

**A Study on Dynamic Capabilities and Performance
of Indian International Joint Ventures**

Prabhu Mannadhan, Ph.D.*

Department of Logistics Management, International Maritime College Oman,
National University of Science and Technology, Sohar, Oman
Email: prabhu@imco.edu.om

*Corresponding Author

Ajina K. P., Ph.D.

Department of Business Management, St. Joseph's College (Autonomous), Devagiri,
Kozhikode, India
Email: ajinaashok123@gmail.com

G. Madan Mohan, Ph.D.

Department of Management Studies, School of Management, Pondicherry University, India
Email: madansaradha@gmail.com

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Abstract

This research aims to examine the level of dynamic capability achieved by Indian International Joint Ventures (IJVs) and to analyse the extent to which these capabilities influence their overall performance. The researcher surveyed 54 IJV managers, and their assessments of their firms' dynamic capabilities and performance were analysed using means, frequencies, ANOVA, cluster analysis, correspondence analysis, and chi-square tests. Indian IJVs surveyed display a good degree of dynamic capability. Indian IJVs possess a good level of dynamic capability, according to the findings (mean scores are often higher than 3.5 on a scale of 5 possible points). The performance as a whole is satisfactory, with particularly impressive results in brand building, capital base expansion, and consumer loyalty. The findings of the structural equation modelling (SEM) analysis reveal a strong, positive impact of dynamic capability on performance ($\beta = 0.808$, $p < 0.001$, $R^2 = 0.653$). The results showed three distinct performance clusters. In addition to providing actionable suggestions for businesses contemplating foreign joint ventures, the study contributes to the existing literature on international joint ventures by elucidating the dynamic capability–performance link in the Indian context.

Keywords: International Joint Venture, Dynamic Capability, Performance, Indian Firms, Foreign Firms

1. Introduction

Rapid globalisation has presented numerous challenges and opportunities for business firms. A critical opportunity for these firms is to go global. Firms striving to go global must decide on the most effective mode of entering foreign markets. Venturing into a foreign market is a complex process that requires meticulous planning and careful execution. An International Joint Venture (IJV) refers to a collaborative business arrangement between two or more companies based in different countries. It serves as a strategic approach for entering foreign markets. In this process, a company partners with a local firm in the target country to set up a

new business entity. This collaboration allows the foreign firm to gain local insight and resources, while the domestic partner benefits from international expertise and investment (Brouthers & Hennart, 2007). Ye (2024) has noted the absence of a comprehensive and lucid definition of the term "joint venture." The common perception of the term is that it refers to an association of two or more business entities aimed at achieving specific goals and objectives.

The joint venture so created will possess the essential characteristics of a distinct legal entity, jointly owned and managed by parent firms, being subject to common and not relative control by parent firms, and offer the advantages of entry into new markets, additional production capacity, novel technologies, and products to its parent firms. A joint venture is formed when two or more firms enter into an alliance and create a new, legally distinct entity to mutually utilise their expertise and resources, thereby gaining a comparative advantage (Ray, 2013). Firms lacking sufficient resources can utilise the joint venture mode to enter foreign markets. Firms share their resources and expertise based on mutual trust to gain mutual benefits. According to Buckley and Casson (1996), equity-based international joint ventures bring together complementary resources, particularly firm-specific knowledge and expertise. This collaboration enables partner firms to effectively internalise knowledge flows, thereby avoiding the substantial costs typically associated with full-scale mergers. Wagner & Kurpjuweit (2024) further noted that such joint ventures promote organizational learning and the mutual exchange of know-how, which requires close interaction and regular communication between the managerial teams of the participating firms. Prior research on transferring know-how through IJV arrangements considers the MNE as a summation of know-how (Dussauge et al., 2000). Kandemir and Hult (2005) have opined that IJV results in the effective transfer of resources and know-how from parent firms, the optimal utilisation of these resources, and the acquisition of valuable learning experience to achieve sustained competitiveness.

1.1 Stages of IJV

IJV deals also have three phases: the announcement stage, the formation stage, and the operation stage. Once an IJV has been formed, it must operate by effectively utilising the ideas and resources of its parent companies and develop the competence to gain a competitive edge and achieve the desired performance. A mere assessment of financial parameters, such as profits, return on equity, or net worth, is inadequate to evaluate the performance of an IJV. Instead, the dynamic capability gained by the IJV through rationally utilising the resources of its parent companies to successfully endure competition and confront the threats posed by an unpredictable and unstable business environment must be seriously considered in measuring its success. Grant (1996) has defined dynamic capability as "a routine organising and strategy devising skill of managers in procuring and applying resources by suitably modifying their resource base, integrating the resources and working out new combinations and permutations of mobilised resources to arrive at strategies targeting value creation for the firm". This study aims to assess the extent of dynamic capability among Indian IJVs and its impact on their performance. Zhan and Luo (2008) established that dynamic capabilities are associated with the financial and competitive performance of IJVs in emerging markets. The study also revealed that the influence of dynamic capability on the performance of the IJV depends on the dynamism with which the IJV confronts both the external and internal business environments. Hence, an IJV may assume a hybrid nature by acquiring dynamic capabilities from its parent companies and effectively exploiting environmental factors.

Zollo and Winter (2002) have defined dynamic capability as "the competence of an establishment to get educated about a steady framework of cooperative activities which capacitates the establishment to undertake systematic generation and modification of its scheduled operations to gain enhanced efficacy". Value creation for firms is an essential but complex process, warranting continuous assessment, expansion, adjustment, alteration, or

redesign of their routine operational activities (Katkalo et al., 2010). Dynamic capability plays a significant role in enabling firms to acquire these traits by enabling them to adjust their organisational structure, thereby enhancing productivity and output (Teece et al., 1997). Firms utilise dynamic capability to explore novel and distinct opportunities, identifying a practical course of action to exploit these opportunities, thereby gaining enhanced competence (Roper et al., 2008).

1.2 Performance of International Joint Ventures

IJVs are collaborative arrangements struck between two or more firms from different nations, in which a new firm is incorporated to achieve specific common objectives. The performance of an IJV can be gauged by socio-economic or financial parameters, partners' satisfaction, or innovativeness. The outcome of an IJV may be affected by the following factors:

(a) **Partner-related factors:** Ownership pattern of the IJV, socio-cultural, directorial and managerial disparity between partners, competitive intersection of the partners, dedication and sincerity of the partner firms, Belief and trust among partners, similarity of goals among the partners and striving towards independency in controlling and managing resources have a profound bearing on the performance of IJVs formed by the partner firms.

