local legislation", created by author.

The interviews confirmed the importance of familiarity with local legislation. However, they noted that it related to different issues/aspects in comparison with the decision to invest in an IJV. Interviewee 2 highlighted the benefit of familiarity with local legislation leading to greater compliance within sector regulation, while he further argued that this knowledge has a relevant impact on the economics and structure of the business activities. According to interviewee 1, greater control and less reliance on the local partner will promote better project performance. Interviewee 4 suggested not investing into an IJV in real estate development if you are not familiar with the local legal system. Such an approach could increase the probability of default of the venture.

In addition to familiarity with local legislation, various interviewees addressed the importance of understanding the enforceability of the contractual agreements within the local legislation. They emphasized the importance of being able to recognize whether terms of a deal are enforceable, within the confines of the legal system, and what dispute resolution mechanisms are in use locally.

Evidence	Source
<p><i>"[...] whether the documents of a deal are enforceable as well as what governing law and dispute resolution mechanisms to select."</i></p>	Interviewee 2
<p><i>"[...] sollte man [die...] juristische Landschaft prüfen, wie durchsetzbar die Forderungen auch tatsächlich sind."</i></p> <p>Translation: You should examine the legal landscape; how enforceable your demands actually are.</p>	Interviewee 5
<p><i>"Die Vertrautheit mit der lokalen Gesetzgebung ist für mich auch einer der wichtigsten Punkte. Einmal ist klar Vertrautheit mit dem Rechtssystem, mit dem Steuersystem, dann muss man auch wissen, inwieweit kann ich meine Rechte, die auf dem Papier stehen, auch durchsetzen. Nicht nur Vertrautheit sondern auch Durchsetzbarkeit muss gegeben sein. In Indien haben wir beispielsweise alle Rechte auf dem Papier, können Sie aber einfach nicht durchsetzen, weil die Rechtsmittel extrem lange dauert (oft zu lange für einen geschlossenen Fonds)."</i></p> <p>Translation: Familiarity with the local legislation is also one of the most important points for me. Familiarity with the legal system, with the tax system; it is also important to know how to enforce my right stated on the paper. Not only familiarity but also enforceability is an important issue. In India, for example, you get all rights on paper, but you cannot enforce them because the appeals take a very long time (often too long for a closed-end fund).</p>	Interviewee 3

Table 5.24: Summary of responses providing the evidence of "understanding enforceability of local legislation", created by author.

They consider enforceability within local legislation relevant in terms of dispute resolution mechanisms, tax reliability and individual contractual agreements. Contracts are of little value if their content is not legally enforceable.

Investment management system

Liquidity Management

The interviewees deemed liquidity management necessary, particularly at the beginning of the IJV (during the formation phase). They agreed that liquidity management policies and procedures are important to avoid liquidity risks. They pointed out that understanding liquidity needs allows quick and flexible action in the case of unforeseen events.

Evidence	Source
<p><i>„Ich kann bestätigen, dass das Liquiditätsmanagement besonders in der Anfangsphase wichtig ist, da im Ankauf des Grundstücks die Prozesse meist sehr schnelle erfolgen müssen, vor allem in wettbewerbsfähigen Lagen. Finanzierungslinien für die Bauphase werden grundsätzlich mit zusätzlichen Puffern ausgestattet, so dass es in der operativen Phase selten zu Liquiditätsengpässen kommt.“</i></p> <p>Translation: I can confirm that liquidity management is especially important in the formation phase, as land acquisition processes need to usually be executed very fast, particularly in competitive locations. Financing lines for construction are basically equipped with additional buffers, so liquidity problems rarely arise in the operational phase.</p>	Interviewee 3
<p><i>„Erfahrungsgemäß ist es wichtig, dass man einfach zu einem gewissen Grad flexibel und schnell agieren können muss, um auch die richtigen Deals zu bekommen.“</i></p> <p>Translation: Experience has shown that it is important to be able to act flexibly and quickly to get the right deal.</p>	Interviewee 1
<p><i>“[...] appropriate and effective liquidity management policies and procedures need to be implemented to avoid running into liquidity risks. This presupposes the understanding of liquidity requirements and the ability to secure available sources.”</i></p>	Interviewee 2
<p><i>„Im Value Add Bereich sind immer die geforderten Renditen hoch, d. h. die Fremdfinanzierungsquoten werden hochgefahren. Dann gibt es wenig Puffer in der Liquidität. Bei 90% bis 95% der Projekte ist Liquiditätsmanagement daher essentiell.“</i></p> <p>Translation: For value-add investments required returns are generally high, i.e. the leverage ratios are often maximized. This leads to little buffer in liquidity. In 90% to 95% of projects, liquidity management is, therefore, essential.</p>	Interviewee 4
<p><i>“Besonders in Krisenzeiten, wenn der Zugang zu Fremdkapital austrocknet wird das Thema Liquiditätsmanagement wieder wichtiger, so dass man den Zyklus der Wirtschaft auch im Auge behalten sollte. Developer nutzen daher auch in schwierigeren Zeiten Partnerschaften mit Kapitalinvestoren um einen besseren Zugang nicht nur zu Eigenkapital sondern auch zu Fremdkapital zu bekommen. Die Partnerschaft kann daher auch Teil der Liquiditäts-Management Strategie sein.“</i></p> <p>Translation: Particularly, in times of crisis, when access to borrowing (bank financing) is limited liquidity management gets more important. Therefore, IJV managers should keep the cycle of the economy in mind. Developers often collaborate with capital investors to ensure access to capital during difficult times (equity and bank financing). Such partnerships are regularly used as part of the liquidity management strategy.</p>	Interviewee 3
<p><i>“Die Notwendigkeit des Liquiditätsmanagements hängt nicht so sehr von der Größe, sondern vielmehr von den Risiken ab. Also wenn es ein Projekt ist, in welchem sämtliche Risiken komplett bei einer Dritten Partei sind, z.B. [...] man] lässt sich ein Bürogebäude hinstellen, aber die Kostenrisiken sind alle beim Generalunternehmer und die Planungsseite beim Generalübernehmer, auch das zeitliche Risiko. Dann ist es relativ entspannt.“</i></p>	Interviewee 4

Translation: The need for liquidity management depends less on the size of the project, and more on the allocation of risks. If there is a project, in which all risks are completely transferred to a third party, for example, you are constructing an office building, but all the construction cost risks are transferred to the main contractor and all the planning risks are transferred to the general contractor, including timing risk, then the development project is relatively relaxed.	
„You need to understand liquidity needs to avoid any liquidity stress.“	Interviewee 1

Table 5.25: Summary of responses providing the evidence of “liquidity management”, created by author.

All interviewees considered liquidity management important. Their main comments considered the following aspects:

- Create awareness for liquidity requirements and ensure funds in time;
- Capital investors require liquidity management policies and procedures;
- Avoidance running into liquidity risk/illiquidity;
- Modify liquidity management according to specifics of the project and the market cycle.

Liquidity management is, therefore, an important component for the success of the IJV.

Adequate underwriting

Solid financial model with realistic assumptions

Various assumptions in a financial model have a strong impact on the economic outcome. The interviewees agreed that the evaluation of a project and the decision to invest in the IJV are often based on numbers. Therefore, they considered it very important that the assumptions are prudently checked and that only realistic assumptions are applied in the financial models.

Evidence	Source
<i>“Models are not static, as they need to be adjusted for project changes over the life cycle of the investment period.”</i>	Interviewee 1
<i>“[...] initial leasing assumptions and project timelines are too optimistic in many projects. Timetables usually slip; therefore, it is recommendable to not be too aggressive on timing.”</i>	Interviewee 1
<i>“[...] the most relevant assumptions are construction cost budgets and exit assumptions either by net operating income and capitalization rates determining sales prices.”</i>	Interviewee 2
<i>“In previous projects, operating expenses and construction costs were underestimated.”</i>	Interviewee 2
<i>“[...] the purpose of a financial model is to determine the financial feasibility of a real estate development project. In this context, the budget for the overall cost is key, while uncertainty in such models is driven by many project and construction related as well as economic factors. Calculations with respect to sensitivity, scenario and simulation analysis may support a better understanding of major risks.”</i>	Interviewee 2
<i>„Sobald man mit externen Investoren spricht sind Finanzmodelle eine wesentliche Voraussetzung, um die Wirtschaftlichkeit des Investment verstehen zu können. Vor allem die Annahmen solcher Modelle werden von allen Beteiligten geprüft und bis in kleinste Detail hinterfragt. Das betrifft insbesondere die Mietzinsannahmen.“</i>	Interviewee 3

<p>Translation: By talking to external investors, you comprehend that financial models are essential to understand the economics of the investment. In particular, the assumptions of such models are checked by all stakeholders and scrutinized in great detail. This concerns in particular the rental assumptions.</p>	
<p><i>„Folgende Annahmen sind für uns besonders wichtig. Grundstückskaufpreise, Baukosten hat man in der Regel sehr gut im Griff, sind aber wesentlich. Die Marktmiete, Vermietungsgeschwindigkeit (dabei ist vor allem die aktuelle Konkurrenzsituation ausschlaggebend, bspw. wenn drei Shopping Mall nebeneinander gleichzeitig fertiggestellt werden, kann eine Aufmietung sehr lange dauern bzw. eine Vollvermietung kann unmöglich sein), mietfreie Zeiten, Vermietungsstand bei Vollvermietung (struktureller Leerstand) sowie Exit-faktoren. Sollte eine Vollvermietung nicht erzielbar sein, ist es auch wichtig, wie der Markt (die Käufer) Leerstandsflächen einpreisen. Dies kann durchaus abhängig von der jeweiligen Marktsituation sein. In schwachen Marktphasen haben Leerstandsflächen eine vernichtende Auswirkung auf den Preis, wobei in boomenden Phasen Leerstandsflächen durchaus als Chance/Potenzial bewerten werden, da man ja die Möglichkeit hat in einem Markt mit steigenden Mietzinsen zu vermieten und somit Wertschöpfung zu betreiben.“</i></p> <p>Translation: The following assumptions are particularly important to us. Land prices and construction costs are very manageable, but essential. The market rent, time to lease up a property (this is crucial, especially in competitive market situations, e.g. if three shopping malls are simultaneously completed next to each other, lease up activities can take a long time or full occupancy is even impossible), rent-free periods, target occupancy rate at full occupancy (structural vacancy) and exit capitalization factors. If full occupancy is not feasible now, it is also important to know, how the market (buyers) are pricing in vacant space. This may depend on the prevailing market situation. In weak market phases, vacant space has a devastating effect on the price, while vacant space is thoroughly assessed as a chance/potential in the booming phase, since one has the possibility to lock in increasing rents and to generate additional value.</p>	Interviewee 3
<p><i>„Es hängt ein bisschen davon ab, wie gut man sein Geschäft versteht. Für den geeigneten Investor bzw. aus Sicht des Kapitalgebers (der auch IRR getrieben ist) für den ist es essentiell. Die Zahlen tragen einen wesentlichen Teil zur Entscheidung bei, ob ein Investment weiter verfolgt bzw. am Ende die Investition auch getätigt wird.“</i></p> <p>Translation: It depends a bit on how well you understand your business. It is essential for investors or from the perspective of an investor (generally driven by IRR). The numbers contribute significantly to the decision regarding whether or not to pursue an investment or finally invest.</p>	Interviewee 4
<p><i>„Das ist das Rückgrat eines jeden IJVs. [...] Die Qualität und Verlässlichkeit des Cashflow Modells steht und fällt natürlich mit den Annahmen.“</i></p> <p>Translation: This is the backbone of every IJV. [...] The quality and reliability of the cash flow model stands or falls naturally with the assumptions.</p>	Interviewee 5

Table 5.26: Summary of responses providing the evidence of “solid financial model with realistic assumptions”, created by author.

The experts confirmed that financial models are very relevant. However, they highlighted various arguments to pinpoint their positions. Interviewee 1 acknowledged the need of financial models by pointing out that models need to be built up in a flexible way so that the manager can easily react to continuous project changes. Moreover, interviewee 1 emphasised that projects will perform better in cases where the schedule for the approval and construction process is not set too tightly. Interviewee 2 argued that many of the assumptions in the model have to be carefully considered as they are essential for understanding the financial success of the project. A model with realistic assumptions is thus used to evaluate the financial feasibility of the project and to help in making the investment decision.

Interviewee 3 stated that most professional capital investors require financial models. The presentation of the key assumptions in a transparent way (in the form of a financial model), therefore, enables a quick overview of the most important value drivers, and thus the assessment of the investment project in terms of its success. Interviewee 4 and 5 again emphasized the importance of the interaction between the financial model and investment decision. The quality and reliability of a financial model is strongly dependent on how robust and realistic the assumptions are.

Develop a proper business plan

The IJV managers agreed that the business plan helps to better understand the potentials and risks of a particular real estate development project. In addition, experts considered the business plan to be the basic reference for making decisions and for reflecting on the IJV project.

Evidence	Source
<p>„Die Strategien werden im Rahmen des Business Plans sorgfältig und intensiv ausgearbeitet. Der Business Plan wird während des Underwritings im gesamten Team diskutiert. Eine enge Zusammenarbeit zwischen Portfolio Management und Asset Management spielt hier eine wichtige Rolle.“</p> <p>Translation: The strategy is carefully and extensively developed in course of the business plan. The business plan will be discussed during the underwriting throughout the entire team. A close cooperation between portfolio management and asset management plays an important role here.</p>	Interviewee 3
<p>“The real estate development business is risky, but in order to make it big in the trade as a property developer, you have to understand and take calculated risks. The evaluation of calculated risk needs to be reflected in the business plan.”</p>	Interviewee 2
<p>“[...] a good business plan has to demonstrate a better upside potential than downside risk in order to be promising.”</p>	Interviewee 1
<p>„Aus meiner Erfahrung heraus ist es sehr wichtig einen Business Plan zu erstellen und dabei Szenarien zu analysieren. Vor allem ist es wichtig ein Worst Case Szenario darzustellen, um das mögliche Downside-Risiko der Investition verstehen so können. Wir versuchen in der Regel Deals zu identifizieren, bei denen es mehr Upside-Potenzial gibt als Downside-Risiko. Ein solches Verständnis kann nur über Szenarioanalysen und Sensitivitätsberechnungen entwickelt werden. Ziel ist es bei einem Worst Case zumindest sein Eigenkapital retten zu können. Dabei müssen auch die Annahmen für die verschiedenen Szenarien richtig eingestellt und beurteilt werden.“</p> <p>Translation: In my experience it is very important to create a business plan and to analyse scenarios. Above all, it is important to represent a worst case scenario to understand the potential downside risk of the investment. We try to identify deals, where there is more upside potential than downside risk. Such an understanding can only be developed through scenario analysis and sensitivity calculations. The aim for a worst case is, at least to save the invested equity. The assumptions for the different scenarios need to be prudently chosen.</p>	Interviewee 3
<p>„[...] grundsätzlich ist ein Business Plan wichtig. Ein Projekt anzugehen ohne das man von Anfang an einen Plan hat, was man damit auch machen will und wo man hin will [...] ist immer schwierig.“</p> <p>Translation: Basically, a business plan is important. To start a project without having a plan from the beginning, of what you want to do and where you want to go is always very difficult.</p>	Interviewee 4

<p>„[...] der Business Plan [ist] immer die Basis, auf welche man zurückgreifen sollte, wenn Entscheidungen zu treffen sind oder man das Projekt reflektiert. Jede Änderung des Projekts sollte durch eine Anpassung im Business Plan erfolgen [...].“</p> <p>Translation: The business plan is always the basis, on which you should rely, when you have to take a decision or you reflect the project. Any changes to the project should be made through an adaptation in the business plan.</p>	Interviewee 5
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Table 5.27: Summary of responses providing the evidence of “develop a proper business plan”, created by author.

The interviewees agreed that a business plan is important for project development in the context of an IJV. Business plans are relevant management tools used by IJV managers to guide the project to its goal. Interviewee 3 and 4 were convinced that the strategy of the project would be optimally defined within the framework of the business plan. For interviewee 1 and 2 the business plan is a good means to assess the project risks, while interviewee 5 saw the business plan as the basis for decisions, documentation, and reflection on the project.

5.3.2.4) Partner dimension

Partner Selection

Conduct a proper partner due diligence

The experts believed it significant to find a partner you can rely on. They highlighted that measures such as the evaluation of a track record, combined with other research activities are relevant checking routines in gaging the quality and potential of a partnership.

Evidence	Source
<p>“It is key to find a first class operator to be your IJV partner. Therefore, your need to organize a very in-depth partner due diligence. [...] Only invest with a strong and trusted development partner.”</p>	Interviewee 1
<p>„Die Auswahl des richtigen Partners und somit der Prozess der Partner Due Diligence ist für ein erfolgreiches Projekt mit am wichtigsten. Man kann im Marktzyklus richtig oder falsch liegen. [...] Aber wenn man den falschen Partner auswählt, dann wird man wahrscheinlich kein erfolgreiches Projekt machen. Und wenn man einen guten Partner ausgewählt hat und das Projekt mit ihm umsetzt, dann wird man auch in schwierigen Zeiten Lösungen finden.“</p> <p>Translation: The selection of the right partner, and thus the process of partner due diligence is one of the most important criteria for a successful project. You may be right or wrong with respect to the market cycle. [...] But if you select the wrong partner, then the project will probably not be successful. In addition, if you have chosen a good partner and you execute the project with him, you will find solutions even in difficult times.</p>	Interviewee 4
<p>„Folgende Punkte sind in unserer Partner Due Diligence von Bedeutung: Eine starke Balance Sheet, Erfahrung mit vielen Projekten (Track Record), Vertrauen/vertrauensvoll sein, Projekterfahrung mit dem Partner, ein starkes Netzwerk, je kleiner der Partner, desto höher die Anforderungen an seiner</p>	Interviewee 3

<p><i>Eigenkapitalbeteiligung. Auch muss eine Interessensgleichschaltung vorherrschen und überprüft werden."</i></p> <p>Translation: The following aspects are relevant in our partner due diligence processes: a strong balance sheet, experience with many projects (track record), confidence/ being trustworthy, project experience with the partners, a strong network; the smaller the partner, the higher the demands on its capital investment. In addition, alignment of interest needs to be present and verified.</p>	
<p><i>„Es hängt viel von seinem Track Record ab, und bei Track Record muss man auch immer auf die Personen achten, d.h. sind die Personen, die den Track Record geleistet haben noch an Bord, sind sie noch in der Verantwortung, werden sie dort auch bleiben.“</i></p> <p>Translation: A lot of your decision depends on the track, however, you also have to look at the people behind it. Are the people who have accomplished the track record still on board, are they still in the position of responsibility, will they remain there?</p>	Interviewee 4
<p><i>„Das ist auch extrem wichtig, vor allem, wenn man sich überlegt, dass man über einen Zeitraum von mehreren Jahren zusammenarbeitet. [...] mit vergangenen Partnern zu sprechen [...], Research, Track Record, all diese Themen. Das muss man verstehen und sich auch früh eine Meinung bilden können.“</i></p> <p>Translation: This is also extremely important, especially when you consider working together over a period of several years; talking with past partners, research, track record, all these topics. You need to understand these aspects in order to be able to form an opinion.</p>	Interviewee 5
<p><i>"We use standardized documents to make the process easier as you do not have to start from scratch every time."</i></p>	Interviewee 1

Table 5.28: Summary of responses providing the evidence of “conduct a proper partner due diligence”, created by author.

The interviews demonstrated the importance of conducting a prudent and diligent IJV partner check in real estate development projects. However, they represented slightly different views. For interviewee 1 it was key to identify a first class operator. According to interviewee 2 the selection of the right partner (partner due diligence) is particularly essential for the execution of a successful project, especially when the project is faced with difficulties during the development process. In interviewee 3’s company, the operational partner has to fulfil various requirements, including a well-executed balance sheet, in order to be selected as a reliable partner for a successful project implementation. Interviewee 4 argued that the track record is very important. He added that it is paramount that the people responsible for the track record are still part of the team. Interviewee 5 suggested that choosing the right partner is important for sustainably efficient collaboration. All statements emphasized the importance of selecting the right IJV partner.

Ability and skills of partner

The IJV managers agreed that the expertise and competency of the IJV partner for the operational business is an important requirement to realize the project efficiently and to navigate the venture even in difficult times.

Evidence	Source
<p>"A partner needs to show a proven skill set, and to demonstrate the ability to execute a real estate development project. [...] you need a capable partner who is in a position to improvise, to make the right decisions and to find good solutions."</p>	Interviewee 1
<p>"Die richtigen Fähigkeiten und das Können mitzubringen ist eine wichtige Voraussetzung, dass der Projektpartner eine reibungslose Umsetzung der Projektentwicklung gewährleisten kann. Deshalb arbeiten wir in der Regel mit sehr erfahrenen und institutionellen Projektentwicklern zusammen."</p> <p>Translation: Bringing the right abilities and skills to the table is an important requirement in order to ensure smooth realization of the project development. Therefore, we usually work together with very experienced and institutional project developers.</p>	Interviewee 3
<p>"In aller Regel als Investor in einem IJV will man selbst so wenig wie möglich machen, d.h. der Partner muss wissen was er macht. Er muss so viel wie möglich selbst machen können und so wenig wie möglich extern auslagert ist wichtig, damit man auch in schwierigen Phasen zu einem guten Ergebnis kommt."</p> <p>Translation: In most cases, an investor in an IJV wants to be involved as little as possible. This means that the partners need to know what they are doing. They should be able to organize as much as possible in-house and outsource as little as possible. This may facilitate the production of good results even in difficult times.</p>	Interviewee 4
<p>„Das „Skill-Set“ und die Fähigkeiten, die der Partner mitbringt, sind extrem wichtig. Der Partner macht ja in der Regel die operative Arbeit vor Ort, insofern kommt es darauf an, was der Partner leisten kann.“</p> <p>Translation: The skill set and the abilities of the partner are extremely important. The partner does the operational work on the ground, so a lot depends on what he is able to do.</p>	Interviewee 5

Table 5.29: Summary of responses providing the evidence of "ability and skills of partner", created by author.

The interviewees confirmed that the ability and skills of an IJV partner are critical to the overall success of a real estate development project. According to interviewee 1, the operational partner needs professional skills to react properly to the complex requirements of the management of real estate project developments. Interviewee 3 suggested cooperating with experienced and institutional real estate developers to ensure a smooth process, with a successful outcome. Interviewee 4 argued that it is important that the partner is able to represent all skills independently of third parties. Moreover, a professional skill set of the operational partner allows efficient projects even with little involvement of the capital partner. Interviewee 5 also agreed on the importance of the ability and skills of the operational partner, as he is responsible for the on-site work.

Alignment of interest

The experts underlined that IJVs in real estate development need to be arranged in a way that puts all partners in a position where they stand to benefit from the positive outcome of the project.

Evidence	Source
<p>„Interessensgleichschaltung ist entweder wichtig, wenn etwas nicht nach Plan läuft oder wenn es Probleme gibt, aber auch wenn das Projekt zu gut läuft.“</p> <p>Translation: Alignment of Interest is not only important if something is not going according to plan, or if there are problems, but also if the project runs too well.</p>	Interviewee 5
<p>„Das ist vor allem dann ein Problem, wenn es nicht so läuft wie geplant.“</p> <p>Translation: This is especially a problem when it is not going to plan.</p>	Interviewee 4
<p>“Alignment of interest is very important. If a partner does not commit real equity, which means that he has no skin in the game, the JV will not allow for alignment of interest.”</p>	Interviewee 1
<p>“The equity contribution of the local partner should be materially in context of his overall investment budget in order to ensure his focus and strong commitment.”</p>	Interviewee 2
<p>“In general, the capital partner should increase the share of equity of the local partner as much as possible (share of equity >20%), while ensuring the dominant position of the capital partner in the venture.”</p>	Interviewee 1
<p>„Interessensgleichschaltung wird grundsätzlich erzeugt, indem der Partner mit signifikantem Eigenkapital involviert ist. Was signifikantes Eigenkapital bedeutet muss man im Verhältnis zur Gesamtsituation des Partners beurteilen.“</p> <p>Translation: In principal, alignment of interest can be generated if the partner contributes significant equity. What significant equity means has to be considered in relation to the overall situation of the partner.</p>	Interviewee 3
<p>“Alignment of interest is an important issue as it protects the JV from misbehaviour and opportunism.”</p>	Interviewee 2
<p>„[...] dass man die wesentlichen Punkte in einem JV-Vertrag so strukturiert, dass eine Interessensgemeinschaft vorherrscht. Dass gleiche Interessen von lokalem Partner und Kapitalpartner gegeben sind.“</p> <p>Translation: That the essential points in a JV contract are structured in such a way that alignment of interest prevails. That equal interests are given by local partner and capital partner.</p>	Interviewee 5

Table 5.30: Summary of responses providing the evidence of “alignment of interest”, created by author.

Alignment of interest was considered as very important by all interviewees. Interviewee 4 and 5 highlighted that, especially in difficult times, divergent interests will lead to additional problems. Interviewee 1, 2, and 3 agreed that alignment of interest is often equated with capital contributions of all the partners in the IJV. Operational partners investing significant amounts of their own capital into the real estate development project will ensure alignment of interest with capital partner/investors.

Alignment of objectives

The majority of experts validated alignment of objectives as a critical component for IJVs in real estate development. In their opinion, capital investors need to reflect upon their own and their partners’ objectives at the beginning of a potential IJV. They considered it advantageous if the common objectives are documented, for example, in the business plan.

Evidence	Source
<p>„Die gleiche Zielsetzung sollte am Anfang der Investition überprüft werden. Bspw. wenn ein offener Fonds mit einem geschlossenen Fonds zusammen investiert, dann sind aufgrund der unterschiedlichen zeitlichen Strukturierung der Investitionsvehikel in der Regel schon zukünftige Konflikte vorprogrammiert. [...] Erfahrungsgemäß [...] zeigt sich das] beim Exit [...], wenn man unterschiedlicher Auffassung ist, was der beste Preis und wann der beste Zeitpunkt für einen Verkauf ist.“</p> <p>Translation: You should check alignment of objectives at the beginning of the investment. For example, if an open-ended fund invests together with a closed fund, there is a high potential of future conflicts as the temporal structuring of the investment vehicles is different. From experience, problems usually arise when you want to exit, if you have a different view of what is the best price and when is the best time for a sale.</p>	Interviewee 3
<p>„[Es kann hilfreich sein, wenn] man [...] von vorneherein schon Exitmechanismen im JV-Vertrag miteingebaut [hat], so dass zukünftige Konfliktsituationen eindeutig geregelt sind.“</p> <p>Translation: It may be helpful to include exit mechanisms in the JV contract, so that future conflict situations are clearly regulated.</p>	Interviewee 3
<p>„[Es ist] wichtig im Vorfeld [...] zu hinterfragen, was der Partner denn für eigene Ziele hat und ob man mit denen auch OK ist bzw. ob man diese in den Griff bekommt.“</p> <p>Translation: It is important to scrutinize, in advance: what are the objectives of the partner? Are you OK with them? Can you deal with them?</p>	Interviewee 4
<p>„Die Ziele sind die Vision eines JVs. Daher sollten sich die Ziele im Business Plan widerspiegeln. Das Ziel wird in der Regel durch den Exit und die Ziel-IRR bestimmt [oder] dass man eine langfristige Partnerschaft anstrebt.“</p> <p>Translation: The objectives are the vision of a JV. Therefore, the business plan has to reflect the objectives. The objectives are usually determined by the exit strategy and the target returns, such as IRR [or] by partners seeking for a long-term partnership.</p>	Interviewee 5

Table 5.31: Summary of responses providing the evidence of “alignment of objectives”, created by author.

Interviewee 3 and 4 pointed out that alignment of objectives should be checked before setting up the venture. Based on his experience, interviewee 3 noted that there is often disagreement on the subject of exit price and the best time for sale. According to interviewee 5, the objective of the JV is of great importance and needs to be properly determined in order to enhance the rate of success.

Evidence	Source
“For me the “alignment of objectives” and the “alignment of interest” are the same.”	Interviewee 1
“Nothing to add. The subject has already been set out under the topic of alignment of interest.”	Interviewee 2

Table 5.32: Summary of responses providing the evidence of same perception with respect to “alignment of objectives” and “alignment of interest”, created by author.

However, there were also different opinions. Some interviews have shown that, in practice, it is difficult to distinguish between alignment of interest and alignment of objectives; both, interviewee 1 and 2 commented that perception of the two is often the same.

5.3.2.5) Structural dimension

Contractual characteristics

Clear statement of IJV agreement

The interviewees agreed that terms in the IJV need to be stated clearly, which allows for clear interpretation later on. They highlighted that distinct components will have differently weighted roles.

Evidence	Source
<p>„Aus meiner Sicht sind klare Regelungen für folgende Aspekte besonders wichtig: Exit, Bestimmung der Gewinnverteilung (Waterfall des Cashflows), Keyman-Bestimmungen, Timing/Zeitplan (Milestone Plan), Definition der Teams (das man weiß mit welchen Personen vom Partner man zusammenarbeitet), jeweilige Beteiligung (Eigenkapitalinvestment und Bereitstellung von Ressourcen), Vertragsstrafen (bei Nicht-Erfüllung der Pflichten).“</p> <p>Translation: From my point of view, clear regulations are particularly important for the following reasons: exit, definition of profit distribution (waterfall cash flow), key man-clauses, timing/ time schedule (milestone plan), composition of the teams (to know with which partner we are collaborating), sharing (equity investment and allocation of resources), penalty clauses (in case of non-fulfillment of obligations).</p>	Interviewee 3
<p>„Hier hängt es auch ein bisschen davon ab, in welchem Land man unterwegs ist, wie die Gesetzgebung ist. [...] Meine Erfahrung ist aber immer, dass ein sauber strukturierter JV Vertrag essentiell ist. Es sollte für alle Beteiligten an dem Projekt möglichst einfach sein den Vertrag zu verstehen. Je komplexer es wird, je mehr Anwälte man braucht, desto mühsamer wird es, wenn das Projekt nicht wie geplant läuft.“</p> <p>Translation: It also depends on the country, in which you are active and its legislation. [...] My experience is that a cleanly structured JV contract is essential. The contract should be as simple as possible to ensure that all parties involved have a clear understanding. The more complex the contract becomes, the more lawyers you need, the harder it is, if the project does not go as planned.</p>	Interviewee 4
<p>„Das ist ein sehr wichtiger Punkt. [...] Das kann mitunter sehr komplex werden. Man sollte jedoch die Verträge so einfach wie möglich halten. Der Vertrag muss transparent und verständlich für alle Seiten sein. Nicht zu kompliziert, aber dennoch ausreichend detailgrad, dass viele Variablen, die passieren können, abgedeckt sind.“</p> <p>Translation: This is a very important point. [...] JV contracts can sometimes be very complex. One should, however, keep the contracts as simply as possible. The contract must be transparent and comprehensible to all parties. Not too complicated, but nevertheless with sufficiently detailed that many variables that can happen are covered.</p>	Interviewee 5
<p>„A clearly structured and forward-looking contract helps the partners, with different views on individual contract questions, arrive at a solution [...]. A good contract gives the contracting parties an option for all relevant cases. For this, it is essential that the partners know, understand and contract the respective positions.“</p>	Interviewee 1

Table 5.33: Summary of responses providing the evidence of “clear statement of IJV agreement”, created by author.

The interviews showed evidence of the importance of clear statements in IJV agreements. However, the answers represented different views. Interviewee 3 pointed out that aspects such as the agreement of exit, profit distribution, equity structure, timing, key man, and penalty clauses are very relevant. According to interviewee 4, the country in which one operates, with its legislation, is of crucial

importance. Moreover, he recommended drafting contracts that are as simple as possible. Interviewee 5 argued that IJV agreements need to be very transparent and comprehensible. It is important to show sufficient detail, while also avoiding too much complexity. Based on the experience of interviewee 1 it is advantageous that all parties know and understand each other's positions in order set up a functional agreement.

Evidence	Source
„Contracts are often overestimated. Important agreements cannot be enforced or enforcement takes too long.“	Interviewee 2

Table 5.34: Summary of responses providing critics to “clear statement of IJV agreement”, created by author.

Interviewee 2 raised a critical voice. He mentioned that contracts should not be overvalued, since the content is only of value if one can actually enforce it. He argues that sometimes contract components are not legally enforceable or the enforcement would take too much time.

Contract satisfaction

The practitioners pointed out that it is important to be satisfied with the agreements in the IJV contract. This means that if one faces major difficulties in agreeing on particular terms in the IJV contract, it may be better not to enter into the agreement.

Evidence	Source
“If you have a bad feeling during the discussions of the JV agreement then stop the process even if the project/property is great.”	Interviewee 1
„Es ist wichtig mit dem unterschriebenen Vertragswerk zufrieden zu sein. Das kommt jedoch auch auf das Land an, in welchem man operativ unterwegs ist und ein IJV gründen möchte. In vielen asiatischen Staaten hat der unterschriebene Vertrag nur den Status eine Zwischeneinigung, z.B. in China.“ Translation: It is important to be satisfied with the signed agreement. But you will also have to consider the cultural nature of the target country. In many Asian countries, the signed contract only has the status of an interim agreement, as in China.	Interviewee 3
„Das ist elementar. Ich habe schon JVs erlebt, da hört man bei jedem Treffen, naja, aber wir müssen das und das nachverhandeln. Man merkt dabei einfach, dass der Partner nicht voll motiviert ist.“ Translation: Contract satisfaction is elementary. I have already experienced JVs, as one hears at each meeting, well, but we have to renegotiate this and that. You simply notice that the partner is not fully motivated.	Interviewee 4
„Alle Partner müssen sich im JV-Vertrag extrem wiederfinden und wohlfühlen.“ Translation: All partners need to identify themselves and feel comfortable with the JV agreement.	Interviewee 5

Table 5.35: Summary of responses providing the evidence of “contract satisfaction”, created by author.

The interviewees highlighted the following points:

- Follow your feelings in contract negotiations, even if it is a good project;
- It is important to understand the cultural understanding of a negotiated/signed contract in the respective jurisdiction;
- Contract satisfaction will avoid complicated renegotiations;
- The contracting parties need to identify themselves with the contract and/or recognize themselves in the contract.

Contract satisfaction is, therefore, an important contributor to the success of an IJV.

5.3.2.6) Organisational dimension

Operational/ process-related aspects

Monitoring of IJV activities

IJV managers monitor the activities of their construction projects to identify potential project risks that may arise along the project timeline. This direct insight facilitates an immediate action if problems arise.

Evidence	Source
<p>„Das Monitoring ist extrem wichtig. Wir nutzen es auch als Frühindikator von Risiken, die sich im Projekt entwickeln können.“</p> <p>Translation: Monitoring is extremely important. We also use it as an early indicator of risks that can develop in the project.</p>	Interviewee 5
<p>“[...] frequent monitoring of all JV activities is very important as it helps us to generate real-time information to adjust strategy immediately, if needed.”</p>	Interviewee 1
<p>“Vertrauen ist gut Kontrolle ist besser. [...] Monitoring ist ein Steuerungselement, das man nutzen muss, in Abhängigkeit der Projektspezifika und der Risikoverteilung.“</p> <p>Translation: Trust is good, control is better. Monitoring is a control element that has to be properly applied, depending on the project specifics and risk diversification.</p>	Interviewee 4
<p>“[...] we do not want to allow a lack of "real" control and want to avoid heavy reliance on local partners.”</p>	Interviewee 1
<p>“Hängt vom Partner ab, aber auch vom Projekt und in welcher Phase des Projektes man sich gerade befindet. Der „Head of Asset Management“ schaut sich die einzelnen Projekte mindestens zweimal pro Jahr an. Die Projektmanager sind etwa 2-3-mal pro Quartal vor Ort:”</p> <p>Translation: This depends on the partner, but also on the project and the corresponding phase of the project. The "Head of Asset Management" visits the individual projects at least twice a year. The project managers are on-site about about 2-3 times per quarter.</p>	Interviewee 3

Table 5.36: Summary of responses providing the evidence of “monitoring of IJV activities”, created by author.

The interviews confirmed the importance of monitoring IJV activities. However, they considered different issues with respect to management decisions:

- Monitoring is used as an early indicator of risks;
- Monitoring allows to generate real-time information even if one is not involved in the daily operation;
- It is better to control that just to rely on the partner;
- The level of control needs to be modified according to the specifics of the project, project stage, and the characteristics of the partner.

The statements show the relevance of the topic and its importance with regard to successful project implementation.

Control of project performance

A regular evaluation of project performance enables IJV managers to understand the project progress and the status of performance delivery.

Evidence	Source
<i>“Performance control in construction projects focusing on schedule, cost and quality is highly important having direct impact on the overall JV performance. Problems are often caused by lack of information about the operating facility, which is generally controlled by the local partners.”</i>	Interviewee 2
<p><i>„[Es] findet eine fortlaufende Überprüfung der Budgets sowie Vergleiche mit den tatsächlichen Kosten statt. Solange die Budgets nicht überschritten werden, und diese müssen immer im Kontext zur gesamten Projektplanung beurteilt werden, befindet man sich im Rahmen der ursprünglichen Performanceeinschätzung.“</i></p> <p>Translation: We are regularly reviewing the budgets and tracking the actual costs. As long as the budgets are not exceeded, which has to be considered in the context of the overall project planning, you are in the scope of the original performance assessment."</p>	Interviewee 3
<i>“Variance analyses help to understand whether the project develops according to plan or whether there is need to intervene. It is important to quickly understand whether something deviates from the plan and this is only possible if you regularly monitor and control project performance.”</i>	Interviewee 1
<p><i>“Auch wenn man gute Erfahrungen mit dem Partner gemacht hat, darf man das Thema Performance-Überwachung sicherlich nicht komplett vernachlässigen.“</i></p> <p>Translation: Even if you have notable experience, you should not completely ignore project performance control.</p>	Interviewee 4

Table 5.37: Summary of responses providing the evidence of “control of project performance”, created by author.

Interviewee 2 highlighted that performance control with respect to schedule, cost, and quality is substantial. Access to the relevant information, which is often with the operational partners, needs to be secured. According to interviewee 3, it is key to operate within the framework of the budget in order to achieve the given performance figures. Interviewee 1 recommended the use of analytical tools such as variance analyses to understand the performance of the construction project at

any time. Interviewee 4 explained that even if one has a history with good projects with an operative partner, it is important to not become negligent, and to still attach importance to the evaluation of performance. All statements emphasized the relevance of the topic.

Project-related aspects

Meeting the project time line

According to the opinion of all interviewees, meeting the project timeline matters. They experienced that inadequate construction schedules are often observed in construction programs with a tight timeline. Tight project schedules create significant risks. Hence, there is a need to organize practical schedules that allow sufficient, but not excessive, time to accommodate all necessary construction activities.

Evidence	Source
<p>„Es gibt aber auch Projekte, wo man sich in einem positiv entwickelnden Markt bewegt, in welchem sich die Mieten in den nächsten Monaten noch weiter nach oben entwickeln. Dann kann es durchaus positiv sein die Zeitschiene für die Vermietung bewusst auszuweiten.“</p> <p>Translation: But there are also projects where one moves in a positive way in the market, in which rental rate are further advancing. In this situation, it can be quite positive to expand the time line for leasing or sales activities.</p>	Interviewee 4
<p>“Die Zeitschiene ist vor allem bei einer Projektentwicklung was extrem wichtiges [...] wenn man Verträge hat mit Baufirmen oder Mietverträge die erfüllt werden müssen. Die Zeitlinie wird je ausgereifter das Projekt wird immer wichtiger, auch in Hinblick auf die Verzinsung des investierten Kapitals.”</p> <p>Translation: The timeline is extremely important in project development if you have contracts with construction companies or leases that have to be met. The further the project has progressed, the more important the time line becomes, also with regard to the interest on the invested capital.”</p>	Interviewee 5
<p>„Die Einhaltung des Zeitplans einer Projektentwicklung ist für uns ein sehr kritisches Thema. [...] Sobald es zu Verzögerungen im Zeitplan und somit zu einem späteren Verkauf kommt, wird dadurch die Rendite (jährliche Verzinsung) negativ beeinflusst. „</p> <p>Translation: Meeting the schedule of a project development is a very critical issue for us. As soon as there are delays in the schedule there will be a later exit, so the return (annual interest) is adversely affected.</p>	Interviewee 3
<p>“Compliance with a project schedule is always very important. [...] a deliberate expansion of the project schedule [...] carried out on a controlled basis [...] should have a positive impact [...]. [...] an unpredictable event, which leads to a project delay [...] which is often an uncontrollable event, should have a negative implication [...].”</p>	Interviewee 2
<p>„Das hängt sehr stark vom Projekt ab. Es gibt Projekte, die einem um die Ohren fliegen, wenn man die Deadlines nicht einhält. Insbesondere dann, wenn man eine Vorvermietung hat und man nicht rechtzeitig liefern kann, dabei die Vertragsstrafen sehr hoch sind.“</p> <p>Translation: This depends very much on the project. There are projects where big problems are created if you do not follow the deadlines. Especially, if you have pre-letting requirements and you cannot deliver in time and contract penalties are triggered.</p>	Interviewee 4
<p>“A project schedule is critical to a real estate development. The use of project management tools, as well as the integration of a milestone plan, may facilitate overall coordination.”</p>	Interviewee 1

Table 5.38: Summary of responses providing the evidence of “meeting the project time line”, created by author.

Interviewees 2 and 4 pointed out that it is important to understand if the project delay is controlled or not. In some cases, a tactical delay may help to improve overall performance. However, uncontrolled delays can quickly lead to the failure of a construction project. Interviewee 5 argued that the contractual framework is based on the project schedule. Delays, therefore cause complications in the execution of contractual obligations, and thus can adversely affect the performance of the project. According to interviewee 3, a delay in the schedule means a later exit, and has a negative impact on the return of the project. Interviewee 1 recommended using project management tools to ensure more efficient implementation of the defined timetable.

General Questions

All interviewees mentioned that, according to their understanding, important aspects have been fully covered in the questions referring to the results of research phase 2. Therefore, they did not provide additional answers to the general questions.

5.4.4) Summary

The identified performance determinants and CSFs were verified from a different perspective and discussed in five detailed semi-structured interviews with five well-experienced practitioners. This process was important to generate a better understanding and explanation of the meaning of each identified performance determinant. In summary, the outcome from the interviews largely supports the findings from the quantitative analysis of the questionnaires. Moreover, contextual specifics and meaningful interpretations were elaborated. The interview answers also provide information about the importance of theory in practice; how practitioners deal with the topics, and provide recommendations for action. The experts agreed with the CSFs and all interviewees confirmed that no critical factor has been missed. In the next chapter the combined findings of all research phases (phase 1 to 3) are presented and discussed in respect of their relevance to IJVs in real estate development.

6) Research findings and discussion

6.1) Introduction

Since almost every IJV in real estate development evidences some degree of uniqueness, this study focused on developing a broader conceptual foundation on the basis of determining the relative importance of CSFs, and on the examination of specific action driven by the identified CSFs.

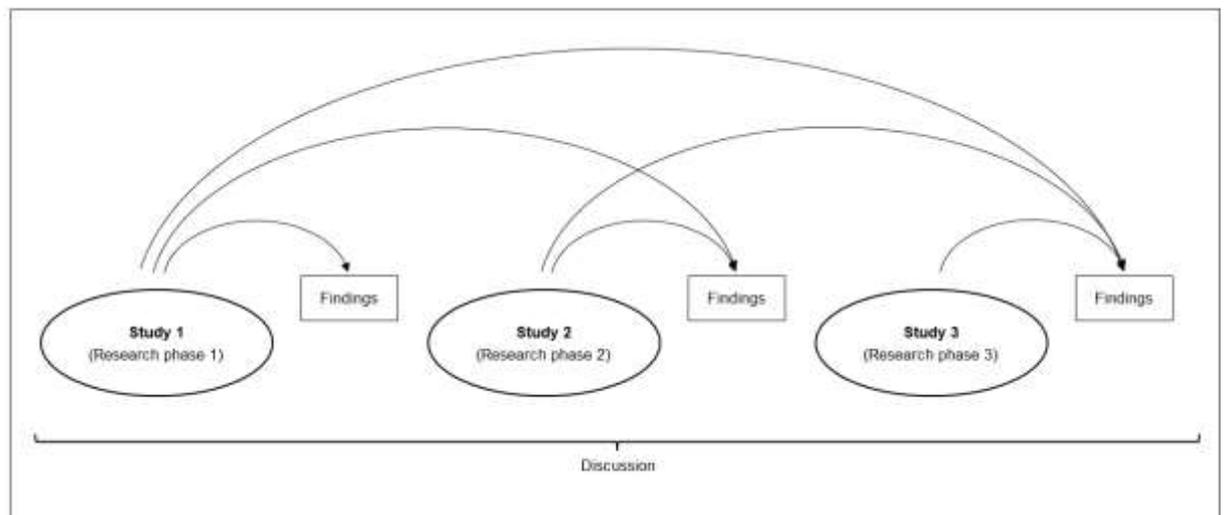


Figure 6.1: Integrative research framework, created by the author.

The purpose of this chapter is to discuss the empirical findings in Chapter 5 in order to address the research questions and, in addition, gain a better understanding of managing an IJV in real estate development. The results of the mixed method research process (QUAL → QUAN → QUAL) including a qualitative study (focus group), a quantitative study (survey), and finally a second qualitative study (semi-structured interviews) have contributed valuable information to this subject.

6.2) Discussion of findings

The present study aimed to improve the understanding of performance determinants (CSFs) for IJVs in real estate development from the perspective of the international partner, particularly, an international capital investor. This is achieved by providing analysing specific performance determinants (CSFs). Moreover, the study observes and explains why some firms are performing better than others.

Our findings contribute to the literature in several ways.

Firstly, this research develops an understanding of success in IJVs in real estate development from the perspective of capital investors by defining appropriate performance measures. The analysis suggests that IJV success, relative IRR, and absolute IRR are valid indicators, corresponding to overall IJV performance.

Secondly, the study contributes to the literature of international business/IJV management by providing evidence of different performance determinants (CSF) and their relationships, focusing on the nature and/or specifics of real estate development projects from the perspective of an international capital investor. This was achieved through the application of linear regression. The significance and relationships between performance determinants (independent variables) and performance measures (dependent variables) were tested. Moreover, the study identifies and explains significant performance determinants (CSFs).

This research also integrates and considers multiple stages of the IJV life cycle to get a more complete understanding of how IJVs in real estate development evolve and adapt.

