Relation between business satisfaction and board dimensions in joint ventures between Spanish and Moroccan SMEs

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Businesses commonly access new markets through joint ventures, and these partnerships may adopt diverse structures of government, among which the Board of Directors often plays a key role. Accordingly, the aim of this study is to observe which characteristics of the Board most affect the success of joint ventures between Spanish and Moroccan SMEs, operating in Morocco. Using a structured questionnaire, we analyse the characteristics of the Board that affect success, as measured by the partners' satisfaction with the performance achieved. The results show that factors influencing overall partners' satisfaction with the joint venture include the existence of external directors, the existence of directors with a significant level of ownership in the partnership, the existence of an audit committee, and the (low) frequency of Board meetings. All these measures can be said to be indicators of the type of control held over the partnership, as a means of ensuring the partners' goals are achieved.

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Introduction

Joint ventures (JVs) have played an important role in the context of international business as a way of expanding business activities and exploiting business opportunities abroad (Mohr & Puck, 2005; Xu, Bower & Smith, 2005) and of creating competitive advantages (Ozorhon, Arditi, Dikmen & Birgonul, 2008). This form of association is a form of growth that makes it possible to ensure survival or increase firms' competitiveness (Mohr & Puck, 2005).

The JV format is often adopted as a means of entering emerging markets (Lee & Beamish, 1995; Prahalad & Hammond, 2002), since these countries often impose restrictions on ownership or access to financing. JVs are considered to be local businesses, and so sidestep barriers to entry (Mohr & Puck, 2005; Freeman, Edwards & Schroder, 2006).

JVs adopt different structures of governance, but frequently include a Board of Directors. In recent years, emerging countries, aware of the importance of governance mechanisms in achieving organization goals and growth, have developed codes of good governance (Radovic, Koprivica & Koprivica, 2010).

The underlying idea is that effective corporate governance mechanisms are associated with better performance by firms (Klapper & Love, 2004; Rajagopalan & Zhang, 2008). In studying this relationship, note should be taken of the domestic context (weak legal environment, market characteristics, culture, labour market and the degree of competition) of the JV under study (Sánchez-Ballesta & García-Meca, 2007; García-Meca & Sánchez-Ballesta, 2009; Ngobo & Fouda, 2011). The decision regarding the type of corporate governance to be adopted, in emerging markets such as Morocco, can be derived from contextual or cultural factors. So Board should be a governance structure proposed by the foreign partners to control local partners.

In general, previous studies have mainly analysed corporate governance structures in developed countries (Daily, Dalton & Cannella, 2003; Rajagopalan & Zhang, 2008), with authors such as La Porta, Lopez-de-Silanes, Shleifer and Vishny (2000) observing that most emerging economies do not participate in international financial markets due to their weak government structures. As a result, the question of corporate governance for companies located in emerging countries has not been studied in depth.

Moreover, fewer studies, overall, have been made of corporate governance in SMEs than in listed companies (Uhlaner, Wright & Huse, 2007). Most research in this field takes as a starting point the need for greater transparency in the market and, above all, for greater protection for shareholders, and both these questions are of less significance with respect to SMEs.

Nevertheless, in recent years the study of corporate governance has been extended to the field of SMEs due to the important role they play in economies, in both developed and in emerging countries. However, the research carried out to date has been limited and fragmented (Huse, 2000). Hence, there is a need to study the specific mechanisms of governance and their relationship with the success of this type of companies, in order to ensure their continuity.

Success can be measured through performance, in the sense of achieving goals or of the parties' satisfaction with the performance (Beamish & Delios, 1997; Lin & Germain, 1998).

SMEs form a very significant part of the business fabric in most economies (European Network for SME Research, 2004; Argente-Linares, López-Pérez & Rodriguez-Ariza 2012), and in this paper, we study corporate governance in JVs between Spanish and Moroccan SMEs.