(b) **Distribution of Sovereignty and control:** An IJV is a distinct entity, managed independently by a set of board of directors. However, the parent firms of the IJV may seek to exert control over its management. Furthermore, the socio-cultural environment of the parent firms and the IJV may differ substantially, depending on the countries in which they operate. These factors may affect the IJV's performance.

(c) **Coopetition:** IJVs may operate in a complex situation wherein they are confronted with the scenario of managing competition with their parent firms as well as maintaining cooperation with them. The power of such coopetition may exert a profound impact on the performance of IJVs and their parent firms.

(d) **Innovative performance:** An IJV formed by partner firms commanding high technological resources and good quality management can also generate innovative patents coupled with performance excellence.

(e) **Meta-analyses:** Prior research on IJVs has affirmed that ownership pattern, trust, control, acquisition of know-how, and competence of parent firms have a profound impact on the performance of an IJV.

Baía & Ferreira (2024) and Barreto (2010) suggested that an effective process by which dynamic capability may be gained by firms, which incorporates identifying the source of gaining know-how, transforming and exploiting the capability so derived through the know-how acquired, deriving novel ideas, providing shape to the novel ideas to derive novel products, and lastly, reconfiguring the firm and its production. This study aims to assess the extent of dynamic capability among Indian IJVs and its impact on their performance.

Although previous research has investigated dynamic capabilities in International Joint Ventures (IJVs) (Zhan & Luo, 2008; Zhan & Chen, 2013), the existing literature lacks insight into how Indian IJVs functioning within distinct institutional contexts marked by changing foreign direct investment regulations, diverse regional ecosystems, and the interaction between property-based and knowledge-based resource contributions cultivate and utilize dynamic capabilities to attain performance results. The majority of current empirical research concentrates on Chinese or Vietnamese International Joint Ventures (IJVs); the Indian setting, characterised by its unique regulatory framework and sectoral mix, is little examined. This work fills this vacuum by (a) quantifying dynamic capability with a validated scale in the Indian context, (b) analysing its effect on multi-dimensional performance by SEM, and (c) delineating discrete performance clusters and their demographic antecedents. By doing so, we

enhance the literature on dynamic capabilities and IJV performance, providing practical insights for Indian enterprises considering overseas joint ventures.

2. Literature Reviews

Elgarresta Ugartemendia et al. (2025) exposed the influence of their coopetition on their socio-cultural, financial, environmental, and project performance, while conducted a systematic literature review of 27 research studies on the performance of IJVs during 2000-23 and exposed the profound impact cast by the IJVs on the parent firms incorporating them. Griffith, Hu & Chen (1998) found that IJV performance is positively correlated with the number of parent firms. Bener & Glaister (2010) found that effective control of IJVs by their parent firms, coupled with the grant of reasonable autonomy in managing and profound trust, augments the performance of the IJVs. Disparities in the corporate cultures of parent firms and IJVs negatively impact IJV performance. In contrast, disparities in national culture do not have any such impact. Sahu et al. (2023) found that IJVs' competence in leveraging parent firms' capabilities improves their performance.

In contrast, Lu Jin et al. (2016) highlighted that IJVs' competence in exploring and exploiting resources from their parent firms positively influences their performance, with involvement in identical products moderating this effect. Lu and Xu (2006) indicated that legal issues from both the internal and external environments of IJVs have a profound impact on their performance. Tetteh et al. (2022) developed a conceptual model that illustrates the relationship between controlling machinery and the performance of IJVs involved in the construction industry. (Niu et al., 2024) found that IJVs in developing countries perform well on the financial and competitive fronts when they possess the competence to utilise resources effectively provided by their partner firms (both local and foreign) and continually upgrade and develop new capabilities and competencies. Zhan et al. (2009) studied how the competitive advantage derived from IJVs in Vietnam is influenced by resources acquired from both foreign and local partner firms in the venture. A more decisive competitive advantage is derived from IJVs through the transfer of property-specific resources, harmonised with knowledge-specific resources and internal (firm-specific) resources, accompanied by external (market-specific) resources. Tuan and Yoshi (2010) conducted a multivariate analysis of 102 Vietnamese IJVs and found that organisational competence is related to competitive advantage, which, in turn, is related to performance. Competitive advantage is a strong mediator of the relationship between organisational competence and performance.

Despite the dynamic capabilities of an IJV, which enable it to perform its business efficiently, firms differ in their utilisation of these capabilities to achieve better performance. Firms that utilise dynamic capability more effectively will perform above minimum standards, resulting in good economic performance (Niu et al., 2024). Zhan and Chen (2013) advocated that IJVs in developing nations, possessing better competence to exploit resources passed on by their parent firms, those capable of dynamic renewal of comparative advantage, and those capable of utilising exploitation and investigation potentials, perform well. IJVs formed by parent firms with a minimum organisational culture distance and those that enjoy greater autonomy can benefit from the exploitation and exploration potential to boost their performance. Newbert (2008) advocated that IJVs should recognise and execute resource-based tactics to create value on economic and financial grounds. Sahu et al. (2023) noted that firms striving to produce goods or services with unique features and at a minimum cost compared to competitors must rationally utilise available resources and potential more effectively than competitors. They identified that rational utilisation of resources and potentials exert only indirect impact on performance of firms implying that firms should ensure that they gain competitive advantage through the utilisation of resources and potentials, which alone can boost their performance.

Zhan and Luo (2008) emphasised that international joint ventures established in developing countries tend to perform better in terms of competitiveness and safeguarding sensitive information when they effectively utilise the resources provided by their parent firms. Their success is further enhanced when they continuously develop and upgrade their capabilities, especially in a rapidly changing environment. In the same vein, when there is a strong spirit of collaboration between partner firms, the efficient use of available resources can lead to significant improvements in performance. Nambirajan and Prabhu (2010) also emphasised the importance of IJV managers possessing the skills to leverage the strengths of parent companies, as well as other internal and external sources, and reconfigure these resources to achieve high levels of operational efficiency.

