Looking inside International Joint Ventures: an Investigation into Working Relationships between Local and Expatriate Employees in the Context of a Sino-German Car Manufacturing Joint Venture.

Marc-Timo Schmitt

Thesis submitted to the University of Surrey in fulfilment of the requirements of the degree of Master of Philosophy.

Surrey European Management School
University of Surrey
April 2006
ABSTRACT:
The focus of this thesis is an investigation into the performance of working relationships between local and expatriate employees in International Joint Ventures. Possible performance differentials of working pairs of expatriates and local IJV employees are investigated. The literature reviewed and the existing theoretical framework that emerged, underlined the assumption that the performance of working relationships might impact on the overall success of international joint ventures. Initial exploratory research also underscored this.

The research builds upon the existing theoretical framework and thus is an extension of research into IJV performance differentials. Previous studies into international joint venture performance differentials tended to focus on external factors, resulting in a limited theoretical framework of how IJV internal events might impact on the organisational performance. To allow for the investigation of IJV internal processes, the research draws significantly on previous work examining Business Relationships (BRs) within international joint ventures.

This study was conducted using qualitative research methodologies. The chosen research method, participant observational research, allows for an in-depth examination of the situation within a particular organisation, department and relationship. Limiting the scope of the research sample allowed for the collection of rich qualitative data.

The research setting was within one particular international joint venture. Within this organisation, the research focus was on a set of ten working relationships between
Chinese and German managers. These ten working relationships were presented with similar clearly communicated organisational goals, identical external circumstances and had comparable resources at their disposal.

The performance of the ten relationships was measured and behavioural differences were noted, categorised and analysed. The use of a comparative approach allowed for an investigation of the possible contributors to performance differentials. These were subsequently identified and discussed.

The derived findings support the theoretical case for research into working relationships within international joint ventures, as they show that within this sample there were differences in behaviour and thus in the relationship outcomes. The differing outcomes had consequences for the organisational performance of the international joint venture which were quantifiable and measurable. It was therefore concluded that the relationships investigated might be a contributing factor for international joint venture success.

The patterns identified in the collected data lead to the identification of behavioural patterns within the relationships between local and expatriate employees of the international joint venture which might warrant further research. The analysis indicated that certain behavioural patterns were found in the successful relationships, while other patterns were prevalent in data of the failed teams. The findings contribute to the existing literature in the international joint venture field. This is discussed in detail, together with a discussion of how the findings have relevance for practitioners in the field of international joint venture management.
## TABLE OF CONTENTS:

**ABSTRACT**

1

**CHAPTER I - INTRODUCTION**

11

**CHAPTER II - PREVIOUS STUDIES**

18

2.1 Definitions: International Joint Venture, Equity International Joint Venture and Joint Venture

19

2.2 The Performance of International Joint Ventures

23

2.3 Suggested Factors Influencing IJV Performance

26

2.4 Structural Factors

27

2.4.1 Setting Up the IJV

27

2.4.2 The Local and Global Environment

30

2.4.3 Legal Environment

31

2.4.4 Host Government, Home Government & Geo-Political Situation

34

2.4.5 Country Infrastructure

35

2.4.6 Natural Environment

36

2.4.7 The Economic Environment

37

2.4.8 Stakeholders

38

2.4.9 Developing Countries or International Joint Ventures in the Third World

39

2.4.10 Control of International Joint Ventures

40

2.4.11 Ownership Structures

44

2.4.12 Knowledge and Technology Transfer Through the International Joint Venture

45

2.4.13 Protection of Knowledge in International Joint Ventures

46

2.4.14 Using International Joint Ventures to Gain Technology

4
and Managerial Skills

2.4.15 Transferring Technology and Managerial Skills to the International Joint Venture

2.4.16 Knowledge Transfer and the Individual in an International Joint Venture

2.4.17 Summary of Structural Factors

2.5 Operational Management Factors

2.6 Human Influences

2.6.1 Culture - Organisational Culture, Country Culture and the Impact On BRs Within IVs

2.6.2 Other Human Issues

2.6.3 Human Resource Issues

2.6.4 Expatriates in International Joint Ventures

2.6.5 CEOs Role in International Joint Ventures

2.6.6 Ethics and Ethical Behaviour in International Joint Ventures

2.6.7 Summary of literature into Human Factors

2.7 Multifactor Studies

2.8 Business Relationships in International Joint Ventures

2.9 Why are Business Relationships Between Local and Foreign Staff Important?

2.10 Business Relationships between Local Employees and Expatriates in International Joint Ventures

2.11 Business Relationships within the People’s Republic of China

2.12 The Theoretical Argument for the Study
CHAPTER III - METHODOLOGY

3.1 A Methodological Examination of the Research Aim and Questions

3.2 Observational Research
   3.2.1 Open vs. Covert
   3.2.2 Participative vs. Non-Participative Research
   3.2.3 The Level of Systemisation

3.3 Actual Conduct
   3.3.1 The Stages of the Research
   3.3.2 Exploratory Research
   3.3.3 Gaining Access to the Research Field

3.4 Identifying the Participant Observational Area

3.5 Entering into the Research Arena

3.6 Daily Conduct

3.7 Other Conduct Dimensions

3.8 Analysis of Data
   3.8.1 Performance data
   3.8.2 Observational Data
   3.8.3 Triangulation of the Findings of the Observational Data

CHAPTER IV - CHINA - THE CONTEXT OF THE SAMPLE

4.1 Relationships in Chinese Society - Guanxi

4.2 The Particular JV and Sector

CHAPTER V - DATA PRESENTATION
6.1.3 The Performance of the Ten Teams

6.2 The Behaviour within the Teams
   6.2.1 Co-Operation
   6.2.2 Resource Use
   6.2.3 Decision Making Process
   6.2.4 The Organisation of Work
   6.2.5 Time Management
   6.2.6 Communication
   6.2.7 Behaviour in the Organisational Environment
   6.2.8 Management of Subcontractors and Subordinates

6.3 The Triangulation of the Findings

6.4 Findings and Discussion: Observations Relating to other Studies
   6.4.1 Dual Hierarchies
   6.4.2 The Role of Expatriates in the International Joint Venture
   6.4.3 Impact of the Social Environment on the International Joint Venture
   6.4.4 Guanxi- The Importance of Relationships in China
   6.4.5 Expatriate Loyalty
   6.4.6 Knowledge Transfer Through the International Joint Venture
   6.4.7 Infrastructure

6.5 Summary

CHAPTER VII - CONTRIBUTIONS MADE BY THE RESEARCH

7.1 Theoretical Implications of the Study

7.2 Managerial Implications
7.3 Future Studies 222

CHAPTER VIII - CONCLUSION: 225

REFERENCES 233
TABLE OF TABLES AND DIAGRAMS:

TABLES:

Table 5.1: Subcontractors Present in the Body - Shop ........................................ 128
Table 5.2: Resource Requirements Set - Up Stage .................................................. 132
Table 5.3: Resource Requirements for Production .................................................... 133
Table 5.4 Resource Requirements for Analysis ....................................................... 134
Table 5.5 Resource Requirements for Changes ....................................................... 135
Table 5.6: Performance Goal Achievement by the Teams ...................................... 137
Table 5.7: Quality Improvement Cycles ................................................................. 138
Table 6.1: Similarities Faced by the Teams ............................................................ 183
Table 6.2: Observed Similarities ............................................................................. 184
Table 6.3: Dimensions of Observed Behavioural Difference .................................. 192

DIAGRAMS:

Diagram 5.1: Project Outline .................................................................................... 129
Diagram 6.1: Behaviour and the Link to Output ....................................................... 187
CHAPTER I
INTRODUCTION

There has been considerable growth in co-operative business ventures over the last century (Dicken, 1992; Taggart & McDermont, 1993). This paper focuses specifically upon one of the co-operative methods; International Joint Ventures (IJVs). Harrigan (1984b) defines an operating joint venture as a "... partnership by which two or more firms create an entity, a 'child' to carry out a productive economic activity. Partners take an active role in decision-making, if not also in the child's operations" (Harrigan, 1984a, p.7). From this definition IJVs may be defined as legally independent companies that have more than one parent company, one from the nation in which the joint venture is situated and another from a foreign country.

With the research area being clearly defined by the definition above and limited to international joint ventures, a review of the existing research in the field was conducted. Having studied the available literature in this field, one research question was repeatedly investigated. The question being why some joint ventures succeed where so many fail. Numerous hypotheses were investigated and numerous methodologies were used to investigate the issue, however none came to a satisfactory conclusion. A novel approach, as suggested by Parkhe (1993) was therefore needed. The research conducted here is based on two different approaches to the subject matter; a review of the existing literature on international joint ventures followed by in-depth observational research to try and gain insight into such an organisation.
The review of the literature identified a large number of different factors that were investigated as possible contributors to international joint venture performance. The paraphernalia of factors has been highlighted in the upcoming literature review. In addition to the international joint venture, specific literature research in the area of cultural differences, human interaction, business relationships, internationalisation, economics, anthropology, scientific methodology and management were reviewed. From this review it became apparent that the main focus of IJV research was on an organisational level (for example between parents and the IJV) or a national level (e.g. country of origin). There are a number of likely reasons for this, firstly the ease of collecting financial and overall organisational data to a similar standard in large quantities and secondly, an attempt to simplify the situation (also see Parkhe 1993). Having had some limited insight into international joint ventures, it seemed improbable that international joint ventures could be judged from an external point of view. Like Schroedinger’s Cat Experiment, it seemed impossible to judge the true state of an international joint venture from outside of the box. Another problem with assessing the performance based on external factors is the wide range of goals pursued by organisations using international joint ventures and the sometimes unclear communication of these. In the upcoming chapter this point is discussed in detail.

Having identified some fundamental issues raised in the international joint venture literature whilst looking at the international and organisational level, a different approach was considered. The limited experience garnered by the researcher in the field had indicated that the individuals involved within the management of the international joint venture might be a considerable factor in the organisations success. Hoon-Halbauer (1994) used an in-depth research approach into two international joint
ventures in the emerging Chinese car industry. Both companies were faced with similar external circumstances, yet varied widely in their success. The research thus highlights the importance of personal interaction between the people involved in the international joint venture and their managerial behaviour.

A change of focus towards the internal workings of the international joint venture also changes the emphasis of the theoretical basis. It was widened to embrace managerial behaviour and human factors. A cluster of Scandinavian research into business relationships was reviewed, together with research into cross cultural management.

Achieving co-operation in IJV’s may prove problematic as IJV’s are conducted across national boundaries and this may give rise to a number of additional complications (Campbell, 1989). These may be exacerbated if the IJV is located in a developing country (Beamish, 1985). Difficulties might include, for example, cultural differences (Pan, 1996; Nowak & Dong, 1997; Meschi, 1997), language difficulties (Harrigan, 1984), unknown local environments (Schroath, Hu & Chen, 1993) and other organisational and logistical problems, such as the extent of foreign travel (Reynolds, 1984).

Until the mid 1990s IJV research was mainly concerned with investigations into the number of different structural factors of IJV’s, such as the ownership structure (Blodgett, 1991; Franko, 1989), control of the organisation (Geringer & Herbert, 1989; Geringer & Hebert, 1991; Kumar & Seth, 1998; Mjoen & Tallman, 1997), negotiation of IJV contracts (Tse, Francis & Walls, 1994; Brouthers & Banossi, 1997; Contractor, 1984) and the countries of origin of the IJV partners (Schroath, Hu &
Chen, 1998). Relatively few studies have tried to develop an overall understanding of the internal workings of the organisation, as noted by Parkhe (1993). These studies could, on the whole, be assessed as methodologically sound, but the questions asked were often one-dimensional and ignored the internal workings of the organisation (Parkhe, 1993). The studies tend to assume that IJVs would behave like monolithic entries and concentrate upon structural factors (Parkhe, 1993, p. 229-232). Doz & Hamel (1998) emphasise this point and conclude that the non-structural factors of IJVs are of considerable importance and that this aspect of organisational relationships should not be ignored.

It can be acknowledged that IJVs do not exist within a vacuum (Harrigan, 1984b). Their success depends upon external circumstances and upon the managerial decisions taken (Campbell, 1989). This present study departs from looking at external and organisational structured factors and focuses instead upon the individuals involved in the organisation. These individuals are required to implement the IJV and make it work (Hoon-Halbauer, 1994). Hoon-Halbauer (1999) emphasises a number of different relationships, those between the IJV parent companies, the relationships between the parent companies and the IJV and the relationships between the expatriates and local employees. The research is an extension of Hoon-Halbauer’s (1994 & 1999) research and examines the relationships between the local and expatriate employees of the IJV in detail. The research focuses upon the individual level. In particular, the question of, whether business relationships between the local and foreign employees are important for the success of IJVs is investigated. The investigation was conducted through an examination of business relationship performance differentials within such an organisation.
Since there has been no previously established framework for investigating BRs within IIVs, there was no developed understanding as to how BRs function within IIVs, nor any understanding of how the BRs impact upon the IIV. In order to develop this insight, exploratory qualitative research was used. The research method was participative observational research which would allow for the development of insights (Friedrichs, 1990) into BRs in IIVs. The research was conducted within a Sino-German Joint Venture in the emerging Chinese car industry. The specific research context is of considerable importance, especially as the qualitative nature of the research did not aim to find a universal state. In other words, the depicted situation may be the situation in China or the specific circumstances found within the IIV. Schroath, Hu & Chen (1993), for example, argue that the country of origin of the foreign IIV parent has an influence on the performance of a Sino-foreign joint venture.

The importance of the situation with regards to the findings, resulted in two specific sections within this text. These sections aim to provide the detailed background information needed to establish the context to the investigated sample. The specific information can be found in the chapter on China which briefly outlines the country specifics relevant to the cases. Furthermore, the situation within the IIV is described in a dedicated section in the data chapter.

As the focus is on the performance of teams of local and expatriate managers of the particular IIV, a measure of the performance of these teams had to be devised. Within the IIV the researcher identified a situation, particularly suited for three reasons.
Firstly, there was an established organisational measure of the performance of the teams. Secondly, the teams were faced with similar organisational circumstances and had been given the same clearly defined goal. Furthermore, the teams were established at the same time and the qualifications, experience and background makeup of the teams was similar. The data provided in the data chapter supports this clearly and a theoretical argument is presented in the methodology chapter.

The identified cases were not only investigated for performance differentials, but also detailed observations with regards to the conduct of the individuals within the teams. The interactions between the team members, as well as the managerial approach adopted by the teams, was observed. Through comparison of the teams’ conduct, especially when taking the team performance into account, different patterns were identified. These findings may then explain any identified performance differentials. Having said this, the research methodology did not allow for causality to be established.

Once the data collection had been completed, it was analysed according to the conventions identified in social science methodological literature (see methodology chapter). A detailed explanation of the employed methodology, as well as the argumentation for the research approach used can also be found in the methodology chapter.

The analysis revealed relative performance differentials among the teams. Using a comparative approach, the behaviour of the teams was examined and differences and similarities were discovered. This analysis was contrasted with the performance of the
teams and resulted in a number of different parameters being identified. These findings are outlined in the data analysis. Additionally, the possible effect of these factors on the performance of the teams is discussed. From these results the case is presented that the relationships and the conduct of the local and expatriate managers of an IJV could be an important factor for overall IJV performance. The results were discussed, for triangulation purposes, with German and Chinese managers with IJV experience. This is summarised in the data chapter.