Finally, the study highlights managerial implications and develops recommendations that can enable a better chance of success and facilitate positive outcomes in IJVs in real estate development. The findings may influence the way in which real estate development projects in IJVs are conceptualized and managed in the future. Therefore, eminent practical and tacit knowledge was collected, analysed and studied to contribute towards the increase the success rate of IJVs in real estate.

6.2.1) Individual performance determinants

Dimension / CSF category	Formation stage	Post-formation stage
Investment dimension		
Doing specific and target oriented investments	Familiarity with local legislation	
Investment management system	Liquidity management*	
Adequate underwriting	Solid financial model with realistic assumptions*	
	Develop a proper business plan*	
Partner dimension		
Partner selection	Conduct a proper partner due diligence	Ability and skills of partner
	Alignment of interest	
	Alignment of objectives	
Structural dimension		
Contractual characteristics	Clear statement of IJV agreement	
	Contract satisfaction*	
Organisational dimension		
Project-related aspects		Meeting the project time line*
Operational/ process-related aspects		Monitoring of IJV activities
		Control of project performance*
Successful IJV in real estate development		

* Performance determinants identified in study 1 (focus group study).

Table 6.1: Final conceptual model to improve IJV success in real estate development, created by author.

6.2.1.1) Investment dimension

The research results show that the investment process plays an important role with respect to the success of IJVs from an investor's point of view. The relevant points of this process are discussed below.

Doing specific and target oriented investments

Zielke (1992) and Kwok et al. (2000) highlighted the importance of conducting specific and target oriented investments as this implies that IJV managers understand the local legislation and local business practice.

Familiarity with local legislation

According to the present study, familiarity with local legislation (average R-squared 0.48 – formation stage) is a relevant aspect to carrying out specific and target oriented investments, while this knowledge ensures that investors make informed decisions with respect to implementation of the investments. This means understanding the local legal framework and involves the achievement of sector regulatory compliance, clarity on enforceability of documents, and comprehension and application of governing law. This also includes the understanding of the local legal culture with respect to deal specific requirements, such as dispute resolution mechanism, possible investment structures, and other economic implications.

Moreover, the respective knowledge will generate an/a overview/insight/conception of tax laws, currency and foreign investment restrictions, and other regimes relevant to the economics of the development project and structure of the transaction. As highlighted by Kwok et al. (2000) and Ozorhon et al. (2010), being familiar with local legislation and regulation is crucial to performing international business. Legal and contractual frameworks, regional and national building and construction regulations, local transaction procedures, as well as other associated factors, have to be taken into account before establishing a local partnership. It is important, particularly, for foreign investors to base planning on legal certainty, while knowing and understanding how to enforce their right if necessary. Little or no familiarity with local legislation may create mayor risks and/or challenges, e.g. IJV managers experienced a "lack of "real" control, and heavy reliance on the local partner, which resulted in unsatisfactory returns on the development project. Investors who do not possess expertise on local legislation (e.g. they are entering a new market and have not had substantial direct interaction with the new system) should acquire relevant knowledge through external sources, such as independent lawyers, legal consultants, and/or advisors. Involving such independent knowledge carriers may enable the following of practices based on local customs/standards, while also ensuring the development of realistic solutions, acceptable in the local context.

Investment management system

The requirement of setting up a professional investment management system was addressed in the focus group discussion. The deepening of the topic and the substantive statements have shown that it attaches great importance in practice.

Liquidity management

A very relevant criterion with respect to increasing the success rate of IJVs in real estate development in course of the formation stage was perceived to be liquidity management (average R-squared 0.57 – formation stage). Liquidity refers to the ability to meet cash and collateral obligations, without incurring a distress situation and/or a substantial loss. Liquidity management describes the effort of IJV managers to reduce liquidity risk exposure. The result highlights the importance of setting up and capitalizing the project platform in order to be able to make funds available/ provide liquidity to secure the plot of land to be developed. The implementation of appropriate and effective liquidity management policies and

procedures may help to avoid running into liquidity risks. Such coordination requires a quick understanding, consideration and anticipation of liquidity needs and the ability to secure available sources. Land acquisition processes are often very competitive and sellers, therefore, often require proof of funds and quick payment procedures. In this context, liquidity management is an important factor to add to underlying obligations of development projects. During the formation stage, investment managers have to ensure that the investment strategy, the liquidity profile, and the capital commitment are consistent.

Considering the timing aspect, liquidity management is highly relevant in the formation stage as land acquisition processes need to be carried out quickly and debt financing needs to be negotiated with banks and other capital sources. During the operation phase (construction phase), credit lines are generally set up in a way that allows enough flexibility to meet liquidity requirements. However, capital investors require appropriate and effective liquidity management policies and procedures. The implementation of such liquidity management tools enables the avoidance of liquidity risks. Investors in real estate development projects have to understand liquidity requirements and have to have the capacity to secure available sources. Fund managers generally consider the size of the real estate development project in the context of the overall fund size. The smaller the project, the less important the liquidity management on project level is, and vice versa. Considering the entire capital source (the fund), liquidity management on fund level is also needed. Generally real estate development projects are a risky business, so investments are categorized into value-added and opportunistic investment strategies. In order to achieve the required risk-adjusted (high) returns, leverage levels have to be increased. High LTVs reduce flexibility in liquidity and liquidity buffers, which makes liquidity management mandatory. Moreover, during a depression, liquidity management may become even more relevant. Some liquidity sources may dry out, e.g. credit lines are cancelled or deleveraging at refinancing is required (for example at the completion of a real estate development). In this context, it is paramount to cooperate/collaborate with professional development partners.

In terms of liquidity management, it is also important to understand risks and which risks are taken by the IJV; for example, whether you are able to negotiate a cost guarantee by the construction company. This means that the construction cost risk

is transferred to an external partner. Such actions will relax the liquidity risk within the IJV, which also loosens the need for liquidity management. However, a prerequisite is that the credit rating of the company is good enough.

Adequate underwriting

The discussion in the focus group has shown that the underwriting process attracts much attention in practice. From the experts' point of view, important decisions are made here.

Solid financial model with realistic assumptions

A solid financial model with realistic assumptions (average R-squared 0.54 – formation stage; average R-squared 0.39 – post-formation stage) is relevant with respect to the entire life cycle of the venture. According to Thomsett & Kahr (2007, p. 199) “it makes sense to evaluate real estate using realistic assumptions and applying sound investment principles. This simple suggestion is offered here because it is so often not how investors operate”. In their paper, they highlight the importance of looking at fundamentals of the rental market by evaluating vacancy and rental rates, studying the financial market and interest trends, understanding transaction volumes and the liquidity of the asset/property, as well as other parameters, in order to be able to define realistic assumptions. Sophisticated research is required to gain this apprehension. Financial models are very important indicators to understand the economics and return potential of a real estate development deal.

Various stakeholders highlighted during the interviews that project requirements change all the time, triggering corresponding modifications with respect to the financial model. In daily business, financial/cash flow models are not static, but need to be adjusted for required changes throughout the project life cycle. This means that financial models need to be dynamic due to the changing environment and project specifics.

IJV managers need to take particular care with respect to leasing and exit assumptions, as well as project timelines, while operating expenses and construction costs are often underestimated. Practitioners report that leasing assumptions and project timelines are often too optimistic. Timetables slip regularly,

while operating expenses and construction costs budgets are also sometimes underestimated. In this context, realistic assumptions are particularly important.

Financial models are often excel based. The purpose of such a model is to determine the financial feasibility of a real estate development project and to evaluate if returns are risk-adjusted. At the same time, financial models help to understand economic implications of real estate development projects.

Real estate development projects and their underlying financial models always face a high degree of uncertainty. The uncertainty is driven by many construction-related and economic factors. Uncertainty in such models may cause financial risks, which can lead to the failure of the IJV real estate development project. An even more comprehensive and sophisticated financial understanding can be achieved by adding sensitivity, scenario, and simulation analysis to the respective financial models. This enables checking of financial feasibility of the development project, and the discovery of hidden risks. Moreover, solid financial models support the decision-making process, whether investment in a real estate development project is pursued or made. The quality and reliability of a financial model is strongly dependent on how robust, realistic and/or close the assumptions are to the market. In this context, most relevant assumptions are construction cost budgets or total investment budgets, and exit assumptions, either by net operating income (annual net rent, structural vacancy, rental loss and operating expenses) and capitalization rates, or unit sales prices (e.g. for apartment sales). To be able to set realistic assumptions within the financial model, special attention needs to be paid to the determination of these assumptions.

For capital investors, financial models become more and more important. Solid financial models help to make numbers transparent and allow for documentation of the investment decision. Many investors managing third party funds have become very aware of the risks. In this context, financial models provide strong support for capital/investment managers. The better one has analyzed and understood the figures of an investment project, the more comprehensible their investment decision.

Develop a proper business plan

Setting up a proper business plan (average R-squared 0.49 – formation stage; average R-squared 0.35 – post-formation stage) is a key element in real estate development. International real estate projects require the implementation of a

strategy/business plan in order to turn ideas into real properties. Such a business plan covers all aspects of activities, ranging from land acquisition, project financing, obtaining building permits, planning and design, controlling construction work, leasing, to managing and selling the property. A solid strategy may support the construction/creation of unique and attractive products at low costs and/or allow exits at high, competitive prices. Thereby, the management team of the IJV can benefit from differentiation potentials, such as future innovation, complementary growth, and/or better customer relationships (Dobre, 2011).

In the context of the business plan, the investment strategy is defined and other strategic aspects are thoroughly discussed. Various stakeholders of the IJV are responsible for establishing a robust business plan. Customized business plans are made from scratch in order to develop a unique strategy in accordance with the specific requirements of the project. In addition, business plans are used to document the strategy of a real estate development project. Thus, it facilitates decision-making processes and allows for reflection on past decisions. In addition, a business plan may be used as a dynamic tool to guide the project towards its aim.

Moreover, the interviews have shown that business plans are good means through which to verify all potential risks of the development project. Real estate developments are a risky business. Therefore, investors have to take calculated risks. The evaluation of calculated risks can be made transparent in the context of a business plan. Moreover, such consideration of risk, in combination with a consideration of the potentials of the planned project, should lead to a reasoned conclusion as to whether the project is a good investment opportunity or not.

6.2.1.2) Partner dimension

Data analysis reveals that selecting the right partner is the most relevant factor in improving the success rate of IJVs in real estate development. Partner selection and characteristics are also one of the core topics discussed in performance of JVs in general. Parkhe (2004) argued that the right choice of partner would promote the potential success of the venture. Earlier studies (Tomlinson, 1970; Berg & Friedman, 1982; Killing, 1983; Harrigan, 1985; Geringer, 1991) have also pointed to the importance of partner selection in relation to IJV performance. Thus, the results of this research supports the general idea that partner selection matters. However, it

is paramount to determine the best method for choosing the right partner. The findings of this study are discussed below in order to show possible recommendations.

Partner selection

Conduct a proper partner due diligence

Conducting a partner due diligence (average R-squared 0.39 – formation stage) is an important element at the beginning of an IJV partnership. Eisele (1995) argued that the quality of the partner due diligence may affect IJV performance. The purpose of the partner due diligence process is very important to identify and select the right partner by creating transparency, proofing integrity and identifying latent risks that may emerge from envisaged business relations (Leonard, 2011). In addition, the interviews have shown that for IJV in real estate development you need to check aspects such as financial status of the partner, project and market experience, record of accomplishment, strong networks, trustworthiness, capital commitment, etc. Selecting the right partner is particularly important in difficult times, because having a good partner facilitates the process of finding an appropriate solution to any given problem. Looking just at track record is not recommended; it is important to pay attention to the people who have completed the project, and to who is still on board. This means that potential partners have to disclose meaningful information. Moreover, background checks on the company and its employees may provide additional information. External specialist firms are often involved and enable an independent view. This also allows capital investors to leverage on experience and to benefit from sources which are not otherwise available (Leonard, 2011). Standardized processes may facilitate a sophisticated partner due diligence. According to Leonard (2011), conducting due diligence on international business partners has become a leading practice for firms, active in international jurisdictions. The results have shown that this is also true for IJVs in real estate development.

Ability and skills of partner

The research outcome (average R-squared 0.40 – post-formation stage) shows that ability and skills of partners during the operation of the IJV have a significant impact on the performance of real estate development projects. This follows the trend of previous studies (see Tomlinson, 1970; Berg & Friedman, 1982; Killing, 1983;

Harrigan, 1985), which have highlighted the importance of the available mix of skills and resources of the venture partner(s). As real estate development projects are complex undertakings with a lot of risk, ambiguity, and uncertainty, a reliable and capable partner who brings a good skill set with him is necessary. Only a partner with the required skills and abilities will be in a position to successfully coordinate and/or navigate all necessary processes of the development project. In this context, it is important that the partner is as independent as possible; in other words, able to demonstrate the entire skill set in-house, while avoiding the outsourcing of any required skill. Moreover, successful project execution will depend on the available skill set of the partner, due to their responsibility for the operational work on-site. Foreign capital investors need to ensure this expertise in order to be able to execute real estate development projects. This includes various aspects such as being able to source and secure potential investment projects, deploy sophisticated methods in analysing potential real estate development deals, understand the market, use local networks and maintain contact with authorities in order to enable efficient implementation of approval processes.

Alignment of interest

Data analysis reveals that alignment of interest (average R-squared 0.39 – formation stage; average R-squared 0.40 – post-formation stage) is highly relevant for the entire life cycle of the IJV. Thus, the results confirm the pattern, which has already been pointed out in the broader field of IJV research. According to Ozorhon, (2010) potential partners are interested in identifying, understanding and verifying their alignment of interest with respect to task-related areas before they decide to partner. Reuer & Miller (1997) argued that alignment of interest between the partners affects the performance of the IJV. It is important that all partners face a similar situation in terms of chances and risks relative to their commitment at all times throughout the venture. This means the partners have to treat each other fairly with respect to profit and loss allocation depending on overall IJV performance. Alignment of interest is particularly important when something is not going according to plan or when the project runs too well. The partners have various options to create alignment of interest. An important condition may be that all partners contribute real and material equity to the IJV structure that is committed for the entire investment horizon without any mechanism to withdraw the capital, e.g. with a favourable management fee structure. Various managers suggest that management fee

structures should be limited to only allow for reimbursement of costs, while adding a performance related fee (e.g. incentive fee or carried interest structure) in order to support the degree of alignment of interest. Such compensation systems are strongly tied to the performance of the development project. The benefit of alignment of interest is that misbehaviours and/or opportunistic behaviours will be limited. Therefore, it will be necessary to understand the individual needs and requirements of the subject IJV to define and create the appropriate measures. In addition, one can enhance alignment of interest by documenting and including important points in the IJV contract. However, it would be a mistake to assume that the alignment of interest principle means that the personal interests of the operational partner will then always match those of the capital partner.

Alignment of objectives

Results show that alignment of objectives (average R-squared 0.37 – post-formation stage) is relevant for the operational phase of the IJV. The comments of the interviews clearly indicate that alignment of objectives is more important in the formation stage of the IJV, while the results of the quantitative study identified greater relevance to the post-formation stage. The reason may be that misalignment of objectives is generally recognized in the post-formation stage, however, to prevent this, provisions should be made in the formation stage, such as contractual arrangements and agreements. Thus, it is important that potential IJV partners check their alignment of objectives before they start to set up the venture. In many cases, it may be helpful to consider future conflict potential and determine common objectives and/or policies, such as exit mechanisms, in order to have a clear understanding of what needs to be done in case of future misalignment of objectives.

In real estate development projects, the defined objectives are strongly associated with the business strategy. Therefore, all business partners should orientate their focus towards the same strategic objectives in order to bring the overall project to success. According to Yan & Luo (2001), IJV partners have to exactly understand, agree on, and respect each other's individual objectives. Moreover, Geringer & Hebert (1989) argued that if one pays attention to those aspects, conflicts, disputes, and/or opportunism will be avoided. Experts recommend considering one's own objectives, in combination with the partner's objectives. If objectives fit, they should be determined in the business plan. Objectives can be related to a single project,

focusing on exit strategies and either target returns, or have a more strategic orientation such as placing emphasis on a long-term relationship/partnership. For example, the capital partner may have the intention to invest in the building to be developed on a long-term basis, while the local partner may want to realize their profit shortly after completion and lease stabilization. In such a situation, both partners need to understand their different expectations and be able to simultaneously implement both goals, otherwise it may be better not to partner. Park (1996) highlighted in his study that similar goals contribute to an organisational fit and strategic balance, while Fey (1996) noted the risk of IJV failure in case of misunderstanding between partners regarding each other's objectives.

6.2.1.3) Structural dimension

Contractual characteristics

Clear statement of IJV agreement

It is important to phrase the terms in the IJV agreement clearly, precisely, and as comprehensively as possible (average R-squared 0.40 – formation stage). This is particularly relevant to the formation stage, since at this point at which the course for the IJV is being set. Gale & Luo (2004) pointed out that problems often arise during the operational activities. Thus, they suggest clearly stating the obligations, rights and responsibilities of each party in the IJV agreement.

The subject study shows that there are certain terms in the IJV agreement, which are particularly important for real estate development projects. Those terms should be clearly formulated/structured. They include topics such as exit mechanism, profit distribution, commitment of equity and other resources, key man and penalty clauses, milestone plans, business plans, etc. This approach determines the quality of the contract and ensures that different interpretations are restricted. Moreover, potential partners should keep the contract as simple as possible. However, key topics need to be included in the full scope and detail in order to cover all relevant aspects/cases. This is only possible if the partners communicate in an open and transparent manner, while knowing, understanding, and accepting the respective positions. The structure and content of an IJV agreement may vary due to different legislations and country standards. During conflicts or in difficult times, it becomes

clear whether the formulations in the contract are functioning and the joint project allows for successful completion.

Contract satisfaction

The results of the quantitative data analysis (average R-squared 0.36 – formation stage) have shown stronger support for the measure with subjective criteria (IJV success: R-squared 0.51) than for the two measures with objective criteria (relative IRR: R-squared 0.29 / absolute IRR: R-squared 0.29). The reason for the deviation may be the emotional perception of this performance determinant. However, the interviews have highlighted some interesting aspects to consider.

At the beginning of an IJV, when the contracts are concluded, it is relevant that all parties are satisfied with the agreement, since the contract forms the basis of the partnership. This means that agreements established between satisfied parties may ensure the avoidance of trouble and conflict in future JV operations. If one of the partners is not satisfied with the contract, he may reflect this in his motivation, which is not conducive to project success. Therefore, it is important that all parties are happy with the IJV agreement from the outset. Moreover, an agreement may need to be renegotiated in cases where one partner feels that they are being treated unfairly with respect to some aspects of the contract.

Experiences have shown that if one faces major difficulties in agreeing on the IJV contract, then capital investors should consider whether it makes sense to enter into this agreement, even if the project is great. This can mean that problems are already pre-programmed. In addition, some experts have highlighted the importance of recognizing the cultural dimension. For example, in some Asian countries (e.g. China), contracts have a different meaning, because often there is not the same understanding of the law or the same legal tradition as in the West. Thus, one should take into account the fact that contracts are often modified at a later stage.

6.2.1.4) Organisational dimension

Operational/ process-related aspects

Monitoring IJV activities

Monitoring IJV activities is relevant to IJV performance (average R-squared 0.37 – post-formation stage). Measures with objective criteria have shown to be less significant (relative IRR: R-squared 0.27 / absolute IRR: R-squared 0.31) than the measure with subjective criteria (IJV success: R-squared 0.54). The reason for this could be that it is in investors' nature to control things. Degree of control is then assigned to success in terms of perception. However, in the case of objective reality, this connection has a much more pronounced impact. The interviews helped to develop a better understanding.

On-going monitoring enables early indication of potential project risks that may arise over the course of the project. This follows the recommendation of Devlin & Bleackley (1988), that regular monitoring of IJV activities will promote venture success. Direct insight and the existence of almost real-time information, allows for timely intervention if necessary. According to Chowdhury (2009), this is relevant since fraud and other disturbances are quickly discovered before any damage occurs.

In general, one can say that control is better than trust. Control mechanisms often have a deterrent effect and prevent misconduct. Inkpen & Currall (2004) have pointed out that monitoring activities will cause additional costs. However, this will enhance the level of efficiency with respect to collaboration and improve the output potential of the venture. Some opinions exist, that monitoring is often overestimated. If the right partner has been selected, too much control may disable the partner's work efficiency. Nevertheless, a lack of control and too much reliance on the partner will also cause major problems. Depending on the dynamics of the project, partner, and partnership, as well as the progress of the real estate development project, the level of monitoring adopted needs to be customized. Therefore, the level of monitoring may vary from project to project. Since many activities take place at the site of the project development, it makes sense if the project managers undertake regular site visits.

Control of project performance

Research results have shown that control of project performance matters (average R-squared 0.35 – post-formation stage). Decisions to invest into an IJV to develop real estate are generally based on target performance indicators. A regular evaluation of project performance, therefore, may facilitate project progress tracking and contribute to understanding whether the project is performing in-line with the original underwriting. Problems are often caused by lack of information. The producer and owner of the data is the operating facility, which is typically controlled by the local partner. However, this can also mean that if the operational partner is poorly positioned, the data quality may be very bad. In this case, the capital partner has to intervene and ensure that a good database will be established at the level of the operative partner. The collection of performance data by the international capital partner helps to ensure avoiding loss of control. Regular control of project performance facilitates quick intervention if problems arise, which have a negative impact on the performance. Moreover, control of project performance is paramount for every real estate development project, and therefore one should not rely solely on the partner connected to performance development, but should also exercise individual control over it on a regular basis.

Project-related aspects

Meeting project timeline

The most important criterion for a successful IJV in real estate development related to the post-formation stage was perceived to be meeting the project timeline (average R-squared 0.48). The relevance of the timeline depends on various factors, such as project specifics, and/or the market phase. Many development projects are calculated without large cost buffers. Thus, delays in the project timelines can easily lead to additional costs and reduce return. Therefore, it is important to understand what causes the delay, whether there is a controllable or uncontrollable reason behind it. If there are binding agreements with contractors or tenants that have to be met, costs may increase (e.g. contract penalties). However, in rising markets, a deliberate delay may even have a positive effect on the result. In addition, the use of project management tools, such as a milestone plan, can enable better project management and punctual output delivery.

6.2.2) Performance determinants in three-factor model combination

Discussion of model 1 to 3:

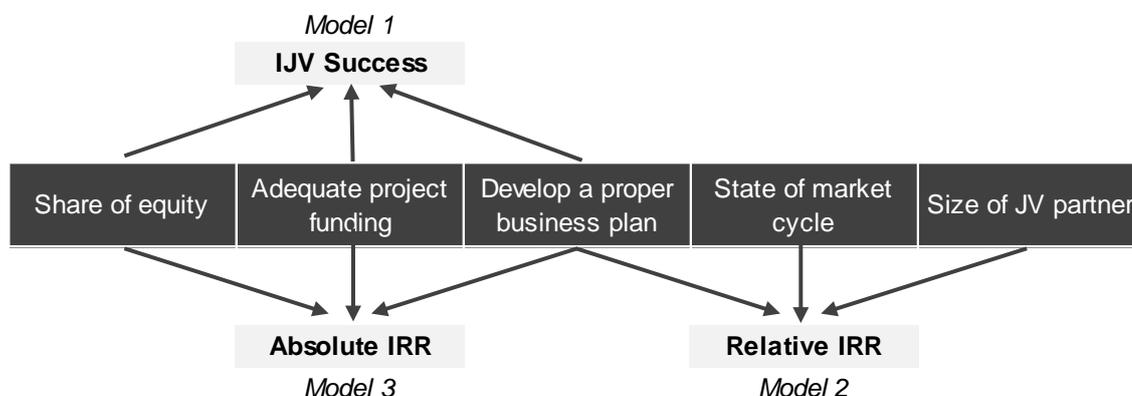


Figure 6.2: Summary of factor combinations with respect to model 1 to 3, created by the author.

Both models, **model 1 and model 3** show support for the same basic assumptions, while model 1 supports overall satisfaction of financial performance (measure with subjective criteria) and model 3 focuses on absolute IRR realized (measure with objective criteria). This means that in the formation stage, significant relationships exist between the factors **share of equity**, **adequate project funding**, and **develop a proper business plan**, confirmed by measures with subjective and objective criteria.

Develop a proper business plan already shows strong significance in the univariate regression model. Even if the aspects of **share of equity** and **adequate project funding** as standalone determinants are not very relevant, the results show that, in combination with the variable **develop a proper business plan**, performance is supported. This means that equity share of the local partner below 20% has a negative impact, while postponing the execution of full financing (funding) to the post-formation stage has a positive effect.

This makes sense, because the more equity the local partner contributes, the more he will be committed to the project; this circumstance will motivate the local partner to put more emphasis on the development project to complete it successfully. Moreover, experts have argued that alignment of interest can only be arranged in case the partner has incurred monetary risk. This means that the equity contribution of the local partner should be meaningful in the context of their overall investment

budget in order to ensure focus and strong commitment. As a result, a higher share of equity, in combination with a well-prepared business plan, may increase the rate of success.

Hutchison (2012) argues that the share of total equity invested by local developers, operators and/or real estate professionals in IJVs related to real estate development is generally small, ranging from 2,5% to 20%. In this sense, the capital investor dominates ownership structures. IJV literature highlights that the extent of control may influence transaction costs, and therefore contribute positively to IJV success (Hennart, 1989; Geringer & Hebert, 1989; Das & Teng, 1998; Brouthers & Bamossy, 2006; Madhok, 2006). However, in the context of real estate development (considering that projects are capital intensive), results show that the importance of a higher share of equity, meaning a stronger equity commitment and potentially also involvement in the deal, will overcome the capital partner's concern of losing control in the ownership structure. The capital partner should increase the share of equity of the local partner as much as possible (share of equity >20%), while ensuring his dominant position of the capital partner in the venture. Findings show that IJVs with a smaller equity contribution than 20% by the local partner are therefore more likely to fail.

Moreover, a well-prepared business plan defines the strategy and the direction of the investment, including plausibility checks of the economic potential, but during the formation stage the scope of the total development costs, particularly the construction costs for the building cannot be finally defined/evaluated. Financing generally takes place in various steps, e.g. purchase of land plot and construction of building. In many cases, no building permit is in place at the time of land acquisition. In such cases, the IJV partners are regularly able to secure the land via an option for a small amount of money, while they can clarify the feasibility and scope of construction. In practice, land acquisition processes are financed through equity and/or mezzanine (equity-like") capital, while the construction costs are generally financed via bank loans. This means that, at the IJV formation stage, it is not necessary to have full project funding in place. Structuring bank financing at too early stage may even hinder future flexibility to modify the funding in accordance with the final development plan. Therefore, it may be more advisable to wait until the final development plan has been formed, before finalizing the financing structure. Moreover, this means that full project funding should probably be

organized during the post-formation stage. However, funding needs to be secured, e.g. to ensure the payment of the plot of land, to avoid running into liquidity problems, thereby jeopardizing the overall development project.

A lot of preparation and administration work needs to be processed, before the full construction costs become clear. This takes place during the post-formation stage. Therefore, it is often not realistic to have full project funding in place during the formation stage. However, it is important to lay the foundations by initiating negotiations/conversations with equity and debt financing partners about the development projects and possible financing structures.

Again, in **model 2**, a well-prepared business plan during formation stage supports IJV performance. This is also evidenced by the results of the univariate linear regression model. However, the model shows a strong fit with two less relevant factors: **state of the market cycle** and **size of the JV partner**.

IJVs in real estate management are extremely management intensive. Therefore, factors such as **develop a proper business plan**, among other management aspects, are very relevant for IJV performance, while the **state of market cycle** and the **size of the JV partner** are less important factors when considered individually. However, model 2 suggests that **developing a proper business plan** and engaging in an IJV in real estate development at the right time may enhance IJV performance. The model suggests starting such engagements during growing or falling markets, avoiding peaking markets. This makes sense from a practical point of view. The best timing for an investment would be the state when the market is at the bottom. From a retro perspective, such moments are easy to identify. However, in reality it is impossible to predict the bottom of the market. Therefore, the closest moment is either the early phases of a growing, or the late phases of a falling market. Thus, the real art in real estate is to buy low and sell high, because this approach will enable the highest profit margin. This will work out best, if there is a sophisticated business strategy in place.

Model 2 also suggests looking at the **size of [an I]JV partner**. The results highlight the importance of a strong IJV partner, with market value (capitalization) greater than EUR 20 million. An operational partner with robust capital resources will reduce risk in case additional capital is required; for example, if the project runs into a downturn and less leverage (bank financing) is available, or if there is a need to

postpone the construction, or if there is a delay in the exit timing. All these reasons require additional equity funding. Real estate development projects often fail, run into serious problems, or require venture restructuring if one of the partners is not able to fulfill additional equity funding requirements.

Moreover, IJVs in real estate development are often structured in a way that cost overruns are covered by the operational partner. The greater the capitalization of the operational partner, the less risk there is for the capital partner.

Discussion of model 4 to 6:

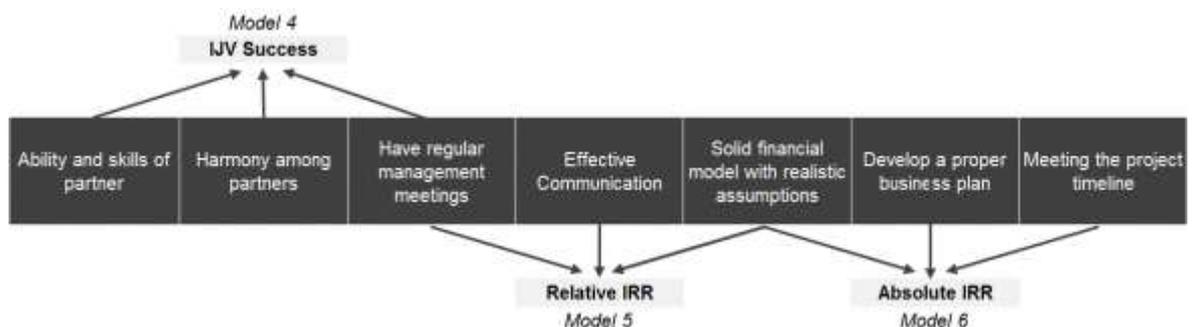


Figure 6.3: Summary of factor combinations with respect to model 4 to 6, created by the author.

Model 4 shows a significant relationship between **ability and skills of partner**, **harmony among partners**, and **having regular management meetings**.

The determinant **ability and skills of partner** already shows significant relevance in the univariate regression analysis. Even if aspects such as **harmony among partners** and **having regular management meetings**, as standalone determinants, are less relevant, the results show that, in combination with the variable **ability and skills of partner**, performance is supported.

The aspect of **ability and skills of partner** underlines the importance of the venture partner's skills and resources. Real estate development projects are complex undertakings. As the ventures are confronted with ambiguity and uncertainty, collaborating with a reliable and capable partner, who has the right skill set, is key.

This will enable the operating partner to successfully coordinate and/or navigate all necessary processes of the real estate development project.

Since IJV partners are distinctive, coexisting, and interdependent, seeking mutually beneficial outcomes through shared ownership, there needs to be good harmony/chemistry between the partners. From a business perspective, interpersonal relationships need to be developed in order to work well together, openly approach each other, and understand and allow mutual opinions. Such qualities are crucial for achieving harmony and enabling mutual enrichment.

Harmonious partners are less prone to conflict situations and disagreement. Wang et al., (1999) suggested that a harmonious relationship among partners means that they can concentrate their entire energy on running the business instead of causing trouble. According to Anderson (1990), harmony among partners needs to be a focal point. This condition facilitates coordinated efforts, as well as favourable interpersonal relations. In critical situations, bargaining procedures may result in compromises. The model shows that a harmonious relationship improves the utilisation of the operating partner's ability and skills, thus increasing success potential. Nonetheless, Anderson (1990) is of the opinion harmony between partners will not necessarily guarantee successful ventures; yet, one can hardly imagine that in the inverted state IJVs enjoy lasting success.

Furthermore, it is important to **have regular management meetings** in order to exchange relevant information, while ensuring that all managers involved in the project are kept up-to-date. In addition, team discussions will stimulate the decision-making process, often leading to a consensual conclusion. According to Demirbag & Mirza (2000), regular meetings of executives generally reduce conflict potential. Meetings facilitate the sharing and exchanging of skills between team members. This creates synergies and supports the transfer of existing knowledge for the benefit of the project.

Model 5 confirms a significant relationship between **solid financial model with realistic assumptions, effective communication, and having regular management meetings**. The univariate regression analysis already pointed out that a **solid financial model with realistic assumptions** plays an important role for a successful IJV in real estate development. The same analysis has also proven that **effective communication and having regular management meetings**, as

individual variables, are less significant. However, model 5 highlights that the combination of these three determinants is relevant to the management process of an IJV in real estate development in the post-formation stage concerning the measure (Relative IRR).

Financial models are very important indicators to understand the economics and return potential of a real estate development deal. Assumptions have to be defined carefully, which requires sophisticated research. The acquisition of information for realistic assumptions requires access to market knowledge, knowledge transfer, discussion and interpretation. **Effective communication** is key to manage such processes. Moreover, **effective communication** is an important factor to ensure that agreements can be sustained and a common understanding can be achieved in the long-term. Adnan et al. (2012) suggested that **effective communication** also facilitate team integration and decision-making processes. Previous studies have highlighted the importance of communication between the partners, because if the exchange of information is disturbed, a lack of coordination may come up, which could potentially result in the failure of the IJV (see Doz, 1996; Pothukuchi et al., 2002).

Organisations support **effective communication** through regular management meetings, which in turn enhances the efficiency of the management meetings. Thus, both determinants are complementary, supporting the discussion and/or evaluation of realistic assumptions. The more sound the assumptions of a financial model, the higher the quality.

Regular meetings also facilitate information exchange (see discussion of Model 4), which is particularly important for the calibration of financial models. By combining those three factors synergies may arise, which optimize the quality of the management of the subject IJVs. In doing so, IJV failures may be avoided and more successful cooperation can emerge.

Model 6 shows a three-factor combination (**solid financial model with realistic assumptions, develop a proper business plan, meeting the project timeline**), whose determinants have all been identified/ deemed as relevant in the course of the univariate linear regression. All three variables have already been analysed in detail, so the discussion will focus on the relationship between those factors and the reason why those three variables, in combination, will positively affect IJV

performance in real estate developments (specifically with respect to the measure: Absolute IRR).

The results show that solid financial modelling is a basic requirement for the development of a proper business plan and underlying strategy; there is a positive correlation between the two. Profound business plans need to be based on a reliable number framework. In addition, the business plan, as well as the financial model, has a pre-determined timeline. This means that the investment horizon of a real estate development IJV is specified/defined/delimited, which is reflected in the target return (e.g. IRR). If the project timeline needs to be amended in a way that extends the overall project timeline, while all other parameters remain the same, the absolute IRR will suffer. Thus, the underwriting (original) return targets cannot be met/achieved. For this reason, the relationship confirmed in model 6 is very important. When planning and coordinating the project, one should pay attention not only to the individual influencing factors, but also to the fact that their interactions play a role in the assessment.

6.3) Summary

Results show that, in terms of investment and structure, the most significant factors apply to the formation stage. This means that these factors are crucial to IJV success and special attention should be paid to them at the IJV formation stage. The results support some of the earlier studies Reuer & Miller (1997), Kwok et al. (2000), Gale & Luo (2004) and Ozorhon et al. (2010), which argue that familiarity with local legislation and clear contract terms are key determinants of IJV performance. In addition, the present study has shown that liquidity management, financial modelling with realistic assumptions, a good business plan, partner due diligence, alignment of interest, and contract satisfaction are further relevant performance determinants, contributing to the overall success of IJVs in real estate development.

In the operation process, the partner and organisational dimensions represent the most important factors. This implies that these elements are critical to IJV success during the post-formation stage. The research results support some of the earlier studies such as Tomlinson (1970); Berg & Friedman (1982); Killing (1983); Harrigan

(1985), Devlin & Bleackley (1988), Geringer & Hebert (1989), Park (1996), Fey (1996), Reuer & Miller (1997), Yan & Luo (2001), Inkpen & Currall (2004) and Ozorhon et al. (2010), which argue that the partner's ability and skills, alignment of interest and objectives, and monitoring of IJV activities are key determinants of IJV performance. Moreover, this study has identified that meeting the project timeline and control of project performance are additional performance determinants that are significant for the overall success of IJVs in real estate development.

The selection of three factor combination models shows similar patterns to the output of the univariate regression analysis. However, some weaker performance determinants have a positive effect on performance when they occur in combination. In the formation stage, share of equity and adequate projects funding support a good business plan with respect to the measures (IJV Success and Absolute IRR), while the state of the market cycle and the size of the IJV partner support a good business plan with reference to the measure (Relative IRR). In the post-formation stage, the combination of solid financial modelling with realistic assumptions, a good business plan, and meeting the project timeline support each other from the standpoint of the measure (Absolute IRR); while regular management meetings and effective communication facilitate financial modelling with realistic assumptions and correlate positively with the measure (Relative IRR). With regard to the measure (IJV Success), harmony among partners and regular management meetings, in combination with notable abilities and skills of the partner, have a positive effect in the post-formation stage. The models (factor combination models 1-6) provide some additional input on how the relationships between the performance determinants improve the success rate of IJVs in real estate development.

7) Conclusions and recommendations

The primary objective of this study was to evaluate CSFs influencing the performance of IJVs in real estate development, provide an appropriate theoretical framework and measurement approach, highlight theoretical, methodological and managerial implications, and point out potential directions for future research. While researchers have studied relevant matters for decades, studies based on specific conditions of IJVs in real estate development are still limited. Existing literature provides various studies with respect to performance issues related to IJVs. However, looking at the evaluation of IJV success, one can see that there is much disagreement on the definition and measurement of the performance. Many researchers agree that the use of multidimensional constructs as performance measures is the best approach. Since this is a complex undertaking, obtaining a good understanding of the topic may involve various methods and different aspects.

To attain the above-mentioned objectives, the study adopted the following process. The current knowledge base of performance and success factors for IJV management was systematically reviewed. This provided an insight into IJV management by highlighting existing concepts accomplished through overview of the available quantitative and qualitative research evidence on IJV investment and management theory. Based on the literature review, the researcher demonstrated that the existing knowledge was not able to meet the requirements of CSFs for IJVs in real estate development. The research gap was identified, addressing the resulting need for an analysis of CSFs in this context. Moreover, an integrated, theory-based framework in the form of a conceptual model was developed. Following this, a methodology and research design was compiled using both quantitative (questionnaire survey) and qualitative (focus group and semi-structured interviews) approaches. Information was collected from international capital providers investing in real estate development as IJV-partners. Based on this mixed method approach, a performance model for IJVs in real estate development was processed in a way, aimed at ensuring empirically valid performance measurement. The focus was to identify and justify determinants and their relationships. The validity of the model was ensured by statistical analyses applying linear regression.

The principal findings will lead to key conclusions and recommendations, including theoretical, methodological, and managerial implications of the study, discussion of limitations of this research, and an indication of future research directions.

7.1) Contribution to theory, methodology and praxis

This thesis aims to provide valuable and comprehensive information to both academics and practitioners with an interest in international business research and the management of IJVs in real estate development.

Theoretical implications

In essence, the systematic literature review - in combination with the arguments of the synthesis, have provided impetus for investigating CSFs of IJVs in the context of real estate development. With the principle of theoretical pluralism, approaches from extant theories were used to test a new theoretical model. The results suggest that specific CSFs are important to enhance performance in IJVs in real estate development. From this perspective, the research has made an absolute contribution to IJV literature by providing empirical proof, confirming some theoretical expectations about IJV performance and methodical approach. This research has provided empirical support that the investment process and the selection of partner are particularly important for project success in real estate development IJVs. In addition, aspects related to the structural, as well as the organisational, dimension are relevant to overall IJV performance. These findings characterize the final, system-theoretically based methodological design for the optimization of IJVs from the point of view of the capital investor. Presented in a concise graphical format, Table 7.1 represents a summary of the identified indicators/CSFs, reflecting the contribution to existing knowledge.

The findings of this study confirm, challenge and extend prior findings regarding CSFs of IJVs. The findings of this thesis confirm key issues, such as familiarity with local legislation (see Kwok et al., 2000; Ozorhon et al., 2010), conducting proper partner due diligence (see Eisele, 1995; Leonard, 2011) and the need for clarity of IJV contracts (see Gale & Luo, 2004) in the investment process, as identified in the available literature. Moreover, the results support arguments highlighted in earlier studies that emphasise the importance of ability and skills of the partner (see Tomlinson, 1970; Berg & Friedman, 1982; Killing, 1983; Harrigan, 1985; Geringer, 1991), alignment of interest and objectives (see Geringer & Hebert, 1989; Park, 1996; Fey, 1996; Reuer & Miller, 1997; Yan & Luo, 2001), and monitoring of IJV activities (see Devlin & Bleackley, 1988; Inkpen & Currall, 2004; Chowdhury, 2009) in the operational process.

Dimension / CSF category	Formation stage	Post-formation stage
Investment dimension		
Doing specific and target oriented investments	Familiarity with local legislation	
Investment management system	Liquidity management	
Adequate underwriting	Solid financial model with realistic assumptions	
	Develop a proper business plan	
Partner dimension		
Partner selection	Conduct a proper partner due diligence	Ability and skills of partner
	Alignment of interest	
		Alignment of objectives
Structural dimension		
Contractual characteristics	Clear statement of IJV agreement	
	Contract satisfaction	
Organisational dimension		
Project-related aspects		Meeting the project time line
Operational/ process-related aspects		Monitoring of IJV activities
		Control of project performance
Successful IJV in real estate development		

Table 7.1: CSFs for real estate development IJVs, created by author.

However, some findings were noted as not being seen by the sample as relevant which contradicts earlier studies.

Dimension / CSF category*	Formation stage	Post-formation stage
Investment dimension		
Doing specific and target oriented investments	Project suitability	
	Intended duration of IJV	
Partner dimension		
Partner selection	Past relational experience with partner	
	Experience with similar projects	
	Cooperative experience	
	Local partner's market power	
Interpartner relations	Close cooperation among partners	
Structural dimension		
Contractual characteristics	Dispute resolution procedures	
Control of ownership	Composition of decision-making body	
Venture demographics	Number of IJV partners	
	Size of IJV	
Organisational dimension		
Operational/ process-related		Proper transfer of knowledge
External dimension		
Environmental impact	Local market potential	
Regulatory situation		Get approvals in time

Table 7.2: Non-relevant factors, created by author. * R-squared < 0.2

Table 7.2 presents potential performance determinants identified in existing literature, which have not been confirmed in the context of real estate development. Contrary to previous studies, little relevance of individual external influences was found (except for state of the market, which showed significance in M2 in combination with the factors: size of the JV partner, and develop a proper business plan).

The performance determinants reflected in Table 7.2 did not show significance in the quantitative analysis ($R\text{-squared} < 0.2$) and were not addressed in the semi-structured interviews. The reasons for this divergent view could be the industry-specific assessment of this dissertation.

In addition to existing knowledge, the findings of this study show aspects such as liquidity management, financial modelling with realistic assumptions, a good business plan, contract satisfaction, meeting the project timeline, and control of project performance as being especially relevant for IJVs in real estate development.

Another important contribution to the literature is the understanding of the significant relationships. Extant literature has not examined these relationships and not looked at the complexity of these dimensions. New indicators/CSFs have been identified that have not yet been addressed in this context.

The findings have identified the following relationships between (1) structural, organisational and investment dimensions as well as (2) external, organisational and investment dimensions for the overall success of an IJV in the formation-stage (see Figure 7.1).

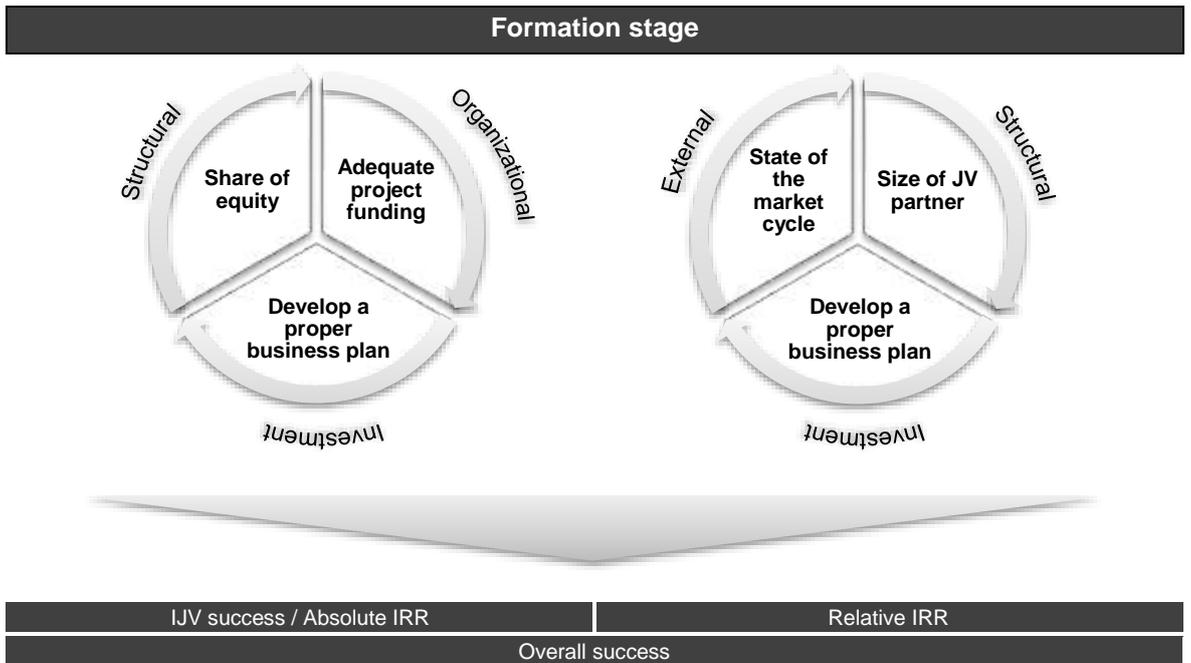


Figure 7.1 Relevant factor combinations/relationships to improve the overall success of real estate development IJVs in the formation stage, created by author.

With respect to the post-formation stage, relationships between (1) partner and organisational dimension, (2) partner and investment dimension, and (3) investment and organisational dimensions have been proven relevant and contributory to the improvement of performance in real estate development IJVs (see Figure 7.2).