Khan et al. (2022) have proposed that managers of IJVs should exhibit superior dynamic capabilities to effectively exploit both external and internal environmental conditions, thereby achieving good growth. One of the key challenges researchers face is developing a reliable method to evaluate the performance of international joint ventures. Many studies have relied on financial indicators, such as cost efficiency, profitability, and growth, to assess the performance of an IJV. In addition to these, other researchers have considered more subjective aspects, including the venture's continued operation, its duration, and fluctuations in the ownership structure (Franko, 1971). Nevertheless, a universally accepted method for evaluating IJV performance has yet to be established (Geringer & Hebert, 1989).

Despite these challenges, both quantitative and qualitative approaches have been used, depending on the context and data availability. In the Indian context, where financial information on IJVs is often scarce, the most practical way to measure performance is through surveys. These surveys can gather self-reported assessments from senior managers involved in the joint ventures, providing valuable insights into their effectiveness. Based on whatever limited studies conducted on the execution phase of an IJV, the following propositions have been evolved to gauge the execution part of IJVs in India:

H1: Dynamic capability possessed by IJVs influences their Performance.

H2: IJVs with different characteristics differ in Dynamic Capability.

H3: IJVs with different characteristics differ in Performance.

The primary objective of this study is to gauge the extent of dynamic capability exhibited by Indian International Joint Ventures. It aims to evaluate the various dimensions through which these joint ventures demonstrate adaptability and responsiveness in a changing business environment. Additionally, the study aims to assess the overall performance of Indian IJVs by examining key indicators, including financial outcomes, operational efficiency, and strategic alignment. A crucial aspect of this research is to investigate the impact of dynamic capability on the performance of these ventures. By establishing a link between dynamic capability and IJV success metrics, the study aims to provide insights into how adaptability and innovation contribute to sustained performance in the Indian context.

3. Methodology

This study is descriptive, based solely on primary data collected through a well-structured questionnaire administered to managerial personnel of 54 IJVs in Chennai, Bangalore, Trivandrum, and Kochi, selected using a Purposive sampling method. The questionnaire had eight questions on the demographic profile of the IJVs surveyed, which were intended to collect information about the Nature of business, the Nature of market, Initial investment in the venture, Change of ownership since inception of the venture, Age of the IJV, Approximate Networth and annual Turnover of the IJV, Reason for forming the IJV, Listing status of the IJV, and staff strength of the IJV.

The dynamic capability of IJVs is measured using a scale developed by Zhan and Luo (2008). Among many other measures of Dynamic capability, such as those proposed by Janssen et al. (2016), this particular measure seemed brief and contented to the researcher; hence, it was adopted. This measure consists of 8 statements that indicate the manager's assessment of the IJV's capability to integrate, configure, upgrade, deploy, and rationally utilise the resources contributed by the IJV's parent companies. Among these, five statements specifically discuss exploiting existing resources, while the other three discuss upgrading them in line with needs and opportunities. IJV managers were required to indicate their assessment of their firm's dynamic capability on a five-point Likert scale. The performance of the IJVs has been evaluated on both competitive and financial grounds, using 13 key parameters. The managerial personnel were required to provide assessments of their companies' progress on these parameters, rated on a 5-point Likert scale from "Very Bad" to "Very Good". However, the questionnaire's content was validated by discussing it with three faculty members, two executives working in IJVs, and a Chartered Accountant with experience in rendering consultancy services to IJVs.

Rokhim & Susanto (2018) have suggested that managerial assessment is a valuable complement to, and sometimes a necessary substitute for, financial indicators as an appropriate measure of joint venture performance. Arino (2003) has established that both subjective methods and objective measures of performance yield nearly identical results and can thus be used interchangeably with a high degree of reliability and validity. The face and content validity of the questionnaire were first tested, and it was then administered personally to 158 IJV managers and via email to 220 senior managers. Only 58 questionnaires were returned, of which only 54 were found usable. Hence, the survey response rate was a mere 14.29%. Of these 54 respondents, 32 were from Chennai, 12 from Bangalore, 6 from Kochi, and 4 from Thiruvananthapuram. Thirty responses are from companies in the Insurance Industry, and the remaining 24 are from other industries. The data collected was further cleaned to eliminate unengaged responses and outliers. Despite the sample size ($n = 54$) being modest, it meets Hair et al. (2021)'s minimum requirement of 50 observations for Structural Equation Modelling (SEM) when employing the consistent Partial Least Squares (PLS) algorithm and the model is uncomplicated (comprising one exogenous and one endogenous component). Cluster analysis and ANOVA are both exploratory techniques substantiated by the data.

Furthermore, the data's reliability was assessed using Cronbach's alpha, and normality was evaluated using Skewness, Kurtosis, and a Q-Q plot. To facilitate scientific data analysis, the researcher has utilised the most appropriate statistical software, including MS Excel, SPSS, and SmartPLS, as well as statistical tools such as Simple Mean, Frequency, ANOVA, Chi-square Analysis, Regression, Correspondence Analysis, Cluster Analysis, and Structural Equation Modelling. Zahra et al. (2022) have advocated using PLS in place of complex models to establish relationships when sample sizes are small. Hence, the researcher has utilised Smart PLS to conduct the SEM and test the impact of dynamic capability on IJV performance. Data reliability was assessed using Cronbach's alpha to determine internal consistency. The rule of thumb in case of Cronbach's alpha is that the coefficient should exceed 0.7. The Cronbach's alpha coefficient with respect to the construct Dynamic Capability (a total of 8 items) is 0.877, while that of the construct of Performance (encompassing 13 items) is 0.832. Since the Cronbach's alpha values exceed the 0.7 threshold as stated by Hair et al. (2019), it can be concluded that the data are reliable.

4. Results

4.1 Descriptive Statistics

The demographic profile of IJVs is presented in Table 1. The demographic profile of Indian IJVs shows that most have moderate investment and turnover, with many operating in the services sector. A large number of targets in both national and international markets. While some firms are new, many have over 10 years of experience. Most changes in ownership are mutual, and the main reasons for forming IJVs are FDI regulations and business expansion.