According to the Organization for Economic Co-operation and Development (OECD), (2005), SMEs account for 95% of the productive base in the Moroccan business economy. In this respect, it is very important to understand the mechanisms of governance that are associated with business success, as measured by the partners' overall satisfaction with company performance.

Few studies have specifically examined SMEs, and fewer still those in emerging countries (Lu & Beamish, 2009). Since corporate governance and performance may vary widely between small and large businesses, there is a need to study the JVs formed between SMEs and to identify which specific mechanisms of good governance increase company/partnership performance.

The Moroccan economy has facilitated the entry of foreign firms by means of equity JVs with local partners. Geographical proximity, existing agreements and business relations maintained over several decades – during which Spain has represented Morocco's second largest export market – have contributed to a significant proportion of these JVs being created with Spanish companies.

In view of this context, the main objective of the present study is to contribute to research on corporate governance and success in such partnerships in emerging economies, with the Moroccan economy as our point of reference.

This paper studies Board of Directors' structure. The analysis of its composition and function may be explaining the degree of member satisfaction with the performance of the JV. Therefore, the aim of this study is to analyse the relationship between the degree of partner satisfaction with the performance achieved by the Spanish-Moroccan JV and three key factors: the composition of the Board of Directors (percentage of external directors and President-CEO duality), the existence of directors with a significant equity holding in the JV and the existence or otherwise of an audit committee. In this, our major contribution is that we test several hypotheses in a new context that may not have been studied before.

The rest of this paper is structured as follows: in the following section, the review of prior literature on corporate governance, focusing primarily on the role of the Board and on its influence on the satisfaction perceived by the members of Spanish-Moroccan JVs. Then, we present our research hypotheses. The third section describes the methodology used to test these hypotheses and the fourth presents the results obtained. Finally, we detail and discuss the conclusions drawn from this study.

Review of prior studies and presentation of hypotheses

The mechanisms of governance adopted by firms depend on the legal and institutional environment in which they operate (García-Meca & Sánchez-Ballesta, 2009). Moreover, the specific characteristics of the firm (size, age, strategy, industry or composition of ownership) can also account for differences in governance mechanisms (Weir, Laing & McKnight, 2002), depending on the control relations established.

Composition of the Board of Directors

From the perspective of agency theory, the need to implement control mechanisms arises from the divergence of interest between ownership and management. Agency problems or conflicts occur primarily because both sides of the relationship – the principal (partner) and the agent (manager) – seek to maximize their own profit; one aim may negate the other, and in these circumstances the agent might not act in the principal's best interest (Ibrahim & Samad, 2011).

Evaluation of the partners' satisfaction and the prevention of possible disagreements among the partners are among the most important of the Board's responsibilities. Therefore, Boards must be independent of both the company management and of its shareholders and partners. This independence can be established through an appropriate structure and composition. In this respect, the *Moroccan code of good corporate governance practices* (2008) stresses the role of non-executive directors and the separation of powers between the President and the CEO, although the latter is not mandatory for companies in Morocco.

Non-executive directors. The ability of the Board to develop its service, strategy surveillance and control-providing role depends largely on its composition (Pearce & Zahra, 1992). From the perspective of agency theory, the presence of outside directors on the Board represents an important management tool when there are conflicts of interest between owners and managers (Jackling & Johl, 2009). Thus, control mechanisms can be established to protect owners from the opportunistic behaviour of their managers.

With respect to control, the Board can exercise its supervisory duties more efficiently if it is composed mainly of outside directors; although inside directors might possess more direct information, they will tend to exercise less strict supervision, as interested parties (Hermalin & Weisbach, 1988).

Accordingly, one might expect to see a higher proportion of outside directors, thus ensuring independence, enhancing control of the JV, reducing the agency costs that could result from a lack of control and producing increased partners' satisfaction from the JV project (Jackling & Johl, 2009; Baysinger & Butler, 1985).