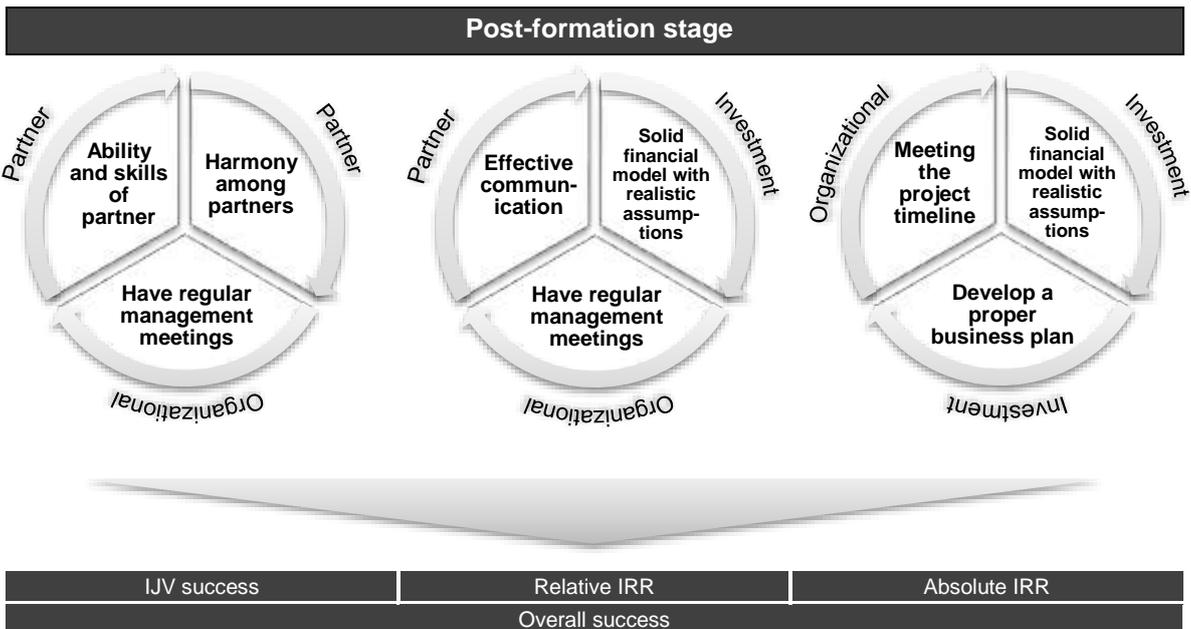


Figure 7.2: Relevant factor combinations/relationships to improve the overall success of real estate development IJVs in the post-formation stage, created by author.

More empirical research and theory development should be undertaken to analyse the greater influence (negative and/or positive) of CSFs and their relationship to real estate development and their consequent impact on performance.

A further contribution of this study was the introduction of a new typology of CSFs. The proposed typology may support further theoretical and empirical investigation of CSFs in IJVs in real estate development.

Moreover, the study developed a systems-based conceptual model for explaining the relevance of CSFs to IJVs in real estate development, representing a substantial extension of existing IJV theory related to the real estate business.

The empirical exploration of the perspective of a capital investor as a partner in an IJV, focusing not only on the management aspect, but also on the investment process, is an important contribution to the IJV literature.

Finally, the present research has contributed to the measurement of CSFs in IJV performance with respect to real estate development, which can be used in future research, although refinement may be necessary.

Methodological implications

This thesis applied a mixed method research design to address a specific research problem; such a study has never before been performed in the context of IJV management. It demonstrates the interdisciplinary potential of applying mixed research methods to new areas of social science. The research design was developed to gain a more profound understanding of how to manage complex IJVs in real estate development projects. A systems approach was used to frame the device to process CSFs, which have been absorbed in the literature review. An extensive process in the form of sequential triangulation (data collection process through three-stages), in which CSFs of IJVs in real estate development were refined and modified, generated the research result. This approach was implemented through the combination of qualitative and quantitative methods – a qualitative exploratory investigation, followed by a confirmatory quantitative data analysis (regression analysis), and finally, a pragmatic and explanatory qualitative study (QUAL → QUAN → QUAL). This procedure proved to be effective for this inquiry process, since the basic design followed the nature of the problem statement, and findings from the previous method informed the next according to

the subsequent actions. The resulting dialectical synthesis highlighted the contrast between what seemed to be self-evident in interactions during the focus groups, what seemed to be the basis of lay discourses, and what seemed to be the truth that has been reflected in the survey results. In addition, differences arose during the comparison of these findings with official interpretations of the same phenomenon.

Moreover, the study has also contributed to methodology by developing and validating new reliable and valid construct measures. In this context, performance measures with subjective and objective criteria were involved in identifying the CSFs.

Each step taken to establish and examine this framework has been set out in detail in order to ensure its transparency as well as transferability to third parties. This new research approach provides an innovative research design; yet, the methodological framework is also applicable to other aspects in IJV management or analysis of CSFs in international business research.

Therefore, the main methodological contribution of this research is the methodological framework developed, piloted and tested, which allows for the identification and understanding of CSFs in the context of IJVs in real estate development projects. The application of this methodological framework enables a sophisticated and comprehensive evaluation of the topic.

Managerial implications

The findings and conclusions of the current study present a number of important issues relevant for investing in IJVs in real estate development and managing those projects from the perspective of a capital investor. Such information might be of particular interest for both capital investors which already operate in this field and those who plan to expand their activities to it. This study will provide valuable information for the management of CSFs as it enables investors, managers and executives to become aware of the variety of factors affecting project success of IJVs in real estate development and their relative importance across the formation and post-formation phases. This will provide an enhanced understanding of the way in which they can manage the performance of their IJV entities. Moreover, this knowledge may help in the allocation of project resources and management efforts to the IJV entities. The results will guide the practitioners in better managing IJVs in

real estate development by improving the success rate of their IJV projects. The findings of the present study indicate that several investment-related, partner-related, structure-related, and organisation-related factors influence the performance of IJVs in real estate development. Some of the most relevant factors/aspects with practical implications are described below:

- *Be familiar with local legislation*: This knowledge ensures that investors are able to make informed decisions with respect to the implementation of investments. This means being able to understand the local legal framework and involves the achievement of sector regulatory compliance, clarity on enforceability of documents, as well as comprehension and application of governing law.
- *Manage your liquidity*: This aspect refers to the ability to meet cash and collateral obligations, without running into distress situations, thereby avoiding substantial loss. Liquidity management describes the effort of IJV managers to reduce liquidity risk exposure. The result highlights the importance of setting up and capitalizing the project platform in order to be able to make funds available/ provide sufficient liquidity to secure necessary payment requirements.
- *Put focus on your underwriting (solid financial model, realistic and reliable assumptions, sophisticated business plan)*: Professional underwriting processes are important. They allow for a comprehensive evaluation of real estate, while applying sound investment principles. The purpose of financial models is to determine the financial feasibility of real estate development projects and to evaluate if returns are risk-adjusted. The use of realistic assumptions helps to better understand economic implications of real estate development projects. Such projects require the implementation of a sound strategy/business plan in order to turn ideas into real properties. A solid strategy may support the construction/creation of unique and attractive products, able to deliver required return potentials.
- *Select your partner carefully (conduct a comprehensive partner due diligence)*: The purpose of the partner due diligence process is very important in identifying and selecting the right partner by creating transparency, proofing integrity, and identifying latent risks that may emerge from envisaged business relations.

- *Evaluate the abilities and skills of your partner:* Real estate development projects are complex undertakings, which carry a lot of risk, ambiguity, and uncertainty. Therefore, it is important to have a reliable and capable partner that brings a valuable skill set to the table; in other words, they need to know what to do and when to do it. Only if the partner is able to offer such required skills and abilities, will they be in a position to coordinate and/or navigate all the necessary processes of the development project according to plan.
- *Ensure alignment of interest and objectives:* It is important that all partners face a similar situation in terms of chances and risks relative to their commitment at all times during the venture process. Alignment of interest and objectives is particularly important when something is not going according to plan or when the project performs in a manner, which is better. The benefit of such alignments is that misbehaviours and/or opportunistic behaviours will be limited. Thus, it is important that potential IJV partners check their alignment situation before they start setting up the venture.
- *Set up a quality and complete IJV contract:* IJV agreements should be clearly formulated/structured. This approach determines the quality of the contract and ensures that different interpretations are restricted. Potential partners should keep the contract as simple as possible, while ensuring that they include the full scope and detail in order to cover all relevant aspects/cases.
- *Ensure that all parties feel happy with the IJV contract:* The contract forms the basis for the partnership. Therefore, it is important that all parties are satisfied with the agreement. This means that the contract between satisfied parties may ensure the avoidance of trouble and conflict in future IJV operations. If one of the partners is not satisfied with the contract, he will reflect this in his motivation, which is not conducive to the project success.
- *Ensure to meet the project timeline:* Project delays often produce additional costs and reduce return. Therefore, it is important to understand what causes the delay. Is it a disturbance (uncontrolled delay) or part of a strategy change (controlled delay)? The use of project management tools may facilitate the overall management performance and the delivery of outputs on time.
- *Monitor the IJV activities:* On-going monitoring indicates potential project risks that may arise along the project timeline. Due to the access to immediate information, timely intervention is possible when necessary.

- *Control project performance*: A steady evaluation of project performance enables the tracking of the project progress and the understanding, whether or not the project performs in line with the original underwriting. Problems are often caused by lack of information.

Another aspect of the study, besides identifying the CSF and success criteria, is to identify interrelationships between them. In this way, the researcher has concluded that improving some of the characteristics of the project manager or project team is likely to affect other success factors as well. Therefore, this research helps to identify those factors that have a significant relationship with others and therefore require greater attention from the managers. These findings could significantly increase the effectiveness of the improvement process, which could be necessary to increase the likelihood of project success. Using this study as a guide could indicate which factors are affected while improving some of the key parameters. In addition, it can improve the efficiency of processes by serving as a map showing possible measures of change in such projects:

- *Share of equity, adequate project funding, and developing a proper business plan (in the formation stage)*: The findings suggest that an equity share of the local partner below 20% has a negative implication on return (performance outcome) of the venture, while postponing the execution of full financing (funding) to the post-formation stage has a positive effect. Both factors correlate positively with the establishment of a realistic and sustainable business plan. A robust business plan is a key element for a deliberate investment decision;
- *State of the market cycle, size of the JV partner, and developing a proper business plan (in the formation stage)*: The findings suggest that well-prepared business plans can be executed in a better way if such engagements start during growing or falling markets, but avoiding peaking markets. In addition, if the capital structure/capital power of the local IJV partner exceeds a critical size (market value/capitalization greater than EUR 20 million), this will benefit the project;
- *Ability and skills of partner, harmony among partners, and having regular management meetings (in the post-formation stage)*: The results underline the importance of the venture partners' skills and resources in combination with a harmonious relationship and a culture of regular management

meetings. From a business perspective, interpersonal relationships must be developed in the management process to support good collaboration, to be open-minded and to understand and allow each other's opinions. These qualities are crucial to achieving harmony and mutual trust. Moreover, steady exchange of information through regular management meetings may improve the working results and reduce the risk of failure;

- *Having regular management meetings, effective communication, and solid financial model and realistic assumptions (in the post-formation stage):* The results show that sophisticated financial models with realistic assumptions, being supported by effective communication and regular management meetings, play an important role for a successful IJV in real estate development. A good communication climate and information exchange through regular meetings assist in a better team cooperation and decision-making processes, which is supportive of the development of robust financial models;
- *Solid financial model and realistic assumptions, developing a proper business plan, and meeting the project timeline (in the post-formation stage):* The findings suggest that financial modelling is a key element in the development of the business strategy. This means that feasible business plans require a reliable number framework. Moreover, the business plans are sensitive to their pre-determined timeline. This means that delays can have a devastating effect on the economic success of the project.

The outcome of the study is important, as these practical implications (performance determinants, CSFs and their relationships, as highlighted above) have not been addressed before, particularly not in the specific context of IJVs in real estate development. This experiential knowledge of expert practitioners has been collected, methodically analysed and documented in the present thesis. The research findings show that particular performance determinants and their combinations can enhance investment and management processes in these IJVs (e.g. the evaluation of potential IJV projects by conducting a sound partner due diligence and using a sophisticated cash flow model). As a result, efficiencies can be lifted, productivity increased, risks reduced and collaboration/teamwork encouraged. This means that such a guideline may contribute to a better success rate of IJVs in real estate development. Each IJV project in real estate development is unique which means that the identified aspects may have different relevance.

However, a general understanding with respect to the CSFs will enable investors, managers, and executives to recognize the right components for more successful venture management.

In summary, it is important for any capital partner investing in and managing an IJV in real estate development to be aware of these factors. Based on the identified CSFs, the cooperation process between an international investor and a local operative partner can be optimized in order to improve the outcome of the overall project.

7.2) Research limitations

Data analysis and generalisability of results

Marshall & Rossmann (2006) argue that every piece of research is subject to limitations referring to generalisability of its findings and strength of its conclusions. Although this study was prudently undertaken, no definite conclusions with respect to investment and management processes of IJVs in real estate development in their formation and/or post-formation stages can be drawn from this single study. Therefore, external validity is limited, as the results of this thesis are not generalizable to all IJVs in real estate development, but rather only to those analysed in the sample.

It was paramount to this study to maintain the characteristic of depth and breadth of the overall analysis, built on its methodological framework. Therefore, it was recommendable to start with a qualitative study (study 1) to ensure that the depth of the process, as well as the comparability across the settings, was captured.

References

Even though citations of all selected studies have been examined to identify further relevant publications, the author cannot exclude the possibility that empirical findings published elsewhere may alter conclusions of this study to a certain degree.

Data sources

The data collection process within the quantitative analysis involves only data from one partner as well as one manager for each IJV real estate development project. However, due to the motivation of this study, to concentrate only on the perspective

of the international capital partner, this choice was expected not to affect the findings of the study.

The agenda of the interview was driven by the determinants derived from findings of the previous study (study 2). To ensure a more reliable conclusion, interpretation, and independent verification of the research result of each study, it would have been preferable to discuss all potential CSFs/performance determinants in detail. However, this was not possible because of the limited availability of the interviewees and the high number of determinants, which would have meant extremely extensive interview processes. Consequently, the interviews focused on significant (critical) performance determinants, which have been identified in the quantitative analysis in study 2.

Sampling and sample size

The sample size was small, considering such statistical analyses. The researcher had to accept this aspect, as expert knowledge on this topic is extremely difficult to access. The number of experts who possess this specific knowledge and sufficient experience is very limited. Moreover, such kind of IJV projects are not publicly registered, thus the identification of such partnerships is an additional barrier/constraint. Further, willingness and motivation of respective capital managers, active in IJV real estate developments, to fill in questionnaires is rather low due to their high workload. Therefore, the researcher had to resort to his own professional network. Due to limited knowledge of the specific context of IJVs in the real estate sector, a random sample was not feasible and effectively a convenience sample had to be used. That was the only option to generate valuable data. However, satisfactory results were obtained due to appropriate methods incorporated into the study analysis. In order to improve generalisability of the present study, there is a need for replication of similar models for IJVs in real estate development, potentially with a larger sample and different geographical distributions.

Operationalization of construct measures

The operationalization of the construct measures is a general problem in social science and business studies which also affected this work. This research project developed three dependent variables IJV success, Relative IRR and Absolute IRR. All three measures with subjective and objective criteria have proven to be useful in

this study. However, the operationalization of the construct measures needs to be validated and tested in further research.

Despite the limitations outlined above, the results of the present study make a significant contribution to management theory, methodology and practice, while also suggesting some promising avenues for future research.

7.3) Avenues for future research

First, this study suggests that our understanding of IJV performance in the context of investing in real estate development projects and managing them is incomplete as too little research attention has been given to this topic. As highlighted, more effort is required in order to deepen the theoretical understanding in this area. The right questions need to be asked before evaluating the answers empirically. The implicit premise of this research is that certain factors (CSFs) have a particular impact on the success and/or failure of IJVs in real estate development from the perspective of a capital investor. A full understanding of the IJV phenomenon, therefore, requires greater research focus on issues relating to the IJV's investment and management processes, which are key in the successful execution of real estate development strategies. This means that efforts to integrate and/or evolve the proposed model conceptually based on system theory, but open for theoretical pluralism, could contribute to a broader, more general understanding of IJVs in real estate development. Research regarding CSFs related to IJVs in real estate development would clearly benefit from replication studies that alter some aspects, such as research settings, while holding others constant. Moreover, this approach could prove useful in determining the scope of context specificity, looking at particular CSFs (see Klossek, 2008). Quantitative replication studies may lead to a greater generalization of verified knowledge of CSFs and other findings. However, this means testing existing theory rather than generating new theory. Both procedures heavily depend on primary studies, based on rigorous and relevant theories. In particular, further research can investigate:

- Using different statistical procedures, such as principal components, structural equation modelling (SEM) and/or factor analysis and comparing results from a confirmatory perspective;

- Using larger samples for quantitative analysis to generate more reliable results;
- Defining and applying a different set of construct measures
- Looking at the different impact of the factors in different countries and comparing them, while trying to determine and clarify the differences;
- Looking at CSFs of domestic JVs and comparing them, while trying to determine and clarify the differences;
- Looking at the perspective of the operational/local IJV partner, or even at the perspective of both partners at the same time;
- Looking at other forms of real estate related IJVs, such as co-ownership or real estate operating companies;
- Designing similar studies in other project-related IJVs in other sectors.

In reality, there is little tradition of replication studies in international business research, and thus such studies are rather exceptional.

Second, the findings of this research are based on cross-regional data and thus do not include observations from a regional perspective. This means that this study collected data within the three main active regions United States, Europe and Asia and made no distinction with respect to the location of professionals as well as coverage of the market. This approach assumes that all IJVs have to deal with similar challenges. A more country specific approach could put a stronger focus on the unique aspects and characteristics of country contingencies and produce more fine-grained analyses of CSFs and their relationships. Moreover, this includes looking at the different impact of the factors in different countries and comparing them, while trying to determine and clarify the differences;

Third, in this study, a three-factor model combination has been used to understand the causal relationships between the factors. Due to the small sample size, this was only partially possible. Further studies of CSFs and their performance determinants may contribute to a better understanding of these causal relationships. Such research could look at the CSFs, potential CSFs, and/or performance determinants across a larger sample of IJV managers, using statistical analysis for greater generalisation of results. However, it is important to point out that access to this niche expertise is very difficult and access through a network is likely. In addition, such an extended analysis raises the question of the connections in the relationship between project level and organisation. Once the causal relationships

are identified and fully understood, it may help to clarify development needs, strategize the investment and formation process, and enable the forecasting of the success potential and/or failure risk of real estate development projects before they commence.

Finally, more meta-analyses in the context of IJV performance may help in aggregating CSFs and their underlying performance determinants in order to derive statistically sound conclusions. Outcomes may include estimates that are more precise. Unfortunately, there are very few examples of such studies (e.g. Robson et al., 2002). Therefore, Klossek (2008) argues, that it is very relevant to enlarge consistency and robustness of CSFs theory by replicating studies.

7.4) Lessons learned

This is a reflection of the researcher's experience during his research journey. As a part-time student, I had no direct on-campus access and on-going exchange with the academic environment was difficult. Thus, my research process was pitted by much self-study, reading and trial-and error processes. Therefore, the feedback and directions given by the few interactions with my supervisors (advisors, supervisor and co-supervisor) was essential and indispensable for the successful implementation of this doctoral thesis. However, a full-time PhD-programme would probably have smoothed the overall research process. In addition, it would have been very helpful to attend more than one research conference, as in such occasions, very specific knowledge exchange and transfer can take place with peers that undertake research in closely related fields of study.

Moreover, I had to manage my time very carefully in order to balance my work and life, particularly concerning my family. As a result, my student work was interrupted again and again. I had to keep motivating myself. Therefore, I would advise anyone who is going through a similar process, to take if possible some time out, in which you can concentrate fully on your study. Unfortunately, this was not possible for me. As a result, the preparation of this thesis took six years.

In this study, I experienced that the implementation of a quantitative study related to a topic that has so far had little theory as particularly challenging. The theory to be tested must first be established and/or consolidated in the context of a qualitative

study. In this situation, you should ask yourself, whether the qualitative study has enough potential and if this is the case, then concentrate completely on it.

Moreover, the topic of this study is referring to a niche sector which means that reliable information was limited and knowledgeable informants were difficult to access. Although I have an extensive international network in this sector, I have struggled to gather enough data in the survey. All in all, it took me 10 months to generate a minimum data requirement for a statistical evaluation. More data would, of course, have been highly desirable. However, I had to make compromises because of the time aspect. In this context, I would like to point out that one should not underestimate the implementation of a survey questionnaire, especially in niche sectors (with limited available knowledge), if you have no access to known networks.

I hope that this reflection could help doctoral students and I wish everyone who commits to writing a doctoral thesis much success.

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Appendix

A: List of selected studies

#	Author	Journal	Methodology	Style/ Test	Sample	Academic Foundation ¹
1	Adnan (2008)	Asian Social Science	Mixed	Confirmatory study	55 questionnaires, plus on in-depth interview	11,14
2	Adnan et al. (2012)	Journal of Applied Science Research	Quantitative	Regression analysis	30 questionnaires	N/A
3	Amuddin et al. (2007)	Journal of World Business	Quantitative	6 Hypotheses/ confirmatory study	survey 96 Malayan JV companies	3
4	Beamish (1994)	Management International Review	Mixed	1 Hypothesis/ confirmatory study	66 JV companies (questionnaires and interviews)	1,14
5	Berdrow & Lane (2004)	Journal of World Business	Qualitative	Case study	20 interviews in 8 JV companies	5,16
6	Blodgett (1992)	Strategic Management Journal	Quantitative	3 Hypotheses	1025 JV companies	16
7	Boateng & Glaister (2002)	International Business Review	Quantitative	6 Hypotheses	57 questionnaires	1,3,16
8	Brouther & Bamossy (2006)	Journal of Management Studies	Qualitative	Comparative case study	Longitudinal study of eight eastern/western European IJVs	1,3
9	Chiao et al. (2009)	Journal of World Business	Quantitative	2 Hypotheses	236 Taiwanese international JV companies	3,11
10	Child & Yan (1999)	Journal of World Business	Quantitative	Confirmatory study	212 interviews in 67 Chinese international JV companies	3
11	Cullen et al. (2000)	Journal of World Business	Mixed	Explanatory study	79 Japanese and 73 local JV partners/ 96 non-equity alliances	3
12	Delios & Beamish (2004)	Management International Review	Mixed	Explanatory study/ 3 Hypoth.	27,974 Japanese foreign subsidiaries (JV companies)	14
13	Demirbag & Mirza (2000)	International Business Review	Quantitative	Principal components/ factor analysis	47 IJVs (interviews and questionnaires)	4
14	Dhanaraj & Beamish (2004)	Strategic Management Journal	Quantitative	1 Hypothesis/ confirmatory study	12,974 overseas subsidiaries (JV companies)	1
15	Famakin et al. (2012)	Journal of Financial Management of Property and Construction	Quantitative	Factor analysis	35 surveys	N/A
16	Fey (1996)	The International Executive	Mixed	4 case studies/ discriminant analysis	Interviews in 4 + 30 Russian-foreign IJVs	1,3,4
17	Gale & Luo (2004)	International Journal of Project Management	Mixed	1 Hypothesis/ confirmatory study	survey 97 Chinese JVs	7,14
18	Geringer & Hebert (1989)	Journal of International Business Studies	Qualitative	Literature Review	87 literature sources	1,7,16
19	Geringer & Hebert (1991)	Journal of International Business Studies	Quantitative	5 Hypotheses/ confirmatory study	survey 209 international JV companies plus interviews	7
20	Hatfield et al. (1998)	Journal of Managerial Issues	Quantitative	2 Hypotheses/ confirmatory study	50 JV companies	3
21	Hennart & Zeng (2002)	Journal of International Business Studies	Quantitative	1 Hypothesis/ confirmatory study	97 JV companies	1,3
22	Hlavacek (1974)	Journal of International Marketing	Qualitative	Exploratory study	21 JV companies	7
23	Hu & Chen (1996)	Journal of Business Research	Quantitative	4 Hypotheses/ confirmatory study	2,442 JV companies	3,6,7,15
24	Inkpen & Birkenshaw (1994)	International Business Review	Mixed	Explanatory study/ 9 Hypoth.	40 JV companies	8
25	Inkpen & Currell (2004)	Organization Science	Qualitative	Exploratory study	71 literature sources	1,5,16
26	Jiang & Li (2008)	Journal of World Business	Quantitative	4 Hypotheses/ confirmatory study	survey 127 German alliances	5,11
27	Lane et al. (2001)	Strategic Management Journal	Quantitative	10 Hypotheses/ confirmatory study	survey 78 Hungarian international JV companies	1,5
28	Larimo & Nguyen (2015)	Baltic Journal of Management	Qualitative	Exploratory study	survey 10 Finnish IJVs	1
29	Le (2009)	International Journal of Business and Management	Quantitative	2 Hypotheses/ confirmatory study	survey 49 Finnish IJVs	4,7,14
30	Lee & Beamish (1995)	Journal of International Business Studies	Quantitative	10 Hypotheses/ confirmatory study	survey 41 Korean JV companies	11
31	Lin & Wang (2008)	Journal of World Business	Quantitative	3 Hypotheses/ confirmatory study	survey 500 international managers of JV companies	8
32	Luo & Tan (2003)	Management International Review	Quantitative	2 Hypotheses/ confirmatory study	76 Singaporean JV companies	1,11
33	Luo (1997)	Organization Science	Quantitative	7 Hypotheses/ confirmatory study	116 Chinese international JV companies	1,3,8,14,15
34	Luo (1998)	Journal of World Business	Qualitative	Exploratory study	26 literature sources	7,16
35	Luo et al. (2001)	Journal of International Business Studies	Quantitative	5 Hypotheses/ confirmatory study	survey 295 Chinese JV companies	1,11,16
36	Luo (2002)	Strategic Management Journal	Quantitative	4 Hypotheses/ confirmatory study	293 international JV companies	1,8
37	Merchant & Schendel (2000)	Strategic Management Journal	Quantitative	7 Hypotheses/ confirmatory study	393 international JV companies	1
38	Merchant (2002)	Management International Review	Quantitative	4 Hypotheses/ confirmatory study	350 JV companies	1
39	Merchant (2005)	Journal of World Business	Quantitative	Confirmatory study	> 700 US international JV companies	1,3,15
40	Mirja et al. (2012)	Australasian Journal of Construction Economics and Building	Quantitative	Descriptive statistics	35 questionnaires	3
41	Mjoen & Tallman (1997)	Organization Science	Quantitative	11 Hypotheses/ confirmatory study	103 Norwegian international JV companies	1,3,8
42	Mohr & Spekman (1994)	Strategic Management Journal	Quantitative	3 Hypotheses/ confirmatory study	survey 124 partnerships	4
43	Mohr (2006)	Journal of World Business	Quantitative	5 Hypotheses/ confirmatory study	survey 110 managers of JV companies/ 25 interviews	11
44	Nippa et al. (2007)	Management and Organization Review	Qualitative	Review	41 studies/ literature sources	3,9,11,16
45	Ozorhon et al. (2010)	Journal of Mananagement in Engineering	Quantitative	Confirmatory study	68 questionnaires	7,11,16
46	Pangarkar & Klein (2004)	Journal of International Marketing	Quantitative	2 Hypotheses/ confirmatory study	survey 78 Singaporean JV companies	1,11
47	Park & Russo (1998)	Management Science	Quantitative	6 Hypotheses/ confirmatory study	204 JV companies (electronic industry)	1
48	Park et al. (2015)	International Business Review	Quantitative	4 Hypotheses/ confirmatory study	334 Korean international JV companies	2,5
49	Parkhe (1993)	Academy of Management Review	Qualitative	Exploratory study	N/A	1,3,4,8,13,16
50	Pothuikuchi et al. (2002)	Journal of International Business Studies	Quantitative	2 Hypotheses/ confirmatory study	127 Indian international JV companies	4
51	Ramaswamy et al. (1998)	International Marketing Review	Quantitative	Confirmatory study	83 Indian JV companies	1,1
52	Reuer (2000)	Journal of International Business Studies	Quantitative	2 Research Questions	215 international JV companies	1,16
53	Reus & Ritchie (2004)	Management International Review	Qualitative	Literature Review	194 Articles (Journals)	1,5
54	Reus & Rottig (2009)	Management International Review	Quantitative	Meta-Analyses, 6 Hypotheses	26,924 JV companies	2,4
55	Robson et al. (2002)	Management International Review	Qualitative	Review	36 studies	1,2,3,4,5,6,7
56	Robson et al. (2006)	International Marketing Review	Qualitative	Exploratory study	132 surveys/ 35 interviews 35/ 41 studies	1,4,5

#	Author	Journal	Methodology	Style/ Test	Sample	Academic Foundation ¹
57	Shaker & Galal (1994)	European Management Journal	Qualitative	Exploratory study	49 literature sources	N/A
58	Sim & Aji (1998)	Journal of World Business	Quantitative	13 Hypotheses/ confirmatory study	59 Bangladeshi international JV companies	3,7
59	Talman & Shenkar (1994)	Journal of International Business Studies	Qualitative	Case study	81 literature sources	8,11,16
60	Wang et al. (1996)	Journal of World Business	Quantitative	Confirmatory study	survey 132 Singaporean international JV companies	16
61	Yang & Lee (2002)	Industrial Management & Data Systems	Mixed	AHP approach	N/A	7
62	Yan & Gray (1994)	Academy of Management Journal	Qualitative	4 case studies	12 interviews/20 pages archival data	3
63	Yan & Zeng (1999)	Journal of International Business Studies	Qualitative	Exploratory study	16 literature sources	5,8
64	Yin (2008)	International Journal of Business and Management	Qualitative	Comparative study	22 literature sources	1,3
65	Zheng & Lanimo (2014)	Ekonomika a management	Qualitative	Case Study	9 IJV companies	4,7,11
66	Zolo et al. (2002)	Organization Science	Quantitative	4 Hypotheses	145 biotechnology alliances	1,2,5,12

#	Author	Bibliography	Methodology	Style/ Test	Sample	Academic Foundation ¹
67	Bener (2008)	Dissertation	Quantitative	28 Hypotheses// confirmatory study	109 questionnaires	1,3
68	Dikmen et al. (2008)	Conference Proceeding	Quantitative	Confirmatory study	49 questionnaires	3
69	Hunoldt & Bausch (2009)	Conference Proceeding	Quantitative	Meta-analysis	54 studies	1,3
70	Harrigan (1988)	Essay	Qualitative	Confirmatory study	895 US JV companies	4
71	Kogut (1988)	Essay	Quantitative	4 Hypotheses/ / confirmatory study	survey 148 US JV companies	1,4,16
72	Parkhe (2004)	Essay	Qualitative	Exploratory study	N/A	1,3,4,6,13,16
73	Eisele (1995)	Dissertation	Quantitative	Confirmatory study	survey of 131 top managers of JV companies	1,11,16
74	Zheng & Zhang (2011)	Essay	Qualitative	Literature Review	87 Articles (Journals)	N/A
75	Zielke (1992)	Dissertation	Quantitative	Confirmatory study	60 interviews with international JV companies	2,3,7,15

¹ Business theories relevant for joint venture research.

#	Business theory	Hits	Underlying logic
(1)	Transaction costs economics ²	31	The sum of production and transaction costs associated with joint ownership is lower than that for sole ownership of the venture or market transaction.
(2)	Agency theory ²	5	International joint ventures act as agents through which parent organizations (the principals) aim to increase their business activities and success. The principals act to control costs they attribute to the agency relationship.
(3)	Resource-based view ²	23	International joint ventures form to create bundles of strategic and social resources that serve as a source of competitive advantage and, in turn, superior performance.
(4)	Behavioural perspective ²	12	The development and successful evolution of international joint ventures depends largely on behavioural interactions and the presence of goodwill among the parties involved.
(5)	Organisational learning/ knowledge ²	10	International joint ventures represent a conduit through which firms can obtain tacit organisational knowledge embedded in others. Firms form partnerships to capitalise on opportunities to acquire particular new skills.
(6)	Political economy ²	4	A sponsoring firm's level of control and performance in an international joint venture business is contingent on bargaining power it accrues from resources and capabilities.
(7)	Strategic management ²	13	International joint ventures are motivated by strategic behaviour in response to environmental conditions, and their performance depends on whether a mutual co-alignment/fit between parent strategy and venture structure is achieved.
(8)	Social exchange theory	8	Social psychological and sociological perspective that explains social change and stability as a process of negotiated exchanges between joint venture partners.
(9)	Institutional theory	1	Institutional theory attends to the deeper and more resilient aspects of social structure in joint venture companies.
(10)	General system theory	1	General systems theory is the interdisciplinary study of systems in general, with the goal of elucidating principles that can be applied to all types of joint venture systems.
(11)	Contingency theory	13	Contingency theory is a class of behavioral theory that claims that there is no best way to organise a venture, to lead a joint venture company, or to make decisions.
(12)	Real options theory	1	An alternative or choice that becomes available with a business investment opportunity. Real options can include opportunities to expand and cease joint venture projects if certain conditions arise, amongst other options.
(13)	Game theory	2	Set of concepts aimed at decision making in situations of competition and conflict (as well as of cooperation and interdependence) under specified rules in joint ventures.
(14)	Internalization theory	6	By investing in international joint ventures rather than licensing, the parent company is able to send the knowledge across borders while maintaining it within the firm, where it presumably yields a better return on the investment made to produce it.
(15)	Organisational complexity	4	Organisational complexity is defined as the amount of differentiation that exists within different elements constituting the joint venture organisation.
(16)	Organisation theory	16	Analysis of organisational designs and organisational structures, relationship of organisations with their external environment, and the behavior of managers and technocrats within the joint venture.

² Business theories. Adapted from "Factors influencing international joint venture performance: theoretical perspectives, assessment, and future directions", by M. J. Robson L. C. Leonidou and C. S. Katsikeas, 2002, Management International Review, 42, pp. 388-389. Copyright 2002 by Springer Verlag.

B: A sample of the questionnaire

CSF for IJV in RE Dev. Version 01

1. Questionnaire guideline/explanation:

The aim of this questionnaire is to identify the critical success factors (CSFs) for international joint ventures (IJVs) in real estate development projects from the perspective of a capital investor. The IJV is generally formed by an international capital investor partnering with a local real estate developer, operator or professional.

General assumptions:

- (1) Development projects can refer to new development, re-development or refurbishment activities.
- (2) Please consider the partner perspective of the capital investor by filling out the questionnaire.
- (3) Please refer to a specific IJV project in which you were involved (it would be highly appreciated if you could fill out one template for a successful project and one for an unsuccessful project).
- (4) Success is defined as financial success, considered in terms of IRR - internal rate of return.

Life-cycle stages of an IJV in real estate development:

- (5) Formation stage (also called investment or entry stage): Potential partners define and configure negotiation targets, the conduct of negotiations and relevant negotiation topics. This involves considerations like venture size, experiences, duration, investment type, clarity about contribution, share of ownership, control and decision making policy, profit and loss distribution, composition of decision making body, dispute resolution procedures, main motivation and long-term orientation.
- (6) Post-formation stage: The post-formation stage starts after the implementation (formation) of the IJV, focuses on the operation and management and ends with the termination of the platform.

CSF for IJV in RE Dev. Version 01

2. Introductory and general questions:

1. What is your title?

2. What is your age?

3. What is your function?

- Portfolio Manager
- Transaction Manager
- Asset Manager
- General Manager
- Other (please specify)

4. How many years have you been working in the real estate business?

5. In how many IJVs in real estate development have you been involved?

6. In which region did you establish the referenced IJV of this survey? (Where was the local partner based?)

- Europe
- North-America
- Asia
- Other

7. In which country?

8. What was your investment strategy?

CSF for IJV in RE Dev. Version 01

3. Following questions refer to the formation stage of the subject IJV in real estate development:

9. Please answer following questions:

	Very Good	Good	Moderate	Bad	Very Bad	No/ Not/ Not Applicable
How was the investment strategy developed?	<input type="radio"/>					
How familiar were you with local law?	<input type="radio"/>					
How familiar were you with local business practice?	<input type="radio"/>					
How did you consider potential exit strategies before the investment was executed?	<input type="radio"/>					
How was the preparation of a project feasibility study?	<input type="radio"/>					
How would you rate your partner due diligence that was conducted?	<input type="radio"/>					
How was the quality of third party references of your partner?	<input type="radio"/>					
How was the experience with similar projects (industry experience) of your partner?	<input type="radio"/>					
How was the level of cooperative experience of your partner in context of IJVs?	<input type="radio"/>					
How trustworthy was your partner at the beginning?	<input type="radio"/>					
How was the level of completion of project definition before investing into the project?	<input type="radio"/>					
How was your past relational experience with the partner?	<input type="radio"/>					
How was the quality of the track record of your partner?	<input type="radio"/>					

10. Please answer following questions:

	Very Good	Good	Moderate	Bad	Very Bad
How did the project suit to your investment strategy?	<input type="radio"/>				
How was the project location?	<input type="radio"/>				

11. What was the state of the market cycle at the point of investment?

- Growing
- Peaking
- Falling
- Bottoming

12. What was the intended duration of the IJV in years?

- 1-3
- 4-5
- >5

CSF for IJV in RE Dev. Version 01

4. Following questions refer to the post-formation stage of the subject IJV in real estate development:

13. Please answer following questions:

	Very Good	Good	Moderate	Bad	Very Bad	No/ Not/ Not Applicable
How was the level of completion of project definition before starting construction activities?	<input type="radio"/>					
How would you rate the applied cost control mechanism?	<input type="radio"/>					
How would you rate mutual trust having been established between you and your partner during the operation phase?	<input type="radio"/>					
How would you rate the control mechanism via a decision making policy?	<input type="radio"/>					
How did you monitor the IJV activity?	<input type="radio"/>					
How well was the level of knowledge transfer from you to the IJV?	<input type="radio"/>					
How was the quality of tracking IJV performance?	<input type="radio"/>					
How would you rate the mutual decision-making process between the partners?	<input type="radio"/>					
How would you rate the quality of professional human resource management with respect to the IJV?	<input type="radio"/>					
How would you rate the quality of following project management functions (planning, coordinating, controlling)?	<input type="radio"/>					
How would you rate the quality of management reports?	<input type="radio"/>					

14. Please answer following questions:

	Frequently	Infrequently	Only Once	Never
Did the IJV meet reporting deadlines?	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
How often did you set up management meetings with respect to the IJV?	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

15. What was the state of the market cycle at the point of divestment?

- Growing
- Peaking
- Falling
- Bottoming

16. Was there a need to re-define the investment strategy?

- Yes
- No

CSF for IJV in RE Dev. Version 01

5. Questions with multi life-cycle reference

Following questions may either refer to the formation stage, post-formation stage or to both life cycle stages of the subject IJV in real estate development.

17. How realistic were the assumptions for your financial model defined?

	Very Good	Good	Moderate	Bad	Very Bad	No/ Not/ Not Applicable
During Formation Stage	<input type="radio"/>					
During Post-Formation Stage	<input type="radio"/>					

18. How was the quality of your active currency management?

	Very Good	Good	Moderate	Bad	Very Bad	No/ Not/ Not Applicable
During Formation Stage	<input type="radio"/>					
During Post-formation Stage	<input type="radio"/>					

19. How was the quality of liquidity management?

	Very Good	Good	Moderate	Bad	Very Bad	No/ Not/ Not Applicable
During Formation Stage	<input type="radio"/>					
During Post-Formation Stage	<input type="radio"/>					

20. How did you consider the abilities and skills of your partner?

	Very Good	Good	Moderate	Bad	Very Bad	No/ Not/ Not Applicable
During Formation Stage	<input type="radio"/>					
During Post-formation Stage	<input type="radio"/>					

21. How was the local market power of your partner?

	Very Good	Good	Moderate	Bad	Very Bad	No/ Not/ Not Applicable
During Formation Stage	<input type="radio"/>					
During Post-Formation Stage	<input type="radio"/>					

22. How was the local market experience of your partner?

	Very Good	Good	Moderate	Bad	Very Bad	No/ Not/ Not Applicable
During Formation Stage	<input type="radio"/>					
During Post-formation Stage	<input type="radio"/>					

23. How was the alignment of interest between you and your partner?

	Very Good	Good	Moderate	Bad	Very Bad	No/ Not/ Not Applicable
During Formation Stage	<input type="radio"/>					
During Post-formation Stage	<input type="radio"/>					

24. How was the alignment of objectives (goal congruity) between you and your partner?

	Very Good	Good	Moderate	Bad	Very Bad	No/ Not/ Not Applicable
During Formation Stage	<input type="radio"/>					
During Post-formation Stage	<input type="radio"/>					

25. How did you manage partner's expectations?

	Very Good	Good	Moderate	Bad	Very Bad	No/ Not/ Not Applicable
During Formation Stage	<input type="radio"/>					
During Post-formation Stage	<input type="radio"/>					

26. How was the consensus mentality and conflict resolution?

	Very Good	Good	Moderate	Bad	Very Bad	No/ Not/ Not Applicable
During Formation Stage	<input type="radio"/>					
During Post-formation Stage	<input type="radio"/>					

27. How was the communication between you and your partner?

	Very Good	Good	Moderate	Bad	Very Bad	No/ Not/ Not Applicable
During Formation Stage	<input type="radio"/>					
During Post-formation Stage	<input type="radio"/>					

28. How was the collaboration with your partner?

	Very Good	Good	Moderate	Bad	Very Bad	No/ Not/ Not Applicable
During Formation Stage	<input type="radio"/>					
During Post-formation Stage	<input type="radio"/>					

29. How was the cooperation with your partner?

	Very Good	Good	Moderate	Bad	Very Bad	No/ Not/ Not Applicable
During Formation Stage	<input type="radio"/>					
During Post-formation Stage	<input type="radio"/>					

30. How do you rate the workload of your partner with other projects?

	Very High	High	Moderate	Low	Very Low	No/ Not/ Not Applicable
During Formation Stage	<input type="radio"/>					
During Post-formation Stage	<input type="radio"/>					

31. How compatible was your partner's management culture to yours?

	Very Much	Much	Normal	Little	Very Little	No/ Not/ Not Applicable
During Formation Stage	<input type="radio"/>					
During Post-formation Stage	<input type="radio"/>					

32. How harmonious was the relationship with your partner?

	Very Much	Much	Normal	Little	Very Little	No/ Not/ Not Applicable
During Formation Stage	<input type="radio"/>					
During Post-formation Stage	<input type="radio"/>					

33. How motivated were you and your partner?

	Very Much	Much	Normal	Little	Very Little	No/ Not/ Not Applicable
During Formation Stage	<input type="radio"/>					
During Post-formation Stage	<input type="radio"/>					

34. How did you undertake site visits?

	Frequently	Infrequently	Only Once	Never
During Formation Stage	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
During Post-formation Stage	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

35. Did you have full project funding in place?

	Yes	No
During Formation Stage	<input type="radio"/>	<input type="radio"/>
During Post-Formation Stage	<input type="radio"/>	<input type="radio"/>

CSF for IJV in RE Dev. Version 01

6. Questions without life-cycle reference

Following questions are independent of the life-cycle stages of the subject IJV in real estate development.