In addition to the data, the analysis and the discussion of the findings, the final part of the document contains a discussion of possible future studies as well as the possible managerial implications of the findings.
CHAPTER II
PREVIOUS STUDIES

A number of distinctive steps have taken place to spark the initial interest in the research area, and the subsequent focus on the research of a particular research question. As Friedrichs (1990) argues in his review of social science methodology, personal interest often lies at the heart of the initial research phase. The research trigger here was certainly of such a personal nature. The author has been closely involved in the management of two particular Sino-German joint ventures and has been following their development over a considerable time. This interest in the subject matter was deepened by researching international joint ventures and the goals pursued by their joint venture partners. Having selected the area of interest as being the management of international joint ventures, the author embarked on an extensive literature review. During this the research interest was further distilled and the theoretical justification for the work presented below was developed.

As discussed in the introduction the success factors of international joint ventures have been investigated in numerous research studies, however thus far no conclusive research has been presented. Previous research in the international joint venture field by the author has provided the author with insights into the field. Furthermore the author has been in close contact with managers involved in international joint ventures. When approaching managers with the current state of the literature, as presented below, the comment was numerously forthcoming that there seems to be little insight into the internal workings of international joint ventures. This point was duly noted and provided useful insight and guidance throughout the research process.
The study was conducted with a focus on IJV literature, however, other management literature and social science literature was taken into account where appropriate. The main argument takes existing research into the performance and management of IJVs and uses the findings to develop a case for the undertaken investigation. In addition, studies into business relationships are reviewed and incorporated into the thesis. The focus of the study is the impact of business relationships between the expatriate and local employees on the IJV, with particular emphasis on the performance of IJVs. Prior to reviewing the literature which is directly related to business relationships within IJVs, the definition of this organisational form is clarified.

2.1 Definitions: International Joint Venture, Equity International Joint Venture and Joint Venture:
Generally there seems little tangible difference in the definitions used throughout the international business literature. Some of the studies focus upon particular aspects of IJVs which can be reflected in the definition used. For example, the definition for Equity International Joint Ventures relates to equity contribution by the joint venture partners (Newbury & Zeira, 1997). There are however, three different definitions, those of joint ventures, IJVs and equity IJVs. All these discuss joint ventures, yet the nature of the organisation is slightly different.

A joint ventures is defined as:

"...a business owned jointly by two (or more, in some cases) independent firms, who continue to function separately in all other respects but pool together their resources in a particular line of activity."
(Pass et al., 1995, p.349)
'Joint Venture' as a term encompasses all types of this organisational form. The definition does not differentiate, as to whether the venture has parents from more than one country (as in an IV), whether the co-operation involves equity or whether the joint venture has partners who contribute in the joint venture actively as opposed to a sleeping partner joint venture (Harrigan, 1984b). It is therefore the most inclusive and general definition. Hoon-Halbauer (1994), in her evie of definitions of joint venture summarises the characteristics of a joint venture and through this describes the nature of such organisations elaborately.

"1) More than one firm is involved in a joint venture; i.e. joint ownership is a factor.
2) The joint venture is a separate entity.
3) It involves a long-term perspective.
4) A joint venture represents the pooling of assets/resources - tangible and intangible - of two or more partners.
5) A joint venture is primarily motivated by economic considerations.
6) In most cases (though this is not necessarily the rule), joint venture partners come from one or more different countries.
7) A joint venture is either regulated by corporation law or by contract law."
(Hoon-Halbauer, 1994, p.2)

Harrigan (1984b) emphasises one additional dimension concerning IVs. She differentiates sleeping partner joint ventures from those in which all partners contribute. This differentiation is of importance for this particular research as the partners needed to be actively involved in the venture for relationships between expatriates and locals to exist within the IV. In other words, sleeping partner joint ventures are excluded from this study as these are joint ventures in legal and financial form only, rather than being truly co-operative in nature (Harrigan, 1984b). They lack the operational dimension central to the management of relationships which are of interest here. It should be noted that they are often not distinguished in government or NGO data, and that this can have an influence upon the quality of the data presented by these bodies. Harrigan's (1984b) definition of a joint venture is:
partnership by which two or more firms create an entity, a "child" to carry out a productive economic activity. Partners take an active role in decision-making, if not also in the child’s operations.”

(Harrigan, 1984b, p.7).

Killing (1989) highlights that there are three different types of joint ventures, (1) equity joint ventures, (2) non-equity joint ventures and (3) joint exploration joint ventures. This study disregards joint exploration joint ventures, as the goals of this type of organisation and the governmental influences on this type of organisation, can be significantly different. Furthermore, the study was conducted in an equity JV, concentrating the study on a joint venture where equity was contributed by the partners and that was international in nature. Having said this, the focus of this study is the relationships between the expatriates and the local managers within the JV. The question whether equity is involved in the venture, and hence the distinction whether the joint venture is an equity JV or an JV, is not of fundamental importance, but it is one of the dimensions which might impact upon the relationships. The importance lies in the co-operation between the two groups of people within an organisation to reach an outcome. This co-operation can be found in active JVs, with or without equity involvement.

Equity International Joint Venture (EIJV) is defined by Newbury and Zeira (1997):

"An equity international joint venture (EIJV) is a separate legal organisational entity representing the partial holdings of two or more parent firms, in which the headquarters of at least one is located outside the country of operation of the joint venture. This entity is subject to the joint control of its parent firms, each of which is economically and legally independent of the other" 

(Newbury & Zeira, 1997)
From the above definition the author developed a working definition for IJVs for this study. An IJV may be defined as a legally independent company engaged in economic activity, that has more than one parent company, one from the nation in which the joint venture is situated and another from a foreign country. Furthermore, all partners are actively involved in the management and/or supervision of the organisation.

In this study, the empirical phase of this study was conducted in an equity IJV in the manufacturing sector within the People's Republic of China. If one dissects this statement there are a number of important factors that surface. These being that the joint venture involved equity contributed by both parties, and that one party was not from China and the joint venture was established in a developing country. The World Bank defines a developing country "as one country having a GNP per capita of less than US $ 6000.". China's GNP per capita in 1999 was US$ 780 (World Bank, 2001). (The Oxford English Reference Dictionary, 1996). Furthermore, the organisation had the active involvement of the two parent companies and was therefore not a sleeping partner joint venture.

Approaching the actual research question and limiting the area of research was a continuous process over the first year of research. The literature review provides an overview of this process, at the same time developing the argument from the initial point of interest to the investigated research question.

The initial premise for the research was founded on the fact that many attempts to identify factors that might explain differences in IJV performance had been made, but none had achieved satisfactory outcomes. The high failure rate of IJVs (Beamish,
1985) has been a key driving force in this research, as this was also a pressing managerial issue at the time. The next section investigates JV performance and highlights some of the difficulties encountered in defining this concept, as well as the difficulties encountered in the subsequent measurement of international joint venture performance. This is followed by a review of studies which cite and investigated certain factors that might influence JV performance. The review highlights areas, especially in the internal management of JVVs, that could warrant further investigation. For the author this became the starting point for a detailed discussion of the theory behind the conducted research.

2.2 The Performance of International Joint Ventures:
Performance is an ambiguous term and it is closely linked to the aims of the organisation under investigation. In the United Kingdom and the United States, company performance tends to be assessed by looking at "objective" financial criteria (Drury, 1996). These financial measures cover all areas of business activity and range from the broad company assessment, such as return on investment, to methods to assess particular projects such as pay back or return on investment (ROI). All financial measures have their limitations, but they are often used and are well established in research and business practices in developed countries (Drury, 1996). In this section the case will be made as to why these well-established measures might not be meaningful if one is to assess the performance of JVVs (Drury, 1996; Reid, Walter & Myddelton, 1996; Glautier & Underwood, 1994; Anderson, 1990).
Transfer pricing, management fees, technology fees and supply agreements can have a considerable influence on the perceived financial performance and the actual performance in the eyes of the parent companies (Trosmmsdorff & Wilpert, 1991). In many cases ventures that seem untenable, because they are not generating profits, might actually be profitable to the parents (Reuer, 1998). According to Geringer & Herbert (1989), these practices, even though they are sometimes not strictly legal, are widely used. In their investigation of the performance of IJV s, these are considered the main factors for emphasising the unreliability of financial measures (Geringer & Herbert, 1989). Reuer (1998) argues:

"Discussing IJV effectiveness and IJV management on an abstract level is complicated by other factors. Accounting guidelines are presently not well developed. Parent firms often establish IJVs with non-financial, and less measurable objectives in mind such as obtaining know-how or monitoring competitors. Parent firms may experience a rather uncertain start-up period during which the IJV's scope may shift as trust develops. These considerations and others can make objective performance indicators appropriate for wholly-owned subsidiaries less suited to assessing IJV effectiveness." (Reuer, 1998, p.160)

As the above quote emphasises, the aim of the joint venture parents may not be to make profits, but to gain non-financial benefits. For example, in many developing countries foreign joint venture parents enter into joint ventures in order to develop a market and to gain market share, while the local parents primary concern is the acquisition of managerial and technological know how (Beamish, 1985; Schmitt, 1997; Trommsdorff & Wilpert, 1991; Gullander, 1976). If this is the case, then a joint venture may be successful and perform as intended by the parents even though the financial measures might contradict this. In some cases IJVs are also created to guarantee safe supplies of raw materials, in which case financial measures may also not be appropriate in gauging the performance of the IJV ( Beamish, 1985).
Beamish (1985) has conducted considerable research into JIVs in developing countries. He acknowledges that there are many different aims of JVs and that the performance measures must take this into account. He argues that a joint venture that is successful in the eyes of the parents [which according to Beamish (1985) and Geringer and Herbert (1989 & 1991) is the best way to assess the performance of JIVs] is likely to be stable. Stability is defined in two aspects: the one being stable ownership patterns, the other being the survival time of the joint venture. Beamish argues that these two factors are objective measures to assess performance. Reuer (1998) qualifies the usefulness of stability as a measure, arguing that if an IV is highly successful, a strong partner may be inclined to take it over. This would be misinterpreted as a failed joint venture in a pure stability measure.

Herbert and Geringer (1989 & 1991) have written extensively about performance measures of JIVs. Their work has included some comparative studies that have tried to assess the reliability and meaningfulness of different assessment approaches and measures. They have concluded that subjective measures, in the form of performance assessments by the joint venture-parents, are the most meaningful. They argue that the parents not only understand the structural limitations that are often present in foreign countries (such as legal limitations, lack of infrastructure etc.), but that they are also the only people that understand the goals to be achieved by the IV.

JIV performance is a very ambiguous and convoluted concept. Companies might be following non-financial goals and therefore traditional measures might be misleading.
when assessing IJV performance. These organisations may only be formed to fulfil a certain short-term goal, and hence even closure of the company might not imply failure in the eyes of the IJV stakeholders. It has therefore been argued that when assessing the performance of such an organisation, the qualitative views of the owners and IJV managers might be more meaningful than any other performance measure. Having discussed the concept of IJV performance and considered such fundamental concepts as the definition of IJVs, the author then examined previous research into factors possibly explaining IJV performance differentials.

2.3 Possible Factors Influencing IJV Performance:

With an increase in global IJV activity and a continuing high IJV failure rate, a body of literature emerged, attempting to provide the reader with a recipe for IJV success. The papers by Baird et al. (1990) and Bleeke & Ernst (1991) support this observation.

During the review of existing studies on international joint ventures two observations were made. Firstly, the research is not a coherent body of research with an overall theoretical framework, but a collection of studies with the same research focus. This lack of an overall theoretical framework had considerable consequences for the research and thus on the representation of the literature in this chapter. It was not the aim, and is beyond the scope of this research to unify the different theoretical approaches and research results. However, in the literature review a categorisation of studies was developed in order to provide a basic structure to enable the author to draw some conclusions. Even though categorisation can lead to the omission of certain studies which do not fit into the created framework, every effort has been made to avoid this dilemma.
Four different research approaches have been identified with regard to research on the performance of IJVs. These can be categorised as studies into structural factors, studies into human factors, studies into operational areas of joint ventures and multifactor studies looking at a number of variables and their effect on IJVs. There are certain studies which overlap the category boundaries, and in these cases the studies have only been mentioned once. This method of categorisation has been chosen as it allows the author to provide an overview of the existing work and to development the research arguments.

2.4 Structural Factors:

Structural factors have been identified in numerous studies into IJV activities. Davidson (1987) highlights some of these in his research:

“For example, issues of staffing, operating procedures, transfer pricing, sourcing, technology selection, dividend policy, product line, pricing, cost and investment allocation, market priorities, management control, and many others pose potential fatal obstacles to joint venture survival.”

(Davidson, 1987, p.78)

2.4.1 Setting Up of the IJV

The research grouped into this category focuses on the initial setting up phase. While the mentioned factors have to be taken into account by the management of an international joint venture, they have not proven to be a predictable indicator for international joint venture success.

The path of an IJVs is already shaped prior to the organisation ever opening its doors (Beamish, 1985). The initial conception by executives (Gullander, 1976; Harrigan,
research into the country (Beamish, 1985; Harrigan, 1984a), research into potential partners (Luo, 1998), partner selection (Luo, 1998; Pan, 1997; Contractor, 1984), negotiations (Nair & Stafford, 1998; Contractor, 1984; Ring & Van De Ven; Balakrishnan & Koza, 1993), possible state approval (East Asia Executive Reports, 1997; Gomes-Casseres, 1990) and the signing of contracts all precede the actual opening of the organisation (Campbell, 1989, p.7).

In addition, the following have to be taken into consideration: the product (Lin & Pak, 1999), production method, HRM (Bjoerkmann & Lu, 1997; Sweeney, 1995), location and such fundamental managerial decisions (Davidson, 1987; Inkpen, 1995; Luo, 1995; Gullander, 1976; Killing, 1982). Similar decision making issues would also be a factor if one were to conduct foreign direct investment on a green-field site within another country (Vanhonacker, 1997). However, in an IJV conception process this is further complicated by the reality of two or more parents involved in the decision making process. (Inkpen, 1995; Harrigan, 1984a). Occasionally, international joint ventures are created from existing organisations which are merged into an IJV, further complicating the organisational change processes which might have to take place (Hoon-Halbauer, 1994).

In addition to structural factors, business relationships in the IJV are also being set up at this early stage (Trommsdorf & Wilpert, 1991). There is some evidence that the business relationships between expatriates and local managers create a legacy of business relationships between these groups within the IJV (Hoon-Halbauer, 1994). This legacy is then used as a reference for when new individuals enter into the organisation, and this then shapes the initial business relationships of these
individuals. In other words, a new expatriate entering into an IJV is expected to behave in a certain way (Gould, Ebers & Mc Vicker, 1999). This expectation by local managers is shaped partially by the past behaviour of other expatriates. The same holds true for the expectations of the expatriates (Hoon-Halbauer, 1994).

IJV negotiations have been extensively researched (Nair & Stafford, 1998; Tse, Francis & Walls, 1994; Contractor, 1998; Harrigan, 1984; Killing, 1982). The research has focused on a number of issues - the impact of negotiations on IJVs, country of origin / country of IJV location, specific negotiation techniques (Shan & Hamilton, 1991; Tse, Francis & Walls, 1994; Ho, 1990; Nair & Stafford, 1998), IJV negotiation techniques and the pitfalls of IJV negotiations [see for example Stoughton (1989)] and the discussion of bargaining power and profit sharing. During negotiations the parent companies get acquainted with one another and business relationships often emerge (Campbell, 1989). These business relationships may continue and act as a reference relationship at a personal level during the running of the IJV.