Table 1 Demographic profile of IJVs

Profile Variables	Categories	Frequency	Per cent
Initial Investment (Rs. in Crores)	Upto 50	30	55.6
	50 to 500	19	35.2
	Above 500	5	9.3
Networth (Rs. in Crores)	Upto 500	29	53.7
	500 to 1000	5	9.3
	Above 1000	20	37
Turnover (Rs. in Crores)	Upto 50	32	59.3
	50 to 500	17	31.5
	Above 500	5	9.3
Staff Strength	Upto 1,000	16	29.6
	1,000-10,000	17	31.5
	Above 10,000	21	38.9
Firm age (in years)	Upto 5	20	37.0
	5-10	10	18.5
	Above 10	24	44.4
Nature of business	Consumer product	10	18.5
	Both Consumer and Industrial	8	14.8
	Services	36	66.7
Type of Market	Regional	6	11.1
	National only	12	22.2
	Both National and International	36	66.7
Change in Ownership Pattern	JV to Wholly Owned	6	11.1
	New entry	13	24.1
	Mutual exchange	26	48.1
	None	9	16.7
Reason for Forging IJV	FDI norms	26	48.1
	Property-based resources	1	1.9
	Knowledge based resources	6	11.1
	Expansion/diversification	21	38.9

4.2 Dynamic capability of IJVs

The dynamic capability achieved by the Indian IJVs surveyed was assessed using eight statements on a five-point Likert scale, and the results are presented in Table 2.

Table 2 Dynamic capability of IJVs

Sl No	Statement	Mean	Interpretation
1	Our Joint venture can effectively integrate the resources provided by both foreign and Indian partners across the value chain to generate optimal value..	3.574074	Average
2	Our Joint venture is capable, wherever feasible, of combining the resources of foreign and Indian partners in a way that complements each other.	3.722222	Good
3	Our Joint venture can make the best possible use of resources provided by both foreign and Indian partners, wherever practical.	3.722222	Good
4	Our Joint venture can adapt or realign the resources from foreign and Indian partners to address the specific or unique demands of the Indian market.	3.87037	Good
5	Our Joint venture can continuously assess emerging environmental conditions and adjust the deployment of existing resources as needed.	3.722222	Good
6	Our Joint venture can draw on past experiences and insights from other firms to enhance existing capabilities.	3.759259	Good
7	Our Joint venture can leverage alliances and acquisitions to introduce new resources and capabilities into the business.	3.759259	Good
8	Our joint venture is capable of developing new resources and capabilities for local operations or unfamiliar environments through research, development, and innovation.	3.740741	Good

Note: Interpretation based on mean score: > 3.70 = Good ;3.30–3.70 = Average; < 3.30 = Poor

Table 2 shows that the Indian IJVs surveyed exhibit a high degree of dynamic capability, as the mean for almost all statements hovers around 3.7 on a five-point scale, which is quite high. The IJVs have indicated that they have developed strong competence in configuring and reconfiguring resources contributed by their parent companies, thereby rationally utilising available resources to the maximum possible extent to cater to the distinct requirements of the Indian market. The IJVs have also developed a good capacity to update current potentials by learning from past experiences of their parent companies and other firms, bringing novel capabilities and new resources from parent companies and using effective R&D mechanisms to develop novel resources and potentials further to identify innovative means to equip themselves to take on the challenges posed by global markets.

4.3 Relationship between the Dynamic Capability of IJVs and their Profile

The relationship between the dynamic capabilities of IJVs surveyed and their demographic profiles was explored using ANOVA, and the results are presented in Table 3.

Table 3 Relationship between the dynamic capability of IJVs and their profile

Profile Variables	Categories	Mean	F	Sig.	Interpretation
Nature of Product	Consumer product	3.3	11.919	0.000	Significant
	Both Consumer and Industrial	4.4			
	Services	3.7611			
Initial Investment			1.296	0.282	Not Significant
Target Market	Regional	3.1333	6.921	0.002	Significant
	National only	4.0833			
	Both National and International	3.7722			
Change in Ownership Pattern			1.525	0.219	Not Significant
Reason for Formation			0.2	0.896	Not Significant
Age(in years)	Upto 5	3.58	2.858	0.067	Not Significant
	5-10	4.08			
	Above 10	3.8			
Networth			0.951	0.393	Not Significant
Turnover			1.419	0.251	Not Significant
Staff Strength			0.948	0.394	Not Significant

Table 3 suggests a substantial relationship between the dynamic capability possessed by IJVs and the nature of products they deal with, their target market, and age (at a 10% level). IJVs dealing with both consumer and industrial goods and services, IJVs focusing purely on national market and both national and international markets, and those in existence for a more extended period are displaying a high degree of dynamic capability, while those IJVs focusing purely on regional market, those dealing with consumer goods, and younger IJVs are displaying an average level of dynamic capability. Hence, the Hypothesis, “IJVs with differing characteristics differ in dynamic capability,” is partially accepted.

4.4 Grouping of IJVs based on Dynamic Capability

Using Cluster analysis, the researcher has grouped the IJVs surveyed based on their Dynamic Capability, and the results are displayed in Table 4.

Table 4 Final cluster centres of dynamic capability

Sl No	Statement	Cluster			F	Sig.
		1	2	3		
1	Our Joint venture can effectively integrate the resources provided by both foreign and Indian partners across the value chain to generate optimal value.	3.125	4.0909	3.6296	17.792	0.000
2	Our Joint venture is capable, wherever feasible, of combining the resources of	3.1875	4.1818	3.8519	19.773	0.000

Sl No	Statement	Cluster			F	Sig.
		1	2	3		
	foreign and Indian partners in a way that complements each other.					
3	Our Joint venture can make the best possible use of resources provided by both foreign and Indian partners, wherever practical.	3.125	4.7273	3.6667	43.395	0.000
4	Our Joint venture can reallocate resources from foreign and Indian partners to address the specific demands of the Indian market.	3.375	4.4545	3.9259	16.057	0.000
5	Our Joint venture can continuously assess emerging environmental conditions and adjust the deployment of existing resources as needed.	3.1875	4	3.9249	16.218	0.000
6	Our Joint venture can draw on past experiences and insights from other firms to enhance existing capabilities.	2.9375	4.2727	4.037	22.265	0.000
7	Our Joint venture can leverage alliances and acquisitions to introduce new resources and capabilities into the business.	3.125	4.6451	3.7178	34.679	0.000
8	Our joint venture is capable of developing new resources and capabilities for local operations or unfamiliar environments through research, development, and innovation.	3.0625	4.6364	3.7778	34.045	0.000
No. of Items in each cluster		28	19	7		

Table 4 presents the formation of three distinct clusters based on the eight statements used to assess the dynamic capability of the IJVs surveyed. All eight statements play a significant role in the clusterization process, as the F values are significant at the 1% level. Based on the mean values, these three clusters have been designated as "Resource Adapters", "Holistic Utilisers", and "Resource optimisers", each encompassing 28, 19, and 7 IJVs, respectively.