In the Moroccan context, the legal control imposed is very light in relation to the protection afforded to shareholders (World Bank, 2011). Therefore, it is necessary to strengthen internal control mechanisms for companies to successfully achieve their goals. In this sense, the presence of independent external directors is presented as a mechanism to promote internal control (Peasnell, Pope & Young, 2005; Dahya & McConell, 2007). Following the agency theory, it is expected that the increased presence of outside directors on the Board of a JV would have a positive impact on the degree of partners' satisfaction obtained from the project (Wagner, Stimpert & Fubara, 1998; Hossain, Prevost, & Rao, 2001; Peasnell, Pope, & Young, 2005; Dahya & McConell, 2007; Jackling & Johl, 2009; Muller-Kahle & Lewellyn, 2011; Van Essen, Van Oosterhout & Carney, 2012). In accordance with this idea, the following hypothesis is proposed:

Hypothesis 1: There is a positive relation between the proportion of outside directors and the degree of satisfaction obtained by JV partners in Spanish-Moroccan SMEs.

President-CEO duality. When the President of the Board of Directors is simultaneously the company CEO, a situation that frequently occurs, this can have a negative effect on the activity, independence and professionalism of the company's supervisory bodies, which then tend to exercise a less stringent control function (Denis & McConnell, 2003).
One of the main tasks of the Board is to evaluate the management team, especially the CEO. Therefore, if the person who manages the company at the same time presides over Board meetings and controls the internal information provided about the JV, one might question the Board's capacity to assess and, if necessary, replace the CEO (Jackling & Johl, 2009; Abdullah, 2004).

In the same line, Jensen (1993) considers that the concentration of power in one person's hands can lead to decisions being taken in their own interest instead of taking into account the other stakeholders in the JV. In a country with a low level of legal control, it is necessary to strengthen the governance mechanisms of partnerships, to ensure that all company objectives are met.

Certainly, the fact that the President and CEO are one and the same person might reduce potential conflicts of interest, but the separation of the two powers would enhance the supervision of the company and better ensure the success of the partnership. From these arguments, and following previous studies (Elsayed, 2007; Ramdani & Van Witteloostuijn, 2010; Mahadeo, Soobaroyen & Hanuman, 2012), the following hypothesis is proposed:

Hypothesis 2: There is a negative relationship between the President-CEO duality of power and the satisfaction derived by JV partners in Spanish-Moroccan SMEs.

Significant equity holding by company directors

Participation by company directors in its ownership is considered a mechanism that can potentially reduce opportunistic behaviour (Brunninge, Nordqvist & Wiklund, 2008; Florackis, Kostakis & Ozkan, 2009; Boyd, Haynes & Zona, 2011; Van Essen *et al.*, 2012). For Fama and Jensen (1983a & 1983b), conflicts arise when the agents responsible for taking company decisions do not have a major stake in it, i.e., when their decisions do not significantly affect their own wealth.

In this sense, following the hypothesis of convergence of interests (Morck, Shleifer & Vishny, 1988), it is believed that if these agents have a direct stake in the company, when decisions are to be taken, their own wealth will be affected thereby. Accordingly, these decisions will tend to be aimed at maximising this wealth, and so will contribute to increasing the JV partners' satisfaction with the performance.

From the above arguments, it can be said that the level of company directors' shareholdings will influence the success of the JV. Most previous studies have demonstrated the existence of a positive relationship between the performance and company director equity participation, when the latter is less than 1% (Morck *et al.*, 1988; Hermalin & Weisbach, 1988; Holderness, Kroszner & Sheehan, 1999) and some studies have found similar results for percentages above 5% (Earle, Kuscera & Telegdy, 2005; Kim, Kitsabunnarat-Chatjuthamard & Nofsinger 2007). Based on previous studies (Morck *et al.*, 1988; McConnell & Servaes, 1990) and on the idea of the existence of a relation between the percentage of company shares held by its directors and the success achieved by Spanish-Moroccan JVs, we propose the following research hypothesis:

Hypothesis 3: There is a positive relationship between the significant participation of company directors in its ownership and the satisfaction derived by JV partners in Spanish-Moroccan SMEs.