The possible link between the setting up of the IJV and the future business relationships within the organisation highlights the many factors which might impact upon business relationships in the organisation. Some of these factors are discussed and investigated in more detail in the business relationship section (see below). The next section investigates the influence of particular environmental factors upon an IJV (Segal-Horn, 1994; Shan, 1991), and in particular upon the business relationships.
2.4.2 The Local and Global Environment:

In their discussion of business risks, Zhuang, Richie & Zhang (1998) found that executives active in IJVs in China identified the following risks: political risks, exchange risk, cultural risks, environment risks and financial risks. While cultural factors are discussed in a different section of this chapter, the others all come under the heading of environmental as factors discussed here. These factors were identified by managers as being a potential risk, and thus possible influences on the performance of the IJVs.

Economic organisations such as IJVs usually do not exist in a vacuum (Child & Steward, 1997; Friedmann & Beguin, 1971; Campbell, 1989). Companies usually have customers, employees, investors, suppliers etc. and are part of a network i.e. the local and global economy (Campbell, 1989). Shan (1991) argued that many IJVs are created as a response to environmental risk, and tests this theory with regards to IJVs in China. This underlines the importance of environmental factors and their influence upon the organisation. To assess the organisation and its performance without regards to these conditions can be argued to be relatively meaningless. Child & Steward (1997) emphasise the point, stressing that even within a country like China, there are regional differences which are comparable to those between nation states in Europe. The following section reviews the theoretical work as regards the environmental effects on the IJV. The actual situation found in the IJV under investigation is discussed in the data chapter below.
2.4.3 Legal Environment:

The country in which the IJV is to be set up has considerable influence upon the organisation (Campbell, 1989). The legal framework which exists within the country and region of activity usually legislates on how business is to be conducted (Trommsdorf & Wilpert, 1991). Legal regulation within a country can cover many different issues such as employment law, taxation, environmental laws, contract law etc. Each of these may have an impact on the IJV, and the effect of these laws depends upon the nature of the laws and the business and business methods used (Trommsdorff & Wilpert, 1991). For example, a joint venture which is engaged in producing nuclear power might have to take local environmental laws into account, whilst a joint venture involved in financial product sales might not need to be concerned with these matters.

Some legal requirements have however, been specifically designed to regulate joint venture activity in a country, for example the limitations on foreign ownership (Franko, 1989). China for example, regulates the amount of foreign direct investment into the country (Vanhonacker, 1997). The Chinese government stipulates that in certain sectors of the economy only IJVs are allowed and that foreign companies, depending upon the size of the planned joint venture, have to apply to certain levels of government to get a business license (East Asia Executive Report, 1997; Trommsdorff & Wilpert, 1991). The application process is very formalised and forces the joint venture partners to outline certain issues, deemed by the government to be of importance (Campbell, 1989; East Asian Executive Reports, 1997). This is just one specific, and in this case a relevant example of how countries legislate specifically for joint ventures.
Rather than regulating businesses through existing laws, countries can use exemptions (such as tax or duty exemptions) to attract businesses and to influence the location of business activity. Many countries operate tax breaks for companies that are set up in deprived areas, or as in the case of China within special economic development zones. Setting-up within these zones can have a considerable impact upon the company's competitive position (Beamish & Wang, 1989).

The stability of the legal environment has been discussed extensively within IJV literature. It has been argued that the lack of stability and the constantly changing rules in some countries are factors leading to IJV failure (Encarnation & Vachani, 1983). The clarity, interpretation and application of laws by the courts can vary widely over location and/or time and this may further reduce the stability of the legal environment within which the organisation operates.

The legal environment not only influences the organisation as an entity, but may influence the internal relationships as well. The labour laws of a country, for example, can influence how people interact in an organisation. This has been extensively documented in literature on labour relations. In addition, laws can affect the personal lives of people employed in the joint venture. This in turn can be reflected in the relationships in the organisation (Hoon-Halbauer, 1994). For example, Chinese law protects foreigners within the country and any infringement of these laws by a Chinese person is severely punished. As a result, Chinese employees can be extremely cautious when interacting with foreigners.
IJVs are not only exposed to the local, but also the global legal environment (Trommsdorf & Wilpert, 1991). Therefore, the wider legal environment consists of the legal environment within the country (or countries) of the foreign parent(s) and the international legal environment. The international legal environment comprises international agreements (for example UN resolutions, WTO agreements etc.) regional laws (such as the laws of the European Union) and bilateral agreements between nations (many nations have for example, agreements on taxation). These international laws have to be observed by the parents, the IJV and its employees (Trommsdorf & Wilpert, 1991).

Laws within the nation of the foreign parent can also impact upon the IJV (Schroath, Hu & Chen, 1993). Some countries for example, regulate the sale, export or sharing of sensitive technology. Sanctions by governments involved with the parent companies of the IJV can also influence the organisation.

The legal environment in a country has considerable influence on the organisation as well as the individual. How the legal environment influences the business relationships within an IJV will depend on the laws and the individuals involved, in other words, upon the particular situation. International laws can have similar effects upon business relationships within the IJV as national laws. Is dependant upon the particular case whether or how particular laws affect particular IIVs; and each will vary with the venture and as to parts involved. In addition to the direct effects of laws upon the organisation and the individuals within the organisation, laws can influence the situation within the country and hence have an indirect influence upon the organisation.
2.4.4 Host Government, Home Government & Geo-Political Situation:

Glavas (1997) in her study of how to set-up JVs in China, highlights the risk of possible political instability when investing in Third World countries in general, and China in particular. She argues that if the present system were to change, the multinational company might not be able to continue with the JV and might lose its considerable investment. While this represents the most extreme political risk to the JV, there are many additional political influences which may impact on the JV and/or the business relationships between the expatriates and the local managers (Davidson, 1987).

In addition to the legal framework, the host government has other influences upon an JV. These can range from the level of bureaucratization of processes connected with the joint venture to the behaviour of state owned industries with regard to JVs. In the People's Republic of China, a communist system of government officially still remains (Ho, 1990; Hoon-Halbauer, 1999; Schirokauer, 1982). Even though there are certain aspects of economic activity now regulated by the market, the state still controls a considerable portion of the economic activity (Vanhonacker, 1997; Ho, 1990). Many social aspects are also controlled through the state (Ho, 1990) exercising influence on the organisation and on the individuals in the JV.

The home government can influence the policies of a foreign joint venture partner. Such influence can act as encouragement or discouragement, often not only exemplified through laws, but also through informal contacts, diplomatic efforts and visits by dignitaries to organisations. For example, the visit to Volkswagen Shanghai
by the German Chancellor and the Chinese President in 1999 can be seen as positive encouragement by the two governments.

Changes in the geo-political arena can have ramifications for IJVs. For example, the bombing of the Chinese embassy in Yugoslavia in 1999 and the Tianmen Square massacre (Hoon-Halbauer, 1994) both had considerable influence on the human relationships in IJVs in China. This is discussed in detail in a later chapter.

2.4.5 Country Infrastructure:
As with any business organisation the IJV cannot be viewed in isolation or separately from the external environment. There is a need for infrastructure (Inkpen, 1995; Beamish, 1985). This can be a specific need, such as an airline needing airports to operate from, but can also mean the general environment. Energy, communication, transport (Davidson, 1987), educational, administrative, recreational, health and even cultural infrastructure have been cited as being of importance to companies (Friedmann & Beguin, 1971). Once again, the nature of the business is going to dictate the infrastructure needs.

Infrastructure can often limit the ability of an IJV to conduct economic activity. For example, if a company is faced with transport limitations (a maximum weight restriction for trucks) then it will have to work around this limitation. Liu & Park (1999) highlight the fact that the infrastructure can also impact upon marketing channels thus affecting the marketing methods used.
Not only does infrastructure have an effect on the IJV, but also its workers. The expatriates sometimes have particular educational, housing, healthcare, as well as social needs and these needs, if not fulfilled, can influence the morale of the foreign workers (Stavis & Gang, 1988). The families of the workers have further needs, resulting in additional complications and stress. These issues impact upon the business relationships within the organisation, even when are addressed by the multinational parent company.

2.4.6 Natural Environment:

Humans have to constantly deal with the natural environment. Hence, this can have a direct bearing upon the individuals involved within the organisation. The two IJVs which have been the basis of this study are poignant examples. The IJV in Shanghai experiences a tropical climate in the summer, with high humidity and high temperatures (Stavis & Gang, 1988). The climatic conditions creates additional costs with regards to air-conditioning, machine cooling, humidity proofing of electrical circuits etc., and thus places a physical strain upon individuals. Especially expatriates find it difficult to adjust to the climate at first. The second joint venture, in the north of China in Changchun, has a very different climate. Its geographic location means that it has a temperature range of −30 to +40 Celsius over the year. This not only affects the individuals within the organisation, but also the running of the organisation.

The climate is only one of the natural environmental factors which affect the running of IJVs. The affects depend upon the nature of the environment, the needs of the organisation and the needs of the individuals involved within the IJV.
2.4.7 The Economic Environment:

The micro- and macro-economic conditions within which the IJV operates can have considerable influences upon the IJV (Paape, 1995). At the micro level there are a number of different markets (the labour market, the market for the products and services produced, other supply markets, compliment markets, supplement markets etc.) which can impact upon the organisation (Campbell, 1991; Inkpen, 1995; Friedmann & Beguin, 1971). Stavis & Gang (1988) highlight the material sourcing and labour market as being important economic factors for IJVs in Shanghai. Paape (1995) highlights that there are certain legal and economic methods used to restrict or control IJV investment. These are part of the macroeconomic conditions. And could entail

"...for example:
1) General sector specific limitations on foreign capital investment.
2) Limitation of access to capital markets.
3) Creation of monopolies.
4) Discrimination of foreign companies, for example through subsidies to local companies.
5) Special approval processes."
(Pappe, 1995, p.66)

Connor & Chalos (1999) highlight the competitive cost structure of the organisation as an important survival factor for IJVs, and continue to stress that this is not only influenced by the IJV, but also external market conditions. Harrigan (1984) identifies "change in the industry structure" as one of the change forces acting upon the IJV and thus supports the importance of micro-economic situations as being able to influence the organisation. Furthermore, Luo (1995) identifies market structure as an important determinant for the success of IJVs. His research was however only based upon one market, that of the People’s Republic of China.
At the macro-economic level the developments within the national and international economy might impact upon the IIJ. For example, changes in the economic growth rate might reflect on the sales of goods and services produced (Harrigan, 1984a). The impact particular macro-economic changes have upon organisations is discussed extensively in the economic literature; and discussing these here in detail would go beyond this thesis. However, the micro and macro-economic influences upon the IIJ deserve to be mentioned here as these can sometimes be considerable.

The influence of particular external economic changes upon the individuals involved with the IIJ has not been previously investigated or discussed. It would hence be speculative to assume that such influences exist.

2.4.8 Stakeholders:

Stakeholders can be defined as: “someone having an interest or stake in the operations and performance of a firm” (Pass et al., 1995, p.613). The organisation can be seen in context to the individuals and groups which are affected by it (Brouthers & Banossy, 1997). These may include customers, suppliers, and employees. This particular viewpoint moves the focus of a firm away from the shareholders of the organisation and broadens it out to a number of different groups. The stakeholders can have an influence upon the organisation (for example local residents can take action to block planning permission for new buildings) and in many cases the organisation has an influence upon them (for example, noise pollution caused by a factory impacts upon the local residents) (Brouthers & Banossy, 1997). Company employees, whether they be local or expatriate, are part of the mix of stakeholders as well.
2.4.9 Developing Countries or International Joint Ventures in the Third World:

Beamish (1985) and Connolly (1984) make the point that IJVs in developed countries face a different environment to those in developing countries. They argue that the economic, political and social conditions are often very different to those in the developed world and Beamish (1985) finds that the local joint venture partner is vital in helping to understand the complex environment. Beamish (1985) concludes from this that the international joint venture is the best entry mode for foreign firms into Third World countries. He also emphasises that there are considerable market differences in many Third World countries in comparison to markets in developed countries. These according to him can have a considerable influence upon the joint venture. This point is supported by many international joint venture scholars such as Gullander (1976) and Hoon-Halbauer (1994).

The technological environment found within countries, especially Third World countries (Beamish, 1985), can have an effect upon the international joint venture (Harrigan, 1986). This environment might impact upon the particular functions within the international joint venture, even to the extent that the products have to be created with the particular technological environment in mind (Beamish, 1985; Harrigan, 1986; Killing, 1989).

To conclude this section, there are numerous areas of the local and global environment which might impact upon IJVs. There has been considerable work done looking at how particular external influences change organisations in general and IJVs in particular. Some of this research is highlighted here. The circumstance of the
individual international joint venture has to be taken into account and it is not possible
to generalise or summarise on the effects of external influences. The particular
situations of the observed organisations are discussed in detail below and the
implications of these situation are detailed. Lee (1999) highlights that the differences
in the local environment with which the foreign partner is not familiar, add to the
importance of organisational learning, through the international joint venture. This is a
significant point in this process as expatriate feedback is deemed essential for data
collection and interpretation (Lee, 1999).

2.4.10 Control of International Joint Ventures:
Within the managerial field control has a specific meaning. This is defined by Pass et
al. (1995) as follows: “Control; the process of ensuring that activities are carried out
as intended. Control involves monitoring aspects of performance and taking corrective
action where necessary.” (Pass et al., 1995, p.141) Companies entering into IJVs are
co-operating with at least one partner. This has a number of implications one of these
being the loss of absolute control (Geringer & Hebert, 1989; Harrigan, 1986). As a
company enters into an international joint venture with a set of strategic goals
(Gullander, 1976; Harrigan, 1984), it needs to ensure that these goals can be reached.
A number of different methods can be employed to achieve this. These techniques of
controlling IJVs are discussed by Hall (1984, p. 57-59) and expanded upon in later
research. Partner choice (Harrigan, 1984; Beamish, 1985), ownership structure
(Franko,1989; Gomes-Casseres, 1990; Pan, 1996), contractual arrangements
(Brouthers, 1997; Contractor, 1984), business relationships (Hoon-Halbauer, 1999 &
1994; Beamish, 1985), managerial input (Hoon-Halbauer, 1994) and resource
contribution (Blodgett, 1991) can be used to steer the international joint venture.
Killing (1982; 1983, p.15-30) researched the use of shared and dominant partner ventures and their success rate and thus initiated the research into the control of joint ventures and IJVs. Control is an additional component of managing the organisation and ensures that the international joint venture fulfils the goals of the parent (Geringer & Hebert, 1989; Yan & Gray, 1994; Mjoen & Tallman, 1997; Osland & Cavusgil, 1996; Ding, 1997; Kumar & Seith, 1998). Killing (1982) highlights the varying types of international joint venture control structures. These being shared management control, dominant management control by one parent and independent ventures without control. These differing control structures influence the level of strategic alignment between parents and the joint venture.