4.5 Association between Profile of IJVs and Clusters Formed based on Dynamic Capability

A substantial association has been identified between the profile of IJVs surveyed and the clusters formed based on IJVs' dynamic capabilities, as determined by Chi-square Analysis, as presented in Table 5.

Table 5 Association between the profile of IJVs and clusters of dynamic capability

Profile Variables	Pearson Chi-square	Sig
Nature of business	13.59	0.009
Initial Investment	12.472	0.014
Target Market	9.395	0.052
Ownership change	7.01	0.320

Profile Variables	Pearson Chi-square	Sig
Age	15.947	0.003
Networth	15.48	0.004
Turnover	18.736	0.001
Reason for formation	4.89	0.558
Staff strength	12.537	0.014

Table 5 establishes the prevalence of a substantial association between the clusters of IJVs formed based on the dynamic capability developed by them and the nature of product dealt by them, staff strength, age, net worth, initial investment, turnover and Target Market and the nature of such association has been established using Correspondence Analysis and the results are depicted in figures 1-6.

Figure 1

Nature of business and type of IJVs based on dynamic capability

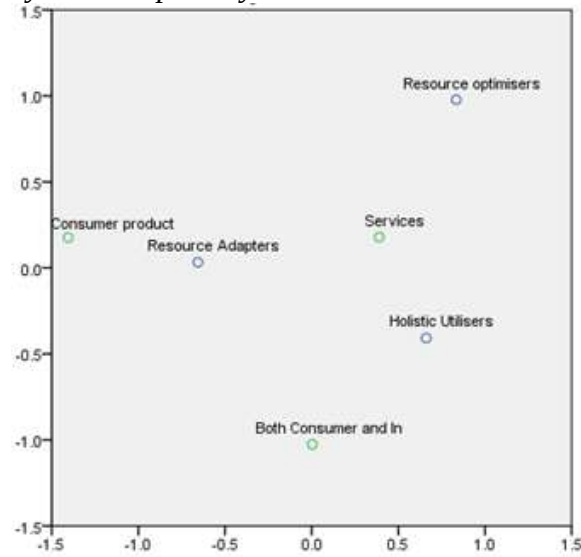


Figure 2

Initial investment and type of IJVs based on dynamic capability

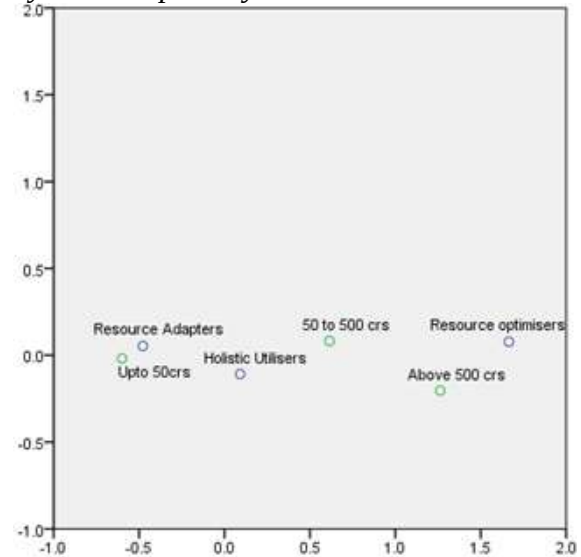


Figure 3

Age of the firm and type of IJVs based on dynamic capability

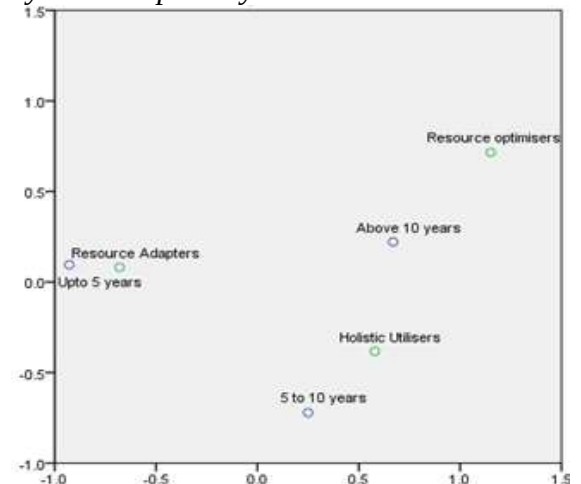


Figure 4

Networth and type of IJVs based on dynamic capability

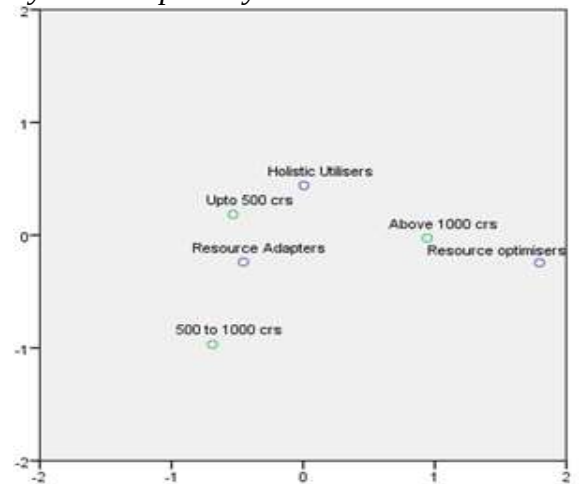
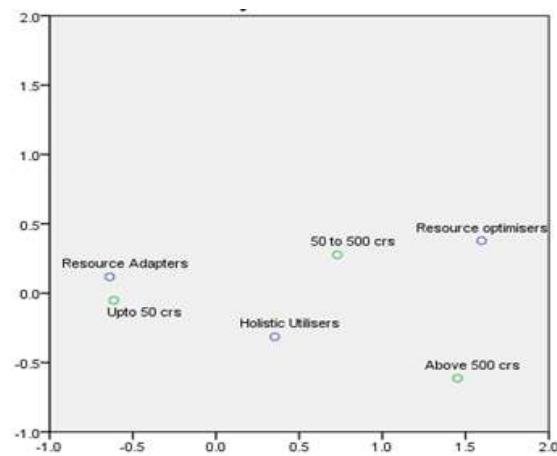
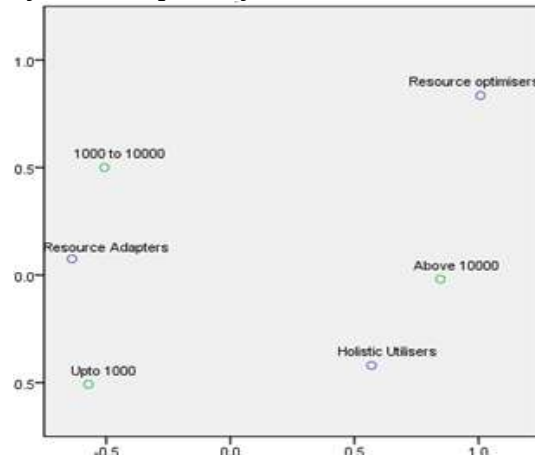