Audit committee

One of the Board's functions, when required, is the establishment of specialised committees (Setia-Atmaja, 2009). The main task of these committees is to assist the Board and facilitate the development of its activities (Zahra, 1990) through their specialisation in specific tasks (Klein, 1998). The audit committee is one such body. The main responsibility of this Board Committee is to ensure the accuracy of the company's published accounts (Fernandez & Arrondo, 2007). The presence of this committee alleviates agency problems, heightens control, provides objective information and reduces information asymmetries (Setia-Atmaja, 2009), thereby achieving lower costs in this respect and increasing partners' satisfaction with the performance. In accordance, we propose the following research hypothesis:

Hypothesis 4: There is a positive relationship between the existence of an audit committee and the satisfaction derived by JV partners in Spanish-Moroccan SMEs.

Partners' satisfaction

One of the purposes of corporate governance mechanisms is to control and improve business performance. Most studies focus on objective measures of financial performance, among which are measures of profitability, growth and cost (Geringer & Hebert, 1991; Ren, Gray & Kim, 2009). However, such figures can be difficult to obtain in JVs (Ren *et al.*, 2009; Oxley, 2009), especially for JVs between SMEs in emerging countries, and even more so if they are located within an economy, such as that of Morocco, where there is no obligation to disclose financial information (Covin & Slevin, 1989).

Thus, taking into account that the continuity of this form of partnership is strongly influenced by the achievement or otherwise of its objectives (Geringer & Hebert, 1991; Glaister & Buckley, 1998; Yan & Zeng, 1999), qualitative information is used to evaluate company performance (Anderson, 1990). One performance measure used is that of the partners' satisfaction with the performance achieved by the JV proposed by Covin and Slevin (1989), measured through the perception about sales level, sales growth rate, cash flow, return on equity, gross profit margin, net profit from operations, profit to sales ratio, return on investment, and ability to fund business growth from profits.

The use of non-financial measures is based on alternative ways of measuring success, such as partners' satisfaction with business performance (Woodcock, Beamish & Makino, 1994; Brouthers, 2002; Wang & Suh, 2009). The standard means of obtaining qualitative information is through surveys. Despite certain deficiencies (Ren *et al.*, 2009), they are accepted as a valid form of measurement in contexts like the present (Geringer & Hebert, 1991; Kale, Dyer & Singh, 2002). Existing information on JVs between SMEs is often scant, and so it is necessary to resort to questionnaires (Huse, 2000).

Therefore, this paper starts from the idea that the choice of a given governance mechanism does impact on management practices, and in turn this influences the success or otherwise of the partnership (Klapper & Love, 2004; Rajagopalan & Zhang, 2008). The mechanism of corporate governance, namely the Board of Directors of the JV, can determine whether or not the JV achieves its objectives and, thus, meets the partners' expectations. Previous studies have shown there is a possible relation between the dimensions of the Board and the level of partners' satisfaction (Morck *et al.*, 1988; Yermack, 1996; Davis, Schoorman & Donaldson, 1997; Carter, Simkins & Simpson, 2003; Lin, 2005; Jackling & Johl, 2009).

Research methodology

Sample

This study was focused on equity JVs between Spanish and Moroccan SMEs. According to information provided by the Moroccan Ministry of Foreign Trade, in September 2009 there were 720 companies participating in this type of association. After eliminating those which had ceased trading or whose contact details were incorrect, the final study population was comprised of 645 valid companies, which were commercially active in diverse economic sectors.

As preparation for this study, we conducted a structured survey addressed to the CEOs of SMEs incorporated as equity JVs, who are considered to be the most appropriate respondents according to Ghobadian and O'Regan (2006). A total of 210 valid completed questionnaires were received during October 2009, representing a response rate of 32.5%. The confidence level was set at 95% and sampling error was 5.6%. The JVs that did not have a Board of Directors are excluded from this study, and thus the sample was reduced to 76 companies. After eliminating those presenting data errors and/or extreme values for some of the variables selected, the final sample was composed of 72 JVs. In this respect, previous researches, that have addressed the study of IJVs from different perspectives, have also taken into account a similar number of companies to this work (Sim & Ali, 2000; Child & Yan, 2003; Choi & Beamish, 2004; Ozorhon *et al*., 2010).