36. Please answer following questions:

	Very Good	Good	Moderate	Bad	Very Bad	No/ Not/ Not Applicable
How would you rate the level of satisfaction of all partners with the IJV agreement?	<input type="radio"/>					
How would you rate the quality of the terms in the IJV agreement?	<input type="radio"/>					
How would you rate the completeness of the IJV agreement?	<input type="radio"/>					
How clear was the (monetary and non-monetary) contribution among the partners?	<input type="radio"/>					
How was the profit and loss distribution defined?	<input type="radio"/>					
How would you rate the allocation of responsibilities and duties?	<input type="radio"/>					
How would you rate the consideration of dispute resolution procedures in the IJV contract?	<input type="radio"/>					
How would you rate the consideration of the termination mechanism in the IJV contract?	<input type="radio"/>					
How would you rate the financial stability of your partner?	<input type="radio"/>					

37. Please answer following questions:

	Very Good	Good	Moderate	Poor	Very Poor
How did you consider local market potential?	<input type="radio"/>				
How did you consider economic condition for the project?	<input type="radio"/>				
How was the level of political stability in the country of investment?	<input type="radio"/>				
How functional was the legal system in the country of investment?	<input type="radio"/>				
How functional was the tax system in the country of investment?	<input type="radio"/>				
How did you experience the conditions of the existing infrastructure?	<input type="radio"/>				

38. Please answer following questions:

	Very High	High	Moderate	Low	Very Low	No/ Not/ Not Applicable
How was the level of competition?	<input type="radio"/>					
How was the level of bureaucracy you experienced in the country of investment?	<input type="radio"/>					
What degree of corruption did you experience in the country of investment?	<input type="radio"/>					

39. Please answer following questions:

	Frequently	Infrequently	Only Once	Never
Did you meet the IJV project timeline?	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Did you get major approvals in time?	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

40. Please answer following questions:

	< EUR 20M	EUR 20M to EUR 50M	EUR 51M to EUR 100M	EUR 101M to EUR 250M	> EUR 250M
What was the size of the IJV (total investment volume)?	<input type="radio"/>				
Size of IJV-partner (estimated market value)?	<input type="radio"/>				

41. What was your share of equity?

- 0.1%-20%
- 21%-49%
- 50%
- 51%-80%
- 81%-99.9%

42. Did you compose a decision making body? How many members?

- No
- 1
- 2-3
- 4-5
- >5

43. Number of IJV-partner?

- 1
- 2
- 3
- 4
- >4

44. Please answer following questions:

	Yes	No
Was currency in the country of activity restricted?	<input type="radio"/>	<input type="radio"/>
Did you and your partner contribute resources in a balanced way?	<input type="radio"/>	<input type="radio"/>
Did you try to avoid complexities in the IJV?	<input type="radio"/>	<input type="radio"/>
Did you understand, own and share risk with the partner in a balanced way?	<input type="radio"/>	<input type="radio"/>
Could you communicate in the same language?	<input type="radio"/>	<input type="radio"/>

CSF for IJV in RE Dev. Version 01

7. Final questions

45. Was the IJV financially successful (in terms of IRR)?

- Very Successful
- Successful
- Acceptable
- Not Acceptable

46. What was the target IRR in % p.a.?

47. What was the realized IRR in % p.a.?

48. What were the lessons learnt?

49. What were the major risks/challenges?

50. General comments?

51. If you are interested in a copy of the study, please provide your email address...

C: Overview of answers (questionnaire)

1. What is your title?		
Job Title	Response Percent	Response Count
Junior Level Manager	8,8%	3
Mid Level Manager	41,2%	14
Senior Level Manager	29,4%	10
Executive Manager/ Partner/ Member of the Executive	20,6%	7
answered question		34
skipped question		0

2. What is your age?		
Answer Options	Response Percent	Response Count
<20	0,0%	0
20-30	16,1%	5
31-40	61,3%	19
41-50	16,1%	5
51-60	6,5%	2
>60	0,0%	0
answered question		31
skipped question		3

3. What is your function?		
Job function of respondents	Response percent	Response count
Portfolio Manager	47,1%	16
Transaction Manager	35,3%	12
Asset Manager	5,9%	2
General Manager	14,7%	5
Other	8,8%	3
answered question		34
skipped question		0

4. How many years have you been working in the real estate business?		
Work experience of repondents in the real estate business	Response Percent	Response Count
< 5	8,8%	3
6-10	41,2%	14
11-20	32,4%	11
21-30	17,6%	6
>30	0,0%	0
answered question		34
skipped question		0

5. In how many IJVs in real estate development have you been involved?

Experience of respondents in IJVs in real estate development	Response Percent	Response Count
1	0,0%	0
2-5	44,1%	15
6-10	29,4%	10
11-20	11,8%	4
>20	14,7%	5
answered question		34
	skipped question	0

6. In which region did you establish the referenced IJV of this survey? (Where was the local partner based?)

Location of the referenced IJV	Response Percent	Response Count
Europe	26,5%	9
North-America	23,5%	8
Asia	50,0%	17
Other	0,0%	0
answered question		34
	skipped question	0

7. In which country?

Answer Options	Response Count
	34
answered question	34
skipped question	0

Number	Response Date	Response Text
1	Nov 26, 2015 9:19 PM	Europe
2	Okt 28, 2015 9:34 AM	Germany
3	Okt 28, 2015 9:33 AM	UK
4	Okt 8, 2015 2:06 PM	United States
5	Jul 27, 2015 12:24 PM	Germany
6	Jul 10, 2015 8:30 AM	United States
7	Jul 9, 2015 4:35 PM	Malaysia
8	Jul 2, 2015 10:56 AM	Malaysia
9	Jul 1, 2015 1:05 PM	South Korea
10	Jul 1, 2015 7:20 AM	Germany
11	Jun 29, 2015 11:38 AM	Asia
12	Jun 10, 2015 5:00 PM	China
13	Mai 20, 2015 9:15 PM	United States
14	Mai 20, 2015 10:32 AM	Singapore
15	Apr 29, 2015 7:34 AM	India
16	Apr 8, 2015 5:20 AM	Singapore
17	Apr 8, 2015 5:17 AM	Singapore
18	Apr 7, 2015 7:52 AM	Japan
19	Apr 5, 2015 5:42 AM	China
20	Apr 3, 2015 3:43 PM	Canada
21	Apr 1, 2015 12:10 PM	Germany
22	Mrz 31, 2015 11:10 AM	Czech Republic

23	Mrz 30, 2015 10:15 PM United States
24	Mrz 30, 2015 1:54 PM United States
25	Mrz 30, 2015 2:02 AM Indonesia
26	Mrz 29, 2015 1:28 PM Japan
27	Mrz 29, 2015 9:35 AM Europe
28	Mrz 28, 2015 3:32 PM United States
29	Mrz 28, 2015 1:49 PM United States
30	Mrz 28, 2015 12:56 PM India
31	Mrz 28, 2015 12:36 PM Malaysia
32	Mrz 23, 2015 9:21 PM Thailand
33	Mrz 22, 2015 3:45 PM Germany
34	Mrz 5, 2015 8:03 AM Singapore

8. What was your investment strategy?

Investment strategy of referenced IJVs	Response Percent	Response Count
Core	14,7%	5
Value Add	41,2%	14
Opportunistic	44,1%	15
answered question		34
	skipped question	0

9. Please answer following questions:

Answer Options	Very Good	Good	Moderate	Bad	Very Bad	No/ Not/ Not Applicable	Response Count
How was the investment strategy developed?	8	14	6	1	0	0	29
How familiar were you with local law?	8	11	6	4	0	0	29
How familiar were you with local business practice?	7	10	8	3	0	0	28
How did you consider potential exit strategies before	8	15	4	1	1	0	29
How was the preparation of a project feasibility study?	9	9	7	0	1	3	29
How would you rate your partner due diligence that	5	14	7	1	2	0	29
How was the quality of third party references of your	8	10	8	1	0	2	29
How was the experience with similar projects (industry	11	12	3	1	0	2	29
How was the level of cooperative experience of your	8	11	4	4	1	1	29
How trustworthy was your partner at the beginning?	10	16	3	0	0	0	29
How was the level of completion of project definition	6	14	5	3	0	1	29
How was your past relational experience with the	8	9	2	0	0	9	28
How was the quality of the track record of your	11	13	2	0	0	2	28
<i>answered question</i>							29
<i>skipped question</i>							5

10. Please answer following questions:

Answer Options	Very Good	Good	Moderate	Bad	Very Bad	Response Count
How did the project suit to your investment strategy?	15	14	0	0	0	29
How was the project location?	9	17	3	0	0	29
<i>answered question</i>						29
<i>skipped question</i>						5

11. What was the state of the market cycle at the point of investment?

Answer Options	Response Percent	Response Count
Growing	72,4%	21
Peaking	13,8%	4
Falling	10,3%	3
Bottoming	3,4%	1
<i>answered question</i>		29
<i>skipped question</i>		5

12. What was the intended duration of the IJV in years?

Answer Options	Response Percent	Response Count
1-3	17,2%	5
4-5	62,1%	18
>5	20,7%	6
answered question		29
skipped question		5

13. Please answer following questions:

Answer Options	Very Good	Good	Moderate	Bad	Very Bad	No/ Not/ Not Applicable	Response Count
How was the level of completion of project definition	6	16	4	1	0	1	28
How would you rate the applied cost control	4	12	7	3	0	2	28
How would you rate mutual trust having been	9	14	2	2	0	1	28
How would you rate the control mechanism via a	7	8	9	2	0	2	28
How did you monitor the IJV activity?	8	12	8	0	0	0	28
How well was the level of knowledge transfer from you	5	11	9	0	1	2	28
How was the quality of tracking IJV performance?	5	14	6	3	0	0	28
How would you rate the mutual decision-making	4	16	7	0	0	0	27
How would you rate the quality of professional human	5	11	7	3	0	2	28
How would you rate the quality of following project	8	13	5	2	0	0	28
How would you rate the quality of management	5	9	8	4	2	0	28
<i>answered question</i>							28
<i>skipped question</i>							6

14. Please answer following questions:

Answer Options	Frequently	Infrequently	Only Once	Never	Response Count
Did the IJV meet reporting deadlines?	17	8	2	1	28
How often did you set up management meetings with	17	10	0	0	27
answered question					28
skipped question					6

15. What was the state of the market cycle at the point of divestment?

Answer Options	Response Percent	Response Count
Growing	42,9%	12
Peaking	35,7%	10
Falling	14,3%	4
Bottoming	7,1%	2
answered question		28
skipped question		6

16. Was there a need to re-define the investment strategy?

Answer Options	Response Percent	Response Count
Yes	28,6%	8
No	71,4%	20
answered question		28
skipped question		6

17. How realistic were the assumptions for your financial model defined?

Answer Options	Very Good	Good	Moderate	Bad	Very Bad	No/ Not/ Not Applicable	Response Count
During Formation Stage	6	13	3	3	0	1	26
During Post-Formation Stage	5	15	1	3	0	1	25
<i>answered question</i>							26
<i>skipped question</i>							8

18. How was the quality of your active currency management?

Answer Options	Very Good	Good	Moderate	Bad	Very Bad	No/ Not/ Not Applicable	Response Count
During Formation Stage	1	8	6	0	0	11	26
During Post-formation Stage	1	8	5	0	0	11	25
<i>answered question</i>							26
<i>skipped question</i>							8

19. How was the quality of liquidity management?

Answer Options	Very Good	Good	Moderate	Bad	Very Bad	No/ Not/ Not Applicable	Response Count
During Formation Stage	3	17	4	0	0	2	26
During Post-Formation Stage	3	18	2	1	0	1	25
						<i>answered question</i>	26
						<i>skipped question</i>	8

20. How did you consider the abilities and skills of your partner?

Answer Options	Very Good	Good	Moderate	Bad	Very Bad	No/ Not/ Not Applicable	Response Count
During Formation Stage	14	8	3	1	0	0	26
During Post-formation Stage	14	7	2	2	0	0	25
						<i>answered question</i>	26
						<i>skipped question</i>	8

21. How was the local market power of your partner?

Answer Options	Very Good	Good	Moderate	Bad	Very Bad	No/ Not/ Not Applicable	Response Count
During Formation Stage	10	10	6	0	0	0	26
During Post-Formation Stage	11	8	5	1	0	0	25
						<i>answered question</i>	26
						<i>skipped question</i>	8

22. How was the local market experience of your partner?

Answer Options	Very Good	Good	Moderate	Bad	Very Bad	No/ Not/ Not Applicable	Response Count
During Formation Stage	14	10	1	1	0	0	26
During Post-formation Stage	15	8	1	1	0	0	25
						<i>answered question</i>	26
						<i>skipped question</i>	8

23. How was the alignment of interest between you and your partner?

Answer Options	Very Good	Good	Moderate	Bad	Very Bad	No/ Not/ Not Applicable	Response Count
During Formation Stage	9	12	2	1	2	0	26
During Post-formation Stage	6	14	1	2	2	0	25
<i>answered question</i>							26
<i>skipped question</i>							8

24. How was the alignment of objectives (goal congruity) between you and your partner?

Answer Options	Very Good	Good	Moderate	Bad	Very Bad	No/ Not/ Not Applicable	Response Count
During Formation Stage	6	16	3	1	0	0	26
During Post-formation Stage	6	14	3	2	0	0	25
<i>answered question</i>							26
<i>skipped question</i>							8

25. How did you manage partner's expectations?

Answer Options	Very Good	Good	Moderate	Bad	Very Bad	No/ Not/ Not Applicable	Response Count
During Formation Stage	4	16	3	2	0	1	26
During Post-formation Stage	3	14	5	1	0	2	25
<i>answered question</i>							26
<i>skipped question</i>							8

26. How was the consensus mentality and conflict resolution?

Answer Options	Very Good	Good	Moderate	Bad	Very Bad	No/ Not/ Not Applicable	Response Count
During Formation Stage	7	15	4	0	0	0	26
During Post-formation Stage	6	14	4	1	0	0	25
<i>answered question</i>							26
<i>skipped question</i>							8

27. How was the communication between you and your partner?

Answer Options	Very Good	Good	Moderate	Bad	Very Bad	No/ Not/ Not Applicable	Response Count
During Formation Stage	7	15	3	1	0	0	26
During Post-formation Stage	7	12	3	3	0	0	25
<i>answered question</i>							26
<i>skipped question</i>							8

28. How was the collaboration with your partner?

Answer Options	Very Good	Good	Moderate	Bad	Very Bad	No/ Not/ Not Applicable	Response Count
During Formation Stage	6	16	3	1	0	0	26
During Post-formation Stage	6	13	3	3	0	0	25
<i>answered question</i>							26
<i>skipped question</i>							8

29. How was the cooperation with your partner?

Answer Options	Very Good	Good	Moderate	Bad	Very Bad	No/ Not/ Not Applicable	Response Count
During Formation Stage	7	16	2	1	0	0	26
During Post-formation Stage	8	12	3	2	0	0	25
<i>answered question</i>							26
<i>skipped question</i>							8

30. How do you rate the workload of your partner with other projects?

Answer Options	Very High	High	Moderate	Low	Very Low	No/ Not/ Not Applicable	Response Count
During Formation Stage	3	8	12	3	0	0	26
During Post-formation Stage	3	8	11	3	0	0	25
<i>answered question</i>							26
<i>skipped question</i>							8

31. How compatible was your partner's management culture to yours?

Answer Options	Very Much	Much	Normal	Little	Very Little	No/ Not/ Not Applicable	Response Count
During Formation Stage	3	5	11	3	4	0	26
During Post-formation Stage	3	5	12	1	4	0	25
<i>answered question</i>							26
<i>skipped question</i>							8

32. How harmonious was the relationship with your partner?

Answer Options	Very Much	Much	Normal	Little	Very Little	No/ Not/ Not Applicable	Response Count
During Formation Stage	6	11	8	1	0	0	26
During Post-formation Stage	6	9	9	1	0	0	25
<i>answered question</i>							26
<i>skipped question</i>							8

33. How motivated were you and your partner?

Answer Options	Very Much	Much	Normal	Little	Very Little	No/ Not/ Not Applicable	Response Count
During Formation Stage	10	14	2	0	0	0	26
During Post-formation Stage	9	12	4	0	0	0	25
<i>answered question</i>							26
<i>skipped question</i>							8

34. How did you undertake site visits?

Answer Options	Frequently	Infrequently	Only Once	Never	Response Count
During Formation Stage	13	10	3	0	26
During Post-formation Stage	11	12	2	0	25
<i>answered question</i>					26
<i>skipped question</i>					8

35. Did you have full project funding in place?

Answer Options	Yes	No	Response Count
During Formation Stage	24	2	26
During Post-Formation Stage	25	0	25
<i>answered question</i>			26
<i>skipped question</i>			8

36. Please answer following questions:

Answer Options	Very Good	Good	Moderate	Bad	Very Bad	No/ Not/ Not Applicable	Response Count
How would you rate the level of satisfaction of all	3	19	3	1	0	0	26
How would you rate the quality of the terms in the IJV	6	13	5	2	0	0	26
How would you rate the completeness of the IJV	6	13	6	1	0	0	26
How clear was the (monetary and non-monetary)	10	13	2	0	1	0	26
How was the profit and loss distribution defined?	9	14	1	1	1	0	26
How would you rate the allocation of responsibilities	8	13	3	2	0	0	26
How would you rate the consideration of dispute	6	11	7	1	0	1	26
How would you rate the consideration of the	7	9	10	0	0	0	26
How would you rate the financial stability of your	9	9	6	1	1	0	26
<i>answered question</i>							26
<i>skipped question</i>							8

37. Please answer following questions:

Answer Options	Very Good	Good	Moderate	Poor	Very Poor	Response Count
How did you consider local market potential?	8	15	3	0	0	26
How did you consider economic condition for the	8	15	2	1	0	26
How was the level of political stability in the country of	12	7	5	1	1	26
How functional was the legal system in the country of	13	5	5	3	0	26
How functional was the tax system in the country of	10	8	6	2	0	26
How did you experience the conditions of the existing	12	7	4	3	0	26
<i>answered question</i>						26
<i>skipped question</i>						8

38. Please answer following questions:

Answer Options	Very High	High	Moderate	Low	Very Low	No/ Not/ Not Applicable	Response Count
How was the level of competition?	7	15	4	0	0	0	26
How was the level of bureaucracy you experienced in	2	10	10	3	1	0	26
What degree of corruption did you experience in the	1	2	5	5	11	2	26
<i>answered question</i>							26
<i>skipped question</i>							8

39. Please answer following questions:

Answer Options	Frequently	Infrequently	Only Once	Never	Response Count
Did you meet the IJV project timeline?	17	5	0	4	26
Did you get major approvals in time?	18	6	0	1	25
<i>answered question</i>					26
<i>skipped question</i>					8

40. Please answer following questions:

Answer Options	< EUR 20M	EUR 20M to EUR 50M	EUR 51M to EUR 100M	EUR 101M to EUR 250M	> EUR 250M	Response Count
What was the size of the IJV (total investment	3	6	4	4	9	26
Size of IJV-partner (estimated market value)?	7	1	3	4	9	24
<i>answered question</i>						26
<i>skipped question</i>						8

41. What was your share of equity?

Answer Options	Response Percent	Response Count
0.1%-20%	0,0%	0
21%-49%	11,5%	3
50%	23,1%	6
51%-80%	26,9%	7
81%-99.9%	38,5%	10
<i>answered question</i>		26
<i>skipped question</i>		8

42. Did you compose a decision making body? How many members?

Answer Options	Response Percent	Response Count
No	15,4%	4
1	11,5%	3
2-3	42,3%	11
4-5	23,1%	6
>5	7,7%	2
answered question		26
skipped question		8

43. Number of IJV-partner?

Answer Options	Response Percent	Response Count
1	61,5%	16
2	30,8%	8
3	0,0%	0
4	3,8%	1
>4	3,8%	1
answered question		26
skipped question		8

44. Please answer following questions:

Answer Options	Yes	No	Response Count
Was currency in the country of activity restricted?	5	21	26
Did you and your partner contribute resources in a	16	10	26
Did you try to avoid complexities in the IJV?	20	6	26
Did you understand, own and share risk with the	20	6	26
Could you communicate in the same language?	24	2	26
answered question			26
skipped question			8

45. Was the IJV financially successful (in terms of IRR)?

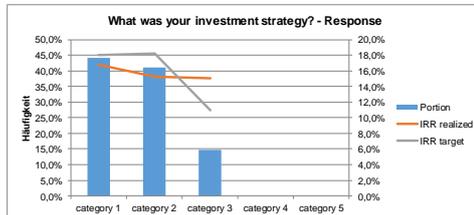
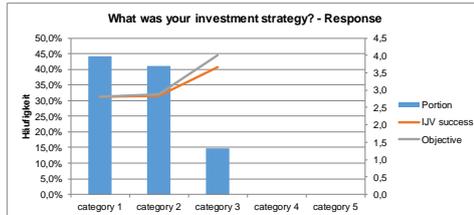
Answer Options	Response Percent	Response Count
Very Successful	30,8%	8
Successful	46,2%	12
Acceptable	7,7%	2
Not Acceptable	15,4%	4
answered question		26
skipped question		8

D: Re-grouping (factor-transformation)

Current Mapping

Next open item	
Faktor	Q1
Name	What was your investment strategy? - Response
Offset	1
#Obs	34

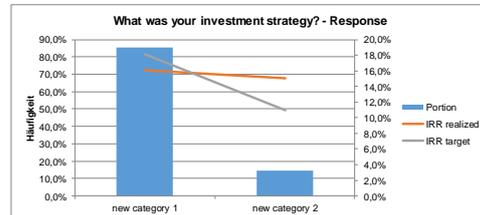
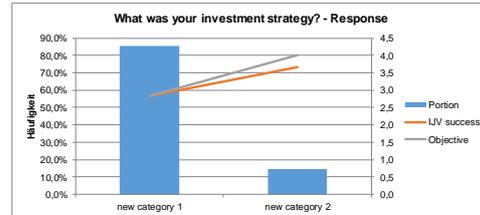
Current mapping	Portion	LJV success	Objective	IRR realized	IRR target
category 1	44.1%	2.8	2.8	16.8%	18.0%
category 2	41.2%	2.8	2.9	15.2%	18.2%
category 3	14.7%	3.7	4.0	15.0%	11.0%
category 4	0.0%	#NV	#NV	#NV	#NV
category 5	0.0%	#NV	#NV	#NV	#NV



New Mapping

Save new mapping	Load new mapping
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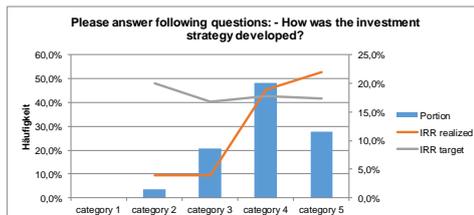
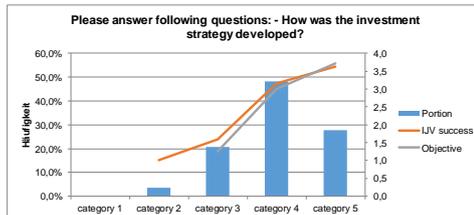
New category	New mapping	Portion	LJV success	Objective	IRR realized	IRR target
2 category 1	new category 1	85.3%	2.8	2.8	16.0%	18.1%
3 category 2	new category 2	14.7%	3.7	4.0	15.0%	11.0%
4 category 3						
5 category 4						
6 category 5						



Current Mapping

Next open item	
Faktor	Q2
Name	Please answer following questions: - How was the investment strategy developed?
Offset	2
#Obs	29

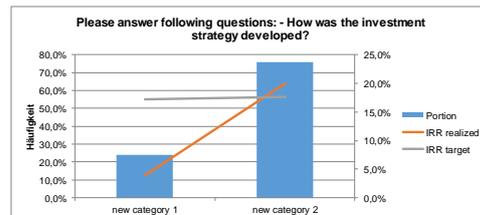
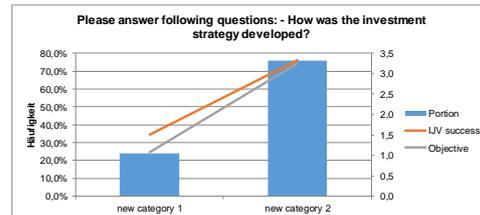
Current mapping	Portion	LJV success	Objective	IRR realized	IRR target
category 1	0.0%	#NV	#NV	#NV	#NV
category 2	3.4%	1.0	#NV	4.0%	20.0%
category 3	20.7%	1.6	1.3	4.0%	16.8%
category 4	48.3%	3.2	3.0	18.9%	17.7%
category 5	27.6%	3.6	3.7	21.9%	17.4%



New Mapping

Save new mapping	Load new mapping
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New category	New mapping	Portion	LJV success	Objective	IRR realized	IRR target
2 category 1	new category 1	24.1%	1.5	1.1	4.0%	17.3%
3 category 2	new category 2	75.9%	3.3	3.3	20.0%	17.6%
4 category 3						
5 category 4						
6 category 5						

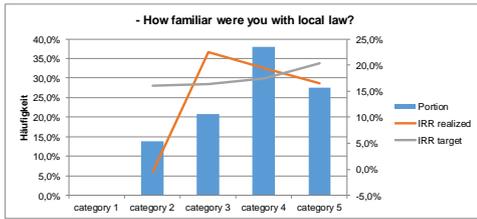
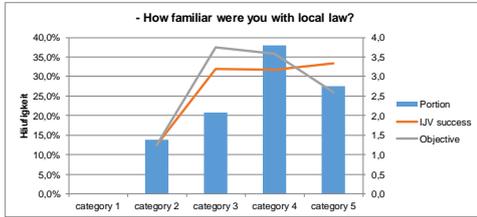


Current Mapping

Next open item

Faktor	Q3
Name	- How familiar were you with local law?
Offset	3
#Obs	29

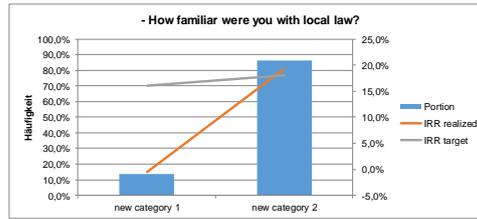
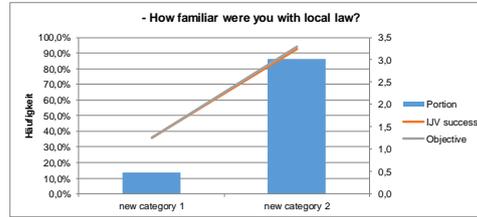
Current mapping	Portion	IJV success	Objective	IRR realized	IRR target
category 1	0,0%	#NV	#NV	#NV	#NV
category 2	13,8%	1,3	1,3	-0,5%	16,0%
category 3	20,7%	3,2	3,9	22,4%	16,3%
category 4	37,9%	3,2	3,6	19,4%	17,4%
category 5	27,6%	3,3	2,6	16,5%	20,3%



New Mapping

Save new mapping Load new mapping

New category	New mapping	Portion	IJV success	Objective	IRR realized	IRR target
2 category 1	new category 1	13,8%	1,3	1,3	-0,5%	16,0%
3 category 2	new category 2	86,2%	3,2	3,3	19,2%	18,1%

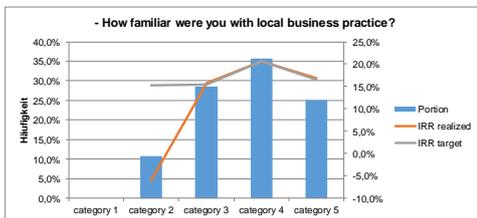
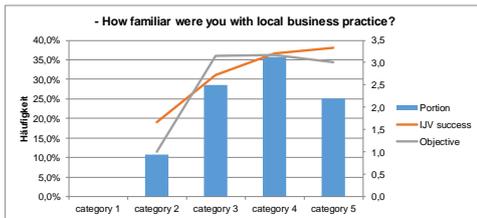


Current Mapping

Next open item

Faktor	Q4
Name	- How familiar were you with local business practice?
Offset	4
#Obs	28

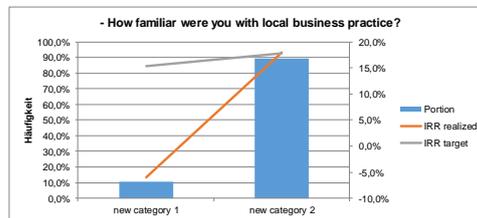
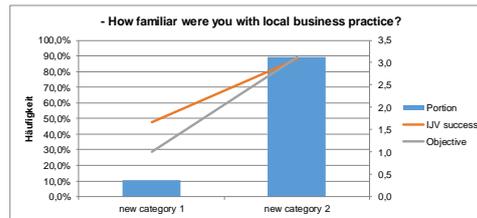
Current mapping	Portion	IJV success	Objective	IRR realized	IRR target
category 1	0,0%	#NV	#NV	#NV	#NV
category 2	10,7%	1,7	1,0	-6,0%	15,3%
category 3	28,6%	2,7	3,1	15,7%	15,4%
category 4	35,7%	3,2	3,2	20,5%	20,5%
category 5	25,0%	3,3	3,0	16,6%	16,5%



New Mapping

Save new mapping Load new mapping

New category	New mapping	Portion	IJV success	Objective	IRR realized	IRR target
2 category 1	new category 1	10,7%	1,7	1,0	-6,0%	15,3%
3 category 2	new category 2	89,3%	3,1	3,1	18,0%	17,8%

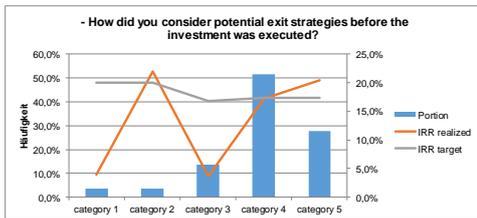
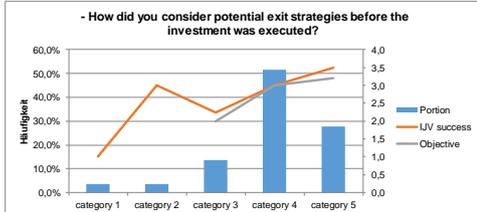


Current Mapping

Next open item

Faktor	Q5
Name	- How did you consider potential exit strategies before the investment was executed?
Offset	5
#Obs	29

Current mapping	Portion	LJV success	Objective	IRR realized	IRR target
category 1	3.4%	1.0	#NV	4.0%	20.0%
category 2	3.4%	3.0	#NV	22.0%	20.0%
category 3	13.8%	2.3	2.0	3.7%	16.8%
category 4	51.7%	3.0	3.0	17.2%	17.4%
category 5	27.6%	3.5	3.2	20.5%	17.3%

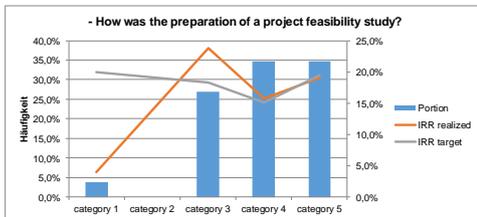
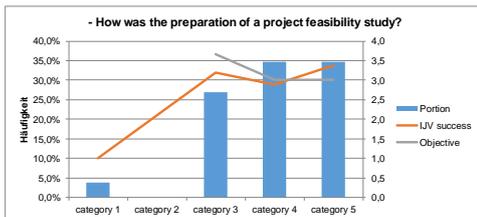


Current Mapping

Next open item

Faktor	Q6
Name	- How was the preparation of a project feasibility study?
Offset	6
#Obs	26

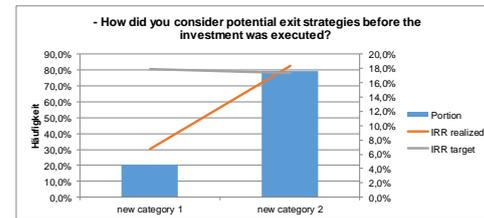
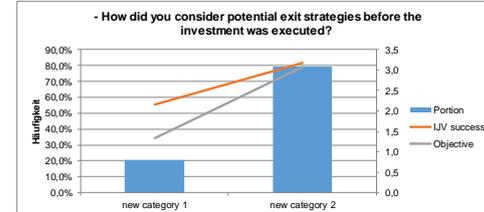
Current mapping	Portion	LJV success	Objective	IRR realized	IRR target
category 1	3.8%	1.0	#NV	4.0%	20.0%
category 2	0.0%	#NV	#NV	#NV	#NV
category 3	26.9%	3.2	3.7	23.8%	18.3%
category 4	34.6%	2.9	3.0	15.8%	15.1%
category 5	34.6%	3.4	3.0	19.1%	19.5%



New Mapping

Save new mapping	Load new mapping
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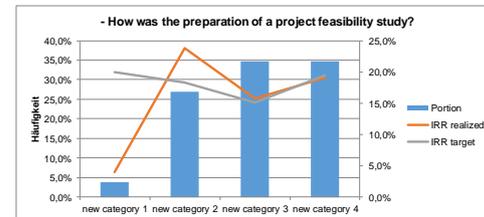
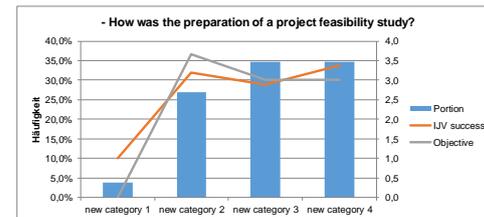
New category	New mapping	Portion	LJV success	Objective	IRR realized	IRR target
2 category 1	1	20.7%	2.2	1.3	6.8%	17.9%
3 category 2	1	79.3%	3.2	3.1	18.4%	17.4%
4 category 3	1					
5 category 4	2					
6 category 5	2					



New Mapping

Save new mapping	Load new mapping
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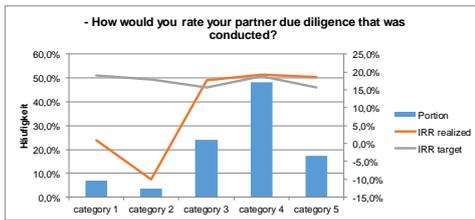
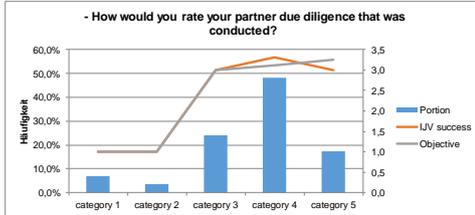
New category	New mapping	Portion	LJV success	Objective	IRR realized	IRR target
2 category 1	1	3.8%	1.0	0.0	4.0%	20.0%
3 category 2	1	26.9%	3.2	3.7	23.8%	18.3%
4 category 3	2	34.6%	2.9	3.0	0.2	0.2
5 category 4	3	34.6%	3.4	3.0	0.2	0.2
6 category 5	4					



Current Mapping

Next open item _____
 Faktor Q7
 Name - How would you rate your partner due diligence that was conducted?
 Offset 7
 #Obs 29

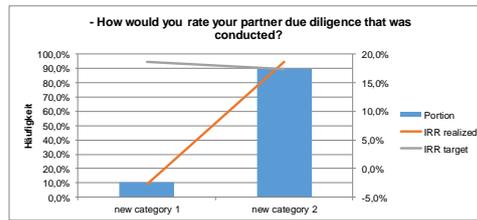
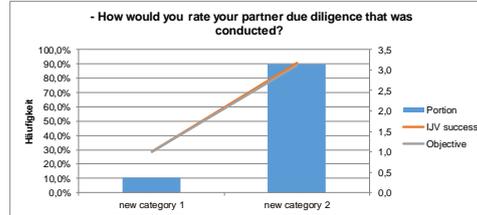
Current mapping	Portion	IJV success	Objective	IRR realized	IRR target
category 1	6.9%	1.0	1.0	-3.0%	19.0%
category 2	3.4%	1.0	1.0	-10.0%	18.0%
category 3	24.1%	3.0	3.0	17.6%	15.6%
category 4	48.3%	3.3	3.1	19.4%	18.9%
category 5	17.2%	3.0	3.3	18.5%	15.8%



New Mapping

Save new mapping Load new mapping

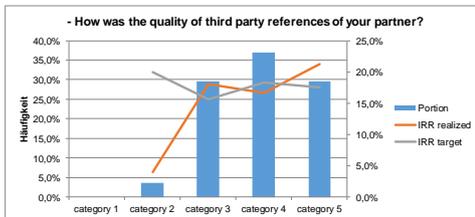
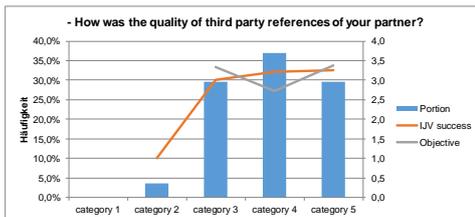
New category	New mapping	Portion	IJV success	Objective	IRR realized	IRR target
2 category 1	new category 1	10.3%	1.0	1.0	-2.7%	18.7%
3 category 2	new category 2	89.7%	3.2	3.1	18.7%	17.4%
4 category 3						
5 category 4						
6 category 5						



Current Mapping

Next open item _____
 Faktor Q8
 Name - How was the quality of third party references of your partner?
 Offset 8
 #Obs 27

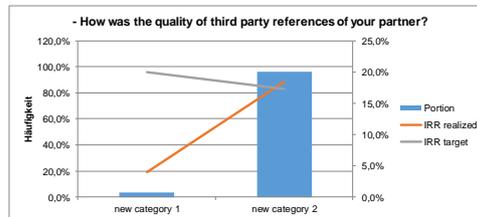
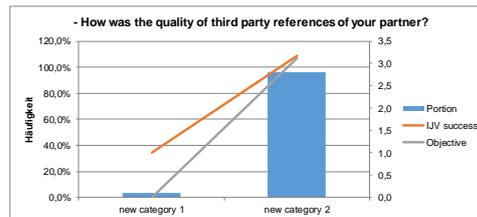
Current mapping	Portion	IJV success	Objective	IRR realized	IRR target
category 1	0.0%	#NV	#NV	#NV	#NV
category 2	3.7%	1.0	#NV	4.0%	20.0%
category 3	29.6%	3.0	3.3	18.0%	15.6%
category 4	37.0%	3.2	2.7	16.6%	18.3%
category 5	29.6%	3.3	3.4	21.3%	17.6%



New Mapping

Save new mapping Load new mapping

New category	New mapping	Portion	IJV success	Objective	IRR realized	IRR target
2 category 1	new category 1	3.7%	1.0	0.0	4.0%	20.0%
3 category 2	new category 2	96.3%	3.2	3.1	18.5%	17.2%
4 category 3						
5 category 4						
6 category 5						

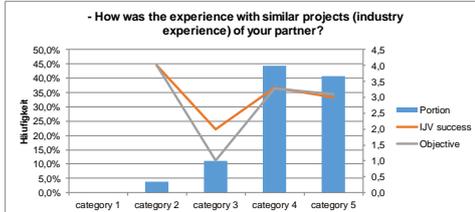


Current Mapping

Next open item

Faktor	Q9
Name	- How was the experience with similar projects (industry experience) of your partner?
Offset	9
#Obs	27

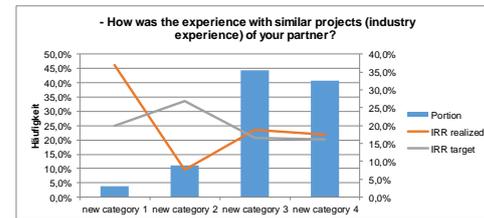
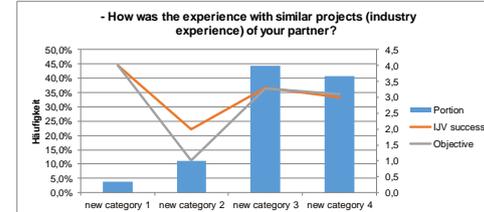
Current mapping	Portion	IJV success	Objective	IRR realized	IRR target
category 1	0.0%	#NV	#NV	#NV	#NV
category 2	3.7%	4.0	4.0	37.0%	20.0%
category 3	11.1%	2.0	1.0	7.7%	27.0%
category 4	44.4%	3.3	3.3	18.9%	16.6%
category 5	40.7%	3.0	3.1	17.6%	16.2%



New Mapping

Save new mapping Load new mapping

New category	New mapping	Portion	IJV success	Objective	IRR realized	IRR target
2 category 1	1	3.7%	4.0	4.0	37.0%	20.0%
3 category 2	2	11.1%	2.0	1.0	7.7%	27.0%
4 category 3	3	44.4%	3.3	3.3	0.2	0.2
5 category 4	3	40.7%	3.0	3.1	0.2	0.2
6 category 5	4					

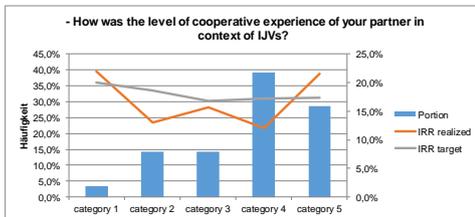
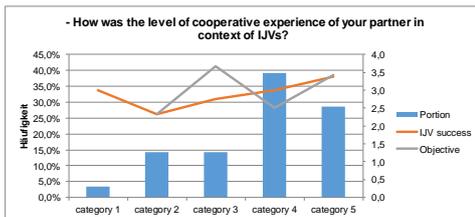


Current Mapping

Next open item

Faktor	Q10
Name	- How was the level of cooperative experience of your partner in context of IJVs?
Offset	10
#Obs	28

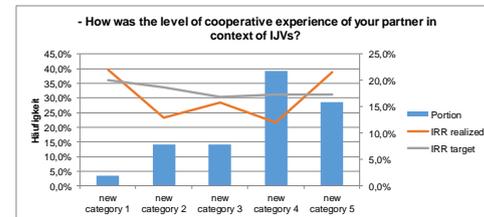
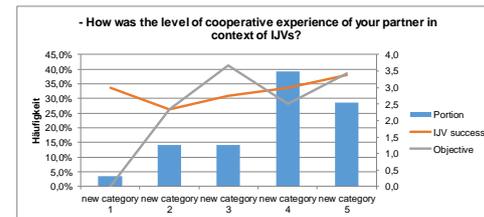
Current mapping	Portion	IJV success	Objective	IRR realized	IRR target
category 1	3.6%	3.0	#NV	22.0%	20.0%
category 2	14.3%	2.3	2.3	13.0%	18.7%
category 3	14.3%	2.8	3.7	15.8%	16.9%
category 4	39.3%	3.0	2.5	12.0%	17.3%
category 5	28.6%	3.4	3.4	21.6%	17.3%



New Mapping

Save new mapping Load new mapping

New category	New mapping	Portion	IJV success	Objective	IRR realized	IRR target
2 category 1	1	3.6%	3.0	0.0	22.0%	20.0%
3 category 2	2	14.3%	2.3	2.3	13.0%	18.7%
4 category 3	3	14.3%	2.8	3.7	0.2	0.2
5 category 4	4	39.3%	3.0	2.5	0.1	0.2
6 category 5	5	28.6%	3.4	3.4	0.2	0.2

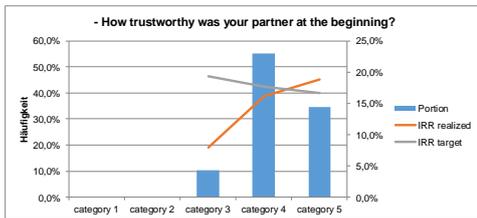
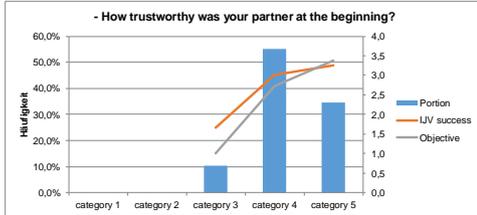


Current Mapping

Next open item

Faktor	Q11
Name	- How trustworthy was your partner at the beginning?
Offset	11
#Obs	29

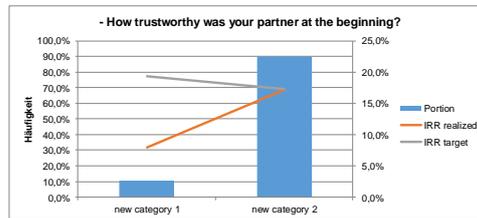
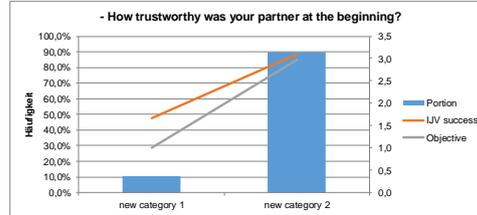
Current mapping	Portion	LJV success	Objective	IRR realized	IRR target
category 1	0.0%	#NV	#NV	#NV	#NV
category 2	0.0%	#NV	#NV	#NV	#NV
category 3	10.3%	1.7	1.0	8.0%	19.3%
category 4	55.2%	3.0	2.7	16.1%	17.6%
category 5	34.5%	3.3	3.4	18.6%	16.7%



New Mapping

Save new mapping Load new mapping

New category	New mapping	Portion	LJV success	Objective	IRR realized	IRR target
2 category 1	1	10.3%	1.7	1.0	8.0%	19.3%
3 category 2	1	89.7%	3.1	3.0	17.1%	17.3%
4 category 3	1					
5 category 4	2					
6 category 5	2					

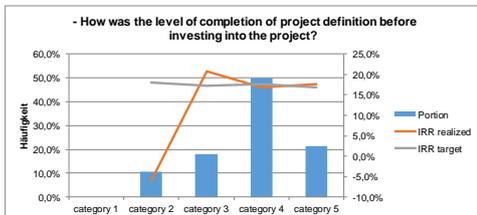
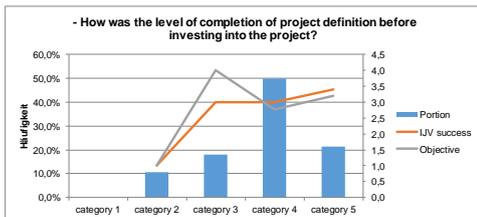


Current Mapping

Next open item

Faktor	Q12
Name	- How was the level of completion of project definition before investing into the project?
Offset	12
#Obs	28

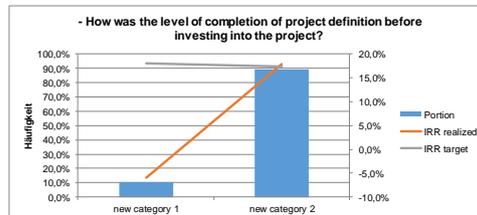
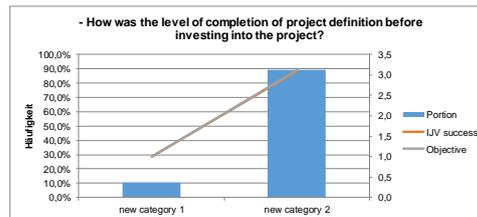
Current mapping	Portion	LJV success	Objective	IRR realized	IRR target
category 1	0.0%	#NV	#NV	#NV	#NV
category 2	10.7%	1.0	1.0	-6.0%	18.0%
category 3	17.9%	3.0	4.0	20.8%	17.3%
category 4	50.0%	3.0	2.8	16.9%	17.7%
category 5	21.4%	3.4	3.2	17.6%	16.8%



New Mapping

Save new mapping Load new mapping

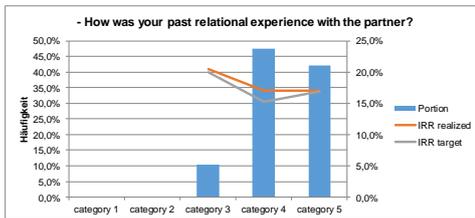
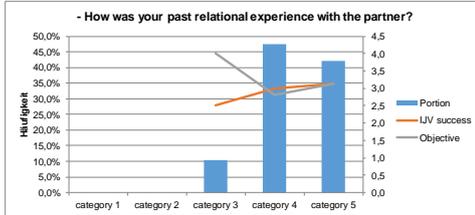
New category	New mapping	Portion	LJV success	Objective	IRR realized	IRR target
2 category 1	1	10.7%	1.0	1.0	-6.0%	18.0%
3 category 2	1	89.3%	3.1	3.1	17.9%	17.4%
4 category 3	2					
5 category 4	2					
6 category 5	2					



Current Mapping

Next open item	
Faktor	Q13
Name	- How was your past relational experience with the partner?
Offset	13
#Obs	19

Current mapping	Portion	LJV success	Objective	IRR realized	IRR target
category 1	0.0%	#NV	#NV	#NV	#NV
category 2	0.0%	#NV	#NV	#NV	#NV
category 3	10.5%	2.5	4.0	20.5%	20.0%
category 4	47.4%	3.0	2.8	17.0%	15.2%
category 5	42.1%	3.1	3.1	17.1%	16.9%

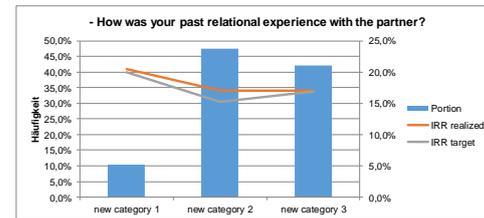
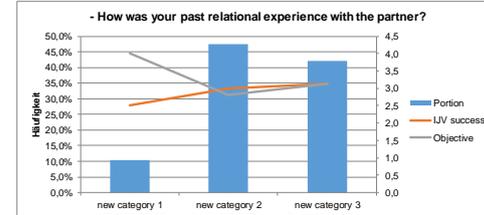


New Mapping

Save new mapping

Load new mapping

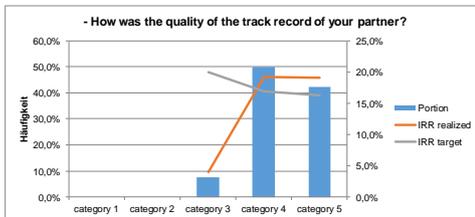
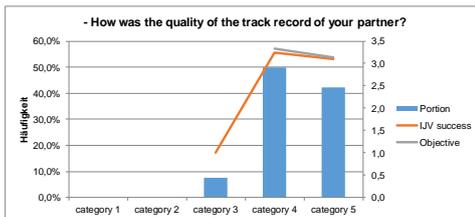
New category	New mapping	Portion	LJV success	Objective	IRR realized	IRR target
2 category 1	new category 1	10.5%	2.5	4.0	20.5%	20.0%
3 category 2	new category 2	47.4%	3.0	2.8	17.0%	15.2%
4 category 3	new category 3	42.1%	3.1	3.1	0.2	0.2
5 category 4						
6 category 5						