Figure 5

Turnover and type of IJVs based on dynamic capability


Figure 6

Staff strength and type of IJVs based on dynamic capability



Figures 1-6 highlights that IJVs with initial investment of up to Rs. ₹ 50 Crores, those dealing with Consumer products, and those with a turnover of up to ₹ 50 Crores and those in business for a short period of less than 5 years are associated with Resource Adapters, while those IJVs formed with an initial investment of Rs. 50-500 Crores, those with a net worth of up to Rs. 500 Crores and those in business for 5-10 years are associated with Holistic Utilisers. Those IJVs with an initial investment of more than Rs. 500 Crore and those with a net worth of more than Rs. 1,000 crore are associated with Resource Optimisers.

4.6 Performance of IJVs

It is challenging to evaluate the performance of IJVs as they are formed and operated by two or more companies, typically for purposes other than profit realisation. Usually, joint ventures are established to acquire or learn new technologies, access previously unexplored markets, or outmanoeuvre competitors. Hence, IJVs are typically established to achieve qualitative objectives, and it is complex to quantify these goals and determine whether the IJV has succeeded in meeting them. The researcher has attempted to understand IJV performance by surveying managers and asking them to rate their companies on specific parameters using a five-point Likert scale. The results are depicted in Table 6.

Table 6 Performance of IJVs

Sl No	Statement	Mean	Interpretation
1	Successful realisation of desirable results	3.555556	Average
2	Minimising the time needed for launching new products	3.481481	Average
3	Generation of new customers, products, and/or projects	3.537037	Average
4	Strengthening the supply chain	3.740741	Good
5	Boosting sales margin	3.703704	Good
6	Abnormal increase in profitability	3.537037	Average
7	Strengthened customer loyalty	3.740741	Good
8	Gaining superiority in the Portfolio of products	3.685185	Good
9	Boosting the brand name	4.037037	Good
10	Strengthening of the capital base	3.833333	Good

Sl No	Statement	Mean	Interpretation
11	Return on equity	3.648148	Average
12	Total net worth	3.870370	Good
13	Wealth of shareholders	3.777778	Good

Note: Interpretation based on mean score: > 3.70 = Good ;3.30–3.70 = Average; < 3.30 = Poor

Table 6 suggests that the overall performance of the IJVs surveyed is reasonably good, as the mean for most statements hovers around the 3.7 mark on a five-point scale. Managers have indicated that the IJVs have achieved significant success in building strong brand names. At the same time, they have demonstrated reasonably good performance in key parameters, including return on equity, strengthening of the capital base, net worth, shareholder wealth, gaining superiority in product portfolios, strengthening supply chains, boosting sales, and enhancing customer loyalty. However, the IJVs have performed to an average extent in terms of the time required to launch new products, generate new customers, products, and/or projects, achieve an abnormal increase in profits, and accomplish the desired results.

4.7 Relationship between Performance of IJVs and their Profile

The relationship between the performance of IJVs surveyed and their demographic profile characteristics has been explored using ANOVA, and the results are depicted in Table 7.

Table 7 Relationship between the performance of IJVs and their profile

Profile Variables	Categories	Mean	F	Sig.	Interpretation
Nature of Product	Consumer product	3	17.254	0.000	Significant
	Both Consumer and Industrial	4.3333			
	Services	3.6944			
Initial Investment			0.155	0.857	Not Significant
Target Market	Regional	3	4.434	0.017	
	National only	3.75			
	Both National and International	3.7407			
Change in Ownership Pattern			1.525	0.219	Not Significant
Reason for Formation	FDI norms	3.7692	2.871	0.046	Significant
	Property-based resources	4.6667			
	Knowledge based resources	3.8889			
	Expansion/diversification	3.4127			
Age	Up to 5 years	3.4	3.271	0.046	Significant
	5 to 10 years	3.9			
	Above 10 years	3.7778			
Networth			0.197	0.822	Not Significant
Turnover			1.049	0.358	Not Significant
Staff Strength			2.199	0.121	Not Significant

Table 7 suggests a significant relationship between IJV performance and the products they deal with, their target markets, the reasons for their formation, and their age. IJVs targeting national and international markets, as well as those serving both consumer and industrial products and services, have achieved strong performance. IJVs dealing with consumer goods,

younger IJVs, and those formed to facilitate the expansion and diversification of parent firms, as well as those concentrating purely on regional markets, are experiencing only average progress. IJVs formed based on Property resources of parent companies are progressing exceptionally well, followed by those formed to utilise Knowledge-based resources of their parent firms, and then by IJVs formed to comply with FDI norms of the Indian government. Hence, the Hypothesis, "IJVs with differing characteristics differ in performance," is partially accepted.

4.8 Grouping of IJVs based on Performance

The IJVs surveyed have been grouped into three categories using Cluster Analysis, and the results are displayed in Table 8.