Definitions of variables and measures

Dependent variable

Satisfaction. This variable is obtained from the scale used by Covin and Slevin (1989), a 5-point Likert scale expressing the level of partners' satisfaction with the performance, with 5 being complete satisfaction, and 1 no satisfaction. This variable was measured through the perception about different items (Table 1)

Independent variables

External directors. Defined as a proportion of external directors in the company (Jackling & Johl, 2009).

Duality of President and CEO. Constructed as a dichotomous variable that takes the value 1 if the President of the Board is also the Managing Director of the company, and the value 0 otherwise (Elsayed, 2007).

Significant equity holding by directors. Constructed as a dichotomous variable that takes the value 1 if Board members have a significant equity holding in the company (over 5%), and the value 0 otherwise. According to Kim *et al.*, (2007) and Earle *et al.* (2005), a shareholders ownership of 5% of the firm's outstanding shares is considered a significant equity holding in the company.

Audit Committee. Defined as a dichotomous variable that takes the value 1 if the company has an audit committee, and the value 0 otherwise.

Table 1: Satisfaction's items

Items	Mean
Sales level	2,90
Sales growth rate	3,59
Cash flow	2,40
Return on shareholder equity	3,46
Gross profit margin	2,95
Net profit from operations	2,55
Profit to sales ratio	3,24
Return on investment	2,87
Ability to fund business growth from profits	2,46
TOTAL SATISFACTION	2,94

Control variables

Four Board-related control variables were included: the presence of women on the Board, the presence of members of different nationalities, the size of the Board and its activities. Other variables included concerned the industry sector and the age and size of the JV. The **presence of women** was measured as a dichotomous variable taking the value 1 if there were women on the Board of Directors of the JV, and 0 otherwise. The existence of a **Joint Board** was measured as a dichotomous variable taking the value 1 if there were members of both nationalities on the Board of Directors of the JV, and 0 otherwise. The **Board size** variable reflects the number of members of the Board (Yermack, 1996; Eisenberg, Sundgren & Wells, 1998; Gabrielsson, 2007). The **activity of the Board** measures the number of Board meetings held each year (Vafeas, 1999). The **sector** is a discrete variable that measures the activity sector of the JV according to the 11 categories of the NACE code. The **age of the JV** is described by the number of years it has been in business (Pak, Ra & Park, 2009). **Company size** is measured by the number of full-time employees. In the final model, the board size, joint board, presence of women and joint venture size were not finally considered because these are not significant. So this extends the degrees of freedom and increases the model fit.

Results and analysis

Analysis of descriptive statistics

Table 1 shows that the average partners' satisfaction of the JVs in our sample is 2.94. As this question was rated on a 5-point scale, this means that the JV partners in this sample express a medium-high degree of partners' satisfaction with the performance achieved. This satisfaction is low or very low for 37% of the JVs, intermediate for 19% and high or very high for 44%.

The President of the Board is at the same time the CEO of 44% of the JVs, and in 68% of them there are Board members with significant equity ownership. There are non-executive directors in 59% of the JVs. On average, 5 Board meetings are held each year, and 54% of the JVs have an audit committee.

Finally, with respect to age, the JVs in our sample have an average age of about 17 years.

Correlations between variables

Table 2 shows the coefficients of correlation. These correlations are low, and so there are no problems of multicollinearity between the variables. To assess the degree of multicollinearity, the inflation variance factor (IVF) was analyzed for all the variables and, in all cases, it can be said that there is no such problem. Specifically, while IVF values below 10 are acceptable (Gujarati, 2004) and, in general, the existing literature on the subject recommends values below 5 (Hair, Anderson, Tatham & Black, 1999), in this sample, they are all below 2.