Current Mapping

Next open item	
Faktor	Q14
Name	- How was the quality of the track record of your partner?
Offset	14
#Obs	26

Current mapping	Portion	LJV success	Objective	IRR realized	IRR target
category 1	0.0%	#NV	#NV	#NV	#NV
category 2	0.0%	#NV	#NV	#NV	#NV
category 3	7.7%	1.0	#NV	4.0%	20.0%
category 4	50.0%	3.3	3.3	19.3%	16.9%
category 5	42.3%	3.1	3.1	19.0%	16.2%

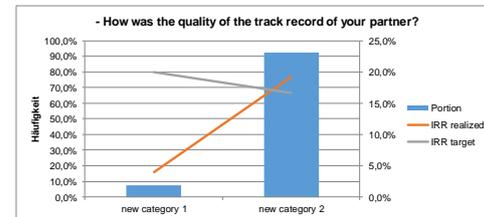
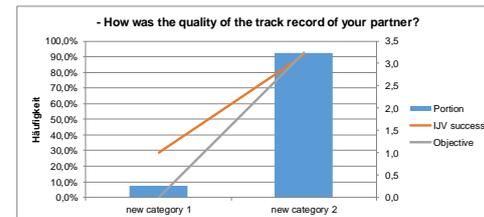


New Mapping

Save new mapping

Load new mapping

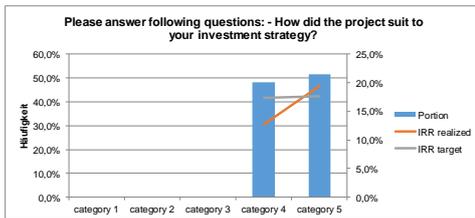
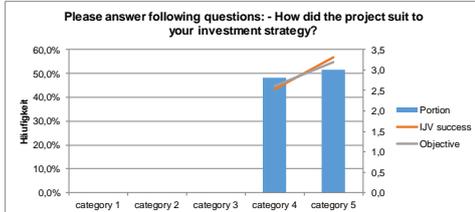
New category	New mapping	Portion	LJV success	Objective	IRR realized	IRR target
2 category 1	new category 1	7.7%	1.0	0.0	4.0%	20.0%
3 category 2	new category 2	92.3%	3.2	3.2	19.1%	16.6%
4 category 3						
5 category 4						
6 category 5						



Current Mapping

Next open item	
Faktor	Q15
Name	Please answer following questions: - How did the project suit to your investment strategy?
Offset	15
#Obs	29

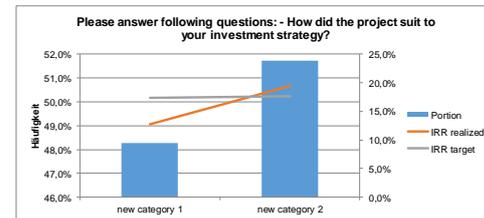
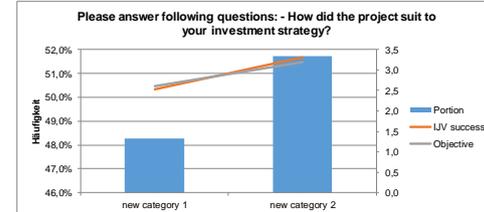
Current mapping	Portion	LJV success	Objective	IRR realized	IRR target
category 1	0,0%	#NV	#NV	#NV	#NV
category 2	0,0%	#NV	#NV	#NV	#NV
category 3	0,0%	#NV	#NV	#NV	#NV
category 4	48,3%	2,5	2,6	12,8%	17,4%
category 5	51,7%	3,3	3,2	19,4%	17,7%



New Mapping

Save new mapping	Load new mapping
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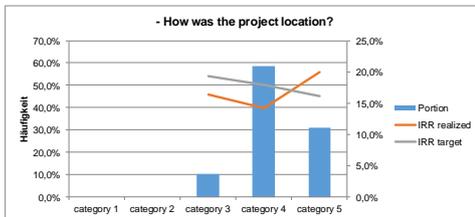
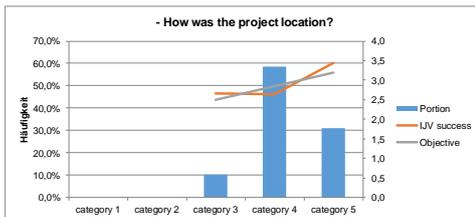
New category	New mapping	Portion	LJV success	Objective	IRR realized	IRR target
2 category 1	1	48,3%	2,5	2,6	12,8%	17,4%
3 category 2	1	51,7%	3,3	3,2	19,4%	17,7%
4 category 3	1					
5 category 4	1					
6 category 5	2					



Current Mapping

Next open item	
Faktor	Q16
Name	- How was the project location?
Offset	16
#Obs	29

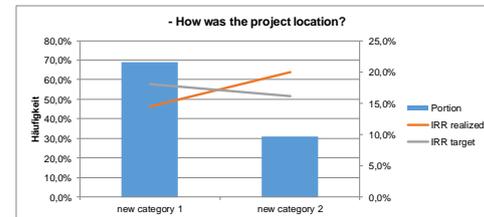
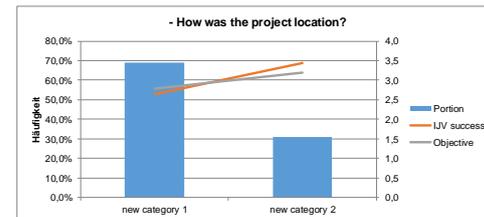
Current mapping	Portion	LJV success	Objective	IRR realized	IRR target
category 1	0,0%	#NV	#NV	#NV	#NV
category 2	0,0%	#NV	#NV	#NV	#NV
category 3	10,3%	2,7	2,5	16,3%	19,3%
category 4	58,6%	2,6	2,8	14,2%	17,9%
category 5	31,0%	3,4	3,2	19,9%	16,1%



New Mapping

Save new mapping	Load new mapping
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New category	New mapping	Portion	LJV success	Objective	IRR realized	IRR target
2 category 1	1	69,0%	2,6	2,8	14,5%	18,1%
3 category 2	1	31,0%	3,4	3,2	19,9%	16,1%
4 category 3	1					
5 category 4	1					
6 category 5	2					

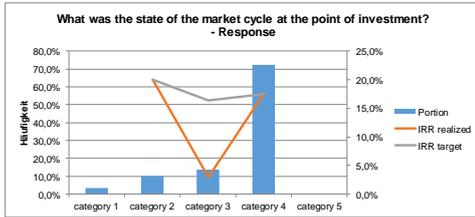
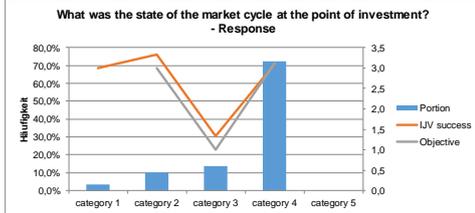


Current Mapping

Next open item

Faktor	Q17
Name	What was the state of the market cycle at the point of investment? - Response
Offset	17
#Obs	29

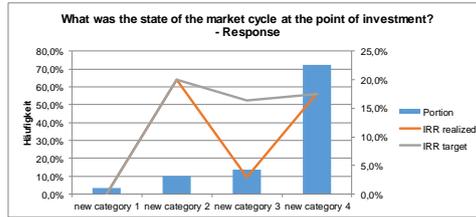
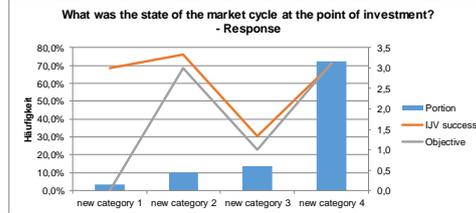
Current mapping	Portion	IJV success	Objective	IRR realized	IRR target
category 1	3.4%	3.0	#NV	#NV	#NV
category 2	10.3%	3.3	3.0	20.0%	20.0%
category 3	13.8%	1.3	1.0	3.0%	16.3%
category 4	72.4%	3.1	3.1	17.7%	17.5%
category 5	0.0%	#NV	#NV	#NV	#NV



New Mapping

Save new mapping Load new mapping

New category	New mapping	Portion	IJV success	Objective	IRR realized	IRR target
2 category 1	1	3.4%	3.0	0.0	0.0%	0.0%
3 category 2	2	10.3%	3.3	3.0	20.0%	20.0%
4 category 3	3	13.8%	1.3	1.0	0.0	0.2
5 category 4	4	72.4%	3.1	3.1	0.2	0.2
6 category 5	4					

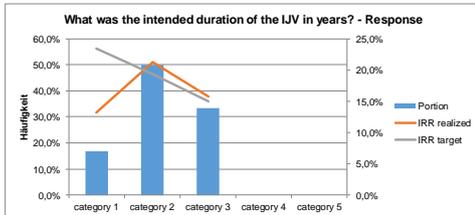
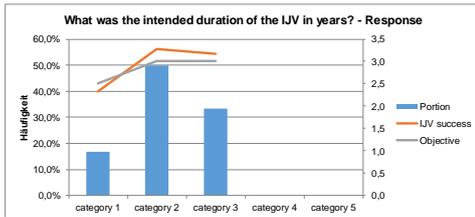


Current Mapping

Next open item

Faktor	Q18
Name	What was the intended duration of the IJV in years? - Response
Offset	18
#Obs	18

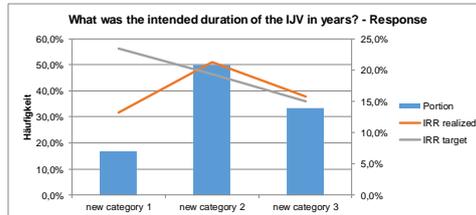
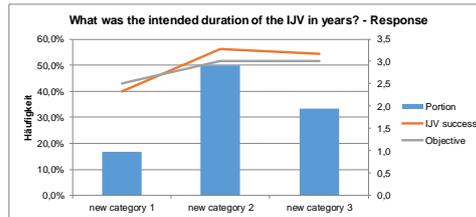
Current mapping	Portion	IJV success	Objective	IRR realized	IRR target
category 1	16.7%	2.3	2.5	13.1%	23.5%
category 2	50.0%	3.3	3.0	21.3%	19.3%
category 3	33.3%	3.2	3.0	15.8%	15.0%
category 4	0.0%	#NV	#NV	#NV	#NV
category 5	0.0%	#NV	#NV	#NV	#NV



New Mapping

Save new mapping Load new mapping

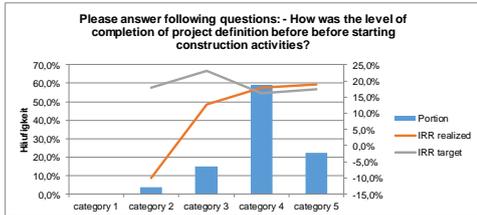
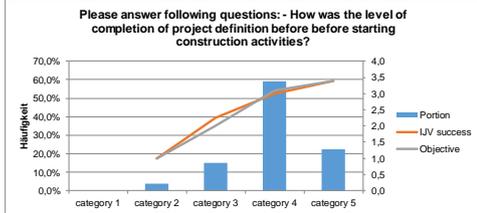
New category	New mapping	Portion	IJV success	Objective	IRR realized	IRR target
2 category 1	1	16.7%	2.3	2.5	13.1%	23.5%
3 category 2	2	50.0%	3.3	3.0	21.3%	19.3%
4 category 3	3	33.3%	3.2	3.0	0.2	0.2
5 category 4	3					
6 category 5	3					



Current Mapping

Next open item
 Faktor Q19
 Name Please answer following questions: - How was the level of completion of project definition before bel
 Offset 19
 #Obs 27

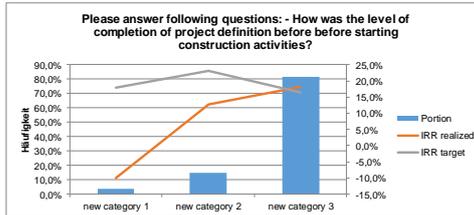
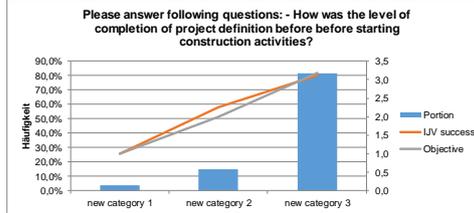
Current mapping	Portion	IJV success	Objective	IRR realized	IRR target
category 1	0.0%	#NV	#NV	#NV	#NV
category 2	3.7%	1.0	1.0	-10.0%	18.0%
category 3	14.8%	2.3	2.0	12.6%	23.0%
category 4	59.3%	3.0	3.1	18.0%	16.1%
category 5	22.2%	3.4	3.4	18.6%	17.4%



New Mapping

Save new mapping | Load new mapping

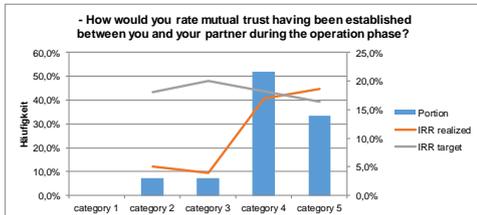
New category	New mapping	Portion	IJV success	Objective	IRR realized	IRR target
2 category 1	1	3.7%	1.0	1.0	-10.0%	18.0%
3 category 2	1	14.8%	2.3	2.0	12.6%	23.0%
4 category 3	2	81.5%	3.1	3.2	0.2	0.2
5 category 4	3					
6 category 5	3					



Current Mapping

Next open item
 Faktor Q21
 Name How would you rate mutual trust having been established between you and your partner during th
 Offset 21
 #Obs 27

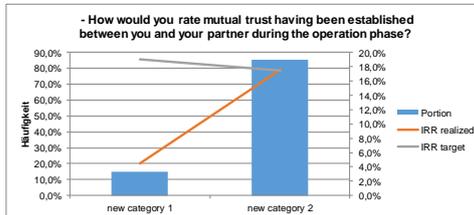
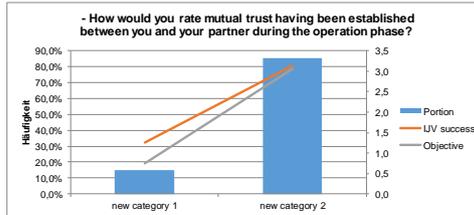
Current mapping	Portion	IJV success	Objective	IRR realized	IRR target
category 1	0.0%	#NV	#NV	#NV	#NV
category 2	7.4%	1.5	1.5	5.0%	18.0%
category 3	7.4%	1.0	#NV	4.0%	20.0%
category 4	51.9%	3.1	2.9	17.0%	18.2%
category 5	33.3%	3.2	3.3	18.6%	16.3%



New Mapping

Save new mapping | Load new mapping

New category	New mapping	Portion	IJV success	Objective	IRR realized	IRR target
2 category 1	1	14.8%	1.3	0.8	4.5%	19.0%
3 category 2	1	85.2%	3.1	3.1	17.6%	17.4%
4 category 3	1					
5 category 4	2					
6 category 5	2					

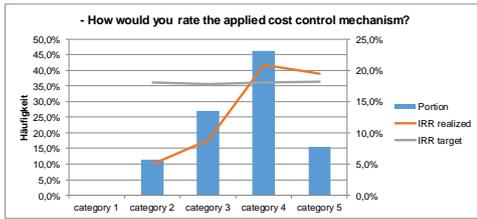
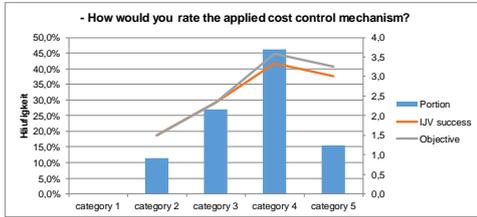


Current Mapping

Next open item

Faktor	Q20
Name	- How would you rate the applied cost control mechanism?
Offset	.20
#Obs	26

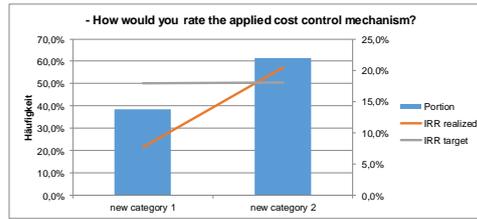
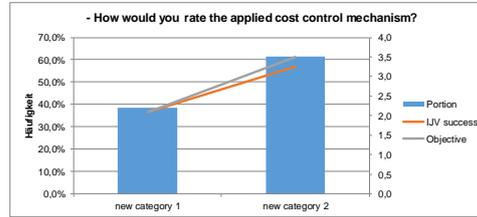
Current mapping	Portion	IJV success	Objective	IRR realized	IRR target
category 1	0,0%	#NV	#NV	#NV	#NV
category 2	11,5%	1,5	1,5	5,0%	18,0%
category 3	26,9%	2,3	2,3	8,9%	17,8%
category 4	46,2%	3,3	3,6	20,9%	18,1%
category 5	15,4%	3,0	3,3	19,5%	18,1%



New Mapping

Save new mapping Load new mapping

	New category	New mapping	Portion	IJV success	Objective	IRR realized	IRR target
2	category 1	new category 1	38,5%	2,1	2,1	7,7%	17,9%
3	category 2	new category 2	61,5%	3,3	3,5	20,5%	18,1%
4	category 3						
5	category 4						
6	category 5						

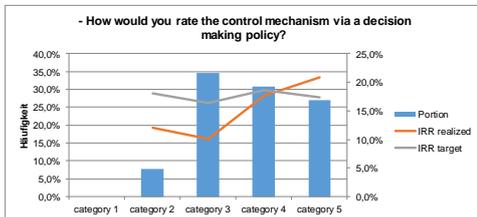
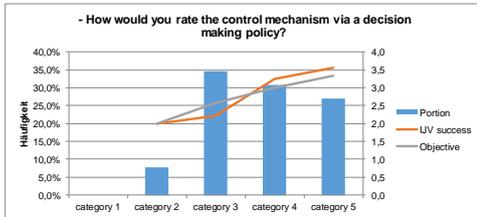


Current Mapping

Next open item

Faktor	Q22
Name	- How would you rate the control mechanism via a decision making policy?
Offset	.22
#Obs	26

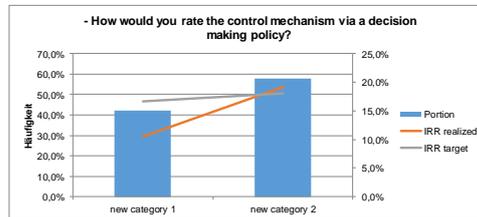
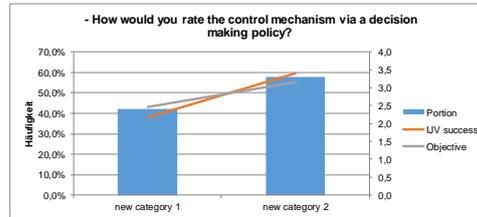
Current mapping	Portion	IJV success	Objective	IRR realized	IRR target
category 1	0,0%	#NV	#NV	#NV	#NV
category 2	7,7%	2,0	2,0	12,0%	18,0%
category 3	34,6%	2,2	2,6	10,1%	16,4%
category 4	30,8%	3,3	3,0	17,7%	18,8%
category 5	26,9%	3,6	3,3	20,9%	17,4%



New Mapping

Save new mapping Load new mapping

	New category	New mapping	Portion	IJV success	Objective	IRR realized	IRR target
2	category 1	new category 1	42,3%	2,2	2,5	10,5%	16,7%
3	category 2	new category 2	57,7%	3,4	3,2	19,1%	18,0%
4	category 3						
5	category 4						
6	category 5						

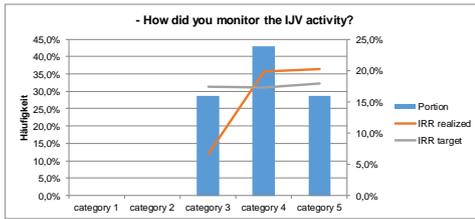
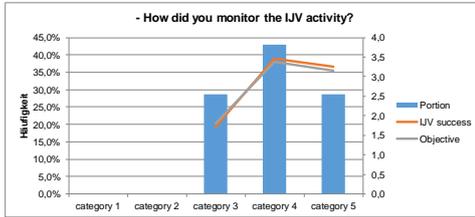


Current Mapping

Next open item

Faktor	Q23
Name	- How did you monitor the IJV activity?
Offset	23
#Obs	28

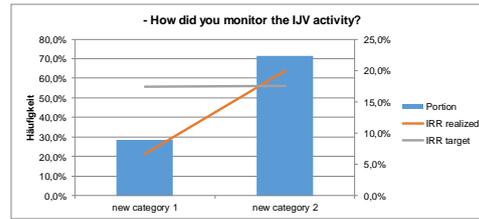
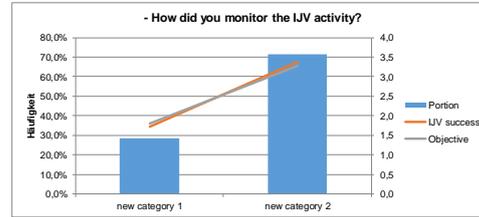
Current mapping	Portion	IJV success	Objective	IRR realized	IRR target
category 1	0,0%	#NV	#NV	#NV	#NV
category 2	0,0%	#NV	#NV	#NV	#NV
category 3	28,6%	1,7	1,8	6,7%	17,4%
category 4	42,9%	3,5	3,4	19,8%	17,3%
category 5	28,6%	3,3	3,1	20,2%	17,9%



New Mapping

Save new mapping Load new mapping

	New category	New mapping	Portion	IJV success	Objective	IRR realized	IRR target
2 category 1	1	new category 1	28,6%	1,7	1,8	6,7%	17,4%
3 category 2	1	new category 2	71,4%	3,4	3,3	20,0%	17,5%
4 category 3	1						
5 category 4	2						
6 category 5	2						

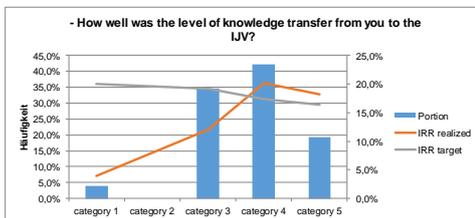
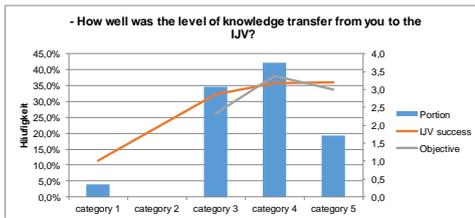


Current Mapping

Next open item

Faktor	Q24
Name	- How well was the level of knowledge transfer from you to the IJV?
Offset	24
#Obs	28

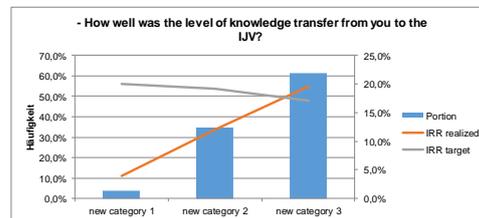
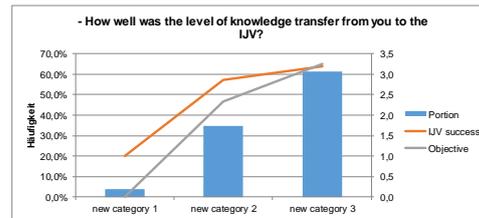
Current mapping	Portion	IJV success	Objective	IRR realized	IRR target
category 1	3,8%	1,0	#NV	4,0%	20,0%
category 2	0,0%	#NV	#NV	#NV	#NV
category 3	34,6%	2,9	2,3	12,1%	19,2%
category 4	42,3%	3,2	3,4	20,2%	17,4%
category 5	19,2%	3,2	3,0	18,3%	16,4%



New Mapping

Save new mapping Load new mapping

	New category	New mapping	Portion	IJV success	Objective	IRR realized	IRR target
2 category 1	1	new category 1	3,8%	1,0	0,0	4,0%	20,0%
3 category 2	1	new category 2	34,6%	2,9	2,3	12,1%	19,2%
4 category 3	2	new category 3	61,5%	3,2	3,3	0,2	0,2
5 category 4	3						
6 category 5	3						

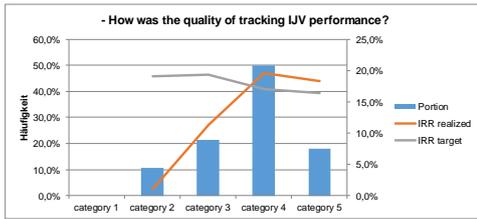
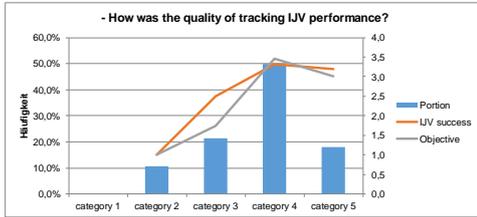


Current Mapping

Next open item

Faktor	Q25
Name	- How was the quality of tracking LJV performance?
Offset	25
#Obs	28

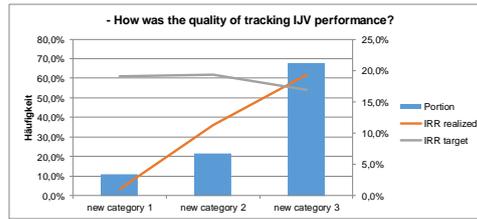
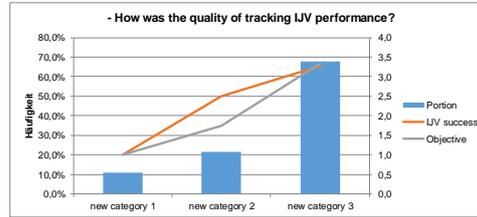
Current mapping	Portion	LJV success	Objective	IRR realized	IRR target
category 1	0,0%	#NV	#NV	#NV	#NV
category 2	10,7%	1,0	1,0	1,0%	19,0%
category 3	21,4%	2,5	1,8	11,3%	19,4%
category 4	50,0%	3,3	3,5	19,6%	17,0%
category 5	17,9%	3,2	3,0	16,3%	16,4%



New Mapping

Save new mapping Load new mapping

New category	New mapping	Portion	LJV success	Objective	IRR realized	IRR target
category 1	new category 1	10,7%	1,0	1,0	1,0%	19,0%
category 2	new category 2	21,4%	2,5	1,8	11,3%	19,4%
category 3	new category 3	67,9%	3,3	3,3	0,2	0,2

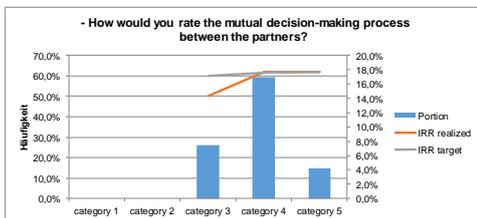
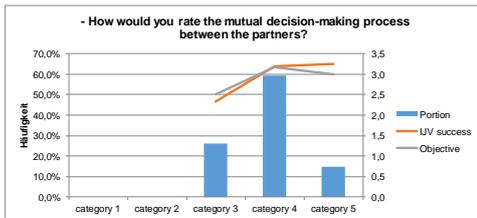


Current Mapping

Next open item

Faktor	Q26
Name	- How would you rate the mutual decision-making process between the partners?
Offset	26
#Obs	27

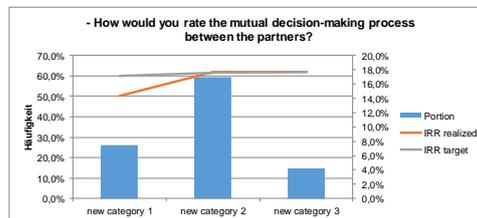
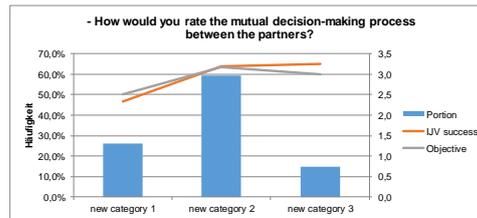
Current mapping	Portion	LJV success	Objective	IRR realized	IRR target
category 1	0,0%	#NV	#NV	#NV	#NV
category 2	0,0%	#NV	#NV	#NV	#NV
category 3	25,9%	2,3	2,5	14,3%	17,2%
category 4	59,3%	3,2	3,2	17,7%	17,6%
category 5	14,8%	3,3	3,0	17,6%	17,6%



New Mapping

Save new mapping Load new mapping

New category	New mapping	Portion	LJV success	Objective	IRR realized	IRR target
category 1	new category 1	25,9%	2,3	2,5	14,3%	17,2%
category 2	new category 2	59,3%	3,2	3,2	17,7%	17,6%
category 3	new category 3	14,8%	3,3	3,0	0,2	0,2

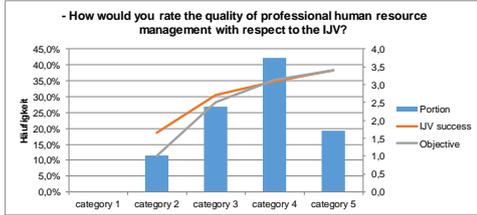


Current Mapping

Next open item

Faktor	Q27
Name	- How would you rate the quality of professional human resource management with respect to the I
Offset	27
#Obs	26

Current mapping	Portion	IJV success	Objective	IRR realized	IRR target
category 1	0,0%	#NV	#NV	#NV	#NV
category 2	11,5%	1,7	1,0	8,0%	19,3%
category 3	26,9%	2,7	2,5	14,4%	20,5%
category 4	42,3%	3,1	3,1	18,2%	15,3%
category 5	19,2%	3,4	3,4	16,8%	17,4%



New Mapping

Save new mapping Load new mapping

New category	New mapping	Portion	IJV success	Objective	IRR realized	IRR target
2 category 1	new category 1	11,5%	1,7	1,0	8,0%	19,3%
3 category 2	new category 2	86,5%	3,0	3,0	17,2%	17,4%
4 category 3						
5 category 4						
6 category 5						

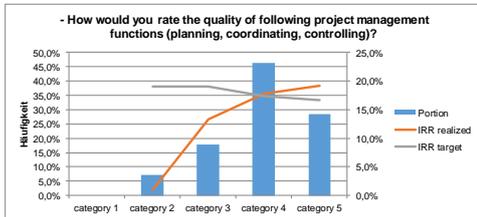
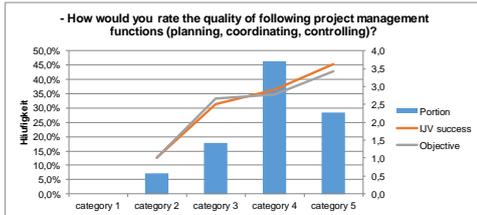


Current Mapping

Next open item

Faktor	Q28
Name	- How would you rate the quality of following project management functions (planning, coordinating
Offset	28
#Obs	28

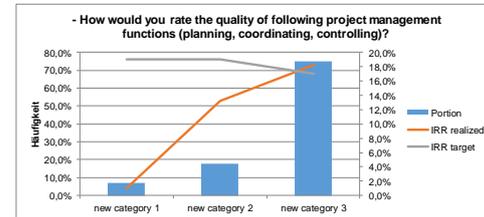
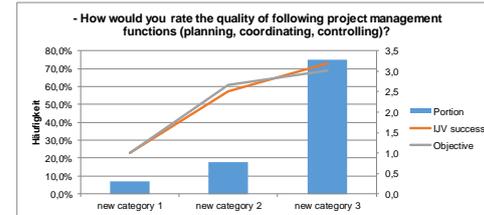
Current mapping	Portion	IJV success	Objective	IRR realized	IRR target
category 1	0,0%	#NV	#NV	#NV	#NV
category 2	7,1%	1,0	1,0	1,0%	19,0%
category 3	17,9%	2,5	2,7	13,3%	19,0%
category 4	46,4%	2,9	2,8	17,6%	17,3%
category 5	28,6%	3,6	3,4	19,1%	16,6%



New Mapping

Save new mapping Load new mapping

New category	New mapping	Portion	IJV success	Objective	IRR realized	IRR target
2 category 1	new category 1	7,1%	1,0	1,0	1,0%	19,0%
3 category 2	new category 2	17,9%	2,5	2,7	13,3%	19,0%
4 category 3	new category 3	75,0%	3,2	3,0	0,2	0,2
5 category 4						
6 category 5						



Current Mapping

Next open item	
Faktor	Q29
Name	- How would you rate the quality of management reports?
Offset	29
#Obs	28

Current mapping	Portion	IJV success	Objective	IRR realized	IRR target
category 1	7.1%	2.0	2.0	12.0%	18.0%
category 2	14.3%	2.0	1.7	5.8%	17.8%
category 3	28.6%	2.6	2.7	15.6%	20.3%
category 4	32.1%	3.5	3.8	22.9%	15.8%
category 5	17.9%	3.4	3.0	15.8%	16.3%



New Mapping

Save new mapping | Load new mapping

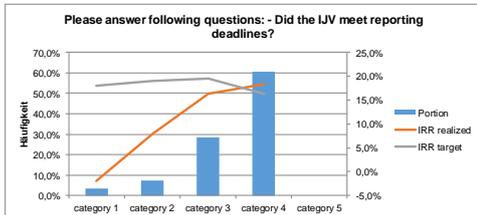
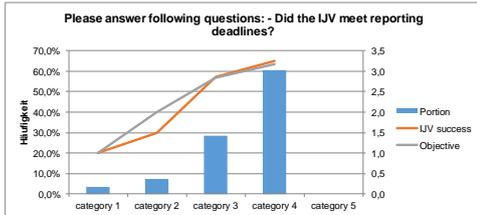
	New category	New mapping	Portion	IJV success	Objective	IRR realized	IRR target
2	category 1	new category 1	21.4%	2.0	1.8	7.8%	17.8%
3	category 2	new category 2	78.6%	3.2	3.2	18.6%	17.5%
4	category 3						
5	category 4						
6	category 5						



Current Mapping

Next open item	
Faktor	Q30
Name	Please answer following questions: - Did the IJV meet reporting deadlines?
Offset	30
#Obs	28

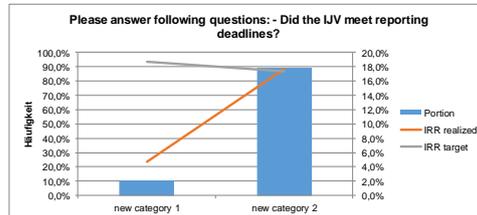
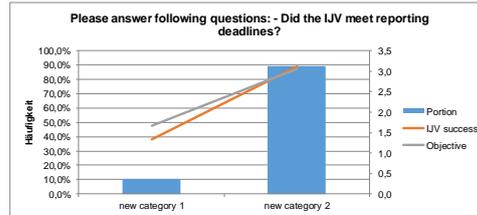
Current mapping	Portion	IJV success	Objective	IRR realized	IRR target
category 1	3.6%	1.0	1.0	-2.0%	18.0%
category 2	7.1%	1.5	2.0	8.0%	19.0%
category 3	28.6%	2.9	2.8	16.3%	19.6%
category 4	60.7%	3.3	3.2	18.3%	16.3%
category 5	0.0%	#NV	#NV	#NV	#NV



New Mapping

Save new mapping | Load new mapping

	New category	New mapping	Portion	IJV success	Objective	IRR realized	IRR target
2	category 1	new category 1	10.7%	1.3	1.7	4.7%	18.7%
3	category 2	new category 2	89.3%	3.1	3.1	17.7%	17.3%
4	category 3						
5	category 4						
6	category 5						

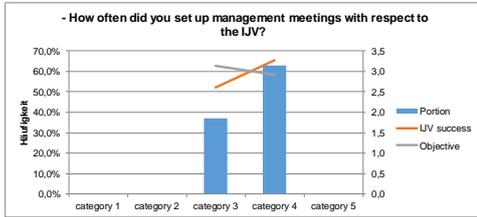


Current Mapping

Next open item

Faktor	Q31
Name	- How often did you set up management meetings with respect to the IJV?
Offset	31
#Obs	27

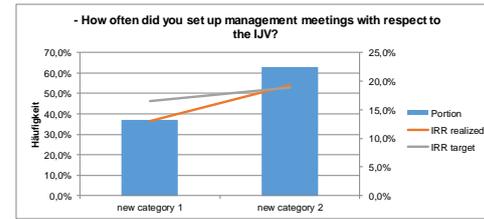
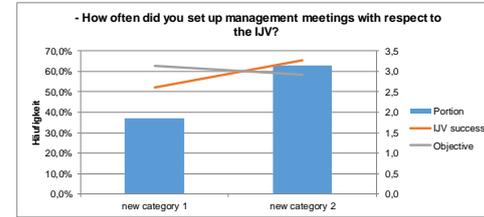
Current mapping	Portion	IJV success	Objective	IRR realized	IRR target
category 1	0,0%	#NV	#NV	#NV	#NV
category 2	0,0%	#NV	#NV	#NV	#NV
category 3	37,0%	2,6	3,1	13,0%	16,5%
category 4	63,0%	3,3	2,9	19,4%	18,9%
category 5	0,0%	#NV	#NV	#NV	#NV



New Mapping

Save new mapping | Load new mapping

New category	New mapping	Portion	IJV success	Objective	IRR realized	IRR target
category 1	new category 1	37,0%	2,6	3,1	13,0%	16,5%
category 2	new category 2	63,0%	3,3	2,9	19,4%	18,9%

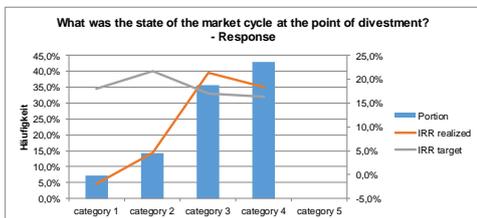
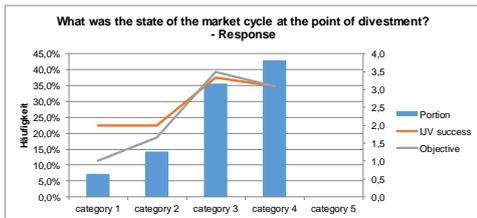


Current Mapping

Next open item

Faktor	Q32
Name	What was the state of the market cycle at the point of divestment? - Response
Offset	32
#Obs	28

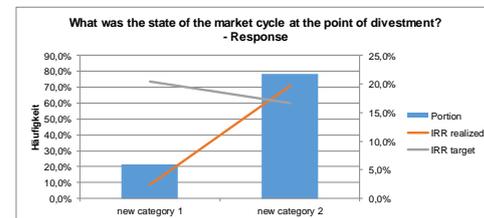
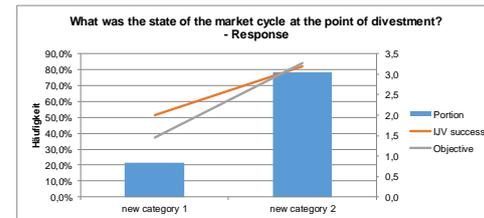
Current mapping	Portion	IJV success	Objective	IRR realized	IRR target
category 1	7,1%	2,0	1,0	-2,0%	18,0%
category 2	14,3%	2,0	1,7	4,6%	21,7%
category 3	35,7%	3,3	3,5	21,4%	17,0%
category 4	42,9%	3,1	3,1	18,3%	16,4%
category 5	0,0%	#NV	#NV	#NV	#NV



New Mapping

Save new mapping | Load new mapping

New category	New mapping	Portion	IJV success	Objective	IRR realized	IRR target
category 1	new category 1	21,4%	2,0	1,4	2,4%	20,5%
category 2	new category 2	78,6%	3,2	3,3	19,7%	16,7%

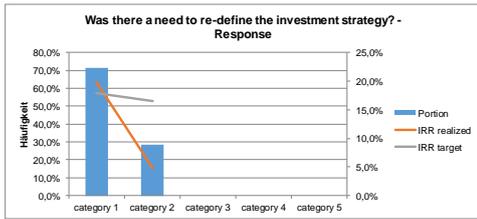
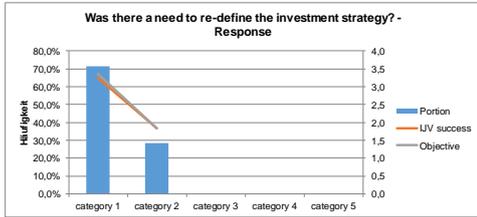


Current Mapping

Next open item

Faktor	Q33
Name	Was there a need to re-define the investment strategy? - Response
Offset	.33
#Obs	28

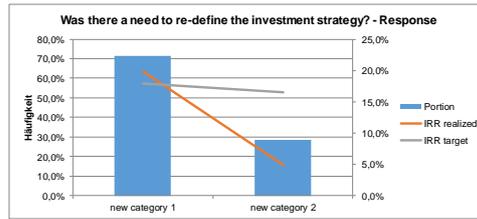
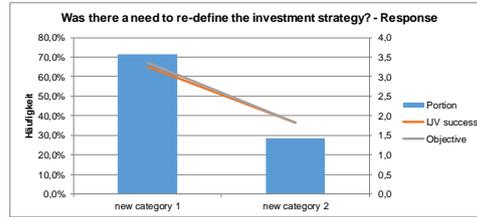
Current mapping	Portion	IJV success	Objective	IRR realized	IRR target
category 1	71,4%	3,3	3,4	19,9%	17,9%
category 2	28,6%	1,8	1,8	4,8%	16,5%
category 3	0,0%	#NV	#NV	#NV	#NV
category 4	0,0%	#NV	#NV	#NV	#NV
category 5	0,0%	#NV	#NV	#NV	#NV



New Mapping

Save new mapping Load new mapping

	New category	New mapping	Portion	IJV success	Objective	IRR realized	IRR target
2 category 1	1	new category 1	71,4%	3,3	3,4	19,9%	17,9%
3 category 2	2	new category 2	28,6%	1,8	1,8	4,8%	16,5%
4 category 3	2						
5 category 4	2						
6 category 5	2						

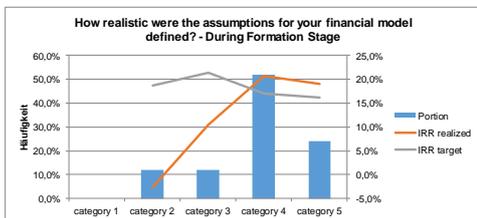
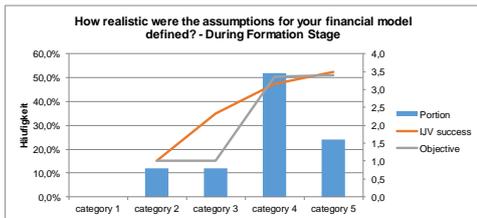


Current Mapping

Next open item

Faktor	Q34
Name	How realistic were the assumptions for your financial model defined? - During Formation Stage
Offset	.34
#Obs	25

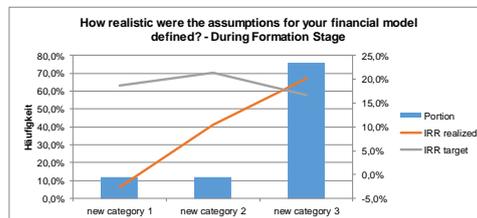
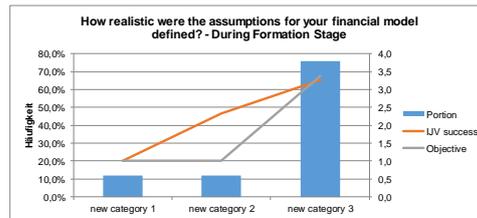
Current mapping	Portion	IJV success	Objective	IRR realized	IRR target
category 1	0,0%	#NV	#NV	#NV	#NV
category 2	12,0%	1,0	1,0	-2,7%	18,7%
category 3	12,0%	2,3	1,0	10,5%	21,3%
category 4	52,0%	3,2	3,4	20,7%	17,0%
category 5	24,0%	3,5	3,4	19,1%	16,2%



New Mapping

Save new mapping Load new mapping

	New category	New mapping	Portion	IJV success	Objective	IRR realized	IRR target
2 category 1	1	new category 1	12,0%	1,0	1,0	-2,7%	18,7%
3 category 2	1	new category 2	12,0%	2,3	1,0	10,5%	21,3%
4 category 3	2	new category 3	76,0%	3,3	3,4	0,2	0,2
5 category 4	3						
6 category 5	3						

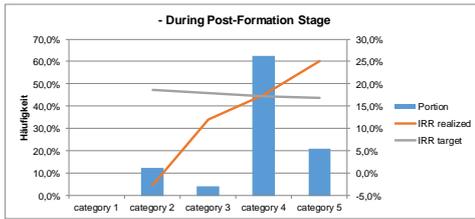
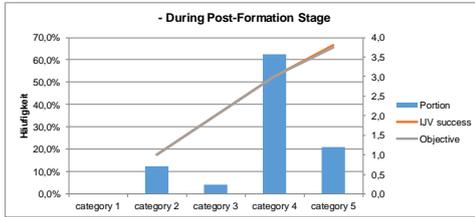


Current Mapping

Next open item

Faktor	Q36
Name	- During Post-Formation Stage
Offset	35
#Obs	24

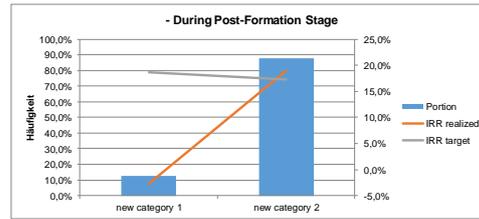
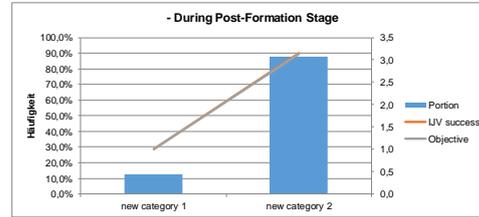
Current mapping	Portion	IJV success	Objective	IRR realized	IRR target
category 1	0,0%	#NV	#NV	#NV	#NV
category 2	12,5%	1,0	1,0	-2,7%	18,7%
category 3	4,2%	2,0	2,0	12,0%	16,0%
category 4	62,5%	3,0	3,0	17,5%	17,3%
category 5	20,8%	3,8	3,8	25,0%	16,9%