Table 8 Grouping of IJVs based on performance

Statement	Cluster			F	Sig.
	1	2	3		
Successful realisation of desirable results	3	3.9655	3.1053	39.933	0.000
Minimising the time needed for launching new products	3.3333	3.5172	3.4737	1.986	0.044
Generation of new customers, products, and/or projects	3.3333	3.8276	3.1579	11.538	0.000
Strengthening the supply chain	3.1667	3.8966	3.6842	5.131	.009
Boosting sales margin	3.3333	4.3103	2.8947	39.805	0.000
Abnormal increase in profitability	3.1667	3.6552	3.4737	1.978	0.042
Strengthened customer loyalty	3.1667	4.1034	3.3684	11.975	0.000
Gaining superiority in the Portfolio of products	3.5	3.7931	3.5789	1.973	0.041
Boosting the brand name	3.3333	4	4.3158	4.170	.021
Strengthening of the capital base	3.1667	3.9655	3.8421	3.626	.034
Return on equity	2.8333	3.8276	3.6316	13.365	0.000
Total net worth	3	4	3.9474	18.885	0.000
Wealth of shareholders	2.6667	3.9655	3.8421	20.042	0.000
No. of Items in each cluster	19	12	23		

Table 8 illustrates that all 13 statements used to assess the performance of IJVs have played a substantial role in the clusterisation process, as the F values for all statements are significant at the 1% level. Based on the mean values, these clusters have been designated as "insignificantly progressing companies", "Highly progressing companies" and "Progressing companies", each encompassing 19, 12, and 23 IJVs, respectively.

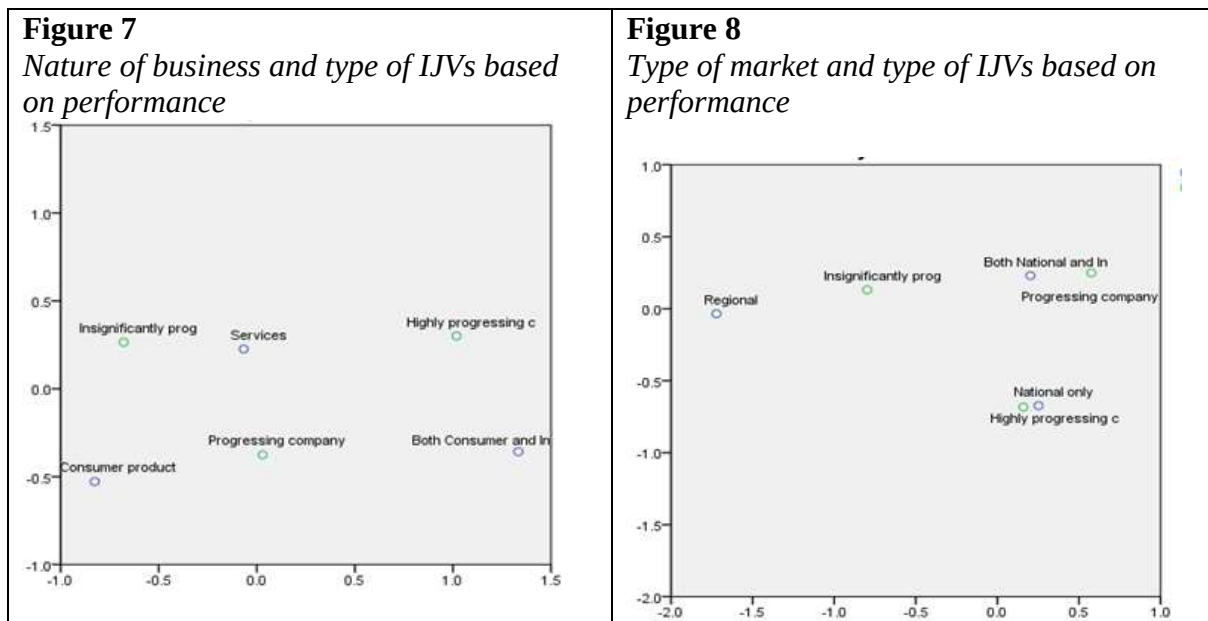
4.9 Association between Performance of IJVs and their Profile

The prevalence of a substantial association between the profile of IJVs and the three clusters formed based on the performance of IJVs has been revealed using Chi-square Analysis, and the results are presented in Table 9.

Table 9 Association between the performance of IJVs and their profile

Profile Variables	Pearson Chi-Square	Sig
Nature of Product	8.927	0.043
Initial Investment	4.639	0.326
Target Market	8.423	0.047
Change in Ownership Pattern	6.634	0.356
Age	6.983	0.137
Networth	3.032	0.553
Turnover	2.721	0.606
Reason for formation	9.6	0.143
Staff strength	5.644	0.227

Table 9 highlights the prevalence of a substantial association between the clusters of IJVs formed based on their performance and the profile characteristics of the target market, as well as the nature of the products they deal with. The nature of this association has been revealed using Correspondence Analysis, and the results are depicted in Figures 7 and 8.



Figures 7 and 8 show that IJVs involved in services are making little progress, while those IJVs dealing with both consumer and industrial products and focusing on the national market are making significant progress. IJVs focusing on both national and international markets are progressing.

4.10 Impact of Dynamic Capability on Performance of IJVs

The impact of the dynamic capability of IJVs on their performance has been examined using SEM, and the results are presented in Table 10 and Figure 9.