"The design and implementation of an appropriate control structure are crucial elements of joint venture success. Such a control structure enables the parent company to exploit its competitive advantage by coordinating the joint venture’s activities with the parent’s strategy.” (Kumar & Seth, 1998, p. 579)

Control has been discussed extensively in the international joint venture literature and the link between performance and control of IJVs has been investigated extensively (Geringer & Hebert, 1989; Yan & Gray, 1994; Mjoen & Tallman, 1997; Osland & Cavusgil, 1996; Ding, 1997; Kumar & Seith, 1998). There are a number of components of control. The first hurdle in controlling any situation is the gathering and analysis of the relevant information. The methods to extend control have been discussed by Mjoen & Tallman (1997), they include control of resources, and control through equity and contractual arrangements. Yan & Gray (1994) however stresses the importance of control through management, human interaction and control derived through bargaining power. This highlights the two components of control, the first being structural and the second being social control. As Geringer & Hebert
(1989) point out there is positive and negative control. Positive control is used to promote certain practices, while negative control aims to prevent actions. They dissect control and control by looking at three separate issues - firstly, the focus of control; secondly, the level of control; and thirdly, control mechanisms (Geringer & Hebert, 1989). These multiple angles of research show the complexity of control and control mechanisms, and draws attention to one of the reasons as to why it is difficult to measure control for research purposes and for managers aiming to establish and design control mechanisms.

Control is linked to business relationships in a number of ways. Firstly, the individuals working within the international joint venture are often the key information gatherers for the parent organisations (Kumar & Seth, 1998). This information is used to monitor the international joint venture and is often the basis for actions to be taken to steer the international joint venture accordingly. If the individuals from either parent involved within the organisation are not engaged in the information flows, the companies will then require a higher level of formal information gathering (Hoon-Halbauer, 1994). This can be extremely bureaucratic and the formalisation of the reporting process is fraught with difficulties as to which variables to measure and how to measure them.

Secondly, the relationships within the international joint venture can fulfil a control function, either through social control or through the enforcement of structural and managerial controls (Hoon-Halbauer, 1994 & 1999). The relationship quality and the social standing of the individuals can have a significant impact upon the individuals' inability to exercise control.
Thirdly, the mix of control methods can be influenced by the quality of the business relationships between the local and expatriate managers, and their ability to exercise certain control. For example, if the expatriate managers are well integrated and respected within the organisation, it may be more efficient to exercise a higher level of social control as opposed to formal (e.g. financial) control. This can result in lower levels of bureaucracy and more efficient management structures.

When looking at the issue of control in isolation there are a number of factors that have to be taken into account. The level of independence of the international joint venture (which can be linked to the level of strategic interdependence between the parents and the international joint venture (Kumar & Seith, 1998)) and the degree of environmental uncertainty has been highlighted by Kumar & Seith (1998) as influencing the required level of control. Ding (1997) supports this and brings it into the Chinese context:

"The challenge to a foreign firm is to understand potential conflicts between joint venture partners and to formulate appropriate control strategies for succeeding under Chinese political and economic systems which are dissimilar from those of market economies."
(Ding, 1997, p.32).

If control is considered such an important determinant of international joint venture performance, the question might be raised as to why this was not investigated in this study. The link between managerial control and performance is still disputed. Some studies have found that dominantly controlled joint ventures are more successful than shared controlled joint ventures (Killing, 1983; Friedman & Beguin, 1971), whilst other studies did not support this (Janger, 1980). Beamish (1984) and Yan & Gray (1994) came to the conclusion that in developing countries (such as the People's
Republic of China) shared controlled ventures are more successful than dominant
ventures, however this is refuted by Ding (1997). While this factor is of considerable
research and managerial interest, considerable work still needs to be done and it
seems presumptuous to link control to performance in the international joint venture
context.

2.4.11 Ownership Structures:
One of the structural factors which has been researched extensively is the ownership
structure of UVs (Killing, 1982; Beamish, 1984; Harrigan, 1985; Newbury & Zeira,
1997). The availability of data is one of the advantages of researching ownership
structures, as they are reflected in contracts, public records and are therefore easily
gathered. The argument as to why ownership structures are important for international
joint venture success is based on the premises that ownership structure leads to a
number of managerial conditions, such as the power distribution (Pan, 1996; Franko,
1989). If one accepts this argument, the logic behind looking at ownership structures
of UVs and then linking it to performance seems perfectly sound. However, the initial
logic that ownership structures predetermine certain aspects of UVs has been exposed
as being too simplistic (Killing, 1982; Beamish, 1985). For example, the power
structures within an international joint venture can be shaped by parent resource
contributions (Blodgett, 1991), control of technology (Tsang, 1995), control of
managerial know-how (Lyles & Salk, 1996; Hall, 1984), human relations within the
organisation (Hoon-Halbauer, 1994), the quality of the local and the expatriate staff
(Bjoerkmann, 1997) and a further number of internal and external factors (for example,
host government interference (Encarnation & Vachani, 1987; Gomes-Casseres, 1990)
and that of other stakeholders (Brouthers & Banossy, 1997)).
Even if one dismisses the logic behind linking ownership structures to performance as being too simplistic, as it does not take into account the complexity of international business, the literature does highlight the importance of control of the organisation. Parkhe (1993) looks at the organisational structure of strategic alliances and analyses the ability of companies to cheat. His game theoretic approach is thought provoking and the use of game theory to analyse international joint venture partner behaviour this is a promising avenue for further research. There has been no mention in literature of a possible link between ownership structures and business relationships between the local and expatriate employees of an international joint venture.

2.4.12 Knowledge and Technology Transfer Using International Joint Venture:

Ideally JIVs would function as outlined by Hu & Chen (1996):

"Local partners, particularly those from developing countries, would benefit from technological know-how, management skills, and capital brought in by their foreign partners. MNCs (multinational companies) can use local partners’ knowledge and connection in the host countries to reduce risks and increase revenue."

(Hu & Chen, 1996, p.165)

However, this is not always the case (Beamish, 1988). There are a number of different yet related issues with regards to knowledge transfer through the use of JIVs. Firstly, many companies worry about the protection of intellectual property when they are revealing information to the joint venture and/or the other joint venture partner (Reich & Mankin, 1986). Secondly, companies may want to enter into JIVs to acquire new technologies or managerial skills (Contractor & Lorange, 1984, p.10). Thirdly, there is the issue of how to transfer technology and managerial skills to the international joint venture to enhance its performance (Barkema et al., 1997; Dodgson, 1993).
These knowledge issues are closely related and have to be addressed within IJVs. There is an inherent conflict with trying to share information in order to improve the joint venture and in protecting key information in order not to lose one's competitive advantage (Reich & Mankin, 1986, Beamish, 1988). It should be noted that while knowledge transfer is a significant topic within the international joint venture literature, it only has a limited impact upon business relationships. Hence, this section hence does not aim to give a complete overview of knowledge transfer and the related subject of organisational learning, but focuses on how, according to the literature, knowledge transfer impacts upon the business relationships within IJVs.

### 2.4.13 Protection of Knowledge in International Joint Ventures:

As discussed previously IJVs are used to accomplish certain strategic goals. However, this form of organisation also has a number of potential pitfalls and problems. A serious complication is the potential to give away knowledge and to therefore strengthen partner companies, who may be or might become potential competitors (Reich & Mankin, 1986).

This need to protect technology and managerial skills on the one hand and cooperate within an international joint venture on the other, puts considerable pressure upon some of the staff within the international joint venture and the parent companies (Reich & Mankin, 1986). For example, expatriates seconded to the international joint venture from the foreign parent with the task of improving the performance of the organisation have to do this while trying to keep technology and/or managerial skills within their parent organisation (Hoon-Halbauer, 1994). This can lead to certain information not being disclosed to the other managers within the organisation and
thus lead to potential conflict, especially if the local managers have been instructed to “learn as much as possible” from the foreign parent. This conflict was observed on numerous occasions during the conducted observational research and was sometimes reinforcing of the dual hierarchies within the organisation. Conflict management is an issue which has been given some attention in the literature. The literature tends however, to focus on the organisational level rather than to look at the actual day to day conflicts within the IJV organisation (Strutton & Pelton, 1997). This leads to the next issue of gaining technology and managerial skills through the international joint venture.

2.4.14 Using International Joint Ventures to Gain Technology and Managerial Skills:

“Among the different means of absorbing foreign technology such as licensing, buy-backs, co-production, joint ventures and wholly foreign-owned subsidiaries, it seems that the Chinese government has a strong preference for joint ventures. ...recruitment, managerial skills, training and localisation of production - which affect the implementation of technology transfer in Sino-foreign joint ventures. Finally, a conclusion is drawn arguing that unless a foreign investor has the human resources and experience to tackle the problems that may arise in a joint venture setting, other means of transferring technology may be more appropriate.”

(Tsang, 1995, p.757)

It has been well documented that IJVs, especially in developing countries or in countries of the former Soviet Block, are used as a means of gaining technology and/or managerial skills (Trommsdorff & Wilpert, 1991). Nonetheless, the local organisation also usually contributes local information to the international joint venture which in turn is of value to the foreign joint venture partner (Lee, 1999). Inkpen (1995) attributes considerable importance to the local partner learning through the IJV. He states:
"...foreign partner knowledge of the local economic, political, and cultural environments is a crucial factor in the stability of international joint ventures. When the foreign partner is no longer satisfied with the access to local knowledge and seeks to acquire this knowledge, the probability of joint venture instability increases substantially."
(Inkpen, 1995, p.104)

Lee (1999) states that within China foreign companies have a particular need to gain knowledge:

"Because China is unique by the nature of its market, companies attempting to do business there need to make organisational learning an explicit objective. They must ensure that staff maintains good learning abilities in order to keep abreast of changes in the local environment."
(Lee, 1999, p.37)

This is supported by Barkema et al. (1997):

"To successfully cross boundaries, a firm must develop information processing and control capabilities so as to coordinate activities across diverse environments, and it must develop the skills of tuning into and interpreting strategic signals specific to a foreign environment."
(Barkema et al., 1997, p.427)

The use of the gained knowledge is of importance here. If the parent organisations are using the new skills to improve their business in fields unrelated to the international joint venture or to the business of the other parent, the knowledge acquisition is often not seen as a threat by the other partner. However, if the knowledge is to be used or is perceived to be used to compete with the partner or the international joint venture, conflicts could arise (Park & Russo, 1996). The individuals involved either with or within the international joint venture usually have the task of gathering the information and are assumed to transfer this knowledge to the parent organisations (Barkema et al., 1997). This places pressure upon those individuals and can lead to moral conflicts in that they might feel as if they are exploiting their partners (Lee, 1999). In addition the skills involved in managing an organisation and in gathering
and conveying information are not always the same, and this in turn makes the selection of individuals to work within an international joint venture more difficult (Lee, 1999).

There has been considerable research into the benefits of IJVs for the partners and the country of business activity, with regards to knowledge transfer. It should be noted that the general perception of IJVs as being beneficial to the local and foreign partner organisations in gaining knowledge, but whether IJVs transfer more knowledge to a country than other organisational methods is still in dispute. The greatest barrier to knowledge transfer exists when partner companies contributing knowledge to the organisation aim to keep information away from competitors and in doing so limited the transfer of knowledge to the IJV.

2.4.15 Transferring Technology and Managerial Skills to the International Joint Venture:

Transferring technology and managerial skills to the international joint venture has been identified as a performance issue within the IJV context.

“The relationship between knowledge acquisition and performance was significant for all indicators of performance, through knowledge acquisition from the foreign parent and the organisational characteristics hypothesized to enhance international joint venture knowledge acquisition affected assessments of some dimensions of performance more than others.” (Lyles & Salk, 1996, p. 877-878)

IJVs are competing in their local and global economic environment and hence have to be able to deliver a competitive product (Lyles & Salk, 1996). This has to be achieved with regards to a number of dimensions - with quality, service and price being the
most commonly mentioned ones (Trommsdorf & Wilpert, 1991). The technology and managerial skills employed are an important factor in achieving this.

There are two different issues here. On the one hand, there is the need to convey the knowledge to the organisation and on the other hand, there needs to be the taking on of knowledge by the individuals within the organisation. Lyles and Salk (1996) have investigated the transfer of knowledge to the IJV and state:

"Adaptation mechanisms, such as capacity to learn, articulated goals, and structural mechanisms, such as provision of training, technology, and managerial assistance by foreign parents, all were positively associated with the degree to which international joint ventures reported acquiring knowledge from foreign parents. We also found limited support for the belief that cultural conflicts can impede knowledge acquisition..."
(Lyles & Salk, 1996, p.877)

The first issue is the issue of transferring knowledge. There are formal training methods such as the development of courses, exchanges and in-house training which are employed as well as and there a certain amount of on the job training. The parent companies often send individuals to the IJV with some of the necessary managerial or technological skills. It is their task to establish the IJV, and expatriates have been recognised as having to fulfil the role of a manager, teacher/tutor, controller and informer all at the same time (Hoon-Halbauer, 1994). This multitude of tasks, to be performed by the expatriates and often also by the local managers, can stretch the individuals which in turn might impact upon the business relationships within the organisation. In addition, the ability to manage does not always equate with the ability to teach and the quality of the knowledge transfer depends upon the abilities of the individuals involved in the process.
The embracing of technology and managerial methods is by no means guaranteed (Makino & Delios, 1996). Hoon-Halbauer (1994) recognised that the proximity of the joint venture between Jeep and the Chinese partner to the Chinese parent company made it very difficult to implement the organisational changes needed to implement technological and managerial change. This highlights the fact that organisational, group or individual inertia sometimes has to be overcome to transfer managerial and technological skills. Dodgson (1993) further supports this point and mentions that trust between the partners is one of the key variables for the transfer of technology and technological collaboration.

Another issue concerning the transfer of organisational specific knowledge is the validity of the information within the new environment. For example, managerial methods or technological processes may work within one organisational or company environment, but transferring these systems to a new setting without adaptation might be fruitless. Shu (1999) in his socio-economic analysis of entry modes into the People's Republic of China, argues as follows:

"Sociocultural distance refers to the difference in social culture between the home and host countries. It is often argued within the transaction cost framework that the greater the sociocultural distance, the lower the degree of equity participation that a MNC should aim for. This is attributed to the following two factors associated with sociocultural distance. First, sociocultural distance creates enormous information needs, hence high information costs for intending MNCs. This is because in an unfamiliar cultural environment MNCs have little knowledge of the local market and business practice. Consequently, MNCs find it difficult to transfer home technologies and management techniques to an unknown operating environment."

(Shu, 1999, p. 643)

This has to be taken into account and the adaptation which might be required, has to be managed and executed by individuals within the JV.
2.4.16 Knowledge Transfer and the Individual in an International Joint Venture: Sergeant & Frenkel (1998) argue about the importance of knowledge transfer and updating for expatriate effectiveness. This investigation emphasises the importance of giving the expatriates involved within organisations, in developing countries in general and in China in particular, the relevant information as regards to the experience of previous and current expatriates. This exchange of “hands on” information enhances the ability of the managers to run the organisation, especially with regards to HRM issues. The focus upon a particular group of individuals within the organisation, expatriates, and their informational needs, underlines the importance of individual behaviour for the success of the organisation. While one can continuously investigate the influence of particular organisation wide issues, the actual individuals involved in the organisation have to actually manage the company.

2.4.17 Summary of Structural Factors:

Numerous studies have been conducted within the IJV field. Until the mid-1990s IJV research was dominated by investigations into a number of different dimensions of IVJs, yet relatively few research studies tried to develop an overall understanding of the organisation (Parkhe, 1993). The research studies were for the most part methodologically sound but the questions asked were often one-dimensional and ignored the internal workings of the organisation (Parkhe, 1993).
"Consequently, individually useful IJV studies have not coalesced into a coherent body of work with an underlying theoretical structure. This weakness in theory development, I argue, may stem from the convergence of "hard" methodological approaches with "soft" behavioural variables. In proposing and justifying a research program towards deeper understanding of voluntary interfirm cooperation, I offer a theoretical framework for IJVs, develop a typology-development approach, and apply this framework and typology to demonstrate how a near-term shift in foci can accelerate rigorous IJV theory development."