New Mapping

Save new mapping | Load new mapping

New category	New mapping	Portion	IJV success	Objective	IRR realized	IRR target
2 category 1	new category 1	12,5%	1,0	1,0	-2,7%	18,7%
3 category 2	new category 2	87,5%	3,1	3,1	19,0%	17,2%
4 category 3						
5 category 4						
6 category 5						

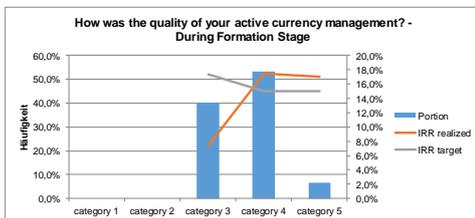
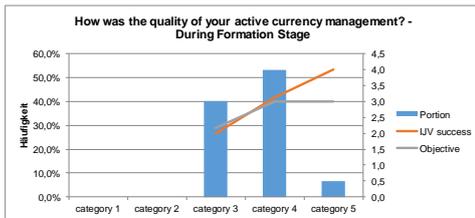


Current Mapping

Next open item

Faktor	Q36
Name	How was the quality of your active currency management? - During Formation Stage
Offset	36
#Obs	15

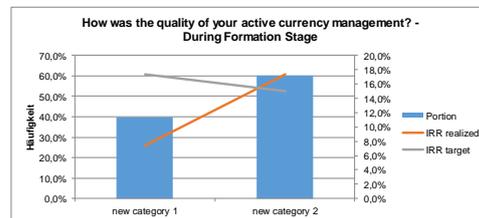
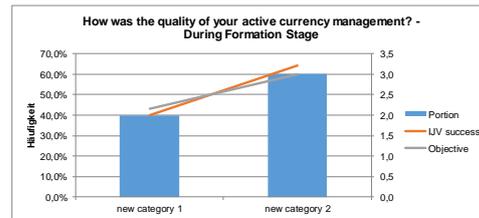
Current mapping	Portion	IJV success	Objective	IRR realized	IRR target
category 1	0,0%	#NV	#NV	#NV	#NV
category 2	0,0%	#NV	#NV	#NV	#NV
category 3	40,0%	2,0	2,2	7,4%	17,3%
category 4	53,3%	3,1	3,0	17,4%	15,1%
category 5	6,7%	4,0	3,0	17,0%	15,0%



New Mapping

Save new mapping | Load new mapping

New category	New mapping	Portion	IJV success	Objective	IRR realized	IRR target
2 category 1	new category 1	40,0%	2,0	2,2	7,4%	17,3%
3 category 2	new category 2	60,0%	3,2	3,0	17,4%	15,1%
4 category 3						
5 category 4						
6 category 5						

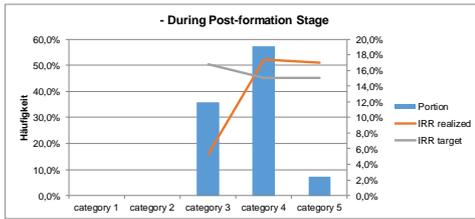
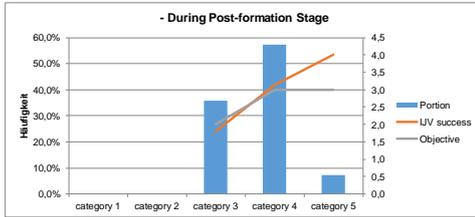


Current Mapping

Next open item

Faktor	Q37
Name	- During Post-formation Stage
Offset	37
#Obs	14

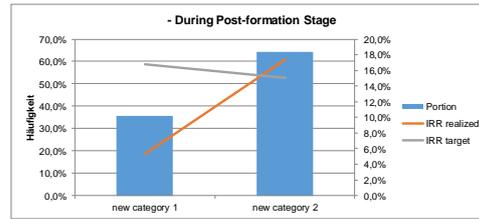
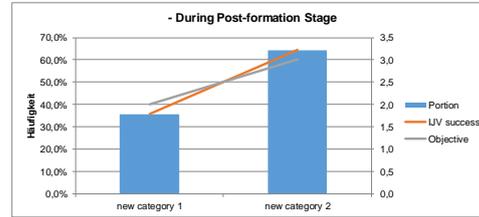
Current mapping	Portion	IJV success	Objective	IRR realized	IRR target
category 1	0,0%	#NV	#NV	#NV	#NV
category 2	0,0%	#NV	#NV	#NV	#NV
category 3	35,7%	1,8	2,0	5,3%	16,8%
category 4	57,1%	3,1	3,0	17,4%	15,1%
category 5	7,1%	4,0	3,0	17,0%	15,0%



New Mapping

Save new mapping Load new mapping

	New category	New mapping	Portion	IJV success	Objective	IRR realized	IRR target
2	category 1	new category 1	35,7%	1,8	2,0	5,3%	16,8%
3	category 2	new category 2	64,3%	3,2	3,0	17,4%	15,1%
4	category 3						
5	category 4						
6	category 5						

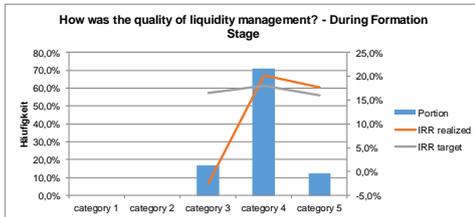
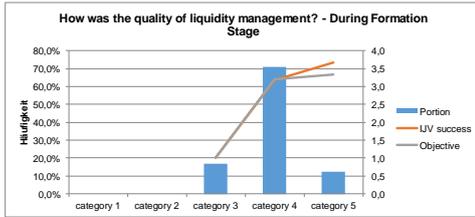


Current Mapping

Next open item

Faktor	Q38
Name	How was the quality of liquidity management? - During Formation Stage
Offset	38
#Obs	24

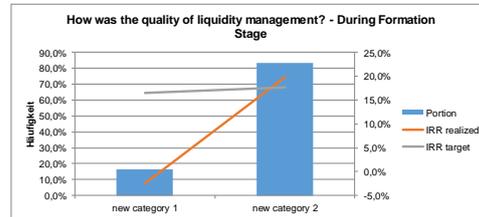
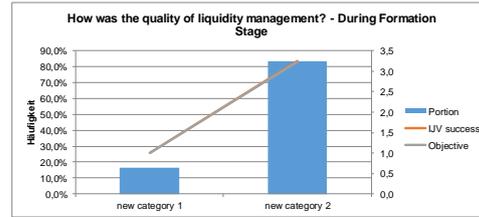
Current mapping	Portion	IJV success	Objective	IRR realized	IRR target
category 1	0,0%	#NV	#NV	#NV	#NV
category 2	0,0%	#NV	#NV	#NV	#NV
category 3	16,7%	1,0	1,0	-2,5%	16,5%
category 4	70,8%	3,2	3,2	20,2%	18,1%
category 5	12,5%	3,7	3,3	17,7%	16,0%



New Mapping

Save new mapping Load new mapping

	New category	New mapping	Portion	IJV success	Objective	IRR realized	IRR target
2	category 1	new category 1	16,7%	1,0	1,0	-2,5%	16,5%
3	category 2	new category 2	83,3%	3,3	3,2	19,9%	17,7%
4	category 3						
5	category 4						
6	category 5						

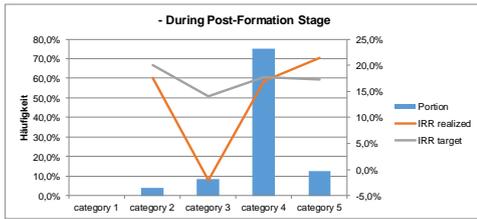
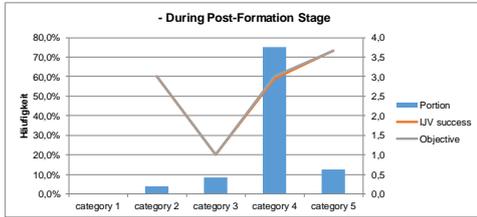


Current Mapping

Next open item

Faktor	Q39
Name	During Post-Formation Stage
Offset	39
#Obs	24

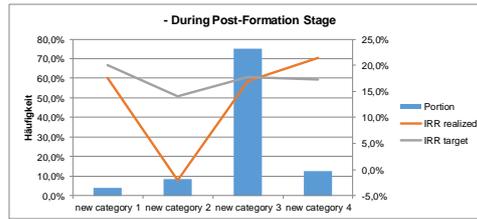
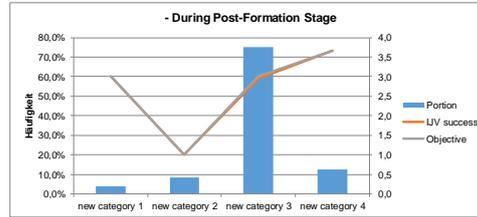
Current mapping	Portion	IJV success	Objective	IRR realized	IRR target
category 1	0.0%	#NV	#NV	#NV	#NV
category 2	4.2%	3.0	3.0	17.5%	20.0%
category 3	8.3%	1.0	1.0	-2.0%	14.0%
category 4	75.0%	2.9	3.0	17.0%	17.7%
category 5	12.5%	3.7	3.7	21.3%	17.3%



New Mapping

Save new mapping | Load new mapping

New category	New mapping	Portion	IJV success	Objective	IRR realized	IRR target
2 category 1	new category 1	4.2%	3.0	3.0	17.5%	20.0%
3 category 2	new category 2	8.3%	1.0	1.0	-2.0%	14.0%
4 category 3	new category 3	75.0%	2.9	3.0	0.2	0.2
5 category 4	new category 4	12.5%	3.7	3.7	0.2	0.2
6 category 5						

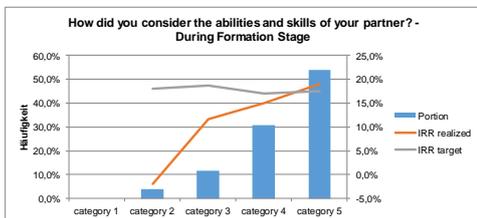
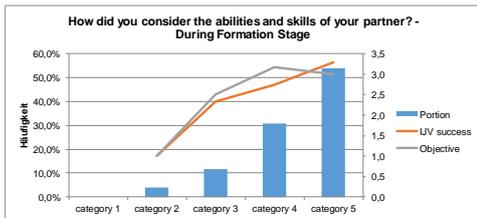


Current Mapping

Next open item

Faktor	Q40
Name	How did you consider the abilities and skills of your partner? - During Formation Stage
Offset	40
#Obs	26

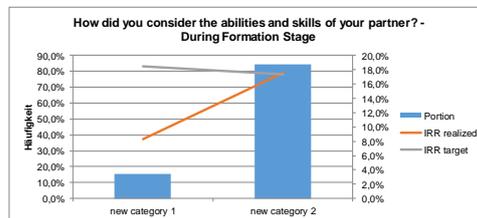
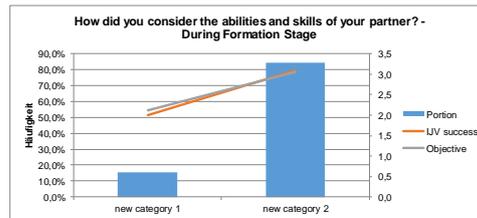
Current mapping	Portion	IJV success	Objective	IRR realized	IRR target
category 1	0.0%	#NV	#NV	#NV	#NV
category 2	3.8%	1.0	1.0	-2.0%	18.0%
category 3	11.5%	2.3	2.5	11.7%	18.7%
category 4	30.8%	2.8	3.2	15.1%	17.1%
category 5	53.8%	3.3	3.0	19.0%	17.5%



New Mapping

Save new mapping | Load new mapping

New category	New mapping	Portion	IJV success	Objective	IRR realized	IRR target
2 category 1	new category 1	15.4%	2.0	2.1	8.3%	18.5%
3 category 2	new category 2	84.6%	3.1	3.1	17.6%	17.3%
4 category 3						
5 category 4						
6 category 5						

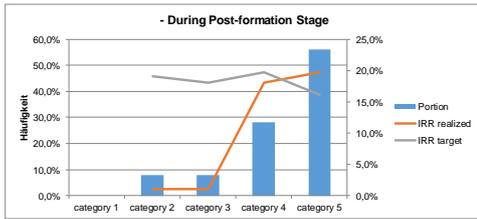
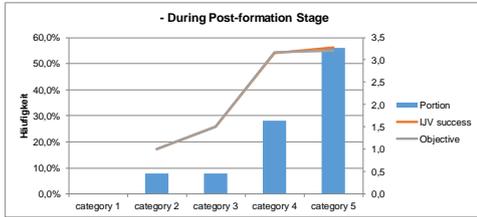


Current Mapping

Next open item

Faktor	Q41
Name	- During Post-formation Stage
Offset	41
#Obs	25

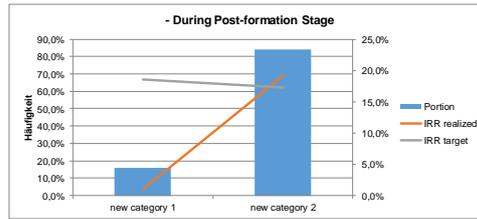
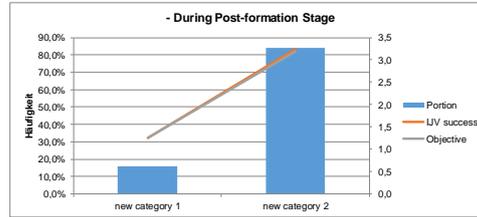
Current mapping	Portion	IJV success	Objective	IRR realized	IRR target
category 1	0,0%	#NV	#NV	#NV	#NV
category 2	8,0%	1,0	1,0	1,0%	19,0%
category 3	8,0%	1,5	1,5	1,0%	16,0%
category 4	29,0%	3,1	3,2	18,0%	19,7%
category 5	56,0%	3,3	3,2	19,8%	16,1%



New Mapping

Save new mapping Load new mapping

New category	New mapping	Portion	IJV success	Objective	IRR realized	IRR target
2 category 1	new category 1	16,0%	1,3	1,3	1,0%	18,5%
3 category 2	new category 2	84,0%	3,2	3,2	19,2%	17,3%
4 category 3						
5 category 4						
6 category 5						

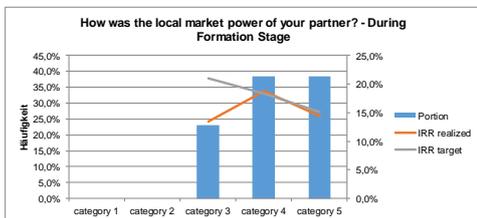
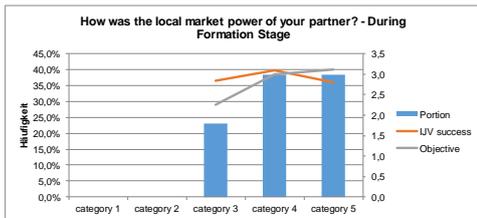


Current Mapping

Next open item

Faktor	Q42
Name	How was the local market power of your partner? - During Formation Stage
Offset	42
#Obs	25

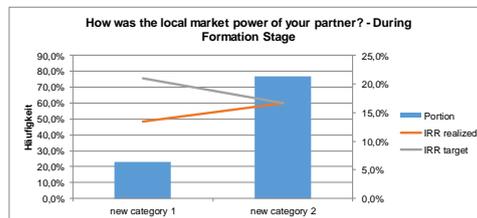
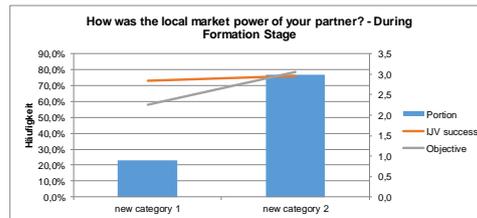
Current mapping	Portion	IJV success	Objective	IRR realized	IRR target
category 1	0,0%	#NV	#NV	#NV	#NV
category 2	0,0%	#NV	#NV	#NV	#NV
category 3	23,1%	2,8	2,3	13,5%	21,0%
category 4	39,6%	3,1	3,0	18,6%	18,3%
category 5	36,5%	2,8	3,1	14,4%	15,2%



New Mapping

Save new mapping Load new mapping

New category	New mapping	Portion	IJV success	Objective	IRR realized	IRR target
2 category 1	new category 1	23,1%	2,8	2,3	13,5%	21,0%
3 category 2	new category 2	76,9%	3,0	3,1	16,6%	16,7%
4 category 3						
5 category 4						
6 category 5						



Current Mapping

Next open item	
Faktor	Q43
Name	During Post-Formation Stage
Offset	43
#Obs	25

Current mapping	Portion	IJV success	Objective	IRR realized	IRR target
category 1	0.0%	#NV	#NV	#NV	#NV
category 2	4.0%	1.0	#NV	4.0%	20.0%
category 3	20.0%	2.8	2.0	13.6%	22.5%
category 4	32.0%	3.0	2.9	15.9%	17.4%
category 5	44.0%	3.1	3.2	18.1%	15.2%

New Mapping

Save new mapping

Load new mapping

	New category	New mapping	Portion	IJV success	Objective	IRR realized	IRR target
2 category 1	1	new category 1	24.0%	2.5	1.7	12.0%	22.1%
3 category 2	1	new category 2	76.0%	3.1	3.1	17.2%	16.1%
4 category 3	1						
5 category 4	2						
6 category 5	2						

Current Mapping

Next open item	
Faktor	Q44
Name	How was the local market experience of your partner? - During Formation Stage
Offset	44
#Obs	26

Current mapping	Portion	IJV success	Objective	IRR realized	IRR target
category 1	0.0%	#NV	#NV	#NV	#NV
category 2	3.8%	1.0	1.0	-2.0%	18.0%
category 3	3.8%	1.0	1.0	-10.0%	18.0%
category 4	38.5%	3.1	3.1	19.4%	19.6%
category 5	50.8%	3.1	3.1	16.6%	15.7%

New Mapping

Save new mapping

Load new mapping

	New category	New mapping	Portion	IJV success	Objective	IRR realized	IRR target
2 category 1	1	new category 1	7.7%	1.0	1.0	-6.0%	18.0%
3 category 2	1	new category 2	92.3%	3.1	3.1	17.9%	17.3%
4 category 3	1						
5 category 4	2						
6 category 5	2						

Current Mapping

Next open item	
Faktor	Q45
Name	During Post-formation Stage
Offset	45
#Obs	25

Current mapping	Portion	IJV success	Objective	IRR realized	IRR target
category 1	0.0%	#NV	#NV	#NV	#NV
category 2	4.0%	1.0	1.0	-2.0%	18.0%
category 3	4.0%	1.0	1.0	-10.0%	18.0%
category 4	32.0%	3.0	3.0	17.4%	19.6%
category 5	60.0%	3.1	3.2	18.5%	16.0%

New Mapping

Save new mapping

Load new mapping

	New category	New mapping	Portion	IJV success	Objective	IRR realized	IRR target
2 category 1	1	new category 1	8.0%	1.0	1.0	-6.0%	18.0%
3 category 2	1	new category 2	92.0%	3.1	3.1	18.1%	17.3%
4 category 3	1						
5 category 4	2						
6 category 5	2						

Current Mapping

Next open item	
Faktor	Q46
Name	How was the alignment of interest between you and your partner? - During Formation Stage
Offset	46
#Obs	26

Current mapping	Portion	IJV success	Objective	IRR realized	IRR target
category 1	7.7%	1.0	1.0	-3.0%	19.0%
category 2	3.8%	1.0	1.0	-2.0%	18.0%
category 3	7.7%	2.5	2.0	17.0%	19.0%
category 4	46.2%	3.1	3.1	16.9%	16.9%
category 5	34.6%	3.4	3.3	21.0%	17.6%

New Mapping

Save new mapping

Load new mapping

	New category	New mapping	Portion	IJV success	Objective	IRR realized	IRR target
2 category 1	1	new category 1	11.5%	1.0	1.0	-2.7%	18.7%
3 category 2	1	new category 2	88.5%	3.2	3.1	18.5%	17.3%
4 category 3	2						
5 category 4	2						
6 category 5	2						

Current Mapping

Next open item	
Faktor	Q47
Name	During Post-formation Stage
Offset	47
#Obs	25

Current mapping	Portion	IJV success	Objective	IRR realized	IRR target
category 1	8.0%	1.0	1.0	-3.0%	19.0%
category 2	8.0%	1.5	1.5	5.0%	18.0%
category 3	4.0%	4.0	4.0	23.0%	14.5%
category 4	56.0%	3.1	3.2	19.2%	17.7%
category 5	24.0%	3.3	3.0	18.5%	16.7%

New Mapping

Save new mapping

Load new mapping

	New category	New mapping	Portion	IJV success	Objective	IRR realized	IRR target
2 category 1	1	new category 1	16.0%	1.3	1.3	1.0%	18.5%
3 category 2	1	new category 2	84.0%	3.2	3.2	19.2%	17.3%
4 category 3	2						
5 category 4	2						
6 category 5	2						

Current Mapping

Next open item	
Faktor	Q48
Name	How was the alignment of objectives (goal congruity) between you and your partner? - During Form
Offset	48
#Obs	26

Current mapping	Portion	IJV success	Objective	IRR realized	IRR target
category 1	0.0%	#NV	#NV	#NV	#NV
category 2	3.8%	1.0	1.0	-10.0%	18.0%
category 3	11.5%	1.7	1.0	8.0%	19.3%
category 4	61.5%	3.2	3.1	19.4%	18.0%
category 5	23.1%	3.2	3.2	16.4%	15.5%

New Mapping

Save new mapping

Load new mapping

	New category	New mapping	Portion	IJV success	Objective	IRR realized	IRR target
2 category 1	1	new category 1	15.4%	1.5	1.0	3.5%	19.0%
3 category 2	1	new category 2	84.6%	3.2	3.1	18.5%	17.3%
4 category 3	1						
5 category 4	2						
6 category 5	2						

Current Mapping

Next open item	
Faktor	Q49
Name	During Post-formation Stage
Offset	49
#Obs	25

Current mapping	Portion	IJV success	Objective	IRR realized	IRR target
category 1	0.0%	#NV	#NV	#NV	#NV
category 2	8.0%	1.0	1.0	-3.0%	19.0%
category 3	12.0%	2.0	1.5	5.0%	18.0%
category 4	56.0%	3.3	3.0	29.7%	18.2%
category 5	24.0%	3.2	3.0	15.2%	15.0%

New Mapping

Save new mapping	Load new mapping
------------------	------------------

	New category	New mapping	Portion	IJV success	Objective	IRR realized	IRR target
2 category 1	1	new category 1	20.0%	1.6	1.3	1.8%	18.4%
3 category 2	1	new category 2	80.0%	3.3	3.2	19.0%	17.3%
4 category 3	1						
5 category 4	2						
6 category 5	2						

Current Mapping

Next open item	
Faktor	Q50
Name	How did you manage partner's expectations? - During Formation Stage
Offset	50
#Obs	25

Current mapping	Portion	IJV success	Objective	IRR realized	IRR target
category 1	0.0%	#NV	#NV	#NV	#NV
category 2	8.0%	2.0	1.5	13.0%	20.0%
category 3	12.0%	2.0	2.3	8.3%	18.0%
category 4	64.0%	3.3	3.2	16.5%	17.4%
category 5	16.0%	3.0	3.0	18.0%	16.5%

New Mapping

Save new mapping	Load new mapping
------------------	------------------

	New category	New mapping	Portion	IJV success	Objective	IRR realized	IRR target
2 category 1	1	new category 1	20.0%	2.0	1.4	10.2%	18.8%
3 category 2	1	new category 2	80.0%	3.3	3.1	18.7%	17.2%
4 category 3	1						
5 category 4	2						
6 category 5	2						

Current Mapping

Next open item	
Faktor	Q51
Name	During Post-formation Stage
Offset	51
#Obs	23

Current mapping	Portion	IJV success	Objective	IRR realized	IRR target
category 1	0.0%	#NV	#NV	#NV	#NV
category 2	4.3%	3.0	#NV	22.0%	20.0%
category 3	21.7%	2.4	2.5	10.6%	18.5%
category 4	60.9%	3.4	3.3	19.5%	16.6%
category 5	13.0%	3.0	2.7	16.0%	17.7%

New Mapping

Save new mapping	Load new mapping
------------------	------------------

	New category	New mapping	Portion	IJV success	Objective	IRR realized	IRR target
2 category 1	1	new category 1	26.1%	2.5	2.1	12.5%	18.8%
3 category 2	1	new category 2	73.9%	3.3	3.2	18.9%	16.8%
4 category 3	1						
5 category 4	2						
6 category 5	2						

Current Mapping

Next open item	
Faktor	Q52
Name	How was the consensus mentality and conflict resolution? - During Formation Stage
Offset	52
#Obs	26

Current mapping	Portion	IJV success	Objective	IRR realized	IRR target
category 1	0.0%	#NV	#NV	#NV	#NV
category 2	0.0%	#NV	#NV	#NV	#NV
category 3	15.4%	2.0	2.5	11.8%	19.0%
category 4	57.7%	3.0	2.8	16.4%	18.0%
category 5	26.9%	3.3	3.2	17.8%	15.8%

New Mapping

Save new mapping	Load new mapping
------------------	------------------

	New category	New mapping	Portion	IJV success	Objective	IRR realized	IRR target
2 category 1	1	new category 1	15.4%	2.0	2.5	11.8%	19.0%
3 category 2	1	new category 2	57.7%	3.0	2.8	16.4%	18.0%
4 category 3	1	new category 3	26.9%	3.3	3.2	0.2	0.2
5 category 4	2						
6 category 5	3						

Current Mapping

Next open item	
Faktor	Q53
Name	During Post-formation Stage
Offset	53
#Obs	25

Current mapping	Portion	IJV success	Objective	IRR realized	IRR target
category 1	0.0%	#NV	#NV	#NV	#NV
category 2	4.0%	2.0	2.0	12.0%	18.0%
category 3	16.0%	2.0	2.5	11.8%	19.0%
category 4	56.0%	3.1	2.9	16.6%	17.2%
category 5	24.0%	3.3	3.2	17.8%	16.8%

New Mapping

Save new mapping	Load new mapping
------------------	------------------

	New category	New mapping	Portion	IJV success	Objective	IRR realized	IRR target
2 category 1	1	new category 1	20.0%	2.0	2.4	11.8%	18.8%
3 category 2	1	new category 2	80.0%	3.2	3.0	17.0%	17.1%
4 category 3	1						
5 category 4	2						
6 category 5	2						

Current Mapping

Next open item	
Faktor	Q54
Name	How was the communication between you and your partner? - During Formation Stage
Offset	54
#Obs	26

Current mapping	Portion	IJV success	Objective	IRR realized	IRR target
category 1	0.0%	#NV	#NV	#NV	#NV
category 2	3.8%	1.0	1.0	-2.0%	18.0%
category 3	11.5%	2.3	2.5	11.7%	18.7%
category 4	57.7%	3.1	3.1	18.9%	18.0%
category 5	26.9%	3.0	3.0	15.4%	16.1%

New Mapping

Save new mapping	Load new mapping
------------------	------------------

	New category	New mapping	Portion	IJV success	Objective	IRR realized	IRR target
2 category 1	1	new category 1	15.4%	2.0	2.1	8.3%	18.5%
3 category 2	1	new category 2	84.6%	3.1	3.1	17.8%	17.4%
4 category 3	1						
5 category 4	2						
6 category 5	2						

Current Mapping

Next open item

Faktor	Q55
Name	During Post-formation Stage
Offset	55
#Obs	25

Current mapping	Portion	IJV success	Objective	IRR realized	IRR target
category 1	0.0%	#NV	#NV	#NV	#NV
category 2	12.0%	1.3	1.5	4.7%	18.7%
category 3	12.0%	2.3	2.0	8.1%	23.3%
category 4	48.0%	3.3	3.6	22.6%	16.8%
category 5	28.0%	3.1	3.0	15.3%	15.4%

New Mapping

	New category	New mapping	Portion	IJV success	Objective	IRR realized	IRR target
2 category 1	1	new category 1	24.0%	1.8	1.8	6.4%	21.0%
3 category 2	1	new category 2	76.0%	3.3	3.4	19.9%	16.2%
4 category 3	1						
5 category 4	2						
6 category 5	2						

Current Mapping

Next open item

Faktor	Q56
Name	How was the collaboration with your partner? - During Formation Stage
Offset	56
#Obs	26

Current mapping	Portion	IJV success	Objective	IRR realized	IRR target
category 1	0.0%	#NV	#NV	#NV	#NV
category 2	12.0%	1.0	1.0	-2.0%	18.0%
category 3	11.5%	2.3	2.5	11.7%	18.7%
category 4	61.5%	3.1	3.2	18.6%	18.0%
category 5	20.1%	3.0	2.6	15.3%	15.9%

New Mapping

	New category	New mapping	Portion	IJV success	Objective	IRR realized	IRR target
2 category 1	1	new category 1	15.4%	2.0	2.1	8.3%	18.5%
3 category 2	1	new category 2	84.6%	3.1	3.1	17.7%	17.4%
4 category 3	1						
5 category 4	2						
6 category 5	2						

Current Mapping

Next open item

Faktor	Q57
Name	During Post-formation Stage
Offset	57
#Obs	25

Current mapping	Portion	IJV success	Objective	IRR realized	IRR target
category 1	0.0%	#NV	#NV	#NV	#NV
category 2	12.0%	1.3	1.5	4.7%	18.7%
category 3	12.0%	2.7	3.0	16.7%	18.7%
category 4	52.0%	3.3	3.3	19.3%	17.6%
category 5	24.0%	3.0	2.8	15.3%	15.9%

New Mapping

	New category	New mapping	Portion	IJV success	Objective	IRR realized	IRR target
2 category 1	1	new category 1	12.0%	1.3	1.5	4.7%	18.7%
3 category 2	1	new category 2	88.0%	3.1	3.1	17.9%	17.3%
4 category 3	2						
5 category 4	2						
6 category 5	2						

Current Mapping

Next open item

Faktor	Q58
Name	How was the cooperation with your partner? - During Formation Stage
Offset	58
#Obs	26

Current mapping	Portion	IJV success	Objective	IRR realized	IRR target
category 1	0.0%	#NV	#NV	#NV	#NV
category 2	3.8%	1.0	1.0	-2.0%	18.0%
category 3	7.7%	3.0	4.0	22.5%	19.0%
category 4	61.5%	3.0	2.9	17.0%	18.4%
category 5	26.9%	3.0	3.0	14.7%	15.4%

New Mapping

	New category	New mapping	Portion	IJV success	Objective	IRR realized	IRR target
2 category 1	1	new category 1	3.8%	1.0	1.0	-2.0%	18.0%
3 category 2	1	new category 2	96.2%	3.0	3.0	16.8%	17.6%
4 category 3	2						
5 category 4	2						
6 category 5	2						

Current Mapping

Next open item

Faktor	Q59
Name	During Post-formation Stage
Offset	59
#Obs	25

Current mapping	Portion	IJV success	Objective	IRR realized	IRR target
category 1	0.0%	#NV	#NV	#NV	#NV
category 2	8.0%	1.5	1.5	5.0%	18.0%
category 3	12.0%	2.7	4.0	21.3%	19.3%
category 4	48.0%	3.1	2.9	17.2%	18.4%
category 5	32.0%	3.1	3.0	15.0%	15.3%

New Mapping

	New category	New mapping	Portion	IJV success	Objective	IRR realized	IRR target
2 category 1	1	new category 1	8.0%	1.5	1.5	5.0%	18.0%
3 category 2	1	new category 2	92.0%	3.0	3.1	17.0%	17.5%
4 category 3	2						
5 category 4	2						
6 category 5	2						

Current Mapping

Next open item

Faktor	Q60
Name	How do you rate the workload of your partner with other projects? - During Formation Stage
Offset	60
#Obs	26

Current mapping	Portion	IJV success	Objective	IRR realized	IRR target
category 1	0.0%	#NV	#NV	#NV	#NV
category 2	11.5%	1.7	1.0	8.0%	19.3%
category 3	46.2%	3.0	2.7	16.8%	18.2%
category 4	30.8%	3.0	3.3	16.8%	15.7%
category 5	11.5%	3.7	3.5	20.5%	17.0%

New Mapping

	New category	New mapping	Portion	IJV success	Objective	IRR realized	IRR target
2 category 1	1	new category 1	11.5%	1.7	1.0	8.0%	19.3%
3 category 2	1	new category 2	88.5%	3.1	3.0	17.3%	17.2%
4 category 3	2						
5 category 4	2						
6 category 5	2						

Current Mapping

Next open item

Faktor	Q61
Name	During Post-formation Stage
Offset	61
#Obs	25

Current mapping	Portion	IJV success	Objective	IRR realized	IRR target
category 1	0,0%	#NV	#NV	#NV	#NV
category 2	12,0%	2,7	2,5	19,0%	19,3%
category 3	44,0%	3,0	2,7	16,2%	17,8%
category 4	32,0%	2,6	3,2	12,6%	16,4%
category 5	12,0%	3,7	3,5	20,5%	17,0%

New Mapping

Save new mapping

Load new mapping

	New category	New mapping	Portion	IJV success	Objective	IRR realized	IRR target
2 category 1	1	new category 1	12,0%	2,7	2,5	19,0%	19,3%
3 category 2	1	new category 2	44,0%	3,0	2,7	16,2%	17,8%
4 category 3	2	new category 3	32,0%	2,6	3,2	0,1	0,2
5 category 4	3	new category 4	12,0%	3,7	3,5	0,2	0,2
6 category 5	4						

Current Mapping

Next open item

Faktor	Q62
Name	How compatible was your partner's management culture to yours? - During Formation Stage
Offset	62
#Obs	26

Current mapping	Portion	IJV success	Objective	IRR realized	IRR target
category 1	15,4%	2,0	2,0	7,8%	17,8%
category 2	11,5%	2,7	2,5	16,3%	19,3%
category 3	42,3%	3,0	2,9	16,0%	17,5%
category 4	19,2%	3,4	3,8	22,8%	17,0%
category 5	11,5%	3,3	3,0	15,0%	16,3%

New Mapping

Save new mapping

Load new mapping

	New category	New mapping	Portion	IJV success	Objective	IRR realized	IRR target
2 category 1	1	new category 1	15,4%	2,0	2,0	7,8%	17,8%
3 category 2	2	new category 2	53,8%	2,9	2,8	16,1%	17,9%
4 category 3	2	new category 3	30,8%	3,4	3,5	0,2	0,2
5 category 4	3						
6 category 5	3						

Current Mapping

Next open item

Faktor	Q63
Name	During Post-formation Stage
Offset	63
#Obs	25

Current mapping	Portion	IJV success	Objective	IRR realized	IRR target
category 1	16,0%	2,0	2,0	7,8%	17,8%
category 2	4,0%	1,0	1,0	-10,0%	18,0%
category 3	48,0%	3,1	3,0	18,8%	17,8%
category 4	20,0%	3,4	3,8	22,8%	17,0%
category 5	12,0%	3,3	3,0	15,0%	16,3%

New Mapping

Save new mapping

Load new mapping

	New category	New mapping	Portion	IJV success	Objective	IRR realized	IRR target
2 category 1	1	new category 1	20,0%	1,8	1,8	4,2%	17,8%
3 category 2	1	new category 2	80,0%	3,2	3,2	19,2%	17,4%
4 category 3	2						
5 category 4	2						
6 category 5	2						

Current Mapping

Next open item

Faktor	Q64
Name	How harmonious was the relationship with your partner? - During Formation Stage
Offset	64
#Obs	26

Current mapping	Portion	IJV success	Objective	IRR realized	IRR target
category 1	0,0%	#NV	#NV	#NV	#NV
category 2	3,8%	1,0	1,0	-2,0%	18,0%
category 3	30,8%	2,4	2,2	11,6%	20,9%
category 4	42,3%	3,4	3,3	20,6%	16,4%
category 5	23,1%	3,2	3,2	16,4%	15,5%

New Mapping

Save new mapping

Load new mapping

	New category	New mapping	Portion	IJV success	Objective	IRR realized	IRR target
2 category 1	1	new category 1	34,6%	2,2	2,1	10,1%	20,6%
3 category 2	1	new category 2	65,4%	3,3	3,3	19,1%	16,1%
4 category 3	1						
5 category 4	2						
6 category 5	2						

Current Mapping

Next open item

Faktor	Q65
Name	During Post-formation Stage
Offset	65
#Obs	25

Current mapping	Portion	IJV success	Objective	IRR realized	IRR target
category 1	0,0%	#NV	#NV	#NV	#NV
category 2	4,0%	1,0	1,0	-2,0%	18,0%
category 3	36,0%	2,4	2,3	12,9%	20,7%
category 4	36,0%	3,2	3,3	19,5%	16,1%
category 5	24,0%	3,5	3,6	18,4%	14,8%

New Mapping

Save new mapping

Load new mapping

	New category	New mapping	Portion	IJV success	Objective	IRR realized	IRR target
2 category 1	1	new category 1	40,0%	2,3	2,2	11,4%	20,4%
3 category 2	1	new category 2	60,0%	3,3	3,4	19,1%	15,6%
4 category 3	1						
5 category 4	2						
6 category 5	2						

Current Mapping

Next open item

Faktor	Q66
Name	How motivated were you and your partner? - During Formation Stage
Offset	66
#Obs	26

Current mapping	Portion	IJV success	Objective	IRR realized	IRR target
category 1	0,0%	#NV	#NV	#NV	#NV
category 2	0,0%	#NV	#NV	#NV	#NV
category 3	7,7%	1,0	1,0	-6,0%	18,0%
category 4	53,8%	2,9	3,0	16,5%	18,4%
category 5	38,5%	3,4	3,3	20,1%	16,5%

New Mapping

Save new mapping

Load new mapping

	New category	New mapping	Portion	IJV success	Objective	IRR realized	IRR target
2 category 1	1	new category 1	7,7%	1,0	1,0	-6,0%	18,0%
3 category 2	1	new category 2	92,3%	3,1	3,1	18,0%	17,6%
4 category 3	1						
5 category 4	2						
6 category 5	2						

Current Mapping

Next open item

Faktor	Q67
Name	- During Post-formation Stage
Offset	67
#Obs	25

Current mapping	Portion	IJV success	Objective	IRR realized	IRR target
category 1	0,0%	#NV	#NV	#NV	#NV
category 2	0,0%	#NV	#NV	#NV	#NV
category 3	16,0%	2,0	1,0	-0,2%	23,3%
category 4	48,0%	2,8	3,1	18,4%	16,8%
category 5	36,0%	3,6	3,4	21,1%	16,3%

New Mapping

Save new mapping	Load new mapping
------------------	------------------

	New category	New mapping	Portion	IJV success	Objective	IRR realized	IRR target
2 category 1	1	new category 1	16,0%	2,0	1,0	-0,2%	23,3%
3 category 2	1	new category 2	84,0%	3,1	3,2	18,4%	16,6%
4 category 3	1						
5 category 4	2						
6 category 5	2						

Current Mapping

Next open item

Faktor	Q68
Name	How did you undertake site visits? - During Formation Stage
Offset	68
#Obs	26

Current mapping	Portion	IJV success	Objective	IRR realized	IRR target
category 1	0,0%	#NV	#NV	#NV	#NV
category 2	11,5%	2,7	4,0	11,0%	16,0%
category 3	38,5%	2,6	2,3	13,1%	18,8%
category 4	50,0%	3,2	3,3	19,4%	16,8%
category 5	0,0%	#NV	#NV	#NV	#NV

New Mapping

Save new mapping	Load new mapping
------------------	------------------

	New category	New mapping	Portion	IJV success	Objective	IRR realized	IRR target
2 category 1	1	new category 1	11,5%	2,7	4,0	11,0%	16,0%
3 category 2	1	new category 2	38,5%	2,6	2,3	13,1%	18,8%
4 category 3	2	new category 3	50,0%	3,2	3,3	0,2	0,2
5 category 4	3						
6 category 5	3						

Current Mapping

Next open item

Faktor	Q69
Name	- During Post-formation Stage
Offset	69
#Obs	25

Current mapping	Portion	IJV success	Objective	IRR realized	IRR target
category 1	0,0%	#NV	#NV	#NV	#NV
category 2	8,0%	3,0	4,0	18,0%	11,0%
category 3	48,0%	2,5	2,5	13,3%	17,6%
category 4	44,0%	3,4	3,1	18,5%	18,5%
category 5	0,0%	#NV	#NV	#NV	#NV

New Mapping

Save new mapping	Load new mapping
------------------	------------------

	New category	New mapping	Portion	IJV success	Objective	IRR realized	IRR target
2 category 1	1	new category 1	8,0%	3,0	4,0	18,0%	11,0%
3 category 2	1	new category 2	48,0%	2,5	2,5	13,3%	17,6%
4 category 3	2	new category 3	44,0%	3,4	3,1	0,2	0,2
5 category 4	3						
6 category 5	3						

Current Mapping

Next open item

Faktor	Q70
Name	Did you have full project funding in place? - During Formation Stage
Offset	70
#Obs	26

Current mapping	Portion	IJV success	Objective	IRR realized	IRR target
category 1	7,7%	3,5	4,0	29,5%	20,0%
category 2	92,3%	2,9	2,8	14,7%	17,3%
category 3	0,0%	#NV	#NV	#NV	#NV
category 4	0,0%	#NV	#NV	#NV	#NV
category 5	0,0%	#NV	#NV	#NV	#NV

New Mapping

Save new mapping	Load new mapping
------------------	------------------

	New category	New mapping	Portion	IJV success	Objective	IRR realized	IRR target
2 category 1	1	new category 1	7,7%	3,5	4,0	29,5%	20,0%
3 category 2	2	new category 2	92,3%	2,9	2,8	14,7%	17,3%
4 category 3	2						
5 category 4	2						
6 category 5	2						

Current Mapping

Next open item

Faktor	Q71
Name	- During Post-Formation Stage
Offset	71
#Obs	25

Current mapping	Portion	IJV success	Objective	IRR realized	IRR target
category 1	0,0%	#NV	#NV	#NV	#NV
category 2	100,0%	2,9	2,9	15,9%	17,4%
category 3	0,0%	#NV	#NV	#NV	#NV
category 4	0,0%	#NV	#NV	#NV	#NV
category 5	0,0%	#NV	#NV	#NV	#NV

New Mapping

Save new mapping	Load new mapping
------------------	------------------

	New category	New mapping	Portion	IJV success	Objective	IRR realized	IRR target
2 category 1	1	new category 1	100,0%	2,9	2,9	15,9%	17,4%
3 category 2	1						
4 category 3	1						
5 category 4	1						
6 category 5	1						

Current Mapping

Next open item

Faktor	Q72
Name	Please answer following questions: - How would you rate the level of satisfaction of all partners with
Offset	72
#Obs	26

Current mapping	Portion	IJV success	Objective	IRR realized	IRR target
category 1	0,0%	#NV	#NV	#NV	#NV
category 2	3,8%	1,0	4,0%	20,0%	16,5%
category 3	11,5%	1,3	1,3	2,7%	15,3%
category 4	73,1%	3,2	3,1	18,2%	17,8%
category 5	11,5%	3,7	3,7	21,3%	17,3%

New Mapping

Save new mapping	Load new mapping
------------------	------------------

	New category	New mapping	Portion	IJV success	Objective	IRR realized	IRR target
2 category 1	1	new category 1	15,4%	1,3	1,0	3,0%	16,5%
3 category 2	1	new category 2	84,6%	3,2	3,2	18,6%	17,8%
4 category 3	1						
5 category 4	2						
6 category 5	2						

Current Mapping

Next open item
 Faktor Q73
 Name - How would you rate the quality of the terms in the LJV agreement?
 Offset 73
 #Obs 26

Current mapping	Portion	LJV success	Objective	IRR realized	IRR target
category 1	0.0%	#NV	#NV	#NV	#NV
category 2	7.7%	1.5	2.0	8.0%	19.0%
category 3	19.2%	1.8	1.8	2.3%	16.0%
category 4	50.0%	3.3	3.2	19.0%	17.4%
category 5	23.1%	3.5	3.3	22.2%	18.3%

New Mapping

Save new mapping Load new mapping

	New category	New mapping	Portion	LJV success	Objective	IRR realized	IRR target
2 category 1	1	new category 1	26.9%	1.7	1.8	3.9%	16.9%
3 category 2	1	new category 2	73.1%	3.4	3.3	20.0%	17.7%
4 category 3	1						
5 category 4	2						
6 category 5	2						

Current Mapping

Next open item
 Faktor Q74
 Name - How would you rate the completeness of the LJV agreement?
 Offset 74
 #Obs 26

Current mapping	Portion	LJV success	Objective	IRR realized	IRR target
category 1	0.0%	#NV	#NV	#NV	#NV
category 2	3.8%	1.0	#NV	4.0%	20.0%
category 3	23.1%	2.2	2.0	9.0%	18.4%
category 4	50.0%	3.2	3.0	16.6%	16.6%
category 5	23.1%	3.5	3.5	22.2%	18.3%

New Mapping

Save new mapping Load new mapping

	New category	New mapping	Portion	LJV success	Objective	IRR realized	IRR target
2 category 1	1	new category 1	26.9%	2.0	1.7	8.3%	18.6%
3 category 2	1	new category 2	50.0%	3.2	3.0	16.8%	16.6%
4 category 3	1	new category 3	23.1%	3.5	3.3	0.2	0.2
5 category 4	2						
6 category 5	3						

Current Mapping

Next open item
 Faktor Q75
 Name - How clear was the (monetary and non-monetary) contribution among the partners?
 Offset 75
 #Obs 26

Current mapping	Portion	LJV success	Objective	IRR realized	IRR target
category 1	3.8%	1.0	#NV	4.0%	20.0%
category 2	0.0%	#NV	#NV	#NV	#NV
category 3	7.7%	2.5	2.0	17.0%	19.0%
category 4	50.0%	2.8	2.7	15.3%	16.9%
category 5	38.5%	3.4	3.2	17.6%	17.7%

New Mapping

Save new mapping Load new mapping

	New category	New mapping	Portion	LJV success	Objective	IRR realized	IRR target
2 category 1	1	new category 1	3.8%	1.0	0.0	4.0%	20.0%
3 category 2	1	new category 2	57.7%	2.7	2.6	15.5%	17.1%
4 category 3	2	new category 3	38.5%	3.4	3.2	0.2	0.2
5 category 4	2						
6 category 5	3						

Current Mapping

Next open item
 Faktor Q76
 Name - How was the profit and loss distribution defined?
 Offset 76
 #Obs 26

Current mapping	Portion	LJV success	Objective	IRR realized	IRR target
category 1	3.8%	1.0	1.0	-10.0%	18.0%
category 2	3.8%	1.0	#NV	4.0%	20.0%
category 3	3.8%	2.0	2.0	12.0%	18.0%
category 4	53.8%	3.0	2.8	18.2%	18.8%
category 5	34.6%	3.3	3.4	17.8%	15.4%