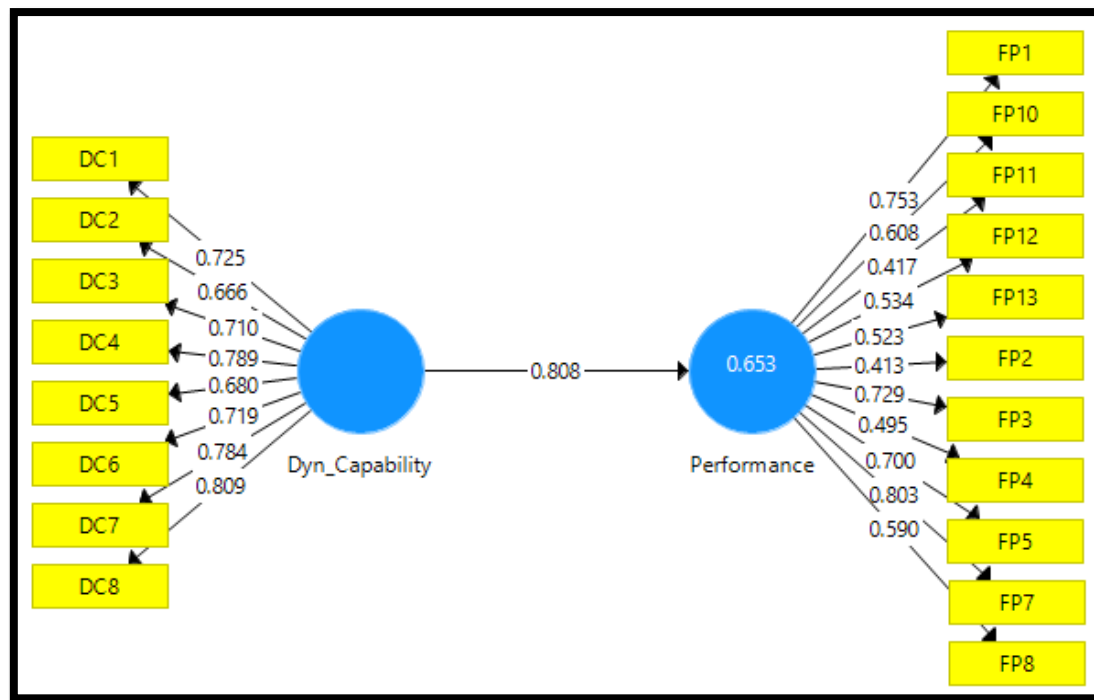


Figure 9 Impact of dynamic capability on performance

Table 10 Model fit indices

Factor	Coefficients	t	Sig.	R ²	SRMR
Dynamic Capability	0.808	23.453	0.000	0.653	0.0143

Table 10 shows that the SEM-based model is effective, as evidenced by the SRMR value of 0.0143, and that dynamic capability exerts a significant positive impact on performance ($R^2 = 0.653$). A 1% change in Dynamic Capability leads to a 0.808% change in overall firm performance. $SRMR = 0.0143$, $\chi^2/df = 1.87$, $CFI = 0.98$, $RMSEA = 0.051$, $PNFI = 0.72$ all within acceptable thresholds. Hence, the higher the level of dynamic capability gained by the IJVs through effective R&D to build novel resources, penetration of new markets, configuring resources of both the Indian and foreign parent companies to take care of specific needs of the Indian market, and the capacity to utilise expansion strategies will contribute immensely towards bettering the performance of the IJVs.

5. Discussion

This study has revealed that the IJVs studied possess a good level of dynamic capability. Further, they are performing reasonably well. Hence, good dynamic capability leads to good performance of IJVs. This outcome is consistent with the results of the study conducted by Zhan and Luo (2008), which found a positive association between the dynamic capabilities of IJVs in developing economies and their performance. This study has also exposed the substantial positive impact of IJVs' dynamic capability on their performance, which is in line with the study by Chen (2013), which suggested that IJVs with strong capability to exploit resources and explore opportunities perform far better than others. Cluster Analysis has exposed that not all the IJVs perform similarly. Some might perform better on certain lines while others may perform exceptionally on other grounds due to their dynamic capability. The result of this study, that IJVs operating in the services sector focusing on foreign markets perform substantially better, is again in line with the results of a study conducted by Niu et

al. (2024) which suggested that IJVs in emerging economies need to utilise resources prudently and upgrade their capabilities persistently if they have to outsmart their competitors. However, this study has suggested that IJVs operating in consumer industries perform worse, which suggests the existence of certain factors related to the sectors in which they operate. This implies that the nature of the industry in which the IJVs are operating might moderate the relationship between dynamic capability and performance, which may be an excellent area to explore in the future. The study's result that IJVs incorporated with the objective of exploiting the resources of property and knowledge outperform those incorporated merely for expanding/diversifying provides strong, empirically tested support for the "Resource-based Theory" from an IJV perspective (Newbert, 2008). This suggests that the strategic intention to incorporate IJVs substantially affects their subsequent performance. This study has shown that IJVs in India manage to configure and reconfigure the resources gained from their parent firms, and those that manage to cater to the business requirements of domestic markets achieve better performance than other firms that fail to do so. This serves as an extension of the existing literature on the application of Dynamic Capability Theory, which is relatively under-researched, especially in the Indian context.

6. Conclusions

The study reveals that Indian International Joint Ventures have developed a solid level of dynamic capability, enabling them to utilise the resources and experiences of their parent firms effectively. This capability has allowed them to adapt to Indian market conditions, manage risks, and improve overall performance. Joint ventures with strong dynamic capabilities have performed well across brand building, capital base, product portfolio, supply chain, and customer loyalty. However, there is scope for improvement in aspects such as innovation speed, customer acquisition, and profit growth. IJVs in the services sector and those with an international market focus tend to show higher capability and performance, while those in the consumer goods sector face challenges. The findings suggest that experience plays a key role in enhancing dynamic capability and performance. To ensure sustained success, Indian firms planning to enter into joint ventures should prioritise strong strategic foundations, resource alignment, and innovation rather than forming joint ventures solely for expansion or diversification. A focus on R&D, flexible leadership, and well-structured partnerships will enhance IJVs' ability to respond to changing environments and achieve long-term growth. Zhan and Luo (2008) have argued that although firms may differ in their level of dynamic capability, those that can utilise it can achieve good performance. This study has revealed that firms utilising their dynamic capability through the rational utilisation of internal resources to exploit the challenges and opportunities presented by the external environment are performing well.

7. Implications and Recommendations

Based on the findings, the following recommendations that represent actionable steps are provided:

Rather than forming IJVs solely to expand or diversify their operations, Indian companies should prioritise IJVs to gain access to resources based on property or knowledge. Integrated joint ventures in the services sector should be given priority over those in the consumer goods sector since they exhibit stronger dynamic capabilities and performance. Integrated Joint Ventures (IJVs) that target both national and international markets perform better than just regional players; hence, businesses should build IJVs with an export focus from the very beginning. New IJVs should make early investments in research and development as well as resource reconfiguration routines. Experienced IJVs (reaching beyond five to ten years) demonstrate stronger skills. Because these were the performance factors that received the

highest ratings, IJV managers should place their primary emphasis on developing powerful brand identities and supply-chain capabilities.

8. Limitations and Future Research

The small sample size, due to a low response rate, is a major limitation of this study. Further, this study relies entirely on the manager's self-assessment of the IJV's performance, which may be subjective despite clear justification for using this method persisting. Finally, this study is based on a cross-sectional design, while a longitudinal design might yield much more reliable results. Future studies should adopt longitudinal designs, multi-respondent surveys, broaden geographic coverage to include North and West India, and examine the moderating influences of ownership structure and cultural distance.

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