Research model

A model of ordinal logistic regression was used to test the study hypotheses; these results are shown in Table 3.

$$\text{Satisfaction}_i = \beta_0 + \beta_1\text{External Board members} + \beta_2\text{Duality President-CEO} + \beta_3\text{Significant equity holding} + \beta_4\text{Audit Committee} + \beta_5\text{No. of Meetings} + \beta_6\text{Sector} + \beta_7\text{JV age} + \varepsilon_i$$

Table 2: Descriptive statistics

Panel A: Statistical summary of the variables			
	N	**Mean**	**Standard deviation**
Satisfaction	72	2,94	1,491
External members of the Board	72	0,59	0,33
Duality: President-CEO	72	0,44	0,500
Significant equity holding	72	0,68	0,470
Audit Committee	72	0,54	0,502
No. of Board meetings	72	4,71	3,590
Sector	72	6,01	4,103
JV age	72	16,86	15,623
Panel B: Distribution by satisfaction			
Category	**No of joint ventures**	**Per cet**	**Accumulated per cent**
1	16	23,2	23,2
2	10	14,5	37,7
3	13	18,8	56,5
4	16	23,2	79,7
5	14	20,3	100
Total	72	100	

Table 3: Coefficients of correlation

	1.	2.	3.	4.	5.	6.	7.	8.
1. Satisfaction	1							
2. External members of the Board	**,26***	1						
3. Duality: President-CEO	-,23	-,21	1					
4. Significant equity holding	**,30***	,07	-,11	1				
5. Audit Committee	**,34****	,09	-,02	,05	1			
6. No. of Board meetings	**-,28***	,05	,21	-,20	-,03	1		
7. Sector	**-,42****	-,02	,05	-,23	**-,32****	-,01	1	
8. JV age	-,10	,22	,02	-,05	-,08	,10	,03	1

* p< 0.05 **p< 0.01

Table 4: **Results of the ordinal regression analysis (N=72 joint ventures)**

Variables	Coefficients	Wald
External Board members	1,34	9,43 (0,44) **
Duality: President-CEO	-0,44	1,76 (0,33)
Significant equity holding	0,81	5,68 (0,35) *
Audit Committee	0,96	9,29 (0,34) **
No. of Board meetings	-0,13	7,54 (0,32) **
Sector	-0,08	4,25 (0,04) *
JV age	-0,02	4,13 (0,01) *
Hosmer y Lemeshow: Chi-square= 46,58 (Sig. ,000) Cox & Snell R^2: 0,48 Nagelkerke R^2: 0,50		

* p< 0,05 ** p< 0,001

With respect to external directors, the results obtained show that there is a statistically significant positive relation between the presence of external directors and the satisfaction of the JV partners in Spanish-Moroccan SMEs. These results verify Hypothesis 1 and are consistent with those obtained by previous studies (Baysinger & Butler, 1985; Jackling & Johl, 2009). Our study sample is located in an emerging country (Morocco) where legal controls on business are weak (World Bank, 2011), which makes it necessary to strengthen internal control mechanisms. In this sense, from the perspective of agency theory, the presence of non-executive directors in JVs enables better control when conflicts arise between ownership and management. Moreover, their presence reinforces supervision over management and prevents potential opportunistic behaviour that could reduce the owners' wealth, thereby reducing agency costs and increasing the partners' satisfaction with the performance.

The results obtained show that the existence of a duality of powers between the President and the CEO of a JV is negative, but not to a statistically significant degree, with respect to partners' satisfaction. These results are in accordance with those obtained by other authors (Vafeas & Theodorou, 1998; Elsayed, 2007) and lead us to reject Hypothesis 2. It is conceivable that this relationship might depend on a number of other factors that have not been considered in this study, such as conflicts among partners or factors of a cultural type, among others. Therefore, our results show that control is best measured by means of other mechanisms, such as a significant level of equity ownership by the directors, the presence of external Board members or the existence of an audit committee.