(Pai'khe, 1993, p.227)

These research studies tended to assume that IJVs behave like monolithic entities and concentrate upon structural factors (Parkhe, 1993, p. 229-232). It was not until 1998 that Doz & Hamel (1998) pointed out that the non-structural factors of IJVs were of considerable importance and that these aspects of the organisational relationships should not be ignored.

As has been highlighted by Phai'ke (1993), there is no such thing as a coherent research approach for the study of IJVs. In order to convey the existing research, a categorisation was developed encompassing different areas highlighted in the literature. The first section of this categorisation concerns the structural factors which have been outlined above. Some of these factors impact upon the IJV, while other factors impact upon the business relationships within these organisations and yet other factors impact upon both.

Structural factors include a number of different external factors and internal organisational structures. These have been examined carefully in the qualitative research outlined below, and a number of research questions and hypotheses have been created from the research into structural factors (see below). What has been highlighted throughout the discussion of structural factors is that the impact of these
factors depends upon the particular situations and the particular responses of the organisations and individuals involved. This makes it very difficult to generalise on the impact of particular structural factors, especially when the data used to investigate the particular impacts is qualitative research. However, the qualitative work can be the first step in developing an understanding of the role and influences upon business within IIJVs.

2.5 Operational Management Factors:

While the previous section has focused upon the structural factors and their link to IIJV performance, this section focuses upon operational issues. When reviewing this literature it becomes apparent that most of the literature in this field is aimed at managers. The few studies which are backed up by empirical data are outlined here as are their relevance to business relationships within IIJVs and their relevance to the performance of IIJVs.

Liu & Pak (1999) investigated the marketing situation within the People’s Republic of China. They examined marketing issues from a foreign investor’s point of view and drew a number of conclusions as to effective marketing management within China. These points are regarding the marketing strategy of IIJVs and a discussion on issues, such as the environmental factors influencing marketing in China, the level of multinational management control of the marketing strategy of the IIJ, the level of localisation in marketing and how this affects the performance of IIJVs in China. This article, while not making any direct references to business relationships, is useful in highlighting that managerial issues in general and marketing in particular are of
importance for the success of IIVs. Other studies which could have been included under this heading have been examined below, under the heading of human issues.

2.6 Human influences:

“Overall, joint ventures appear to offer greater revenues, lower costs, and less risks than other options. In other respects, however, joint ventures are the most difficult of the options. Joint venture performance depends greatly upon qualitative variables such as individual personalities, organizational cultures, administrative styles, and management philosophies.”

(Davidson, 1987, p. 78)

Davidson’s (1987) quote highlights the qualitative variables which are of importance for the performance of IIVs. The term “qualitative variables” can be somewhat misleading, especially as there are issues such as control which have qualitative components but are also partially structural. Hence, this study uses the term “human influences”.

“... empirical evidence suggests that technical issues are less likely to lead to conflicting situations compared to interrelationship problems during the implementation of international joint ventures and alliances. Throughout this phase, too much emphasis is usually placed on setting strategic objectives at the cost of ignoring personal interaction aspects involving people from different national cultures.”

(Morosini, 1998, p.15)

Previous research into these variables has been, like the research into the structural factors, disjointed and focused upon particular issues. Certain issues such as culture and cultural differences are certainly important in their own right, but the research into the business relationships tries to develop a more balanced model looking at a number of different human issues.
2.6.1 Culture - Organisational Culture, Country Culture and the Impact On BRs within IJVs:

"In an effort to increase the chances of success joint venture partners need to understand the culture, goals, and value of the other party and use this information for effective collaboration."
(Antoniou & Whitman, 1998, p.54)

Culture has been highlighted as one of the key factors in forming, influencing and possibly shaping BRs within IJVs (Meschi, 1997; Lane & Beamish, 1990; Antoniou & Whitman, 1998; Scarborough, 1998). Culture can be defined as: “a) the customs, civilization, and achievements of a particular society or group; b) the way of life of a particular society or group” (Oxford English Reference Dictionary, 1996), while organisational culture can be defined as: “A common perception held by the organisation’s members; a system of shared meaning” (Robbins, 1994, p. 508).

Within the IJV, culture has considerable influence. Meschi (1997) clearly states this:

“All employees, whether expatriates or local employees, will bring to the venture their basic values, beliefs, assumptions, and customs, thus shaping their attitudes and behaviour. Such personal characteristics also frame the individual’s view of how business should operate. When two or more companies start working together, their respective cultures come into contact: the local employees must deal with the different, sometimes unknown, foreign cultural environment, and likewise for the expatriate employee.”
(Meschi, p.214, 1997)
Gestland (1996) highlights the fundamental cultural differences between different regions. He splits the diverse national cultures into three distinctive groups:

1) Deal Focused Cultures:
   Nordic and Germanic Europe, Great Britain, North America, Australia and New Zealand, and South Africa.

2) Moderately Deal Focused:
   Latin Europe, Eastern Europe, The Mediterranean Region, Hong Kong, Singapore.

3) Relationship Focused:
   The Arab World, Most of Africa, Latin America, Most of Asia.

(Source: Gestland, 1996, p.18)

These differences have considerable implications for the management of multinational organisations, especially if the organisations conduct business across cultural boundaries, for example in negotiations or communication. The undertaken study was conducted within a deal focused German organisation and a relationship focused Chinese organisation. Both are likely to have had considerably different expectations of business behaviour and had to learn and adapt to conduct business with each other. Gestland (1996) further highlights the differences in cross-cultural behaviour between the different blocks that can possibly lead to a lack of trust and even hostility. This has to be dealt with within the IJV and between the parents of the IJV.

Another dimension used by Gestland (1996) to differentiate different business cultures is the formality of cultures. Here the German and Chinese cultures are both seen as being more formal (Gestland, 1996; Ahmed & Li, 1996). The time orientation of cultures, the expressiveness of the culture, the amount of human contact and the level of eye contact between individuals of the same culture were also supposed to be
different (Gestland, 1996). Gestland (1996), by dissecting the cultures into individual components, highlights the many differences in behaviour between different cultural groups. However, it is questionable as to how important it is that the German managers have a stronger handshake than their Chinese counterparts. Surely the main difference lies in the fundamental approach to business (i.e. the relationship approach vs. the deal focused approach) and in the communication differences which exist between the cultures (Gestland, 1996, p.66). Some management literature on cultural differences seems to disagree with this and emphasises behaviour such as the strength of someone's handshake.

The cultural gap highlighted by Meschi (1997) that exists within IIJs has an effect on a number of different factors. Cultural differences can lead to differences in communication protocols (Dawar & Parker, 1996; Liang, 1993), different ethical standards (Robertson & Fadil, 1999; Pitta, Fung & Isberg, 1999), complications in negotiations (Francis, 1991; Gestland, 1996; Tse, Francis & Walls, 1994), different marketing requirements (Gestland, 1996) and may affect the joint venture psychodynamics (Gould, Ebers & McVicker, 1999).

Culture impacts upon ethical behaviour (Robbins, 1994). The differences in ethics between two groups of people, in this case the local and foreign managers and employees, can lead to conflicts (Robertson & Fadil, 1999; Pitta, Fung & Isberg, 1999). Pitta, Fung & Isberg (1999) investigated the differences in Sino-American IIJs.
They state:

"Culture forms the foundation for ethical behaviour and determines what is ethical and what is considered unethical. We have shown some of the crucial differences between the business and ethical cultures of the USA and China. The differences include a context versus content orientation.... The situation is even more pronounced when German managers are involved. German culture is even more high content than US culture."

(Pitta, Fung & Isberg, 1999, p. 254)

This quote demonstrates that there can be differences within the ethical behaviour, as determined by the culture of the country, and that these differences can have an impact on the organisation. Robertson & Fadil (1999), in their investigation into ethical decision-making in multinational organisations, further highlight the close link to culture.

Culture not only influences the ethical behaviour within an organisation but also communication between members of different cultural groups which can be complicated by the cultural gap between the groups (Dawar, Parker & Price, 1996; Liang, 1996). Within the IJV the two groups constantly need to communicate in order to co-ordinate tasks. This starts with the initial negotiations and continues throughout the life of the organisation.

Liang (1996) investigated intercultural communication and how this affected scientific education. It was found that when two different cultural groups communicate, they both adapt their communication and communicate in a new way. However this new communication protocol takes a while to develop and requires both sides to be willing to make the communication work (Liang, 1996). The work by Liang (1996), focuses on the problematic of intercultural technical communication also supports this viewpoint with regards to communication often found within
manufacturing IUVs. The study by Liang (1996) was conducted in China, but the
general notion has been supported by Beamish (1985) who looked at a much broader
spectrum of IUVs in developing countries. It should be noted that it is not only the
internal communication which is affected by cultural influences, but as Dawar, Parker
& Price (1996) note, also the external communications. An IUV has to adopt the
marketing to the local cultural environment (Dawar, Parker & Price, 1996; Gestland,
1996) which in turn might have an influence on the internal managerial choices and
the power distribution between the local and expatriate managers.

Liang (1996) discusses the adaptation of communication protocols to alleviate the
cultural differences. Francis (1991) on the other hand, investigates the cultural
adaptation in intercultural business negotiations. This is of interest as the IUV is
usually formed by negotiations between the parents and as the negotiation of new
contracts was constantly taking place at the observed organisation. The research by
Francis (1991) is based upon buyer and seller relationships which have a often a
different power distribution between the partners when compared to those
relationships found between IUV parents. Some of the findings are still applicable to
the IUV context. Francis (1991) finding indicate that there is such a thing as an optimal
level of adaptation and that the companies and individuals involved generally move
towards this. He found that there can be such a thing as too much adaptation and this
can

"...reduce(s) interpersonal attraction while optimal interpersonal attraction
was associated with moderate adaptation. The same pattern of results was also
found with outcome measures. These suggest..., that some degree of
adaptation improves the climate of the encounter. However, this positive effect
of adaptation was attenuated at more substantial levels of adaptation."
(Francis, 1991, p. 416)
These findings have implications for the management behaviour of JVs. Firstly, the partners within the organisation have to adapt to each other in order to optimise their relationship and secondly the adaptation does not have to reach the level of fully assimilating the partner. However, there is a profound difference between the relationships within the JV and those within business-to-business sales. The expatriates and local managers within JVs constantly interact and this might have an influence upon the optimal level of adaptation. For example, the local managers might expect the expatriate to learn some language skills, something which might not be necessary in a bi-annual sales meeting (Gestland, 1996).

Furthermore, culture can have considerable influence upon the social psychodynamics of an IV, the quote below emphasises this. This confirms the importance of culture with regards to the study of BRs within JVs and hence is the main focus of the cultural discussion.

“Central among these are collaborating across the boundaries of what are commonly marked differences in organisational cultures, each with their own attendant norms and patterns of work, and forging a new, inclusive organisational identity for the merged or joint enterprise. At a deeper level, there are often paranoid concerns and fantasies about the long-term lack of equity in the transfer of knowledge and capability. And finally anxieties are mobilised by the concerns each partner has about losing control, particularly as the necessity for mutual dependence, and authentic partnership - with everything that they may mean - become increasingly obvious.” (Gould, Ebers & Clinchy, p. 698, 1999).

In other words, even the new cultural surroundings which are created over time according to Gould, Ebers & Clinchy (1999), are very unsettling and can cause a number of different responses from individuals. These responses are often summarised by the word “culture shock” which can be defined as “the feeling of disorientation experienced by a person suddenly subjected to an unfamiliar culture”
(Oxford English Reference Dictionary, 1996), and continue to be experienced by any new individual entering into the IJV. It depends heavily upon the individual, how the cultural gap is overcome, however training and inclusive managerial practices can reduce the cultural gap and help people to become effective colleagues within the organisation.

The cultural differences between the IJV partners can have considerable influence upon the negotiation process (Tse, Francis & Walls, 1994). The negotiations tend to be the initial phase of any IJV. It is at this stage that the basic structures, goals, contributions and strategies are developed (Brouthers & Bamossy, 1997; Contractor, 1984). Within the observed organisation the contractual negotiations were constantly ongoing, as new and replacement projects were negotiated. Hence the cultural awareness and the ability to understand the partner (as suggested by Tse, Francis & Walls, 1994) were certainly of importance for the running and the future of the organisation.

Having established that there can be a number of different effects which a cultural gap may have on the management of the organisation, the next issue might be the size of this gap and whether this gap reduces over time. The first issue, that of the size of the cultural gap has been attempted to be established and measured using a number of methods. This research concluded that the cultural difference (measured in a number of dimensions) is dependent on the countries under investigation. For example, while the cultural gap between Germany and Austria might be minimal, the same might not be the case with the cultural gap between Germany and China. The specifics of the cultural difference between the two companies and countries investigated in this study
are discussed in detail in the China specific chapter, what is of importance here is that this gap depends upon the situation and upon the people who are involved.

Having established that there can be a cultural gap and that this gap can have considerable implications, the attention should now shift towards this gap. Is this gap constant? Can it be managed and/or reduced? What can be done to breach this gap? Meschi (1997) argues that with the long-term co-operation between organisations the cultural gaps can be reduced, but that it will be difficult, if not impossible to breach the gap completely. “In conclusion, there can be no doubt that time moderates cultural difference.” (Meschi, 1997, p. 221)

In addition Meschi (1997) maintains that individuals involved with the organisations will be able to deal with the cultural gap better as they learn to understand their colleagues. However he found that the national distance is reduced by time by twice as much as the organisational distance (Meschi, 1997, p. 219). This “durability” of organisational culture may however be linked to the systems of the organisation and the difficulty in changing these organisational legacies. As Meschi (1997) found the cultural gap to be decreasing, he continued to argue that this time-based view of the JV organisation has to be taken into account. He presents a model which argues that initially the JV behaves as two organisations, then as the JV is formed the dual-hierarchy structure emerges within the JV and with further passage of time a new organisational culture specific to the JV emerges (Meschi, 1997, p. 222). However, this view seems to ignore the realities within JVs. Morosini (1998) argued that there is considerable turnover in terms of expatriates and local managers. The expatriates tended to be on short-term assignments (in other words project based) or seconded to
the JV for a contractual period. The local managers tended to have their career paths not solely within the JV, but often also worked for spells in other parts of the parent organisation (Morosini, 1998). This high turnover of staff constantly re-enforced the parent organisation's cultures and did not allow the JV to progress beyond the dual-hierarchy status (Morosini, 1998). While this observation does not refute the findings of Meschi (1997), it does however inject some reality into the time based cultural development of JVs (also see work by Harvey (1997) on dual career expatriates).