New Mapping

Save new mapping Load new mapping

	New category	New mapping	Portion	LJV success	Objective	IRR realized	IRR target
2 category 1	1	new category 1	11.5%	1.3	1.0	2.0%	18.7%
3 category 2	1	new category 2	53.8%	3.0	2.8	18.2%	18.8%
4 category 3	1	new category 3	34.6%	3.3	3.4	0.2	0.2
5 category 4	2						
6 category 5	3						

Current Mapping

Next open item
 Faktor Q77
 Name - How would you rate the allocation of responsibilities and duties?
 Offset 77
 #Obs 26

Current mapping	Portion	LJV success	Objective	IRR realized	IRR target
category 1	0.0%	#NV	#NV	#NV	#NV
category 2	7.7%	2.0	#NV	13.0%	20.0%
category 3	11.5%	1.7	1.7	2.0%	18.7%
category 4	50.0%	3.1	3.0	16.9%	17.5%
category 5	30.8%	3.4	3.3	21.3%	16.5%

New Mapping

Save new mapping Load new mapping

	New category	New mapping	Portion	LJV success	Objective	IRR realized	IRR target
2 category 1	1	new category 1	19.2%	1.8	1.0	6.4%	19.2%
3 category 2	1	new category 2	50.0%	3.1	3.0	16.9%	17.5%
4 category 3	1	new category 3	30.8%	3.4	3.3	0.2	0.2
5 category 4	2						
6 category 5	3						

Current Mapping

Next open item
 Faktor Q78
 Name - How would you rate the consideration of dispute resolution procedures in the LJV contract?
 Offset 78
 #Obs 25

Current mapping	Portion	LJV success	Objective	IRR realized	IRR target
category 1	0.0%	#NV	#NV	#NV	#NV
category 2	4.0%	2.0	2.0	12.0%	18.0%
category 3	28.0%	2.6	2.7	14.9%	19.6%
category 4	44.0%	3.1	3.2	18.7%	16.2%
category 5	24.0%	3.5	3.3	18.5%	17.0%

New Mapping

Save new mapping Load new mapping

	New category	New mapping	Portion	LJV success	Objective	IRR realized	IRR target
2 category 1	1	new category 1	4.0%	2.0	2.0	12.0%	18.0%
3 category 2	1	new category 2	28.0%	2.6	2.7	14.9%	19.6%
4 category 3	2	new category 3	68.0%	3.2	3.2	0.2	0.2
5 category 4	3						
6 category 5	3						

Current Mapping

Next open item

Faktor	Q79
Name	- How would you rate the consideration of the termination mechanism in the JV contract?
Offset	79
#Obs	26

Current mapping	Portion	IJV success	Objective	IRR realized	IRR target
category 1	0,0%	#NV	#NV	#NV	#NV
category 2	0,0%	#NV	#NV	#NV	#NV
category 3	38,5%	2,4	2,5	13,0%	17,7%
category 4	34,6%	3,0	2,9	14,8%	17,5%
category 5	26,9%	3,6	3,3	20,9%	17,4%

New Mapping

Save new mapping	Load new mapping
------------------	------------------

	New category	New mapping	Portion	IJV success	Objective	IRR realized	IRR target
2 category 1	1	new category 1	38,5%	2,4	2,6	13,0%	17,7%
3 category 2	1	new category 2	34,6%	3,0	2,9	14,8%	17,5%
4 category 3	1	new category 3	26,9%	3,6	3,3	0,2	0,2
5 category 4	2						
6 category 5	3						

Current Mapping

Next open item

Faktor	Q80
Name	- How would you rate the financial stability of your partner?
Offset	80
#Obs	26

Current mapping	Portion	IJV success	Objective	IRR realized	IRR target
category 1	3,8%	1,0	1,0	-2,0%	18,0%
category 2	3,8%	1,0	1,0	-10,0%	18,0%
category 3	23,1%	2,7	3,3	18,7%	19,2%
category 4	57,7%	2,9	2,7	17,5%	18,4%
category 5	34,6%	3,4	3,4	18,4%	15,7%

New Mapping

Save new mapping	Load new mapping
------------------	------------------

	New category	New mapping	Portion	IJV success	Objective	IRR realized	IRR target
2 category 1	1	new category 1	7,7%	1,0	1,0	-6,0%	18,0%
3 category 2	1	new category 2	92,3%	3,1	3,1	18,1%	17,6%
4 category 3	2						
5 category 4	2						
6 category 5	2						

Current Mapping

Next open item

Faktor	Q81
Name	Please answer following questions: - How did you consider local market potential?
Offset	81
#Obs	26

Current mapping	Portion	IJV success	Objective	IRR realized	IRR target
category 1	0,0%	#NV	#NV	#NV	#NV
category 2	0,0%	#NV	#NV	#NV	#NV
category 3	11,5%	2,3	2,5	12,7%	14,0%
category 4	57,7%	2,9	2,8	14,7%	18,3%
category 5	30,8%	3,3	3,1	19,1%	17,6%

New Mapping

Save new mapping	Load new mapping
------------------	------------------

	New category	New mapping	Portion	IJV success	Objective	IRR realized	IRR target
2 category 1	1	new category 1	11,5%	2,3	2,5	12,7%	14,0%
3 category 2	1	new category 2	57,7%	2,9	2,8	14,7%	18,3%
4 category 3	1	new category 3	30,8%	3,3	3,1	0,2	0,2
5 category 4	2						
6 category 5	3						

Current Mapping

Next open item

Faktor	Q82
Name	- How did you consider economic condition for the project?
Offset	82
#Obs	26

Current mapping	Portion	IJV success	Objective	IRR realized	IRR target
category 1	0,0%	#NV	#NV	#NV	#NV
category 2	3,8%	3,0	3,0	22,0%	20,0%
category 3	7,7%	2,5	1,0	-2,0%	18,0%
category 4	57,7%	2,8	2,9	15,2%	17,6%
category 5	30,8%	3,3	3,1	18,6%	17,1%

New Mapping

Save new mapping	Load new mapping
------------------	------------------

	New category	New mapping	Portion	IJV success	Objective	IRR realized	IRR target
2 category 1	1	new category 1	3,8%	3,0	0,0	22,0%	20,0%
3 category 2	1	new category 2	7,7%	2,5	1,0	-2,0%	18,0%
4 category 3	2	new category 3	88,5%	3,0	3,0	0,2	0,2
5 category 4	3						
6 category 5	3						

Current Mapping

Next open item

Faktor	Q83
Name	- How was the level of political stability in the country of investment?
Offset	83
#Obs	26

Current mapping	Portion	IJV success	Objective	IRR realized	IRR target
category 1	3,8%	1,0	1,0	-10,0%	18,0%
category 2	3,8%	1,0	1,0	-2,0%	18,0%
category 3	19,2%	2,8	3,2	17,7%	17,6%
category 4	26,9%	3,0	2,7	13,4%	17,7%
category 5	46,2%	3,3	3,4	21,0%	17,3%

New Mapping

Save new mapping	Load new mapping
------------------	------------------

	New category	New mapping	Portion	IJV success	Objective	IRR realized	IRR target
2 category 1	1	new category 1	7,7%	1,0	1,0	-6,0%	18,0%
3 category 2	1	new category 2	19,2%	2,8	3,2	17,7%	17,6%
4 category 3	2	new category 3	73,1%	3,2	3,1	0,2	0,2
5 category 4	3						
6 category 5	3						

Current Mapping

Next open item

Faktor	Q84
Name	- How functional was the legal system in the country of investment?
Offset	84
#Obs	26

Current mapping	Portion	IJV success	Objective	IRR realized	IRR target
category 1	0,0%	#NV	#NV	#NV	#NV
category 2	11,5%	2,0	2,0	7,7%	17,0%
category 3	19,2%	2,6	3,0	13,3%	17,6%
category 4	19,2%	2,8	2,3	11,1%	19,2%
category 5	50,0%	3,3	3,5	21,2%	17,1%

New Mapping

Save new mapping	Load new mapping
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	New category	New mapping	Portion	IJV success	Objective	IRR realized	IRR target
2 category 1	1	new category 1	11,5%	2,0	2,0	7,7%	17,0%
3 category 2	1	new category 2	38,5%	2,7	2,6	12,2%	18,4%
4 category 3	2	new category 3	50,0%	3,3	3,5	0,2	0,2
5 category 4	2						
6 category 5	3						

Current Mapping

Next open item
 Faktor Q85
 Name How functional was the tax system in the country of investment?
 Offset 85
 #Obs 26

Current mapping	Portion	IJV success	Objective	IRR realized	IRR target
category 1	0.0%	#NV	#NV	#NV	#NV
category 2	7.7%	1.5	1.5	5.0%	18.0%
category 3	23.1%	2.7	3.0	13.3%	17.2%
category 4	30.8%	2.9	2.7	14.6%	18.8%
category 5	30.5%	3.4	3.5	21.9%	16.7%

New Mapping

Save new mapping Load new mapping

	New category	New mapping	Portion	IJV success	Objective	IRR realized	IRR target
2 category 1	1	new category 1	7.7%	1.5	1.5	5.0%	18.0%
3 category 2	1	new category 2	53.8%	2.8	2.8	14.0%	18.1%
4 category 3	2	new category 3	38.5%	3.4	3.5	0.2	0.2
5 category 4	2						
6 category 5	3						

Current Mapping

Next open item
 Faktor Q86
 Name How did you experience the conditions of the existing infrastructure?
 Offset 86
 #Obs 26

Current mapping	Portion	IJV success	Objective	IRR realized	IRR target
category 1	0.0%	#NV	#NV	#NV	#NV
category 2	11.5%	1.7	2.0	3.7%	18.0%
category 3	15.4%	2.8	2.5	14.9%	21.0%
category 4	26.9%	2.4	2.8	12.9%	17.3%
category 5	46.2%	3.6	3.4	21.9%	16.3%

New Mapping

Save new mapping Load new mapping

	New category	New mapping	Portion	IJV success	Objective	IRR realized	IRR target
2 category 1	1	new category 1	11.5%	1.7	2.0	3.7%	18.0%
3 category 2	1	new category 2	42.3%	2.5	2.7	13.6%	18.7%
4 category 3	2	new category 3	46.2%	3.6	3.4	0.2	0.2
5 category 4	2						
6 category 5	3						

Current Mapping

Next open item
 Faktor Q87
 Name Please answer following questions: - How was the level of competition?
 Offset 87
 #Obs 26

Current mapping	Portion	IJV success	Objective	IRR realized	IRR target
category 1	0.0%	#NV	#NV	#NV	#NV
category 2	0.0%	#NV	#NV	#NV	#NV
category 3	15.4%	3.5	4.0	23.7%	18.3%
category 4	57.7%	2.8	3.0	15.1%	16.4%
category 5	26.9%	2.9	2.0	14.1%	19.4%

New Mapping

Save new mapping Load new mapping

	New category	New mapping	Portion	IJV success	Objective	IRR realized	IRR target
2 category 1	1	new category 1	15.4%	3.5	4.0	23.7%	18.3%
3 category 2	1	new category 2	84.6%	2.8	2.7	14.8%	17.4%
4 category 3	1						
5 category 4	2						
6 category 5	2						

Current Mapping

Next open item
 Faktor Q88
 Name How was the level of bureaucracy you experienced in the country of investment?
 Offset 88
 #Obs 26

Current mapping	Portion	IJV success	Objective	IRR realized	IRR target
category 1	3.8%	4.0	3.0	17.0%	15.0%
category 2	11.5%	4.0	4.0	30.0%	19.5%
category 3	38.5%	3.0	3.2	16.1%	15.8%
category 4	38.5%	2.6	2.6	13.6%	19.0%
category 5	7.7%	2.0	1.0	10.0%	19.0%

New Mapping

Save new mapping Load new mapping

	New category	New mapping	Portion	IJV success	Objective	IRR realized	IRR target
2 category 1	1	new category 1	15.4%	4.0	3.8	26.8%	18.4%
3 category 2	1	new category 2	76.9%	2.8	2.9	14.9%	17.4%
4 category 3	2	new category 3	7.7%	2.0	1.0	0.1	0.2
5 category 4	2						
6 category 5	3						

Current Mapping

Next open item
 Faktor Q89
 Name What degree of corruption did you experience in the country of investment?
 Offset 89
 #Obs 24

Current mapping	Portion	IJV success	Objective	IRR realized	IRR target
category 1	45.8%	3.3	3.5	18.4%	15.5%
category 2	20.8%	2.8	2.5	16.5%	20.8%
category 3	20.8%	2.8	3.0	15.6%	17.2%
category 4	8.3%	2.0	2.0	3.8%	19.0%
category 5	4.2%	1.0	1.0	-2.0%	18.0%

New Mapping

Save new mapping Load new mapping

	New category	New mapping	Portion	IJV success	Objective	IRR realized	IRR target
2 category 1	1	new category 1	87.5%	3.0	3.1	17.3%	17.2%
3 category 2	1	new category 2	12.5%	1.7	1.7	1.8%	18.7%
4 category 3	1						
5 category 4	2						
6 category 5	2						

Current Mapping

Next open item
 Faktor Q90
 Name Please answer following questions: - Did you meet the IJV project timeline?
 Offset 90
 #Obs 26

Current mapping	Portion	IJV success	Objective	IRR realized	IRR target
category 1	15.4%	1.5	1.0	-0.7%	20.0%
category 2	0.0%	#NV	#NV	#NV	#NV
category 3	19.2%	2.4	3.0	14.9%	19.2%
category 4	65.4%	3.4	3.5	21.1%	16.3%
category 5	0.0%	#NV	#NV	#NV	#NV

New Mapping

Save new mapping Load new mapping

	New category	New mapping	Portion	IJV success	Objective	IRR realized	IRR target
2 category 1	1	new category 1	15.4%	1.5	1.0	-0.7%	20.0%
3 category 2	1	new category 2	84.6%	3.2	3.4	19.7%	17.0%
4 category 3	2						
5 category 4	2						
6 category 5	2						

Current Mapping

Next open item	
Faktor	Q31
Name	Did you get major approvals in time?
Offset	31
#Obs	25

Current mapping	Portion	IJV success	Objective	IRR realized	IRR target
category 1	4,0%	1,0	1,0	-2,0%	18,0%
category 2	0,0%	#NV	#NV	#NV	#NV
category 3	24,0%	3,2	2,5	20,1%	20,8%
category 4	72,0%	2,9	3,1	15,4%	16,1%
category 5	0,0%	#NV	#NV	#NV	#NV

New Mapping

Save new mapping	Load new mapping
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	New category	New mapping	Portion	IJV success	Objective	IRR realized	IRR target
2 category 1	1	new category 1	4,0%	1,0	1,0	-2,0%	18,0%
3 category 2	1	new category 2	96,0%	3,0	3,0	16,5%	17,3%
4 category 3	2						
5 category 4	2						
6 category 5	2						

Current Mapping

Next open item	
Faktor	Q92
Name	Please answer following questions: - What was the size of the IJV (total investment volume)?
Offset	92
#Obs	26

Current mapping	Portion	IJV success	Objective	IRR realized	IRR target
category 1	11,5%	3,3	2,0	14,2%	19,6%
category 2	29,2%	2,8	3,8	17,7%	16,8%
category 3	23,1%	2,0	1,7	4,5%	16,0%
category 4	15,4%	3,5	3,7	23,8%	17,4%
category 5	34,6%	3,0	2,7	15,5%	18,0%

New Mapping

Save new mapping	Load new mapping
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	New category	New mapping	Portion	IJV success	Objective	IRR realized	IRR target
2 category 1	1	new category 1	11,5%	3,3	2,0	14,2%	19,6%
3 category 2	2	new category 2	23,1%	2,8	3,8	17,7%	16,8%
4 category 3	3	new category 3	15,4%	2,0	1,7	0,0	0,2
5 category 4	4	new category 4	15,4%	3,5	3,7	0,2	0,2
6 category 5	5	new category 5	34,6%	3,0	2,7	0,2	0,2

Current Mapping

Next open item	
Faktor	Q93
Name	Size of IJV-partner (estimated market value)?
Offset	93
#Obs	24

Current mapping	Portion	IJV success	Objective	IRR realized	IRR target
category 1	29,2%	2,3	1,8	5,4%	20,0%
category 2	4,2%	4,0	4,0	37,0%	20,0%
category 3	12,5%	3,3	3,5	25,2%	19,3%
category 4	16,7%	3,0	3,0	19,5%	19,3%
category 5	37,5%	3,1	3,1	15,4%	14,3%

New Mapping

Save new mapping	Load new mapping
------------------	------------------

	New category	New mapping	Portion	IJV success	Objective	IRR realized	IRR target
2 category 1	1	new category 1	29,2%	2,3	1,8	5,4%	20,0%
3 category 2	2	new category 2	70,8%	3,2	3,2	19,4%	16,7%
4 category 3	2						
5 category 4	2						
6 category 5	2						

Current Mapping

Next open item	
Faktor	Q94
Name	What was your share of equity? - Response
Offset	94
#Obs	26

Current mapping	Portion	IJV success	Objective	IRR realized	IRR target
category 1	0,0%	#NV	#NV	#NV	#NV
category 2	11,5%	3,0	3,5	18,0%	14,3%
category 3	23,1%	3,3	3,2	18,7%	18,1%
category 4	26,9%	3,3	3,2	19,4%	17,2%
category 5	38,5%	2,4	2,4	11,3%	18,5%

New Mapping

Save new mapping	Load new mapping
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	New category	New mapping	Portion	IJV success	Objective	IRR realized	IRR target
2 category 1	1	new category 1	61,5%	3,3	3,3	18,9%	17,0%
3 category 2	1	new category 2	38,5%	2,4	2,4	11,3%	18,5%
4 category 3	1						
5 category 4	1						
6 category 5	2						

Current Mapping

Next open item	
Faktor	Q95
Name	Did you compose a decision making body? How many members? - Response
Offset	95
#Obs	18

Current mapping	Portion	IJV success	Objective	IRR realized	IRR target
category 1	22,2%	2,5	2,5	11,1%	22,0%
category 2	16,7%	2,7	3,0	18,0%	18,7%
category 3	22,2%	3,5	3,3	21,3%	17,0%
category 4	27,8%	3,2	3,3	19,7%	18,3%
category 5	11,1%	3,5	#NV	#NV	10,0%

New Mapping

Save new mapping	Load new mapping
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	New category	New mapping	Portion	IJV success	Objective	IRR realized	IRR target
2 category 1	1	new category 1	22,2%	2,5	2,5	11,1%	22,0%
3 category 2	2	new category 2	77,8%	3,2	2,8	17,0%	16,8%
4 category 3	2						
5 category 4	2						
6 category 5	2						

Current Mapping

Next open item	
Faktor	Q96
Name	Number of IJV-partner? - Response
Offset	96
#Obs	26

Current mapping	Portion	IJV success	Objective	IRR realized	IRR target
category 1	61,5%	2,6	2,5	12,3%	17,7%
category 2	30,8%	3,6	3,7	23,5%	16,9%
category 3	0,0%	#NV	#NV	#NV	#NV
category 4	3,8%	3,0	#NV	#NV	#NV
category 5	3,8%	3,0	3,0	18,0%	20,0%

New Mapping

Save new mapping	Load new mapping
------------------	------------------

	New category	New mapping	Portion	IJV success	Objective	IRR realized	IRR target
2 category 1	1	new category 1	61,5%	2,6	2,5	12,3%	17,7%
3 category 2	2	new category 2	30,8%	3,6	3,7	23,5%	16,9%
4 category 3	2	new category 3	3,8%	3,0	0,0	0,0	0,0
5 category 4	3	new category 4	3,8%	3,0	3,0	0,2	0,2
6 category 5	4						

Current Mapping

Next open item

Faktor	Q97
Name	Please answer following questions: - Was currency in the country of activity restricted?
Offset	97
#Obs	26

Current mapping	Portion	IJV success	Objective	IRR realized	IRR target
category 1	80,8%	3,1	3,1	18,7%	17,6%
category 2	19,2%	2,2	2,2	6,1%	17,2%
category 3	0,0%	#NV	#NV	#NV	#NV
category 4	0,0%	#NV	#NV	#NV	#NV
category 5	0,0%	#NV	#NV	#NV	#NV

New Mapping

Save new mapping

Load new mapping

	New category	New mapping	Portion	IJV success	Objective	IRR realized	IRR target
2 category 1	1	new category 1	80,8%	3,1	3,1	18,7%	17,6%
3 category 2	2	new category 2	19,2%	2,2	2,2	6,1%	17,2%
4 category 3	2						
5 category 4	2						
6 category 5	2						

Current Mapping

Next open item

Faktor	Q98
Name	Did you and your partner contribute resources in a balanced way?
Offset	98
#Obs	26

Current mapping	Portion	IJV success	Objective	IRR realized	IRR target
category 1	38,5%	2,2	2,3	10,2%	16,8%
category 2	61,5%	3,4	3,2	19,6%	18,0%
category 3	0,0%	#NV	#NV	#NV	#NV
category 4	0,0%	#NV	#NV	#NV	#NV
category 5	0,0%	#NV	#NV	#NV	#NV

New Mapping

Save new mapping

Load new mapping

	New category	New mapping	Portion	IJV success	Objective	IRR realized	IRR target
2 category 1	1	new category 1	38,5%	2,2	2,3	10,2%	16,8%
3 category 2	2	new category 2	61,5%	3,4	3,2	19,6%	18,0%
4 category 3	2						
5 category 4	2						
6 category 5	2						

Current Mapping

Next open item

Faktor	Q99
Name	Did you try to avoid complexities in the IJV?
Offset	99
#Obs	26

Current mapping	Portion	IJV success	Objective	IRR realized	IRR target
category 1	23,1%	2,5	2,3	10,2%	18,0%
category 2	76,9%	3,1	3,1	18,0%	17,4%
category 3	0,0%	#NV	#NV	#NV	#NV
category 4	0,0%	#NV	#NV	#NV	#NV
category 5	0,0%	#NV	#NV	#NV	#NV

New Mapping

Save new mapping

Load new mapping

	New category	New mapping	Portion	IJV success	Objective	IRR realized	IRR target
2 category 1	1	new category 1	23,1%	2,5	2,3	10,2%	18,0%
3 category 2	2	new category 2	76,9%	3,1	3,1	18,0%	17,4%
4 category 3	2						
5 category 4	2						
6 category 5	2						

Current Mapping

Next open item

Faktor	Q100
Name	Did you understand, own and share risk with the partner in a balanced way?
Offset	100
#Obs	26

Current mapping	Portion	IJV success	Objective	IRR realized	IRR target
category 1	23,1%	2,0	1,0	3,5%	17,2%
category 2	76,9%	3,2	3,1	18,6%	17,6%
category 3	0,0%	#NV	#NV	#NV	#NV
category 4	0,0%	#NV	#NV	#NV	#NV
category 5	0,0%	#NV	#NV	#NV	#NV

New Mapping

Save new mapping

Load new mapping

	New category	New mapping	Portion	IJV success	Objective	IRR realized	IRR target
2 category 1	1	new category 1	23,1%	2,0	1,0	3,5%	17,2%
3 category 2	2	new category 2	76,9%	3,2	3,1	18,6%	17,6%
4 category 3	2						
5 category 4	2						
6 category 5	2						

Current Mapping

Next open item

Faktor	Q101
Name	Could you communicate in the same language?
Offset	101
#Obs	26

Current mapping	Portion	IJV success	Objective	IRR realized	IRR target
category 1	7,7%	3,0	1,0	16,7%	27,0%
category 2	92,3%	2,9	3,0	15,9%	16,7%
category 3	0,0%	#NV	#NV	#NV	#NV
category 4	0,0%	#NV	#NV	#NV	#NV
category 5	0,0%	#NV	#NV	#NV	#NV

New Mapping

Save new mapping

Load new mapping

	New category	New mapping	Portion	IJV success	Objective	IRR realized	IRR target
2 category 1	1	new category 1	7,7%	3,0	1,0	16,7%	27,0%
3 category 2	2	new category 2	92,3%	2,9	3,0	15,9%	16,7%
4 category 3	2						
5 category 4	2						
6 category 5	2						

Current Mapping

Next open item

Faktor	Q102
Name	Was the IJV financially successful (in terms of IRR)? - Response
Offset	102
#Obs	26

Current mapping	Portion	IJV success	Objective	IRR realized	IRR target
category 1	15,4%	1,0	1,0	-2,5%	16,5%
category 2	7,7%	2,0	1,5	9,5%	18,5%
category 3	46,2%	3,0	3,2	18,3%	18,1%
category 4	30,8%	4,0	3,8	25,0%	16,9%
category 5	0,0%	#NV	#NV	#NV	#NV

New Mapping

Save new mapping

Load new mapping

	New category	New mapping	Portion	IJV success	Objective	IRR realized	IRR target
2 category 1	1	new category 1	15,4%	1,0	1,0	-2,5%	16,5%
3 category 2	2	new category 2	7,7%	2,0	1,5	9,5%	18,5%
4 category 3	3	new category 3	46,2%	3,0	3,2	0,2	0,2
5 category 4	4	new category 4	30,8%	4,0	3,8	0,3	0,2
6 category 5	4						

E: Transcripts of interviews

Interview No 1:

Date: 13.04.2016

Background Information:

Job Title: Managing Partner

Function: Transaction Manager

Age: 56 years

Years working in Real Estate: 28 years

Years working in the management of IJVs in real estate development: 20 years

Relation to those IJVs: Decision Maker

Interview:

Rohm: Would you support that familiarity with local legislation is important?

Interviewee 1: I would agree that familiarity with local legislation is very important. Not understanding the local legislation causes a "lack of "real" control, and heavy reliance on the local partner, which results in an unsatisfactory return of the project we have invested in.

Rohm: How would you evaluate the importance of liquidity management?

Interviewee 1: You need to understand liquidity needs to avoid any liquidity stress. Somebody in the team has to take care of this topic. Asset management usually coordinates this element.

Planning your liquidity, you have to consider that in reality land acquisition processes are often financed through equity and/or mezzanine (equity-like) capital, while the construction costs are generally financed via a bank loan. The reason is that in many cases, no building permit is in place at the time of land acquisition. This means the scope of your real estate development project is not finally defined and confirmed.

Rohm: What do you think about financial models? In addition, how legalistic are the assumptions?

Interviewee 1: By setting up a model, you have to think about following aspect. A model needs to be flexible. Models are not static, as they need to be adjusted for project changes over the life cycle of the investment period. In our experience often initial leasing assumptions and project timelines are too optimistic in many projects. Timetables usually slip; therefore, it is recommendable to not be too aggressive on timing.

Rohm: How would you evaluate the importance of developing a proper business plan?

Interviewee 1: In reality a good business plan has to demonstrate a better upside potential than downside risk in order to be promising.

Rohm: Do you agree that conducting a proper partner due diligence is very important for an IJV in real estate development?

Interviewee 1: I totally agree. It is key to find a first class operator to be your IJV partner. Therefore, your need to organize a very in-depth partner due diligence. We use standardized documents to make the process easier as you don't have to start from scratch every time. Only invest with a strong and trusted development partner. Always invest with long-term flexible equity and debt capital. Following criteria are very important: local market experience, knowledge, and the financial status of a partner. In addition, your potential partner should be trustworthy, as hoping to "control" via legal means will be naive.

Rohm: How important are Abilities and skills of the partner?

Interviewee 1: A partner needs to show a proven skill set, and to demonstrate the ability to execute a real estate development project. Real estate development projects are hard work with a continuous uncertainty what runs wrong next. Therefore, you need a capable partner who is in a position to improvise, to make the right decisions and to find good solutions. This does not work if he does not bring the necessary skills.

Rohm: What do you think about the importance of alignment of interest?

Interviewee 1: Alignment of interest is very important. If a partner does not commit real equity, which means that he has no skin in the game, the JV will not allow for alignment of interest. The equity investment has to be considered in combination with the fee structure. The management fee structure should actually only allow for cost recovery otherwise the partner will indirectly withdraw equity from the structure. In return, you should agree to a fair incentive package, which will reward to work or performance. Otherwise, you will kill the motivation of your operating partner.

In general, the capital partner should increase the share of equity of the local partner as much as possible (share of equity >20%), while ensuring the dominant position of the capital partner in the venture.

Rohm: How would you rate the alignment of objectives?

Interviewee 1: For me the "alignment of objectives" and the "alignment of interest" are the same.

Rohm: How important are clear statements of an IJV agreement?

Interviewee 1: A clearly structured and forward-looking contract helps the partners, with different views on individual contract questions, arrive at a solution, ideally before they sign the contract. A good contract gives the contracting parties an option for all relevant cases. For this, it is essential that the partners know, understand and contract the respective positions.

Rohm: How would you rate contract satisfaction?

Interviewee 1: If you have a bad feeling during the discussions of the JV agreement then stop the process even if the project/property is great.

Rohm: How important is it to meet the project time line?

Interviewee 1: A project schedule is critical to a real estate development. Therefore, you need a sophisticated partner that can estimate the project timeline realistically. Moreover, the use of project management tools, as well as the integration of a milestone plan, may facilitate overall coordination.

Rohm: How would you rate the importance of monitoring of IJV activities?

Interviewee 1: In our organisation, frequent monitoring of all JV activities is very important as it helps us to generate real-time information to adjust strategy immediately, if needed. Moreover, we do not want to allow a lack of "real" control and want to avoid heavy reliance on local partners.

Rohm: How important is control of project performance?

Interviewee 1: Variance analyses help to understand whether the project develops according to plan or whether there is need to intervene. It is important to quickly understand whether something deviates from the plan and this is only possible if you regularly monitor and control project performance.

Rohm: Do you think an important aspect/factor is missing?

Interviewee 1: In my opinion, all relevant aspects have been covered.

Rohm: Any further comment?

Interviewee 1: No, thanks!

Interview No 2:

Date: 16.05.2016

Background Information:

Job Title: Managing Partner

Function: Portfolio Manager

Age: 38 years

Years working in Real Estate: 15 years

Years working in the management of IJVs in real estate development: 12 years

Relation to those IJVs: Decision Maker

Interview:

Rohm: Do you agree that familiarity with local legislation is important for an IJV in real estate development?

Interviewee 2: In context of an IJV, understanding local legal culture will assist investors determining how to achieve sector regulatory compliance, whether the documents of a deal are enforceable as well as what governing law and dispute resolution mechanisms to select. Moreover, the knowledge will enable them to generate an overview of relevant tax laws, currency and foreign investment restrictions and other regimes that may influence the economics and structure of the transaction.

Rohm: Do you agree that that liquidity management legislation is important for an IJV in real estate development?

Interviewee 2: By setting up an IJV-structure appropriate and effective liquidity management policies and procedures need to be implemented to avoid running into liquidity risks. This presupposes the understanding of liquidity requirements and the ability to secure available sources.

Rohm: How relevant is a solid financial model with realistic assumptions for you investing into an IJV in real estate development?

Interviewee 2: In my experience and within my responsibility in previous IJV investments the most relevant assumptions are construction cost budgets and exit assumptions either by net operating income and capitalization rates determining sales prices. In previous projects, operating expenses and construction costs were underestimated. In general, the purpose of a financial model is to determine the financial feasibility of a real estate development project. In this context, the budget for the overall cost is key, while uncertainty in such models is driven by many project and construction related as well as economic factors. Calculations with respect to sensitivity, scenario and simulation analysis may support a better understanding of major risks.

Rohm: Do you support the importance of developing a proper business plan?

Interviewee 2: The real estate development business is risky, but in order to make it big in the trade as a property developer, you have to understand and take calculated risks. The evaluation of calculated risk needs to be reflected in the business plan.

Rohm: How do you evaluate the importance of conducting a proper partner due diligence in the partner selection?

Interviewee 2: International JVs should be between sophisticated parties (on both sides of the JV). This helps to ensure top quality experience and continued trust, which can be hard to ensure when different cultures are involved.

Rohm: Ability and skills of partner

Interviewee 2: N/A

Rohm: How important is alignment of interest for you in IJVs?

Interviewee 2: Alignment of interest is an important issue as it protects the JV from misbehaviour and opportunism. It is important to customize the measures for alignment of interest to the specific needs and requirements of each individual JV.

The equity contribution of the local partner should be materially in context of his overall investment budget in order to ensure his focus and strong commitment.

In addition, we always try to avoid situations where our partner has competing projects with third parties. In this case, your partner has to grant exclusivity for competing projects. This will further support alignment of interest.

Rohm: How would you rate the importance of alignment of objectives?

Interviewee 2: Nothing to add. The subject has already been set out under the topic of "alignment of interest".

Rohm: How important are clear statements of an IJV agreement?

Interviewee 2: Contracts are often overestimated. Important agreements cannot be enforced or enforcement takes too long.

Rohm: How would you rate the importance of meeting the project time line?

Interviewee 2: Compliance of a project schedule is always very important. If there is a deviation, usually a delay, then it is important to understand what caused the delay. If this is a deliberate expansion of the project schedule and is carried out on a controlled basis, this should have a positive impact on the project. If it is rather an unpredictable event, which leads to a project delay, which is often an uncontrollable event, should have a negative implication on the real estate development project.

Rohm: What do you think about monitoring of IJV activities?

Interviewee 2: Our managers have to understand the joint ventures and its activities and actively monitor its performance. We do not expect them to make a detailed inspection of the day-to-day activities, but they need to monitor them generally, and ensure that there are processes in place that allow them appropriately understand the ongoing activities.

Rohm: How would you rate the importance of control of project performance?

Interviewee 2: Performance control in construction projects focusing on schedule, cost and quality is highly important having direct impact on the overall JV performance. Problems are often caused by lack of information about the operating facility, which is generally controlled by the local partners.

Rohm: Any additions?

Interviewee 2: N/A

Rohm: Any recommendations?

Interviewee 2: The best timing for an investment would be the state when the market is at the bottom. From a retro perspective, such moments are easy to identify. However, in reality it is impossible to predict the bottom of the market. Therefore, the real art in real estate is to buy low and to sell high.

Interview No 3:

Date: 19.07.2016

Background Information:

Job Title: Executive Director

Function: Portfolio Manager

Age: 51 years

Years working in Real Estate: 21 years

Years working in the management of IJVs in real estate development: 11 years

Relation to those IJVs: Decision Maker

Interview:

Rohm: Die Vertrautheit mit der lokalen Gesetzgebung ist besonders wichtig in der Gründungsphase eines JVs. Sehen Sie das genauso?

Interviewee 3: Sehe ich ganz genauso. Die Vertrautheit mit der lokalen Gesetzgebung ist für mich auch einer der wichtigsten Punkte. Einmal ist klar Vertrautheit mit dem Rechtssystem, mit dem Steuersystem, dann muss man auch wissen, inwieweit kann ich meine Rechte, die auf dem Papier stehen, auch durchsetzen. Nicht nur Vertrautheit sondern auch Durchsetzbarkeit muss gegeben sein. In Indien haben wir beispielsweise alle Rechte auf dem Papier, können Sie aber einfach nicht durchsetzen, weil die Rechtsmittel extrem lange dauert (oft zu lange für einen geschlossenen Fonds), der zeitliche Aspekt und Korruption bei Exekutive, Judikative und Legislative, bei allen Teilnehmern des Rechtssystems ist Korruption ein großes Thema. Das ist extrem schwierig für institutionelle Investoren.

Rohm: Die Korruption betrifft besonders die Entwicklungsländer?

Interviewee 3: Genau. Philippinen, Indien, Thailand. Das Projekt kann sehr gut sein, aber sollten die rechtlichen Rahmenbedingungen nicht vorhanden sein, die man für eine sorgfältige Investitionsentscheidung benötigt, dann ist das für mich ein K.O. Kriterium.

Rohm: Wie prüft ihr das, damit ihr ausreichend Verständnis dafür entwickeln könnt?

Interviewee 3: Wir haben entschieden nur noch in Ländern Projektentwicklung zu betreiben, in welchen wir eine Niederlassung haben. Das bedeutet wir haben ein internes Akquisitionsteam und eine Rechtsabteilung und somit stellen wir sicher, dass unsere lokales Rechtsverständnis sehr gut ist. Bevor wir uns entscheiden eine Niederlassung in einem Land zu eröffnen, arbeiten wir uns vorab in die Themen Recht und Steuern intensiv ein, so dass eine Entscheidung die grundsätzliche Investition in eine bestimmtes Land nicht mehr auf einer Fondsebene sondern vielmehr von der Geschäftsführung des Investment Managers (Fondsinitiators) getroffen wird.

Rohm: Zum Aspekt des Rechtsverständnisses kann man sich nicht auf einen JV Partner verlassen, sondern es muss sichergestellt werden, dass ein solches Verständnis intern erarbeitet wird.

Interviewee 3: Da kann der lokale JV Partner noch so gut sein, das hat aber keinen Einfluss.

Rohm: Ist das besonders relevant für neue Partner oder betrifft das auch bereits bestehende Partnerschaften?

Interviewee 3: Wenn bereits eine Partnerschaft besteht, haben wir in der Regel auch schon Vertrautheit mit dem Rechtssystem. Wenn wir schlechte Erfahrungen gemacht haben, wissen wir, dass wir zukünftig in diesen Regionen nicht aktiv sein werden. Bspw. Indien- Zypern Doppelbesteuerungsabkommen. Sollte ja verlängert werden vor sechs Jahren. Jetzt ist es soweit und Indien hat nun eine Pauschalbesteuerung von 30% erhoben, welche großteils auch auf das investierte Eigenkapital veranlagt wird. Somit wird man eigentlich doppelt versteuert.

Rohm: In solchen Situationen hat man wenig Rechtssicherheit.

Interviewee 3: Das Doppelbesteuerungsabkommen wurde neu verhandelt und in diesem Zusammenhang Gesetze rückwirkend bis zum Jahr 1974 geändert.

Rohm: Bedeutet das, dass Sie nicht mehr in ein Land wie Indien in eine Projektentwicklung investieren würden?

Interviewee 3: Auf keinen Fall. Die Prüfung der Voraussetzungen und das Verständnis für die lokale Rechtssituation sollte daher immer ganz am Anfang gemacht werden.

Rohm: Ein wichtiger Bestandteil ist das Liquiditätsmanagement, besonders in der Gründungsphase. Sehen sie das genauso?

Interviewee 3: Zum Liquiditätsmanagement gibt es zwei Punkte. Bei einem Investor der nur ein Projekt macht, dann ist das absolut richtig. Es gibt nur ein Projekt und nur einen Cashflow. Dann muss man das sehr detailliert machen. Bei einem großen Fonds, bei dem ein Projekt 5% vom Gesamtfondsvolumen ausmacht und es bestehen bereits andere Cashflows aus Bestandobjekten usw. dann benötigt man auch ein Liquiditätsmanagement auf Fondsebene, aber dann ist das Liquiditätsmanagement im einzelnen IJV Projekt nicht mehr ganz so wichtig. Man muss daher immer das Verhältnis Projektgröße zum Fonds im Auge behalten. Je kleiner das Projekt desto weniger wichtig wird das Liquiditätsmanagement auf Projektebene und umgekehrt. Besonders in Krisenzeiten, wenn der Zugang zu Fremdkapital austrocknet wird das Thema Liquiditätsmanagement auch wieder wichtiger, so dass man den Zyklus der Wirtschaft auch im Auge behalten sollte. Developer nutzen daher auch in schwierigeren Zeiten Partnerschaften mit Kapitalinvestoren um einen besseren Zugang nicht nur zu Eigenkapital sondern auch zu Fremdkapital zu bekommen. Die Partnerschaft kann daher auch Teil der Liquiditäts-Management Strategie sein. Beispielweise verliert der Immobilien-Markt in den USA derzeit etwas an Dynamik und sofort werden die Banken restriktiver bei der Vergabe von Krediten, was die Liquidität von Projektentwicklern stark beeinflusst und somit auch deren Bereitschaft wieder vermehrt Partnerschaften mit Kapitalinvestoren einzugehen.

Rohm: Somit ist auch die Liquidität am Anfang eines IJVs wichtig, weil man sich v.a. das Projekt/Grundstück sichern muss (Deal darf nicht weglafen). Daher müssen Abläufe schnell erfolgen und Kapital schnell liquide gemacht werden um Kaufpreiszahlungen bedienen zu können.

Interviewee 3: Als großer Fonds mit viel Liquidität ist man hier klar im Vorteil. Wichtig ist, dass man mit professionellen Projektpartnern zusammenarbeitet, die in der Regel ein gutes Liquiditätsmanagement aufgestellt haben. Das ist mit Sicherheit auch eines der Auswahlkriterien für die Entscheidung mit einem Partner ein JV zu gründen. Erfahrungsgemäß planen z.B. unsere Projektpartner in den USA in ihren Projektentwicklungsbudgets so konservativ, dass meistens die tatsächlichen Kosten unterhalb der Budgetkosten bleiben.

Rohm: Wenn die Projektbudgets konservativ und genau aufgesetzt werden und während der Bauphase wenig Anpassungsbedarf besteht, spielt das Liquiditätsmanagement in der Anfangsphase, wo alles besonders schnell aufgesetzt werden muss, eine wichtigere Rolle.

Interviewee 3: Ich kann bestätigen, dass das Liquiditätsmanagement besonders in der Anfangsphase wichtig ist, da im Ankauf die Prozesse meist sehr schnelle erfolgen müssen, vor allem in wettbewerbsfähigen lagen Finanzierungslinien für die Bauphase werden grundsätzlich mit zusätzlichen Puffern ausgestattet, so dass es in der operativen Phase selten zu Liquiditätsengpässen kommt.

Rohm: Ein ganz wichtiger Aspekt ist ein solides Finanzmodell, ein Cashflow-Modell mit realistischen Annahmen. Das Thema scheint sowohl für die Gründungsphase als auch für die operative Phase bedeutend zu sein.

Interviewee 3: Zumindest in unserem Fall ist es richtig. Sobald man mit externen Investoren spricht sind Finanzmodelle eine wesentliche Voraussetzung, um die Wirtschaftlichkeit des Investment verstehen zu können. Vor allem die Annahmen solcher Modelle werden von allen Beteiligten geprüft und bis in kleinste Detail hinterfragt. Das betrifft insbesondere die Mietzinsannahmen.

Rohm: Wie wichtig sind solche Modelle den Deal (das Investment) zu verstehen und Investitionsentscheidungen zu treffen?

Interviewee 3: Das ist absolut entscheidend.

Rohm: Wie kann man sicherstellen, dass man realistische Annahmen erzeugt und in das Modell einbringt?

Interviewee 3: Man muss externes Research betreiben, bei Kapitalinvestoren mit einer größeren Plattform existieren oft auch interne Researchabteilungen, die sich nur mit dem Thema Plausibilisieren von Marktannahmen beschäftigen. Unsere Researchabteilung füttert uns mit den entsprechenden Daten/Informationen. Noch eine viel bessere Möglichkeit der Verifizierung ist Abgleich mit Realdaten. Unsere Investmentgesellschaft ist derzeit in ca. USD 60 Mrd. in den USA in Immobilien investiert. Wir sammeln bspw. alle Daten von Mietvertragsabschlüssen und pflegen diese in große Datenbanken ein. Das ermöglicht uns die Verifizierung mit Realdaten/Lifedaten. Zusätzlich haben wir regelmäßige Sitzungen, wo das Transaktionsmanagement, Portfoliomanagement und Asset Management zusammenkommen. In diesen Besprechungen werden Informationen zur aktuellen Marktsituation ausgetauscht und diskutiert und im Kontext zu den Annahmen für unsere Investitions-Modelle gesetzt. Damit wollen wir erreichen so realistische Annahmen wie möglich zu bekommen. Somit nutzen wir interne und externe Informationsquellen. Hier spielt auch die Größe der Organisation eine Rolle. Je größer der Manager ist desto transparenter sind die Marktinformationen.

Rohm: Es ist also wichtig, dass man sich mit allen Annahmen im Modell intensiv auseinandersetzt und auch einen Marktbezug herstellt.

Interviewee 3: Genau, von Micro bis Marco. Und auch die Rahmenbedingungen rundherum spielen eine wichtige Rolle. Bspw. können Steuererhöhungen aufgrund von makroökonomischen Problemen, verehrende Auswirkungen auf den

Immobilienmarkt haben, siehe aktuelle Situation in Malaysia. Die Immobilienpreise dort sind extrem gesunken und die Transaktionsaktivitäten total zusammengebrochen.

Rohm: Welche Annahmen im Finanzmodell sind am wichtigsten?

Interviewee 3: Folgende Annahmen sind für uns besonders wichtig. Grundstückskaufpreise, Baukosten hat man in der Regel sehr gut im Griff, sind aber wesentlich. Die Marktmiete, Vermietungsgeschwindigkeit (dabei ist vor allem die aktuelle Konkurrenzsituation ausschlaggebend, bspw. wenn drei Shopping Mall nebeneinander gleichzeitig fertiggestellt werden, kann eine Aufmietung sehr lange dauern bzw. Vollvermietung kann unmöglich sein), mietfreie Zeiten, Vermietungsstand bei Vollvermietung (struktureller Leerstand) sowie Exit-faktoren. Sollte eine Vollvermietung nicht erzielbar sein, ist es auch wichtig, wie der Markt (die Käufer) Leerstandsflächen einpreisen. Dies kann durchaus abhängig von der jeweiligen Marktsituation sein. In schwachen Marktphasen haben Leerstandsflächen eine vernichtende Auswirkung auf den Preis, wobei in boomenden Phasen Leerstandsflächen durchaus als Chance/Potenzial bewerten werden, da man ja die Möglichkeit hat in einem Markt mit steigenden Mietzinsen zu vermieten und somit Wertschöpfung zu betreiben.

Rohm: Man muss auch einen ordentlichen Business Plan entwickeln. Das Thema ist sehr eng verbunden mit dem Finanzmodell. Wie sehen sie das?

Interviewee 3: Aus meiner Erfahrung heraus ist es sehr wichtig einen Business Plan zu erstellen und dabei Szenarien zu analysieren. Vor allem ist es wichtig ein Worst Case Szenario darzustellen, um das mögliche Downside-Risiko der Investition verstehen so können. Wir versuchen in der Regel Deals zu identifizieren, bei denen es mehr Upside-Potenzial gibt als Downside-Risiko. Ein solches Verständnis kann nur über Szenarioanalysen und Sensitivitätsberechnungen entwickelt werden. Ziel ist es bei einem Worst Case zumindest sein Eigenkapital retten zu können. Dabei müssen auch die Annahmen für die verschiedenen Szenarien richtig eingestellt und beurteilt werden.