When directors have a significant stake in the capital of the JV, this has a positive impact on partners' satisfaction. This result is consistent with the findings of Morck *et al.* (1988) and McConnell and Servaes (1990), and thus it can be concluded that significant equity ownership by the directors of a JV tends to reduce opportunistic behaviour by its managers. As their own wealth is at stake, when decisions are taken, priority will be given to maximising their value for the JV, which will enhance the partners' degree of satisfaction with the performance achieved. These results support Hypothesis 3.

The presence of an audit committee, as a mechanism of control within the JV, is related positively, and to a statistically significant degree, with the level of partners' satisfaction. This management instrument reduces the agency costs arising from information asymmetries, providing objective information and increasing partners' satisfaction with the performance. It also increases the internal control of the JV. As we saw earlier, this is an important issue in the context of an economy where legal controls are light. The presence of a mechanism such as the Audit Committee is necessary to ensure internal control, to reduce opportunistic behaviour and, consequently, to increase partners' satisfaction with the performance. The above findings lead us to accept Hypothesis 4.

Regarding the control variables used in this study, three of them proved to be statistically significant: the number of Board meetings, the business sector in question and the accumulated years of JV establishment all negatively affect performance. Thus, the firms in which partners express greatest satisfaction with the performance achieved are those which are younger and which do not hold frequent Board meetings. Regarding the latter variable, we believe that a high frequency of Board meetings tends to reduce a JV's capacity for control and management, and increase its costs, thus reducing the level of satisfaction of the JV partners. In this regard, authors such as Jensen (1993) argue that increasing the frequency of meetings limits the opportunities for external directors to exercise effective control over management.

Therefore, it is preferable for the Board of Directors to be relatively inactive, because increased activity means less supervision of management and, consequently, impaired results (Vafeas, 1999), and reduced partner satisfaction. Moreover, considerable costs are associated with Board meetings, including management time, travel expenses and the remuneration made to Board members for each session attended (Vafeas, 1999). Furthermore, the sector in which the JV operates is also related to the partners' satisfaction with its performance.

Conclusions

Geographical proximity and the close trade relations with Spain (Morocco's second largest export market) over many decades have led to a significant number of Moroccan companies entering into JVs with their Spanish counterparts. Many of these JVs have adopted the Board of Directors as their mechanism of governance. Previous studies have analysed, separately, how certain aspects of the Board affect the level of partners' satisfaction with the performance. In the present study, we set out to observe the impact of all these aspects, to determine which ones have a significant influence. We conclude, in agreement with previous studies, that there is a possible relation between a given dimensions of the Board of Directors and the efficiency achieved by the organisation (Holderness *et al.*, 1999; Abdullah, 2004; Jackling & Johl, 2009).

The results obtained in the present study highlight which factors related to the Board of Directors require greatest attention in JVs between Spanish and Moroccan SMEs, for partners' satisfaction with their performance to be maximised. Let us recall, too, that this satisfaction is crucial to the continuity of the JV.

Our study reveals that partners' overall satisfaction with the JV is influenced by the dimensions of the Board of Directors. Moreover, the degree of partners' satisfaction with the performance is greater when there are external directors (with a greater degree of independence in their functions and decisions), when the directors have a significant level of equity ownership, when there is an audit committee and when the frequency of Board meetings is low. In this sense, in the research a high satisfaction is considered, when this variable takes a value greater than 3.

All of these governance mechanisms enhance partners' satisfaction with the JV's performance, as a consequence of reduced agency costs. These mechanisms contribute to strengthening internal control, and enable greater supervision to prevent opportunistic behaviour by managers. As a result, the JV is better managed, which increases the partners' satisfaction with its performance.

Finally, with the very evident internationalisation of the economy and the importance of an appropriate choice of JV as a means of introducing companies into new markets, we are faced with an issue of obvious interest. Therefore, further studies are needed to acquire a better understanding of the relationship between different mechanisms of corporate governance and the partners' satisfaction derived from JVs between SMEs in emerging economies.

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