In the opening quote to this section on culture, Antoniou & Whitman (1998) stress that cultural understanding is required to deal with cultural differences. This looks at cultural difference from a completely different angle. While Meschi (1997) focuses upon the cultural gap and the closing of this gap through the creation of a new combined culture, Antoniou & Whitman (1998) try to emphasise the importance of knowledge in order to work with the cultural differences. This approach seems to be very sensible, as culturally the partners within an JV are often very far apart from a cultural point of view (as in the case of German and Chinese employees of Sino-German JVs) and as staff often have a high turnover within the JV. The notion that an understanding and knowledge of the counterparts' culture is important, puts cultural education and training at the forefront of managerial action which can be undertaken to improve cross-cultural management. The importance of management education in the other countries culture, while never fully able to prepare the managers to be sent there aids in their groundwork. This has been highlighted by Gestland (1996) and Lane & Beamish (1990). They state: "Many of the problems [within the JV] can be traced to cultural and behavioural factors resulting from inadequate understanding of, and training in, cross-cultural cooperative behaviour"
Williams, Han & Qualls (1998, p. 135) further support this point by stating: "From a managerial point of view, it suggests that the chances of success of cross-national business relationships are determined partially by the appreciation and understanding that each country partner has of the other’s social as well as structural bonding requirements and expectations." They go on to stress that the social and structural bonding is one of the best indicators for long-term business success.

Culture has already been mentioned and Meschi (1997) clearly highlights its importance. However, the cultural differences and the cultural awareness of the individuals involved in the relationship are by no means the sole determinant of IJV success. Lane & Beamish (1996) argue that implementation and the level of parent management attention are just as important. This supports the argument that by looking at only one dimension of a human relationship, in this case culture, the conclusions regarding the prospective performance of an IJV may be incomplete. This approach towards the understanding of BRs within IJVs recognises that there are human, organisational and external factors which influence these BRs. This realisation is supported by BR literature (discussed in detail below) (Anderson, Hakansson & Johanson, 1994; Dabholkar, 1994; McGuiness, Campbell & Leontiades, 1991).

2.6.2 Other Human Issues:

While culture has attracted considerable research interest over the last decades, there are a number of other human variables within IJVs which have been given research attention. Trust between individuals and between the organisations involved in IJVs
has often been mentioned in passing within the IJV literature (Killing, 1983; Hoon-Halbauer, 1994; Beamish, 1982; Parkhe, 1998). Madhock (1995a) however goes further by investigating trust and its role within IJV's. He argues that, "overemphasis on the outcome has resulted in neglect of the social processes underlying the outcome" (Madhock, 1995b, p.117) within IJV's. He continues to state:

"The paper elaborates upon the rational for a cooperative approach towards interorganisational collaborative relationships based upon trust, and discusses it in the context of joint ventures... It is argued that trust-centred logic is largely consistent with approaches that emphasise and enriches the insights provided by the latter. A shift in focus from ownership to relational dynamics is encouraged."
(Madhock, 1995b, p.117)

Madhock (1995b) highlights the importance of relational dynamics. This supports the research focus of this study. The particular focus of the work by Madhock (1995 a & b) however is the trust which exists between individuals and organisations. Trust while being an important part of a relationship, is only one part of a relationship (see discussion on dimensions of business relationships below). Madhock (1995a &b) not only adds to the IJV literature by highlighting the importance of relationships in general and trust in particular, but he also explains the role of trust within IJV's. Trust can be seen as a type of "social glue"(Madhock, 1995b, p.120). It facilitates economic exchange and allows relationships to develop (Maphoock, 1995b) and as such has a key function within business relationships within IJV's. However, while trust is a prerequisite for the emergence of functional relationships within the IJV setting, it is not enough to initiate the relationship (Madhock, 1995b). In other words, there has to be an economic need to initiate the relationship in the first place.

The work of Madhock (1995 a & b) does not only focus upon trust, but also on the lack of it. In other words, what happens if individuals or organisations behave
opportunistically (Madhock, 1995b). This work is closely related to the work by Park & Russo (1996) who argue that within joint ventures competition often leads to companies behaving opportunistically and joint ventures breaking up. In their research sample which was based upon 155 US-foreign joint ventures, one of the main reasons for IJV failure was the fact that the companies were not or no longer able to cooperate as they were also competing with each other. Trusting their partner, not to turn against them was cited as being one of the key features of joint ventures which continued to function (Park & Russo, 1996). The work by Park & Russo (1996) is based upon transaction cost theory and hence very economic in its nature, however it does acknowledge the fundamental importance of relationships in co-operation between organisations. This once again highlights the importance of trust within business relationships for the success and continuation of IJVs.

2.6.3 Human Resource Issues:

This section reviews studies which have been conducted within particular human resource areas, such as the needs of expatriates. The points raised have to be taken into account when designing HRM policies for IJV and have been linked to IJV performance.

2.6.3.1 Expatriates in International Joint Ventures:

Within the IJV literature, expatriates have been identified as playing an important role within the organisation (Beamish, 1988). They often have to fulfil a number of roles - that of the manager, teacher, expert, mediators (Smith, Peterson & Wang, 1996) and controller (Friedmann & Beguin, 1971; Hoon-Halbauer, 1994 & 1999; Trommsdorff & Wilpert, 1991). In addition, they often have skills, either managerial or
technological which are of importance for the operation of the IJV (Beamish, 1988). With expatriates holding a key role within IJVs, there have been a number of different research studies into the role of expatriates within IJVs. This literature can be split into two groups, firstly those that mention the role of expatriates or discuss the role as part of a case study and secondly, those studies which examine particular aspects of expatriate behaviour. As with research studies into IJVs in general, there is no particular research approach into expatriates which has prevailed. Instead the research has to be seen as disjointed and fragmented into a number of different research areas. The discussion below highlights some of the findings and discusses the importance of these findings with regards to the business relationships within IJVs and the organisation in general.

At a general level, expatriates are deemed to be important. Much of the existing literature on “how to manage a joint venture successfully” highlights the importance of choosing the right individuals and giving these individuals the support required to succeed (Dolainski, 1997). Hoon-Halbauer (1994) in her case study of two car manufacturing joint ventures in China recognises quality differences in staff sent by the multinational companies, and in addition highlights the differences in the level of parental support. While the successful IJV employs highly qualified, experienced staff, with career prospects within the German parent organisation, the other joint venture has been sent expatriates who are not highly regarded within the parent organisation. In addition, they often lack the skill, commitment and parent organisation backup to be successful.
There has been considerable emphasis regarding the importance of effective expatriate staff for the success of an JV, and the question as to which skills they should have and how they should be trained was discussed and researched within the JV literature. Dolanski (1997) investigates the need for expatriates to have language skills. The argument is made that “language training for expats is critical to global business success” (Dolanski, 1997, p.33). While this article provides no scientific evidence for this argument, the actual realisation by an individual involved in global business that the training and preparation of expatriates is important is noted.

Banal & Reisel (1993) investigated the loyalty of expatriates. They argue that the expatriates sent to the JV are often in a loyalty conflict, as they sometimes have to choose to either work for the interests of the parent organisations or for the interest of the JV. This hypothesis is based upon the possible strategic goal differences between the parents of the joint venture, as well as between the joint venture and the parent organisation. Their research findings do not fully support this argument and are inconclusive. However, the research does highlight a number of points which can impact on the business relationships within JVs. Firstly, under certain circumstances expatriates have to choose their allegiance and commit either to their parent organisation or the JV (also the discussion on differences in strategic goals of joint venture partners). This could possibly lead to conflicts within the business relationships within the joint venture if the local managers believe that the expatriate is not acting in the interest of the JV. Secondly, the career path of expatriates is often not perceived to be within the JV, but with the parent company. This might impact upon the commitment of the individuals to the JV and might need to be taken into account when assessing and designing reward mechanisms. Thirdly, the question
arises as to whether the circumstances of local managers is similar to this, and whether they view their career path in terms of the parents of the IJV. If this is the case, then this could have additional implications for the business relationships similar to those of the expatriates.

Harvey (1997) highlights that there are considerable pressures upon expatriates. While Banai & Reisel (1993) highlight that there are organisational pressures, Harvey (1997) iterates that there are also additional pressures to be confronted within the personal lives of the expatriates. His study investigates the effects of husband and wives (or of the expatriate and their partner) having two (or dual) careers. Under these circumstances there are considerable pressures upon the partnership and this has to be taken into account by the HRM departments of the organisation. Stavis & Gang (1998) have highlighted that expatriates sometimes have particular educational, housing, healthcare, as well as social needs, and these needs if not fulfilled can have an affect upon the morale of the foreign workers. This once again emphasises the point that when multinational companies send staff as expatriates to a foreign country, they assume certain responsibilities which go beyond those in the home country. Family issues have to be taken into account and accommodated.

Sergant & Frenkel (1998, p.17) state: “We argue that organisations could significantly enhance future expatriate managerial effectiveness by systematically building, updating and disseminating knowledge based on the experience of expatriate managers.” This quote reinforces the need for training and information exchange to improve the efficiency of expatriates. Sergant & Frenkel (1998) make an additional point, that there is considerable knowledge within the expatriate community of many
multinational organisations and that companies could benefit from managing this knowledge.

2.6.3.2 CEOs Role within International Joint Ventures:

As has been previously discussed there are a number of different strategic goals which might be pursued by the parents of an IJVs. The parents might however not be following the same goals (Shenkar & Zeira, 1992). Hence Shenkar & Zeira (1992) argue:

"In the midst of this complex system stands the CEO, who is responsible for the daily operation of the international joint venture. This person faces the simultaneous demands of the different policy makers in each parent company and of the various employee groups in the enterprise, as well as the internal and external stakeholders in the host country and other countries in which the international joint venture conducts business; and must translate their different, ambiguous or conflicting expectations into workable strategies. As role theory predicts, such office holders are likely to face considerable role conflicts and role ambiguities."

(Shenkar & Zeira, 1992, p.56)

This argument was empirically tested with a number of parameters and it was found that this role ambiguity exists within IJVs. CEOs of IJVs are faced with a considerable number of different challenges and might thus require particular skills (Shenkar & Zeira, 1992). Unfortunately, no empirically backed research exists which investigates these particular skills further.

The research into the role ambiguity of CEOs and the research into the loyalty of expatriates to the multinational organisation which sent them, may have a number of implications for the business relationships between CEOs and expatriates. The cause of the problems is mainly due to the possible difference in the strategic goals which the IJV parents try to follow through the joint venture. As to how this goal conflict affects the individual business relationships within IJVs, little is thus far known and
the qualitative work conducted as part of this study hopefully helps to investigate this further.

2.6.4 Ethics and Ethical Behaviour in International Joint Ventures:

Pitta, Fung & Isberg (1999) examined ethical issues in management from a U.S. and Chinese perspective. They found that particular actions (especially within the marketing field) which are acceptable within one of the two countries, are not acceptable in the other. This emphasises the difficulties as regards to ethics and the need to be culturally sensitive with regards to managerial action, so that ethical boundaries are not crossed. They suggest the training of individuals involved in cross border management in the ethics of the other country in order to avoid conflict with business partners and/or the law (Pitta, Fung & Isberg, 1999).

Steidlmeier (1999) investigated the ethical management of business relationships in China. The investigation focuses upon gift giving and bribery and it states:

"China is one of those societies where reciprocity is a foundational pillar of social intercourse. To approach another and bring nothing is unusual, to say the least. To accept a gift and not reciprocate is perceived as morally wrong."

(Steidlmeier, 1999, p.121)

This quote emphasises certain cultural behaviours which are required to set up relationships and to maintain them which are not deemed to be appropriate in European or American society. Once again Steidlmeier (1999) emphasises the need to convey cultural norms to the individuals who are to work within China. This, it is argued can not only help avoid ethical pitfalls, but also help in establishing and maintaining relationships which in turn are beneficial for the success of the conducted business (Steidlmeier, 1999).
There has also been research into the ethics of employing foreign staff within JVs. Leung et al. (1996) highlight the issue of organisational justice and how this might impact upon job satisfaction within JVs in China. Organisational justice is investigated from the performance based payment point of view. This investigation is based upon the assumption that the high level of pay of expatriates may be perceived, by local employees, as unfair and hence reduces job satisfaction. However, it was found that the local employees did not perceive the high pay of the foreign staff as a problem, but that the local staff assessed the fairness of their remuneration by comparing it to the level of pay of locals (Leung et al., 1996).

While there has been some research into business ethics within JVs, little actual research actually investigates what happens at the personal level when ethical boundaries are crossed. Donaldson (1996) addresses this, but only focuses on the consequences to and behaviour of the expatriate. The consequences of this and how this affects the relationships between individuals and groups within the JV setting might be just as important from a managerial and research point of view as the establishment of ethical boundaries which are currently the main investigative area of research into business ethics.

2.6.5 Summary of Literature on Human Factors:

There are a number of different studies into human factors within JVs. These studies are within a number of research fields. While the above discussion of some of this literature does by no means claim to be a complete representation of work within this
field, the studies which have a direct bearing upon the research into business relationships within IJVs have been discussed. On review of the literature above it becomes clear that there has been some mention of business relationships or particular aspects of business relationships, but no comprehensive study into business relationships or the impact of these upon IJVs. This means that there is no theoretical framework which can be used to investigate business relationships within IJVs.

2.7 Multifactor Studies:

While Parkhe (1993) stresses that there has been no attempt in the literature to understand IJVs as a whole, there have been a number of studies which have looked at a number of factors and have tried to link these to the success of IJVs. These studies are discussed in this section on multifactor studies.

Osland & Cavusgil (1996) attempt to develop a model of performance factors for U.S.-Sino joint ventures. They identify governmental and industrial structure as external performance factors, and operating strategy and organisational structure as internal determinants of IJV performance (Osland & Cavusgil, 1996, p. 112). The fact that the research emphasises that there are multiple factors which can influence the performance of IJVs, and that it tries to develop a complex model which recognises this, makes this research a valuable contribution to the IJV literature. However, there are two different arguments which negate the theoretical foundation of the model. Firstly, there are a number of additional factors such as the behaviour of the parents of the IJV which could also affect the organisation and its performance (Beamish, 1985).
Secondly, the model does not take into account the human relationships within the IJV (Hoon-Halbauer, 1994).

Hu & Chen (1996) investigated a multitude of structural and human factors in order to explain IJV performance in the People’s Republic of China.

“Level of partner commitment, the number of joint venture partners, sociocultural distance among partners, product/industry characteristics, foreign control, and joint venture location in China are used to explain performance...With the exception of product/industry, control and location, the factors used in this study are found to be significantly related to performance.”

(Hu & Chen, 1996, p.165)

As this study highlights there are a number of human factors such as commitment and sociocultural distance which might impact upon the performance of IJVs. Factors such as commitment also have been highlighted at an individual level to be of importance and the sociocultural distance can, as Meschi (1997) highlights, impact upon the individuals within the IJV and their relationships. Hence, while this study might not focus upon business relationships within IJVs, it does overlap, especially with regards to some of the empirically supported factors that have been identified as being of importance.

The work by Hu & Chen (1996) is in contrast to the research and findings of O’Connor & Chalos (1999) who focus mainly upon structural factors. They developed a model of important factors for the understanding of success of IJVs by looking at a small sample of failed ventures. The main problems facing IJVs, according to O’Connor & Chalos (1999, p. 51), are the lack of strategic objectives, the lack of competitive cost structure and lack of management control. The remedies which are proposed in this research are mainly to do with raising managerial awareness with
regards to those three areas, however no mention of how to implement any necessary changes is made. Essentially the research highlights the importance of good management and no IJV can succeed without effective control, strategic objectives or a competitive cost structure. The real question however is how to achieve this. Within a joint venture individuals work to develop managerial strategies and then have to carry these out. In order to do this, the joint venture partners have to work together and relationships are therefore required to carry this through. To summarise the argument, O'Connor and Chalos (1999) identify what needs to be done, but they fail to explain how to do this and what the preconditions for these actions are.