Rohm: Wie eng werden die Strategien des Business Plans zwischen Portfolio Management und Asset Management abgestimmt?

Interviewee 3: Die Strategien werden im Rahmen des Business Plans sorgfältig und intensiv ausgearbeitet. Der Business Plan wird während des Underwritings im gesamten Team diskutiert. Eine enge Zusammenarbeit zwischen Portfolio Management und Asset Management spielt hier eine wichtige Rolle.

Rohm: Wie wichtig ist es, dass die Verantwortlichen für die Erstellung des Business Plans später auch in der Umsetzung involviert sind?

Interviewee 3: Bei uns betreuen die Asset Manager die Immobilien vom Ankauf bis zum Exit, somit über den gesamten Investitionszeitraum. Das ist die Idealvorstellung.

Rohm: Das kann die Organisation nicht immer leisten, aber wie wichtig ist der Aspekt trotzdem.

Interviewee 3: Das ist richtig, dass die Organisation das nicht immer leisten kann. Daher ist es wichtig mit gut ausgebildeten, sehr markterfahrenen Asset Managern zusammenzuarbeiten, so dass eine reibungslose Übergabe/Übernahme der Verantwortlichkeit stattfinden kann. Daher ist die Qualität des Asset Managers wichtiger als dass ein Asset Manager die Immobilie über den gesamten Investitionszeitraum betreut. Eine besonders negative Erfahrung habe ich in diesem Kontext noch nicht gemacht.

Rohm: Die Partner Due Diligence ist ein wichtiger Aspekt für die Gründung eines IJVs? Können Sie das bestätigen? Und was sind die wesentlichen Themen dabei?

Interviewee 3: Folgende Punkte sind in unserer Partner Due Diligence von Bedeutung: Eine starke Balance Sheet, Erfahrung mit vielen Projekten (Track Record), Vertrauen/vertrauensvoll sein, Projekterfahrung mit dem Partner, ein starkes Netzwerk, je kleiner der Partner, desto höher die Anforderungen an seiner Eigenkapitalbeteiligung. Auch muss eine Interessensgleichschaltung vorherrschen und überprüft werden.

Rohm: Wie wichtig sind die Fähigkeiten und das Können des Partners?

Interviewee 3: Kapitalinvestoren sind in der Regel passive Investoren, das heißt die operative Umsetzung findet meist auf Ebene des Partners statt, so dass man sich auf seine Fähigkeiten und sein Können sehr verlassen muss. Wir haben zwar für diese Projekte Asset Manager mit technischen Erfahrungen und beruflichem Hintergrund, so dass ein fachgerechtes Monitoring (Kontrolle) des Partners vorhanden ist. Dennoch wird das Tagesgeschäft in der Regel vom Partner geleitet.

Rohm: Das bedeutet aber, dass der Partner alle Fähigkeiten und das Können mitbringen muss, die Umsetzung der Projektentwicklung zu stemmen?

Interviewee 3: Das ist richtig. Die richtigen Fähigkeiten und das Können mitzubringen ist eine wichtige Voraussetzung, dass der Projektpartner eine reibungslose Umsetzung der Projektentwicklung gewährleisten kann. Deshalb arbeiten wir in der Regel mit sehr erfahrenen und institutionellen Projektentwicklern zusammen. Dieser Aspekt wird v.a. anhand von Referenzprojekten überprüft, welche wir uns im Detail ansehen und verstehen wollen, welche Rolle der Partner bei der Umsetzung der Projekte gespielt hat.

Rohm: Wie kann man eine Interessensgleichschaltung sowie eine gleiche Zielsetzung herstellen/ gewährleisten?

Interviewee 3: Interessensgleichschaltung wird grundsätzlich erzeugt, indem der Partner mit signifikantem Eigenkapital involviert ist. Was signifikantes Eigenkapital bedeutet muss man im Verhältnis zur Gesamtsituation des Partners beurteilen. Darüber hinaus verhandeln wir, dass der Projektpartner zu 100% Budgetüberschreitungen auf seine Rechnung trägt. Zusätzlich wird eine Gewinnverteilung über den Cashflow vereinbart, die den Partner dazu motivieren/ inzentivieren soll sehr erfolgreich zu agieren. Je besser die Rendite des Projekts desto größer wird seine Beteiligung am Gewinn. Es soll dem Partner wehtun, wenn es uns weh tut, aber er soll auch überproportional am Erfolg partizipieren, wenn das Projekt für uns erfolgreich läuft. Die Gewinnverteilung ist daher sehr performanceorientiert, was über die Wasserfall-Struktur des Cashflows reflektiert wird.

Die gleiche Zielsetzung sollte am Anfang der Investition überprüft werden. Bspw. wenn ein offener Fonds mit einem geschlossenen Fonds zusammen investiert, dann sind aufgrund der unterschiedlichen zeitlichen Strukturierung der Investitionsvehikel in der Regel schon zukünftige Konflikte vorprogrammiert. Es sei denn man hat von vorneherein schon Exitmechanismen im JV-Vertrag miteingebaut, so dass zukünftige Konfliktsituationen eindeutig geregelt sind. Erfahrungsgemäß treten Probleme meist beim Exit auf, wenn man unterschiedlicher Auffassung ist was der beste Preis und wann der beste Zeitpunkt für einen Verkauf ist. Aber mit klar geregelten Strukturen können Konfliktrisiken vermieden werden.

Rohm: Während der Gründung des JVs ist es wichtig klare Regelungen im JV-Vertrag zu definieren. Wie sehen Sie das?

Interviewee 3: Absolut.

Rohm: Was sind aus ihrer Sicht die wichtigsten Aspekte?

Interviewee 3: Aus meiner Sicht sind klare Regelungen für folgende Aspekte besonders wichtig: Exit, Bestimmung der Gewinnverteilung (Wasserfall des Cashflows), Keyman-Bestimmungen, Timing/Zeitplan (Milestoneplan), Definition der Teams (das man weiß mit welchen Personen vom Partner man zusammenarbeitet), jeweilige Beteiligung (Eigenkapitalinvestment und Bereitstellung von Ressourcen), Vertragsstrafen (bei Nicht-Erfüllung der Pflichten).

Rohm: Wie gestalten sie eine Vertragsverhandlung? Wie positionieren sie sich?

Interviewee 3: Zuerst einigt man sich in der Regel auf der wirtschaftlichen Seite auf die wesentlichen Themen in Form von „Head of Terms“. Diese werden zusammengefasst, bevor es zum ersten Vertragsentwurf kommt. In manchen Ländern haben die finalen „Head of Terms“ fast schon den Status eines unterschriebenen JV-Vertrags.

Rohm: Ein wichtiger Aspekt in der Gründungsphase ist, dass am Ende der Verhandlungen, wenn der JV-Vertrag unterschrieben wurde, man auch zufrieden mit dem Inhalt ist. Welche Bedeutung hat das für Sie?

Interviewee 3: Es ist wichtig mit dem unterschriebenen Vertragswerk zufrieden zu sein. Das kommt jedoch auch auf das Land an, in welchem man operativ unterwegs ist und ein IJV gründen möchte. In vielen asiatischen Staaten hat der unterschriebene Vertrag nur den Status eine Zwischeneinigung, z.B. in China. Im Verständnis des Partners können die einzelnen Bestandteile des Vertrags immer wieder nachverhandelt werden, was die Partnerschaft in solchen Ländern grundsätzlich erschwert.

Rohm: Es ist wichtig, dass bei einer Projektentwicklung die vorgegeben Zeitschiene auf der der Business Plan/ Finanzplan beruht eingehalten wird.

Interviewee 3: Die Einhaltung des Zeitplans einer Projektentwicklung ist für uns ein sehr kritisches Thema. Oft dauert eine Projektentwicklung von Ankauf des Grundstücks bis Bauabnahme 2-3 Jahre, danach vielleicht noch eine Vermietungszeit von 6-12 Monate zur Stabilisierung des Cashflows bevor ein Verkauf angestrebt werden kann. Auf Basis dieses Zeitplans wird die Rendite des Investment kalkuliert. In der Regel als interner Zinsfuß/IRR (jährliche Verzinsung auf das investierte Eigenkapital). Sobald es zu Verzögerungen im Zeitplan und somit zu einem späteren Verkauf kommt, wird dadurch die Rendite (jährliche Verzinsung) negativ beeinflusst.

Rohm: Worin liegen die Risiken, dass es zu einer Verzögerung im Projektzeitplan kommen kann?

Interviewee 3: Verzögerungen im Projektzeitplan kommen zustande durch unreife Baugrundstücke (Verzögerung in der Baugenehmigung/ Verzögerung durch Umwidmung des Grundstücks/ Kontaminierung des Grundstücks, die bereinigt werden müssen), die Erschließung kann nicht fristgerecht erfolgen, witterungsbedingt Einflüsse, infrastrukturelle Einflüsse des Ziellandes.

In der Bauphase kommt es in der Regel zu keinen großen zeitlichen Verschiebungen, es sei denn die Bauabnahme kann nicht aufgrund großer Mängel erfolgen.

Sehr entscheidend ist auch der Vermietungsphase. Können der Abschluss der Zielmieten in der vorgegebenen Zeit erfolgen. Die Vermietung kann durchaus zu erheblichen zeitlichen Verschiebungen führen. Hier kann der Marktzyklus (Vermietungsaktivitäten erfolgen in einer schwachen Marktphase, hohe Leerstände, niedrige Mieten) oder auch die Konkurrenzsituation (nebenan gibt es viele Konkurrenzprodukte/-angebote) eine große Rolle spielen.

Rohm: Wie stark monitoren Sie ihre IJV-Projekte?

Interviewee 3: Kommt darauf an. Hängt vom Partner ab, aber auch vom Projekt und in welcher Phase des Projektes man sich gerade befindet. Der „Head of Asset Management“ schaut sich die einzelnen Projekte mindestens zweimal pro Jahr an. Die Projektmanager sind etwa 2-3-mal pro Quartal vor Ort.

Rohm: Findet ein fortlaufendes Controlling zur Performance der Projektentwicklung/des IJVs statt?

Interviewee 3: Es werden regelmäßig Bautenstandberichte erstellt, in welchen man einen guten Überblick über den aktuellen Stand der Bauaktivitäten erhält. V.a. findet eine fortlaufende Überprüfung der Budgets sowie Vergleiche mit den tatsächlichen Kosten statt. Solange die Budgets nicht überschritten werden, und diese müssen immer im Kontext zur gesamten Projektplanung beurteilt werden, befindet man sich im Rahmen der ursprünglichen Performanceeinschätzung. Dabei wird darauf geschaut, wieviel Eigenkapital wurde schon abgerufen, es findet eine Mittelverwendungskontrolle statt, wie weit ist man in der Fertigstellung/im Projektplan, wird auch der Zeitplan eingehalten, usw.

Rohm: Spielen im Rahmen der Performanceüberwachung auch Kennzahlen eine Rolle?

Interviewee 3: Es findet immer ein Benchmarking zum Underwriting statt, v.a. im Hinblick auf die Mietzinsen inkl. Mieterincentivierungen. Im Grundsatz schaut man sich immer die IRR und die Entwicklung der Bewertung wichtig.

Rohm: Möchten Sie noch irgendein Thema ergänzen?

Interviewee 3: Ich habe bereits alles gesagt, was mit zu dem Thema einfällt. Vielen Dank!

Rohm: Vielen Dank für das ausführliche Interview!

Interview No 4:

Date: 29.08.2016

Background Information:

Job Title: Managing Director

Function: General Manager

Age: 39 years

Years working in Real Estate: 14 years

Years working in the management of IJVs in real estate development: 11 years

Relation to those IJVs: Decision Maker

Rohm: Wie wichtig ist die Vertrautheit mit der lokalen Gesetzgebung?

Interviewee 4: Mit einer guten Anwaltskanzlei ohne selbst Ahnung zu haben, kann man mit dem Thema umgehen. Aber normalerweise sollte man natürlich in ein JV nur investieren, wenn man Erfahrung mit dem Rechtssystem hat und weiß auf was man sich einlässt. Denn insbesondere Planungsrisiken und Umwidmungsrisiken usw. schwer greifbar. Da muss man rechtlich schon fit sein. Wenn man in einem Land aktiv ist, welches sehr entwickelt ist, bspw. USA oder England dann sind die gesetzlichen Rahmenbedingungen sehr transparent. Dann ist das Risiko geringer. Aber je intransparenter der Markt ist desto essentieller ist es, dass man sich mit der lokalen Gesetzgebung auskennt.

Rohm: Letztendlich muss man sich bewusst sein, dass man sich nicht zu 100% auf externe Berater verlassen kann, weil das Thema auch zu komplex ist und es hat sehr viele Facetten.

Interviewee 4: Ja. Ich glaube, wenn jemand sehr viele IJV Pan-europäisch gemacht hat und nimmt sich England als nächsten Markt vor. Das könnte schon funktionieren. Sein Problem wird wahrscheinlich wo anders gelagert sein, dass er das Projekt nicht erfolgreich umsetzen kann.

Wenn man in Europa bleiben. Man hat beispielsweise sehr viele IJVs in Westeuropa erfolgreich umgesetzt und wagt sich danach nach Osteuropa vor. Dann kann es sehr problematisch werden, weil einfach die Risiken auch höher sind. Und weil die Länder nicht so eine lange Historie haben im Hinblick auf die gesetzlichen Rahmenbedingungen. Schwellenländer sind daher auch schwerer einzuschätzen, inwiefern sich die Gesetzgebung möglicherweise ändern kann.

Rohm: In diesem Kontext geht es nicht nur um das Verständnis, sondern auch um die Bedeutung. Kann man sein Recht durchsetzen oder nicht.

Interviewee 4: Absolut. Bspw. im Mezzaninbereich ein echtes Thema. England und Deutschland funktionieren hier, aber bspw. Frankreich und südlicher ist es ein echtes Problem als nachrangig besicherter irgendwelche Rechte durchzusetzen.

Rohm: Also würden Sie es bestätigen, dass das Verständnis der Gesetzgebung und die Durchsetzbarkeit der Gesetze in dem Zielland eine wichtige Rolle spielen?

Interviewee 4: Ja das kann ich absolut bestätigen.

Rohm: Liquiditätsmanagement, vor allem in der Investitionsphase, spielt eine wichtige Rolle für den Erfolg von IJV in Real Estate Development Projekten. Wie sehen Sie das?

Interviewee 4: Ja es gibt sicherlich viele Beispiele von Projekten, die am Liquiditätsmanagement gescheitert sind oder zu scheitern drohen, weil die Liquidität eng wurde. Im Value Add Bereich sind immer die geforderten Renditen hoch, d. h. die Fremdfinanzierungsquoten werden hochgefahren. Dann gibt es wenig Puffer in der Liquidität. Bei 90% bis 95% der Projekte ist Liquiditätsmanagement daher essentiell.

Wenn jemand ein Value Add Projekt macht, das mit 100% EK finanziert wird und die Geldquelle groß ist, dann ist es wichtiger die Kosten unter Kontrolle zu haben, weniger die Liquidität. Wenn man einen Partner hat im Bau, der einem eine Kostengarantie gibt. Dann ist es einfacher. Aber für die meisten Projektentwickler bzw. die meisten IJVs, die auch bisschen auf Kante genäht sind und es sonst nicht von den Renditen funktioniert, ist Liquiditätsmanagement essentiell.

Rohm: Wie würden sie das Liquiditätsmanagement einschätzen auf Projektebene aus Sicht eines Kapitalinvestors im Kontext zum Investitionsvolumen, je größer das Projekt im Vergleich zur Größe des Fonds desto wichtiger wird das Liquiditätsmanagement und umgekehrt. Wie sehen Sie das?

Interviewee 4: Es hängt nicht so sehr von der Größe, sondern vielmehr von den Risiken ab. Also wenn es ein Projekt ist, in welchem sämtliche Risiken komplett bei einer Dritten Partei sind, z.B. man macht ein Value Add Projekt, lässt sich ein Bürogebäude hinstellen, aber die Kostenrisiken sind alle beim Generalunternehmer und die Planungsseite beim Generalübernehmer, auch das zeitliche Risiko. Dann ist es relativ entspannt. Wenn man ein IV Projekt umsetzt, in welchem man Einzelvergabe macht und man sich um alle Themen selber kümmern muss und zudem die Fremdfinanzierung bei 70% bis 80% liegt. Dann ist es unglaublich wichtig, dass man sich auf das Liquiditätsmanagement fokussiert. Je mehr man selbst Risiken hat, desto mehr Wert muss man auf das Liquiditätsmanagement legen.

Rohm: Finanzmodelle, Cashflow-Modelle und deren Annahmen. Wie wichtig sind die Themen für sie?

Interviewee 4: Das ist ein ganz spannendes Thema, weil einerseits sicherlich wichtig auf der anderen Seite ist es immer wieder erstaunlich, wie schlecht die JV Partner in diesen Themen oft aufgestellt sind. Viele Developer denken einfach Kosten plus Marke ist das Ergebnis und haben vom IRR (Internal Rate of Return)/ interner Zinsfuß noch nichts gehört.

Es hängt ein bisschen davon ab, wie gut man sein Geschäft versteht. Für den geneigten Investor bzw. aus Sicht des Kapitalgebers (der auch IRR getrieben ist) für den ist es essentiell. Die Zahlen tragen einen wesentlichen Teil zur Entscheidung bei, ob ein Investment weiter verfolgt bzw. am Ende die Investition auch getätigt wird. Für denjenigen, der das Projekt umsetzt, hängt es davon ab, wie seine Struktur ist oder wie der Vertrag gestaltet ist. Es hängt etwas davon ab, wie das JV konstruiert ist. Aus meiner Erfahrung bei dem einen oder anderen Projekt, bei welchem die Partner vom IRR wenig verstanden haben, allerdings die Vertragsseite so strukturiert war, dass der Erfolg vom IRR abhängt, da kam es öfters mal zu negativen Überraschungen. Die Partner haben dann erst im Laufe des Projekts erkannt, wie wichtig die Zeitschiene ist. Wenn die Partner das selber ordentlich im Modell abbilden könnten oder verstehen könnten, würde es den Partnern schon helfen.

Rohm: Uns interessiert die Perspektive des Kapitalinvestors.

Interviewee 4: Für Kapitalinvestoren sind Finanzmodelle in aller Regel wichtig.

Rohm: wie wichtig sind für sie die Annahmen im Finanzmodell. Und was sind aus ihrer Sicht die elementarsten Annahmen?

Interviewee 4: Die Annahmen hängen sehr stark vom Projekt ab. Auch je nachdem welche Risiken man nimmt, Vermietungsrisiko, Vermarktungsrisiko, Baukostenrisiken, usw. und dann hängt es vom Markt ab. Beispielsweise Randstadtlagen von Großstädten, wo sich Mieten über länger Zeiträume und Zyklen kaum bewegen, bspw. immer bei EUR 10-12 sind oder macht man ein Projekt im Londoner Westend (oder im Stadtzentrum), wo die Mieten durchaus 20% bis 30% schwanken können. Je nach dem ist entweder das Markt-, Kosten- oder Vermietungsrisiko recht unterschiedlich. Pauschal ist es schwierig zu beantworten. Das hängt ganz vom Projekt ab.

Rohm: Aber die Annahmen die wirklich werttreibend sind, auch wenn sie von Projekt zu Projekt unterschiedlich sind, dass diese realistisch und am Markt sind, ist schon wichtig oder?

Interviewee 4: Das eine ist Erfahrung, v.a. wenn man ein Projekt macht, dann am besten mit jemandem, der vor Ort schon einige Projekte umgesetzt hat. Zum anderen, je nachdem wie transparent die Märkte sind. Im Londoner Markt gibt es sehr gute Marktzahlen, sicherlich zur Vermietung, was für Neubauten geplant sind (Pipeline) usw. In Märkten, die man weniger gut einschätzen kann, z.B. die Vorhersage einer Cap Rate in drei bis vier Jahren, da ist es wichtig sich Sensitivitäten anzusehen, um zu verstehen bei welchen Levels man wie viel Geld verliert oder gewinnt, um ein Gefühl dafür zu entwickeln, auch im Hinblick auf den Leverage (Fremdfinanzierungsquote), ob man die Risiken eingehen möchte oder nicht.

Rohm: Für Sensitivitäten ist ein Finanzmodell Voraussetzung.

Interviewee 4: Sehr hilfreich!

Rohm: In diesem Zusammenhang, wie wichtig ist es eine Investitionsstrategie bzw. sogar einen kompletten Business Plan aufzustellen?

Interviewee 4: Das hängt davon ab, wie erfahren man damit ist, indem was man macht. Wenn jemand nur den Geschäftszweck hat in Logistikimmobilien zu investieren und nichts anderes macht, dann braucht man für das Einzelprojekt keinen umfangreichen Business Plan. Bei einem Shopping-Center wäre das schon anders, da es viel mehr Facetten gibt und man viel mehr Leute mit an Bord bringen muss, damit das ein erfolgreiches Projekt werden kann. Von wichtigen Mietern bis zur Gemeinde, usw. es hängt daher vom Projekt ab.

Aber grundsätzlich ist ein Business Plan wichtig. Ein Projekt anzugehen ohne das man von Anfang an einen Plan hat, was man damit auch machen will und wo man hin will und sich gleich in ein Finanz-Budget stürzt, ist immer schwierig.

Rohm: Partner Due Diligence, Auswahl des Partners, wie wichtig ist das?

Interviewee 4: Die Auswahl des richtigen Partners und somit der Prozess der Partner Due Diligence ist für ein erfolgreiches Projekt mit am wichtigsten. Man kann im Marktzyklus richtig oder falsch liegen. Das weiß man immer erst im Nachhinein. Aber wenn man den falschen Partner auswählt, dann wird man wahrscheinlich kein erfolgreiches Projekt machen. Und wenn man einen guten Partner ausgewählt hat und das Projekt mit ihm umsetzt, dann wird man auch in schwierigen Zeiten Lösungen finden. Auch da wo andere neben einem nicht erfolgreich sind. Ich glaube, das ist ein ganz essentieller Punkt.

Rohm: An welchen Kriterien machen sie einen guten Partner fest bzw. was wird überprüft?

Interviewee 4: Es hängt viel von seinem Track Record ab, und bei Track Record muss man auch immer auf die Personen achten, d.h. sind die Personen, die den Track Record geleistet haben noch an Bord, sind sie noch in der Verantwortung, werden sie dort auch bleiben. Dann muss man sicherlich auch Referenzen einholen von anderen Marktteilnehmern, die mit dem Partner schon einmal aktiv was gemacht haben. Man muss auch vorsichtig sein, wenn man ein schlechtes Bauchgefühl hat im Sinne von „ich komme mit ihm nicht zurecht“, dann wird es v.a. in schwierigen Zeiten ungemütlich, weil in guten Zeiten ist es in der Regel einfach. Das bedeutet die Chemie muss stimmen. Denn es hilft nichts, wenn der eine Partner ein Kontroll-Freak ist und der andere Partner ist ein Freigeist. Wenn beide Freigeister sind, dann mach es funktionieren. Aber die Mentalität muss zusammenpassen.

Rohm: Wie sehen sie die Fähigkeiten und das Können des Partners. Wie wichtig ist das für ein erfolgreiches Projekt?

Interviewee 4: In aller Regel als Investor in einem IJV will man selbst so wenig wie möglich machen, d.h. der Partner muss wissen was er macht. Er muss so viel wie möglich selbst machen können und so wenig wie möglich extern ausgelagert ist wichtig, damit man auch in schwierigen Phasen zu einem guten Ergebnis kommt. Es ist wichtig dass er weiß was er macht und somit kann ich bestätigen, dass die Fähigkeiten und das Können des Partners sehr wichtig sind.

Rohm: Wie wichtig ist die Interessensgleichheit (Alignment of Interest) zwischen den Partnern?

Interviewee 4: Das ist vor allem dann ein Problem, wenn es nicht so läuft wie geplant. Wenn einem die Vermietung usw. zufließt, dann mag ein Projekt auch erfolgreich sein wo eine schlechte Interessensgleichheit vorherrscht. Aber immer dann wenn eine Projekt schwierig wird, dann fällt einem eine nicht-ausgewogene Interessensgleichheit leicht auf die Füße. Nur als Beispiel: Ich habe ein IJV erlebt, in welchem der Partner in der „First-Loss-Position“ war, hatte relativ wenig Eigenkapital investiert. Es hörte sich für uns gut an, weil der Partner in der „First-Loss-Position“ war. Aber in dem Moment, wo der Partner sein gesamt Kapital verliert, verliert er auch das Interesse an dem Projekt weiterzumachen. Das heißt, da steht man immer wieder am Punkt Null und kann da JV neu verhandeln. Und das muss man von Anfang an in die Überlegungen mitaufnehmen, ob man bspw. aufgeben möchte, dass der Partner weniger Co-Investment hat, und dafür eine „First-Loss-Position“ hat, ob das dann sinnig ist oder ob man von Anfang an sagt, nein die „First-Loss-Position“ ist einem gar nicht so wichtig, sondern mehr Eigenkapital-Commitment.

Rohm: Das heißt, man muss den „Alignment of Interest“ von Anfang an herstellen. Denn man weiß ja nicht, ob das Projekt gut oder schlecht läuft.

Interviewee 4: Das wäre meine Empfehlung. Es sei denn es ist ein ganz spezielles Projekt, mit einem triftigen Grund, weshalb man auf den Punkt verzichten könnte. Aber in aller Regel ist es wichtig.

Rohm: Wie wichtig ist es die gleichen Ziele/ eine gleiche Zielvorstellung zu haben?

Interviewee 4: Hier ist es wichtig im Vorfeld sich zu hinterfragen, was der Partner denn für eigene Ziele hat und ob man mit denen auch OK ist bzw. ob man diese in den Griff bekommt. Ich denke da an Themen, wie Wettbewerb. Der Partner hat mit uns ein Projekt, wir haben gute Terms mit ihm verhandelt. Aber jetzt macht er nebenan ein Projekt mit jemandem, der ihm bessere Terms zusagt. Dann hilft es nicht viel, dass wir bessere Terms mit ihm verhandelt haben. Er wird sich einfach auf das andere Projekt mehr konzentrieren, weil er damit mehr verdienen kann. Über diese Themen muss man sich bewusst sein. Man wird es nicht 100% wissen oder einschätzen können, aber man muss sich hinterfragen und mit dem Thema auseinandersetzen. Evtl. den Partner auf die Themen auch direkt ansprechen.

Rohm: Wie wichtig ist ein sauber strukturierter JV-Vertrag?

Interviewee 4: Das hört sich immer so leicht an. Ist es aber in der Praxis oft nicht. Vor allem auch bei englischen Verträgen, die oft sehr lang und langatmig sind. Hier hängt es auch ein bisschen davon ab, in welchem Land man unterwegs ist, wie die Gesetzgebung ist. In Deutschland kann man sich sicherlich zusätzlich auch am BGB entlang hangeln. Meine Erfahrung ist aber immer, dass ein sauber strukturierter JV Vertrag essentiell ist. Es sollte für alle Beteiligten an dem Projekt möglichst einfach sein den Vertrag zu verstehen. Je komplexer es wird, je mehr Anwälte man braucht, desto mühsamer wird es, wenn das Projekt nicht wie geplant läuft.

Rohm: Was sind aus ihrer Sicht die wichtigsten Elemente in einem JV Vertrag?

Interviewee 4: Wichtig ist vor allem die Frage, wie kann man den anderen loswerden. Darüber möchte sich zwar am Anfang immer keiner Gedanken machen, aber das ist meistens der Knackpunkt. Das ist in der Regel auch immer die Rückfalloption in der Verhandlung für beide Parteien. Was kann mir Worst-Case passieren? Was auch klar ist und das muss man sich als Investor immer bewusst sein. Der Partner kann einen endlos frustrieren. Es hilft einem nichts wenn man tolle Möglichkeiten hat, um ihn rauszukicken, aber man hängt inmitten eines Bürogebäudebaus und der Partner rückt die Unterlagen nicht heraus. Und selbst, wenn man dieses und andere Themen durchsetzen muss. Man muss vorsichtig sein im Sinne von man kann zwar einiges vertraglich regeln, aber schlecht durchsetzen. Das heißt man muss sich ein bisschen reindenken in was ist dem Projektentwickler/Partner wirklich wichtig. Die Themen, die ihm wirklich wichtig sind, ihm vielleicht auch zu einem gewissen Grad lässt. Aber, dass man sich überlegt, wie kann ich das Projekt fertig bringen mit jedem anderen Partner, wenn es wirklich total daneben geht.

Rohm: Da kommen wir schon zum nächsten Punkt. Wie wichtig ist es das die Partner zufrieden mit dem JV Vertrag sind, den sie abgeschlossen haben?

Interviewee 4: Das ist elementar. Ich habe schon JVs erlebt, da hört man bei jedem Treffen, naja, aber wir müssen das und das nachverhandeln. Man merkt dabei einfach, dass der Partner nicht voll motiviert ist. Da kann man ruckzuck einiges an Geld liegen lassen bei einem Projekt. Das ist allen Parteien wahrscheinlich gar nicht so bewusst, aber weil der Partner eben nicht mehr seine ganze Energie auf das Projekt fokussiert, sondern vielmehr darauf, was ihm entgangen ist. Das ist nicht hilfreich. Da muss beiden Seiten genügend Luft lassen, um eine Situation zu erzeugen, dass alle Parteien gut verdienen und damit sind wir zufrieden. Und sensible Themen im Vertrag werden dann nicht überreizt. Das wird einen einholen.

Rohm: Wie wichtig ist die Einhaltung der Projekt-Zeitschne?

Interviewee 4: Ich hab schon Projekte erlebt, die haben länger als geplant gebraucht und waren trotzdem sehr erfolgreich. Vielleicht weil der Markt sich in die richtige Richtung entwickelt hat. Das hängt sehr stark vom Projekt ab. Es gibt Projekte, die einem um die Ohren fliegen, wenn man die Deadlines nicht einhält. Insbesondere dann, wenn man eine Vorvermietung hat und man nicht rechtzeitig liefern kann, dabei die Vertragsstrafen sehr hoch sind. Es gibt aber auch Projekte, wo man sich in einem positiv entwickelnden Markt bewegt, in welchem sich die Mieten in den nächsten Monaten noch weiter nach oben entwickeln. Dann kann es durchaus positiv sein die Zeitschiene für die Vermietung oder den Verkauf bewusst auszuweiten. Das kann aber auch sehr kritisch sein, wenn es im falschen Projekt schief geht.

Rohm: Wie wichtig ist das Monitoring von JV-Partnern/JV-Aktivitäten?

Interviewee 4: Wenn man den richtigen Partner ausgewählt hat, und das auch der richtige ist. Dann wird das Monitoring oft überschätzt. Vertrauen ist gut Kontrolle ist besser. Aber man hindert den Partner an seiner Arbeit. Darüber muss man sich bewusst sein. Die Zeit, die er für mein Reporting aufwendet, hat er nicht Zeit um aktiv was zu machen. Und es frustriert ihn in aller Regel. Das heißt meine Erfahrung ist die wenn es einem reicht z.B. Kopien von Projektsteuerern zu bekommen, die ohnehin für das Projekt erstellt werden und man auf dieser Basis das eine oder andere bespricht oder der Partner dann insbesondere involviert, wenn es zu einem Problem kommt (und man da eine sehr vertrauensvolle Basis hat). Ich glaube, dann kann man in kurzer Zeit viel mehr realisieren und Geld verdienen.

Rohm: Man kann den Partner doch nicht komplett loslassen. Das heißt, es ist nicht definiert, in welchem Grad man den Partner (besonders stark oder besonders wenig stark) Monitoren muss. Es geht ja darum, ob das Monitoren grundsätzlich Sinn macht und damit einen bestimmten Einblick in das Projekt bekommt. Damit man ausreichend Informationen über das Projekt erhält, um beurteilen zu können, ob es gut läuft.

Interviewee 4: Es hängt vom Projekt ab. Es gibt Projekte in die man als Kapitalgeber 100% des Eigenkapitals zur Verfügung stellt und man hat die Kontrolle über die Investoren. Dann wird es einen Projektsteuerer geben, der bestätigt, welche Fortschritte erzielt wurden, sonst kapitalisiert man nicht weiter. Dann gibt es Projekte, bei denen beide Partner jeweils zu 50% investieren. In diesen Projekten ist der Projektpartner oft viel unabhängiger in seinen Aktivitäten. Hier werden oft nur die „Capital Call Notices“ geschickt, wenn alles gut läuft. Bei diesen Projekten kann man wesentlich entspannter sein.

Rohm: Der Umfang des Monitorings an sich ist sehr projektspezifisch. Es geht grundsätzlich darum, dass wenn man Kapitalgeber ist, dass man in der operativen Tätigkeit eher passiv ist, d.h. man braucht irgendwie eine Kontrollmöglichkeit, um zu wissen, ob es gut oder schlecht läuft. Und habe ich die Möglichkeit im richtigen Moment zu intervenieren.

Interviewee 4: Monitoring ist ein Steuerungselement, das man nutzen muss, in Abhängigkeit der Projektspezifika und der Risikoverteilung.

Rohm: Das betrifft oft das Zusammenspiel zwischen Projektpartner und Kapitalgeber.

Interviewee 4: Das ist richtig.

Rohm: Da sind wir schon im nächsten Thema „Control of Project Performance“. Die Performance-Überwachung. Das geht in der Regel einher mit dem Monitoring. Welche Bedeutung hat dieser Aspekt aus ihrer Sicht?

Interviewee 4: Es hängt davon ab, wie die Erfahrung mit dem Projektpartner ist. Wenn es das 10. Projekt mit dem gleichen Partner angegangen wird und es immer gut gelaufen ist, dann wird es einfacher. Auch wenn man gute Erfahrungen mit dem Partner gemacht hat, darf man das Thema Performance-Überwachung sicherlich nicht komplett vernachlässigen. Dann wäre es wie im Kasino, nach dem Motto da kann man Glück oder Pech haben, aber das wäre kein professionelles Vorgehen. Aber man muss es dosieren, je nachdem, ob man gute Gründe hat, bis zu einem gewissen Grad Vertrauen entgegen zu bringen.

Rohm: Was schauen sie sich im Detail an, um die Performance zu verstehen? Gibt es Kennzahlen auf die sie achten?

Interviewee 4: Es hängt stark vom Projekt ab. Ein Einkaufszentrum (wieviel LOIs gibt es, wie viele Mietergespräche werden geführt) oder eine Logistik-Halle mit 100% Vorvermietung. Bei der Logistik-Halle reicht wahrscheinlich der Statusbericht der Bautätigkeiten auf Monatsbasis. Viel mehr ist hier nicht zu tun.

Rohm: Das waren jetzt die wesentlichen Punkte aus der Vorstudie. Gibt es noch Themen, die sie aus ihrer Sicht ergänzen wollen?

Interviewee 4: Weitere Themen fallen mir jetzt nicht ein.

Rohm: Noch ein finaler Kommentar?

Interviewee 4: Eigentlich nicht. Vielen Dank!

Rohm: Vielen Dank für das Interview!

Interview No 5:**Date: 07.10.2016****Background Information:**

Job Title: Managing Partner

Function: Asset Manager

Age: 33 years

Years working in Real Estate: 10 years

Years working in the management of IJVs in real estate development: 10 years

Relation to those IJVs: Decision Maker

Rohm: Wie wichtig ist die Vertrautheit mit der lokalen Gesetzgebung?

Interviewee 5: Das ist bis zu einem gewissen Grad schon sehr wichtig, aber man muss sich wahrscheinlich intern versuchen in dieser frühen Phase noch nicht zu viel Zeit und Kosten zu verschwenden, sondern erst einmal schauen, dass man einen generellen Eindruck hat und auch prüft, ob der Partner, das Verständnis aufbringt und das eigene interne Verständnis dann nachzieht. Ansonsten ist aus meiner Erfahrung heraus, werden hier zu viele Ressourcen am Anfang schon aufgewendet. Die zwar sehr wichtig sind, aber man muss wissen, wie man sich damit und zu welchem Zeitpunkt man sich damit beschäftigt. Damit man effizient genug ist.

Es ist durchaus wichtig, es gibt so viele Feinheiten in der Gesetzgebung in verschiedenen Ländern, allein auch zeitliche Aspekte können eine riesige Rolle spielen, wenn man allein sich Italien ansieht. Man hat einen perfekten JV Vertrag mit Vertragsstrafen usw., muss aber dann 10 Jahre lang warten bis ein Gericht Zeit hat sich darum zu kümmern. Deswegen sollte man sich definitiv vorab Gesetzgebung genau ansehen und auch juristische Landschaft prüfen, wie durchsetzbar die Forderungen auch tatsächlich sind.

Rohm: Wie sehen Sie das Thema Liquiditätsmanagement in der Anfangsphase eines IJVs?

Interviewee 5: Naja, das ist immer ein zweischneidiges Schwert. Erfahrungsgemäß ist es wichtig, dass man einfach zu einem gewissen Grad flexibel und schnell agieren können muss, um auch die richtigen Deals zu bekommen. Man muss aber auch genau festsetzen und auch managen. Damit sind der Zahlungsplan und die Beträge gemeint. Auf diese muss man sich in der Pre-JV Phase einigen während man sich als Partner noch kennenlernt bzw. das JV am Aufsetzen ist sowie das finale Produkt noch gar nicht feststeht. Wenn man gewisse Themen schon mal angehen muss, ist es in dieser Phase extrem wichtig (z.B. DD Kosten bezahlen usw.). Daher braucht man ein gemeinsames Verständnis für das Liquiditätsmanagement.

Rohm: Wie wichtig sind Cashflow Modelle und realistische Annahmen, die dahinter stehen?

Interviewee 5: Das ist natürlich der „Backbone“ eines jeden JVs. Man muss auch versuchen, dass man von dem Partner sein Modell bekommt. Dieses exakt zu verstehen und durch ein eigenes Modell nochmal zu überprüfen, um jegliche Fehlerquellen auszumerzen. Die Qualität und Verlässlichkeit des Cashflow Modells steht und fällt natürlich mit den Annahmen.

Rohm: Welche Annahmen sind aus ihrer Sicht besonders wichtig?

Interviewee 5: Das sind die werttreibenden Faktoren und damit verbundenen Risiken, die richtig abgebildet werden müssen. Kaufpreismanagement, operative Kosten, Finanzierungsannahmen...grundsätzlich die werttreibenden Faktoren.

Rohm: Wie wichtig ist es einen Business Plan zu entwickeln, also die Gesamtstrategie eines IJVs?

Interviewee 5: Der Business Plan wird in der Regel vom Partner vorgestellt. Diesen muss man gemeinsam besprechen und entwickeln, auch in der Phase in der man zusammen findet ist der Business Plan die Hauptdiskussionsgrundlage, in der man sich auch kennenlernt, die Argumentation der Partnern besser versteht, deren Markteinschätzung und Marktsichtweise besser versteht, aber auch während des JVs ist der Business Plan immer die Basis, auf welche man zurückgreifen sollte, wenn Entscheidungen zu treffen sind oder man das Projekt reflektiert. Jede Änderung des Projekts sollte durch eine Anpassung im Business Plan erfolgen, damit hier eine gemeinsame Basis besteht, so dass man auch in Diskussionen und historischen Themen zurückschauen kann. Bei uns ist der ursprüngliche Business Plan immer Bestandteil der Anlage eines jeden JV-Vertrags. Das erzeugt auch eine gewisse Transparenz.

Rohm: Wie wichtig ist es eine ordentliche Partner DD durchzuführen?

Interviewee 5: Das ist auch extrem wichtig, vor allem, wenn man sich überlegt, dass man über einen Zeitraum von mehreren Jahren zusammenarbeitet. Der erste Eindruck von einem Partner oder Menschen ist nie der Gleiche, wie nach einem Jahr oder nach zwei Jahren. Das kann man zwar alles nicht 100%ig abtesten oder prüfen am Anfang, aber allein mit vergangenen Partnern zu sprechen oder das abzufordern ist wichtig. Dabei kann man schon erkennen, wie offen der potenzielle Partner ist. Dazu kommt Research, Track Record, all diese Themen. Das muss man verstehen und sich auch früh eine Meinung bilden können.

Rohm: Wie wichtig sind das „Skill-Set“ und die Fähigkeiten, die der Partner mitbringt?

Interviewee 5: Das „Skill-Set“ und die Fähigkeiten, die der Partner mitbringt, sind extrem wichtig. Der Partner macht ja in der Regel die operative Arbeit vor Ort, insofern kommt es darauf an, was der Partner leisten kann.

Rohm: Wie wichtig ist die Gleichschaltung der Interessen?

Interviewee 5: „Alignment of Interest“ ist entweder wichtig, wenn etwas nicht nach Plan läuft oder wenn es Probleme gibt, aber auch wenn das Projekt zu gut läuft. Es gibt ja die Möglichkeit einen Carry mit dem Partner zu verhandeln, nur basierend auf den IRR aber keine Equity Multiple Referenz festgelegt hat. Dann verkauft man nach sechs Monaten wieder was weiter und der Partner bekommt einen großen Carry. Das Projekt war aber noch nicht ausgereift. Man hätte viel mehr Wert generieren können, wenn man es länger gehalten hätte. Das sind alles Themen, in die man reinsuchen kann, in Situationen, die man nicht vorab unbedingt vorhersagen kann, weil sich unter anderem Märkte verändern, Gegebenheiten verändern. Insofern muss man wirklich schauen, dass man die wesentlichen Punkte in einem JV-Vertrag so strukturiert, dass eine Interessensgemeinschaft vorherrscht. Dass gleiche Interessen von lokalem Partner und Kapitalpartner gegeben sind.

Rohm: Wie wichtig ist es gleiche Ziele zu haben?

Interviewee 5: Die Ziele sind die Vision eines JVs. Daher sollten sich die Ziele im Business Plan widerspiegeln. Das Ziel wird in der Regel durch den Exit und die Ziel-IRR bestimmt. Deshalb sollte man die Ziele gemeinsam definieren. Es gibt aber auch die Möglichkeit über ein JV hinaus Ziele zu definieren und zwar, dass man eine langfristige Partnerschaft anstrebt. Dass man eine Partnerschaft so aufbaut, dass man genug Vertrauen findet, dass man mehrere JVs über mehrere Jahre aufsetzt. Wenn das das Ziel ist, dann wirkt das in der Regel sehr positiv auf das einzelne Projekt. Dadurch werden kurzfristige Effekte von beiden Seiten mit einer langfristigen Vision aufgefangen.

Rohm: Wie wichtig ist es einen klar strukturierten JV-Vertrag zu haben?

Interviewee 5: Das ist ein sehr wichtiger Punkt. Das alte Spiel. Hier kommen die Anwälte mit rein. Das kann mitunter sehr komplex werden. Man sollte jedoch die Verträge so einfach wie möglich halten. Alle Partner müssen sich im JV-Vertrag extrem wiederfinden und wohlfühlen. Der Vertrag muss transparent und verständlich für alle Seiten sein. Nicht zu kompliziert, aber dennoch ausreichend detailgrad, dass viele Variablen, die passieren können, abgedeckt sind.

Rohm: Und damit verbunden die Zufriedenheit mit einem JV-Vertrag?

Interviewee 5: Das ist ein Thema, bei welchem der Kapitalpartner eine schwierigere Position hat, weil man Punkt in den Vertrag mitaufnehmen muss, die kontrollierende Wirkung haben. Hier kann sich der operative Partner sehr eingeeengt fühlen. Das kann leicht zu Unzufriedenheit führen. Aber das sollte durch die langfristige Zielstellung aufgefangen werden. Am besten wäre es, wenn beide Seiten gleich glücklich sind. Aber aus meiner Erfahrung ist es oft so, dass bei den Gesellschafterverträgen erste kleinere Verstimmungen aufkommen können, die sich dann auch wieder legen, wenn alles gut läuft und wenn man zusammen operativ arbeitet und nicht mehr im theoretischen Werk abdriftet.

Rohm: Wie wichtig ist es die Zeitschiene/Zeitplan bei einer Projektentwicklung einzuhalten?

Interviewee 5: Die Zeitschiene ist vor allem bei einer Projektentwicklung was extrem wichtiges aber auch etwas sehr theoretisches. In der Anfangsphase ist es extrem schwierig einen genauen Zeitplan festzulegen. Am Anfang geht es um eine Idee, um einen Partner, um eine Chance, eine Marktverwerfung, die man ausnutzen kann...zu dem Zeitpunkt spielt die Zeitschiene für das Projekt noch nicht eine so große Rolle. Das wird dann immer wichtiger, wenn man Verträge hat mit Baufirmen oder Mietverträge die erfüllt werden müssen. Die Zeitlinie wird je ausgereifter das Projekt wird immer wichtiger, auch in Hinblick auf die Verzinsung des investierten Kapitals.

Rohm: Wie wichtig ist das Monitoring von JV Plattformen bzw. dem JV Partner?

Interviewee 5: Wir haben gewisse Tools, die wir einsetzen, um im Rahmen standardisierter Prozesse das JV überprüfen zu können. Man muss sich regelmäßig updaten. Hier muss ein regelmäßiger Turnus eingehalten werden. Das ist sehr wichtig und muss ernst genommen werden. Auch wenn alles gut läuft, darf das nicht vernachlässigt werden. Das Monitoring ist extrem wichtig. Wir nutzen es auch als Frühindikator von Risiken, die sich im Projekt entwickeln können.

Rohm: Wie wichtig ist es im IJV, die Projekt-Performance regelmäßig zu kontrollieren?

Interviewee 5: Das spiegelt auch etwas den Punkt von der Anpassung des Business Plans wider. Jedes Mal, wenn man den Business Plan aktualisiert (die Planzahlen mit den tatsächlichen Zahlen überschreibt), erfährt man wie die Performance sich

aktuell verändert. In welche Richtung es geht. Das ist natürlich auch ein Tool, den lokalen Partner zu motivieren. Es ist ein wichtiger Punkt in der partnerschaftlichen Zusammenarbeit.

Rohm: Das waren alle wichtigen Faktoren aus der quantitativen Studie. Gibt es aus ihrer Sicht noch einen wichtigen Aspekt oder einen kritischen Faktor zu ergänzen?

Interviewee 5: Ich denke, dass hier alle wichtigen Themen angesprochen wurden. Daher habe ich keine Ergänzung.

Rohm: Noch ein finaler Kommentar?

Interviewee 5: Ich bin überzeugt, dass Immobilien-JV weiter an Gewicht gewinnen. Daher wird es mehr Wettbewerb geben und man muss sich noch intensiver mit den einzelnen Themen auseinandersetzen.

F: Curriculum Vitae

Martin Rohm – Curriculum Vitae

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