In their study which investigates long term cooperation prospects within IJVs, a number of independent variables were identified by Chen & Boggs (1998):

(1) difficulty of predicting market change, (2) mutual trust, (3) cultural similarity, (4) year the joint venture was founded, and (5) satisfaction with the joint venture...[The] results support hypothesized relationships between the dependent variable and independent variables (2), (3), and (4).”

(Chen & Boggs, 1998, p.111)

This research was conducted from the viewpoint of the Chinese joint venture partner. This perspective is different to that of most other studies which look at IJVs especially in China, from a multinational perspective. The research is China specific to a certain extent, but the results especially with regards to mutual trust are based on theories which are not China specific (see discussion of hypothesis on mutual trust, Chen & Boggs, 1996, p.114). Chen & Boggs (1996) indicate a multitude of different factors which they argue and support with empirical evidence that impact upon IJV relationships. They look at the IJV as a holistic entity, without dissecting the individual relationships within the organisation. However, some of the variables such
as trust, satisfaction and cultural similarity are not only applicable on the organisational level, but might also be discussed within the individual business relationships within these organisations.

2.8 Business Relationships in International Joint Ventures

Prior to entering into the specifics here, an important reference should be made. The literature review encompassed a large number of different areas. Two areas which were outside of the IJV field were literature on mergers and acquisitions, as well as literature on business relationships. The business relationship literature reviewed covered a number of different inter-organisational relationships on various organisational levels and in various organisational settings (Hallen, Johanson & Seyed-Mohammed, 1991; Holm, Eriksson & Johanson, 1996; Holmund, 1996; Fros gren et al., 1995; Frazier & Rody, 1991; Gadde & Mattsson, 1987; Crosby, Evans & Cowles, 1990; Holmund & Strandvik, 1999; Johanson & Mattsson, 1987; Thorelli, 1986; Soellner, 1999; Staber, Schaefer & Sharma, 1996; Backhaus & Bueschken, 1999; Schmidt & Kochan, 1997). Reviewing the literature which did not look at business relationships within the IJV context, did however highlight a number of commonalities and common issues. One component, regularly mentioned in the business relationship literature was trust, unfortunately the studies tended to concentrate on the trust between the IJV parent organisations rather than the individuals involved (Gill & Butler, 1996; Brenkert, 1998; Campbell, 1997; Burchell & Wilkinson, 1997; Gulati, 1998 & 1995; Rankin, 1998).

While the above literature only touches upon business relationships within IJVs and largely ignores the internal workings of the organisation, it believer instead that an
IJV will be functional if the strategy is well conceived. However, as Hoon-Halbauer (1999) states:

"No joint venture...will be successful without well-conceived motives and one (or more) compatible partner(s), and without an appropriate management structure. Furthermore, unless market, legal, and financial analyses are completely carried out, the joint venture will fail. However, an emphasis on such concerns frequently overshadows the reality that a combination of two organisations is actually a joining together of individuals and groups. The desirable strategies are not those that are brilliantly formulated, but those that are successfully implemented. Implementation often requires a new state of mind at all levels of the organisation." (Hoon-Halbauer, 1999, p.345)

The quote above highlights one of the key shortcomings of the literature examining the success factors of IJVs. The implementation of strategy and the actual work within the IJV organisation by individuals has been largely ignored or assumed to progress in a certain either positive or negative way according to the quality of the strategy conception. Hoon-Halbauer (1999) continues to stress that: "... the influences exercised on members in the organisation - employees and managers at all levels - have been largely ignored...it is apparent that no study has previously dealt with the issue of “relationships”."(Hoon-Halbauer, 1999, p.345) Despite Hoon-Halbauer (1999 & 1994) being correct in that there have been precious few studies into relationships within IJVs, there are a number of studies which mention relationships and this section looks at these previous research into business relationships within IJVs. The contributions of these studies and implications for this study are highlighted. This is followed by a review of literature which looks at business relationships within a number of settings.
2.9 Why Are Business Relationships Between Local And Foreign Staff Important?

Harrigan (1986) identified three different groups of relationships to be of importance within joint ventures. These are the relationships between the parents of the joint ventures, the relationships between the individual parents and the joint venture and the relationship between the JIV with its environment. This realisation of the importance of relationships within JIV has had considerable influence upon the further research into these relationships. The work of Hoon-Halbauer (1994 & 1999) has been based upon this and her detailed case study into business relationships within the JIV field is based upon the following three types of business relationships:

1) The relationships between the JIV parents.
2) The relationships between the individual parents and the JIV and
3) The relationship between the local and foreign employees within the JIV.


2.10 Business Relationships Between Local Employees and Expatriates in International Joint Ventures:

The focus of this study is on the relationships within an international joint venture, specially between the local and foreign staff. Hoon-Halbauer (1999, p. 347) emphasises the issues of mistrust, differences in preconceptions, lack of communication and cross-cultural management problems as the key issues with regards to this type of relationship. According to her these are prevailing difficulties observed within two JIVs in China.
“Relationships that prevail within a dominant parent joint venture are not as complicated as those that exist in a shared management joint venture. In a shared management joint venture, intricate problems become apparent. One of the collaborative difficulties of personnel from firms stems from the problem of "mistrust" and the issue of "allegiance". The cases ...showed that, in addition to the problem of "mistrust" and the "issue of allegiance", a "lack of communication", and differences in "preconceptions" prevailed. Two additional factors that aggravate the collaboration problems between the two groups of staff are different working styles, together with different values, attitudes and beliefs which originate in the national cultures and corporate cultures of the firms involved.”

(Hoon-Halbauer, 1999, p.355)

Killing (1983, p.8) however states that joint ventures “are much more difficult forms of organisation to manage well. Joint venture problems tend to be internal, not external.”

2.11 Business Relationships in the People’s Republic of China:

Even though the literature review tries to deal with non-China specific findings of how business relationships within JVs work, there are some country specific issues and findings which impact upon the conception and development of the hypotheses. Hence, it becomes necessary to deal with these issues within the literature review.

Within the People’s Republic of China relationships have been highlighted as being one of the main features of economic success. Nair & Stafford (1998, p.139) state: “Trusting relationships are fundamental; the Chinese believe that one should build the relationship first and if successful, business will follow.” This emphasis upon relationships within China is further supported by the considerable research into Guanxi (Yeung & Tung, 1996; Luo & Chen, 1996; Davies et al., 1995; Hoon-Halbauer, 1994 & 1999).
"In Chinese, guanxi is a general term of social networking and is often translated as “relationship” or “connection”. The two Chinese characters that make up the term mean a “gate/pass” or “to connect”. Thus, guanxi refers to the establishment of a connection between two independent individuals to enable a bilateral flow of personal or social transactions. However, both parties must derive benefits from the transaction to ensure the continuation of such a relationship.”

(Yeung & Tung, 1996, p. 55).

According to many researchers the economic activity within the People’s Republic of China is closely linked to the networks of Guanxi, especially within the considerable state sector of the economy (Yeung & Tung, 1996; Park & Luo, 2001). However, even early on JVs within China have been linked to Guanxi (Brown, 1986). Luo & Chen (1996) in their study into guanxi and the performance of companies within China find:

“The empirical analyses based on the firm-specific data suggest that guanxi-based business factors have a significant and favourable influence on firm’s profitability, market growth, and asset efficiency, and this influence appears unabated over time and similarly significant for both local Chinese firms and foreign ventures.”

(Luo & Chen, 1996, p.293)

Luo & Chen is emphasis of the importance of relationships within the Chinese economy, has a number of implications for the conducted research- if business relationships are important within the Chinese economy as a whole, then it might follow that the importance of business relationships within Sino-foreign joint ventures is just an extension of this importance. This could have profound implications for the possibility of generalising any research findings beyond the Chinese arena, as this might be a China specific situation. This however, depends upon the importance of business relationships within other cultures and as the section on business relationship literature documents, there are studies within many cultures which identify business relationships as being important for the success of organisations. Lu & Chen (1996,
p.298-299) highlight this themselves by stressing that there might be an overlap between guanxi and Western literature on networking between individuals and organisations. However, the social importance of guanxi goes beyond that of networks within Western society (Yeung & Tung, 1996). While in the West “what you know tends to be important” within Confucian based Chinese society “who you know” can take preference (Yeung & Tung, 1996, p.55). Hence, for individuals to have long term business success within Chinese society, guanxi play a considerable role (Yeung & Tung, 1996).

This section on the guanxi literature only deals with the main characteristics of this social phenomenon within China. There is considerable research in this area (such as the work by Davies et al. (1995) who look into marketing and guanxi, but this is not the main focus of this study and to further follow the previous work on gunaxi would be straying from the focus of this research.

The issue of face within Chinese organisations and how it impacts upon management within these organisations should also be mentioned. Redding & Ng (1982) highlight this important concept and state that managers, regardless of their origin, have to observe this concept. If the managers are not allowing their Chinese counterparts to keep the faith, this will result in them losing their face and consequently result in a loss of authority (Redding & Ng, 1982).
2.12 The Theoretical Argument for the Study:

The different studies within the field investigate a large number of different IJV related areas and subjects. Numerous studies have tried to explain the performance differentials of IJVs. Structural factors tended to be the main focus of such research (Parkhe, 1993), however, the human aspects of the organisation were never taken into account as part of this research approach. A number of studies have looked at the human aspects involved in the success of an IJV, such as culture (Meschi, 1997; Lane & Beamish, 1990; Antoniou & Whitman, 1998), and the importance of good working relationships, without however, pursuing any detailed research into these relationships (for example Lou, 1998; Banai & Reisel, 1993). This realisation is summarised by Meschi (1997) who states:

"Among the researchers who have studied the collaborative process, it is generally accepted that personal, interpersonal, group and intergroup dynamics involving the personnel of two or more companies will be decisive elements in the success of an international joint venture."

(Meschi, 1997, p. 212)

The literature review investigates this attributed importance and develops an argument for further research into BRs within IJVs. Meschi (1997), in addition to his general remarks on BRs in IJVs, stresses the importance of culture.

"All employees, whether expatriates or local employees, will bring to the venture their basic values, beliefs, assumptions, and customs, thus shaping their attitudes and behaviour. Such personal characteristics also frame the individual's view of how business should operate. When two or more companies start working together, their respective cultures come into contact: the local employees must deal with the different, sometimes unknown, foreign cultural environment, and likewise for the expatriate employee."

(Meschi, p.214, 1997)

While culture is of great importance in IJVs, as the quote above emphasises, it comprises only one of the dimension of human interaction in an organisation. To examine the relationship between expatriates and the local managers in its entirety, a
number of aspects have to be covered, not only the cultural differences. Before elaborating on the basis for such an approach, it is worth exploring the particular aspects of personal differences that might be of importance and that have been investigated in previous research.

Lane & Beamish (1990) argued that the implementation and level of parent management attention are just as important as cultural differences, and that the cultural awareness of the individuals involved in the relationship are by no means the sole determinant of IJV success. This supports the argument that by looking at only one dimension of a human relationship, in this case culture, the conclusions regarding the prospective performance of an IJV may be incomplete. This approach towards the understanding of BRs within IJVs recognises that there are human, organisational and external factors which influence these BRs. This is reinforced by the BR literature that has looked at BRs in a number of different settings (Anderson, Hakansson & Johanson, 1994; Dabholkar, Johanson & Cathey, 1994; McGuiness, Campbell & Leontiades, 1991; Lin & Darling, 1999; Low, 1997).

The review of the above literature has highlighted that numerous different dimensions, often at the same time, might be of importance for the conduct of relationships. Some of these studies which examine certain factors of human interaction in a corporate setting, are discussed in this research. One specific issue which has been extensively investigated is trust (Aulakh, Kotabe & Schay, 1998; Cook & Wall, 1980; Dodgson, 1993; Davenport, Davies & Grimes, 1999; Johnson, et al., 1998). Trust has been identified as the key component of most BRs (Blois, 1990 & 1998), especially within the notion of a co-operative organisation which most IJVs
represent. This characteristic has been proposed as being of considerable importance (Madhoock, 1995b). It is questionable whether opportunism can exist in the long run within a co-operating organisation without causing the breakdown of working relationships (Madhoock, 1995b) and without trust or through the breaking of trust. The research into the control of IIVs (Geringer & Hebert, 1989); and Ding (1997) stresses that social, and structural (Geringer & Hebert, 1991) control is more important; where trust can be seen to be part of the social control component.

Ding (1997) in his case study, looked not only at control and performance but expanded upon this by examining conflict. The findings are that conflict reduces the performance of the IIV, it is useful to incorporate them into an examination of BRs within IIVs. However, the finding itself does not add significantly to the understanding of IIVs.

An area of IIVs that has been extensively studied is the ability of the organisation to learn (see also knowledge acquisition; Lyles & Salk, 1996). Lee (1999) stresses that in order to achieve this, long-term relationships between individuals have to be developed and relationships need to be functional in order for the companies to succeed. For example, if the BR has broken down to such an extent that no communication takes place, it is extremely unlikely that knowledge exchange and hence acquisition can take place.

Another important aspect of the research into BRs in IIVs is the difference between the relationships within such an organisation and those found in more traditional companies.
“Naturally, joint ventures that draw functional managers from both parents are more difficult to manage than those that do not. Managers of international joint ventures may not only have communications problems because of language barriers; they may also have different attitudes towards time, the importance of job performance, material wealth, and the desirability of change”
(Killing, 1982, p.124)

Killing (1982) recognised in his research into IJVs the difficulties faced by the individuals involved, whether they were local or expatriate managers. This realisation has two important implications. Firstly the people who are chosen to work within an IJV may need to possess different or additional skills to be successful in comparison to employees of companies with other organisational forms. Secondly, this realisation created a case for an investigation to develop an understanding of the working environment within an IJV. The above quote by Killing (1982) highlights an additional point. The behaviour, relationships and interactions with other individuals within an IJV, especially the workers associated closely with the parent organisation, may be the reasons for further complications.

Shenkar & Zeira (1992) examined the difficulties experienced by individuals within organisations. They looked at the role conflicts of CEOs that were often created as a result of the organisation having two parents with different agendas and/or strategies. They found that this problem was prevalent, especially in two partner IJVs. Their study is supported by research into the strategic goals of IJV partners which found that in many cases (for example in IJVs in the Chinese car industry) the strategic goals were different (Schmitt, 1997). Banai & Reisel (1993) speculate that expatriates are loyal to their parent organisation rather than the IJV. The theoretical justification was that the future career expectations of the expatriate were firmly held with the parent MNC and with their continuing personal ties with that company (Banai & Reisel,
Further research in this area is needed in order to draw more meaningful conclusions. Lake (1997) suggested the importance of involving HRM professionals in the inter-organisational BRs. The concept, proactive in nature, highlights the possibility of influencing BRs rather than seeing them as given, making the research into the importance of BRs not only interesting from an academic but also from a managerial point of view. The ability to influence the BRs through external influences is in accordance with the suggestions of the BR literature which show that the organisation and the external environment have a bearing on the BR (Anderson, Hakansson & Johanson, 1994; Dabholkar, Johanson & Cathey, 1994; McGuiness, Campbell & Leontiades, 1991).

As the literature discussed above reveals, there are numerous studies which have examined particular aspects of BRs within IJVs. No study however, looks systematically at the relationships between the local and the expatriate employees of an IJV. The research tries to fill this particular gap. A justification for looking at this can be drawn from the work by Meschi (1997) who has demonstrated the importance of the relationships between the expatriates and local employees. Additionally, cooperation has been emphasised in the definition of IJVs. Blodgett (1991) further stresses that partners within an IJV often contribute different skills, technologies and resources to the venture, and that the organisation has to co-operate in order to add value through these. Relatively few researchers have looked into the co-operation between the individuals of the two organisations within an IJV. Few studies have investigated the relationships either within the IJV (for example between the expatriates and the local employees), between the IJV and the parent companies or between the parent companies of the IJV themselves [these relationships are
highlighted by Hoon-Halbauer (1994, 1999)). A number of studies exist which have either looked at the internal workings (e.g. the management of the IJV) of IJVs (Stoughton, 1989; Contractor, 1984; Blodgett, 1991; Harrigan & Newman, 1990) or have theorised about the importance of BRs (Hakansson & Snehota, 1995). No theoretical framework exists which explains the impact of BRs upon IJVs.

The attributed importance (Hoon-Halbauer, 1994 & 1999; Meschi, 1997; Blodgett, 1991; Stoughton, 1989; Contractor, 1984; Blodgett, 1991; Harrigan & Newman, 1990) of relationships between local and expatriate employees of an IJV is the theoretical starting point of this study. Within the IJV field there are a number of different person to person, person to group and group to group relationships. Harrigan (1984) and Hoon-Halbauer (1994 & 1999) particularly highlight the relationships between the IJV parents, between the IJV parents and the IJV, and between the local and foreign employees of the IJV. The research conducted for this paper focuses upon the relationships within an IJV organisation as this has been given the least attention. It concentrates upon the individuals involved and not upon inter-group relationships. To focus upon the individual relationships is a logical starting point for an investigation into BRs. Further research might be used to go beyond this and might for example investigate group behaviour or organisational structures. Hoon-Halbauer (1994 & 1999) in her case studies, makes a number of observations which inform the research approach and have which have been taken into account in the analysis of the data (presented in the data section). Hoon-Halbauer (1994) stresses that if BRs within an IJV are non-functional, then this will have considerable consequences for the internal management of the IJV.
problem solving, efficiency of organisational processes and strategic planning can all be influenced by the internal relationships within the BR (Hoon-Halbauer, 1994).

Hoon-Halbauer (1994 & 1999) bases these findings on the qualitative research conducted in China in the early 1990s. The study builds on this research and tries to further investigate the performance of a group of different teams of Chinese and expatriate managers. It aims to compare the achieved performance of a number of different teams and to investigate the behaviour of the team members.
CHAPTER III
METHODOLOGY

The theoretical argument for the investigation was outlined in the literature review above. It concluded that there could be academic, as well as managerial merit in investigating the influence of working relationships between local and expatriates within IJV's on the performance of such organisations. Numerous previous studies were highlighted which assumed, hinted or proposed studies into the influence of these relationships on IJV performance. However, no previous research could be identified which investigated the possible influence of working relationships between the local and expatriate employees on an IJV. This research is intended to bridge the gap, by examining the working relationships between expatriates and local employees in an IJV setting. This chapter aims to summarise the research methodology employed for this research and justifies the choices made by the researcher.

The focus of the research centres on differences in the performance of working relationships between local and expatriate employees. Friedrichs (1990) argues that any social science methodology has to be seen in the context of the social science tradition. From this he argues that a methodology should be based on these traditions and on the research aims and research questions. Friedrichs (1990) further proposes that by taking into account established methodologies, the existing research aims can be achieved, while ensuring a high level of validity and reliability in the data collection and analysis.
Thus far this chapter has reviewed the findings from the literature review and marked the starting point for the employed methodology. This chapter outlines in detail the theoretical argument for the employed research methodology; furthermore the actual conduct is described in detail. The chapter covers a wide range of topics, starting with a discussion of what a research method should ensure. This is followed by an analysis of the research aims, the research question and how the research design evolved from these, additionally the limitations that influenced the research design are discussed. The final sections of this chapter then focus on the actual conduct of the research, describing in detail the literature research phase, the exploratory research, the conduct of the observational research in China and the analysis of the obtained data. The chapter concludes by discussing the methods used to ensure the quality of the research and how the conclusions of the research were triangulated.

3.1 A Methodological Examination of the Research Aim and Questions:
A number of methodological issues arise from the research aim and the research question. As the focus of the research is on the differences in the performance of the relationships between local and expatriate employees of an IJV, the establishment of the output of the relationships was paramount. To investigate the subject it was essential to develop a methodology which would allow the ascertaining of differences in working relationship output, enabling the establishment of the relative performance. Additionally, the causes of the performance differentials needed to be illuminated through the employed research methodology. This section presents the theoretical argument for the use of a particular research method to achieve these aims. Following on from the theoretical defence of the employed research methodology, the actual conduct of the empirical phase is discussed.
No previous research had been conducted on the working relationships in JVs and therefore no established methodology was available. A review of the wider literature, for example by looking at business relationship literature (see literature review above), did not reveal a suitable approach either. The general lack of research within the particular field led to no usable measures, methodologies or theories, therefore the research was exploratory in nature. The exploratory nature of the research has been discussed in the literature review; however, the methodological consequences were not outlined and this has been addressed here.

Having established the exploratory nature of the research, the question arises as to how to conduct exploratory research. The review of the methodological literature emphasises the importance of qualitative approaches for exploratory research (Ely, 1991; Denzin & Lincoln, 1998; Silverman, 2000). To understand why qualitative research approaches might be the most suited for exploratory research, the characteristics of qualitative research should be highlighted and discussed. Bryman (1988) highlights the characteristics of qualitative research as follows:

1) The relationship between the researcher and subject is close.
2) The role of qualitative research is seen as a means to explore the actors' interpretations.
3) The researcher's stance in relation to the subject is that of an insider.
4) The relationship between theory/concepts and the research are emergent.
5) The research strategy is unstructured.
6) The scope of the findings is ideographic.
7) The image of social reality is processual and socially structured by the actor.
8) The nature of the data is rich and deep.
(Bryman, 1988, p.94)

These characteristics had to be considered during the design of the research. Especially the characteristics of being close to the data, the research being emergent,
the research being unstructured and the obtained data being deep and rich was important for investigating research questions which had previously not been explored. In other words, this might help in establishing the actual situation in a particular research setting (Denzin & Lincoln; 1998). Hence as the study is exploratory in nature and falls into the category of qualitative research, quantitative methods with their focus on artificial settings, precise description, natural science, deductive strategies, and nomothetic statements are not applicable (Scott & Usher, 1999).

Having established the appropriateness of qualitative methodologies for exploratory social science research, the focus now shifts towards a discussion of the advantages and disadvantages of qualitative research and ultimately towards choosing an appropriate qualitative research method.

Qualitative research has been criticised extensively in the methodological literature. Silverman (2000) highlights the two main criticisms as being reliability of research and validity of qualitative research. Reliability which can be defined as:

"The degree of consistency with which instances are assigned to the same category by different observers or by the same observer on different occasions."

(Hammersley, 1992, p.67)

Reliability is not only a qualitative research phenomenon, but equally has to be taken into account when designing quantitative research (Bailey, 1982). In order to increase the reliability of the research, certain methods can be employed, such as standardised recording (Bryman, 1988) and a clear analytical methodology (Miles & Huberman, 1994). The present research employs both of these methods and these are outlined below. The data presented is very detailed and closely based on the actual field notes.
This should allow the reader to assess the reliability of the data (Denzin & Lincoln, 1998c).

The second fundamental criticism of qualitative research is the validity of the research (Bryman, 1988). Silverman (2000, p.188) states that validity is another word for truth. He emphasises that there are five methods:

1) the refutable principle,
2) the constant comparative method,
3) comprehensive data treatment,
4) deviant-case analysis,
5) and the use of appropriate tabulations. (Silverman, 2000, p.188)

The research methodology employed in this study relies on the constant comparative method to ensure validity (Silverman, 2000). The application of which is discussed in detail in the data analysis section of this chapter.

Being aware of the two fundamental criticisms of qualitative research and having outlined the methodologies to be used in this study, to ensure the highest possible level of reliability and validity, the justification for the particular method follows. Qualitative research can be conducted using a variety of different methods (Friedrichs, 1990). According to Bulmer (1984) these methods include:

a) in depth interviews
b) focus groups
c) observation

Interviews and focus groups are extremely useful in enquiring into the motivation, reasons and perceptions of individuals (Friedrichs, 1990). However, The research question investigated here does not focus on the intentions, perceptions or reasons of
human action, but focuses on the actual conduct of individuals. In order to gather relevant data observational research was therefore chosen (Creswell, 1994). According to Denzin & Lincoln (1998), observational research lends itself to fulfilling the set research goals of this study. This focus on the actual behaviour does however limit the scope of the study and it is not possible to infer reasons or motivation for actions observed.

3.2 Observational Research:

The participant observational research has been at the core of the study. A number of different issues need to be highlighted to help in understanding the limitations, advantages and disadvantages of such an approach.

"An observational research is defined as the selection, provocation, recording and coding of the behaviour and situations under investigation within the empirical goals of the research." (Weick, 1968, p.360)

Observational research is different from research methods that question people about their behaviour. It observes behaviour. This is a legitimate method of research (Denzin & Lincoln, 1998). In some cases, such as when observing young children it may be the only method of research (Friedrichs, 1990). The different nature of the method creates its own problems and different methodologies have to be used to plan, conduct and analyse the research (Marshall & Rossman, 1995). The main differences in the OR in comparison to questioning approaches are as follows:

a) The researcher interprets behaviour.
b) The researcher may influence the observed behaviour.
c) It might become difficult to keep the distance from the subject. This in turn may lead to the following:
   i) Less objective results.
   ii) Better understanding of situations as implicit knowledge is gained.
(Friedrichs, 1990)
In many cases OR can lead to considerable insights (Bryman, 1988), a requirement for the research questions under current investigation in this study.

A number of different choices are available to a researcher using observational research. These are:

1) Open vs. Covert OR.
2) Non-Participative vs. Participative OR.
3) Systematic vs. Non-systematic.
   (Friedrichs, 1990; Silverman, 2000; Denzin & Lincoln, 1998)

3.2.1 Open vs. Convert:
The first choice to be made was whether to conduct the research openly or covertly. To make an informed choice the following issues were taken into account. The first is the possibility that behaviour might be altered when subjects know that they are being observed (Friedrichs, 1990). Conducting research over long periods of time can counteract this as it would be difficult to pretend to behave in a certain way for long time spans (Denzin & Lincoln, 1998). In addition, if the observation is very intense i.e. constantly throughout the day, it becomes increasingly difficult to pretend to behave in a different way (Ely, 1991). The research undertaken was long term in nature and intensive, reducing this possible behaviour. Hence, the key objection with regards to conducting the research openly was removed and ethical considerations prompted the research to be conducted openly (Denzin & Lincoln, 1998c; Kent & Hellriegel, 1991).
3.2.2 Participative vs. non-participative research

The second choice concerns the participation of the researcher (Friedrichs, 1990). The researcher through working in the JV financed the stay in China. This limitation only allowed for participant observational research to take place. Non-participant research would have been limited to purely observing the situation. This has the advantage that the influence of the researcher on the subject matter is minimised, however the observer may always be seen as an outsider and not get some information or only get information in a very filtered form (Silverman, 2000). The level of participation should be seen along a continuum and with variations in the level of participation the positive and negative effects of participation will also vary (Friedrichs; Maxwell, 1996; Marshall & Rossman, 1995). In the case of the undertaken study the researcher was fully involved with the organisation. This is discussed in more detail below.

3.2.3 The Level of Systemisation

The third choice is the level of systemisation. According to Friedrichs (1990) the researcher should try to find a level of systemisation that allows for collection of data which is relevant to the hypotheses of the study in a structured form, while at the same time allowing for all relevant information to be recorded. The conducted research tried to strike a balance by being semi-structured. The research was clearly focused on the research question, but the exploratory nature of the research did not allow for the development of a fully systemised approach.

In summary, the chosen research method can be recapped as being participant observational in nature which was openly conducted and semi-structured in its data
collection. Such an approach has a number of methodological limitations, advantages and disadvantages. The methodological limitations of the employed method are as follows. Firstly, the research is qualitative in nature and this does not allow general conclusions to be drawn (Scott & Usher, 1999). Additionally, as stated above the observational nature of the research does allow for data and conclusions concerning the actual behaviour to be drawn (Denzin & Lincoln, 1998), but it does not allow any conclusions to be drawn as to the purpose, motivations or reasons for these actions (Friedrichs, 1990). As this is not the purpose of the study, this is not a fundamental problem. The fundamental criticisms of qualitative research as regards reliability and validity apply to participant observational research (Silverman, 2000). There are a number of additional sources of error which are specific to participant observational research (Denzin & Lincoln, 1998). Ensuring the reliability and validity of the data is additionally complicated by three factors identified by Friedrichs (1990). Firstly, the researcher might get too involved with the problems in the field and lose sight of the research and its aims (Friedrichs, 1990). Secondly, the researcher assimilates too closely with the research subjects and loses the distance necessary to observe behaviour objectively (Friedrichs, 1990). And thirdly, the observer might be influenced by the closeness to the research subject and start to mix observation with interpretation (Friedrichs, 1990). Friedrichs (1990) argues that if the data is well presented, such tendencies are observable by the reader and hence can be taken into account when assessing the data.

3.3 Actual Conduct:

The theoretical justification for the chosen research approach has been given above. This section deals with the actual conduct and should enable the replication of the
research. While some of the methodological issues have been brought to the attention of the reader in the section above, this section provides a description outlining the actual conduct and offers comments on the implications of the conduct.

3.3.1 The Stages of the Research:

The conducted study comprised a number of different research activities. The initial interest of the author into JVs was sparked during previous research into the goal differences of JV parents. Once the researcher had decided to proceed with the present study, a thorough review of the existing literature was conducted. The review of the literature comprised academic, as well as managerial literature, on international joint ventures. The initial review of this literature allowed the researcher to identify a particular research area, and the researcher then narrowed the review of the literature to the specific topic. Once a significant review of the available literature into business relationships in JIVs and in other related managerial fields was completed (such as literature in the fields of business relationships, mergers and acquisitions, Chinese management and research into international management in general), the researcher started to develop research questions.

During the initial stages of the study the research was theory driven. The aim at this stage was research question development based on the reviewed literature. The researcher however, realised the dangers of only relying on theoretical work, as only focusing upon the theory could have led to a problem with regards to the relevance of the study (Friedrichs, 1990). To avoid this and to anchor on an empirical basis, a number of exploratory small scale investigations were conducted. These were
qualitative in nature and were conducted prior to committing to the extensive qualitative work to be conducted in the People's Republic of China.

3.3.2 Exploratory Research:

Two different types of exploratory enquiry were used at this stage, focus groups and a visit to China. Focus groups have their main use as an exploratory tool, especially for the preparation of further empirical work (Friedrichs, 1990). When conducting the focus groups there are a number of pre-conditions which have to be satisfied. These preconditions are based upon research into focus groups as a research tool. The size of the group should be between six to twelve respondents, having said this if the area under investigation is very specialised it might be difficult or impractical to assemble groups of this size (Bulmer, 1984). The composition of the group is of vital importance, may it be in age group, gender, opinion distribution or as in the case of this study by nationality/organisational membership (Creswell, 1994). The composition has been shown to have a direct effect upon the results obtained in the focus groups. For this reason the composition is outlined below. (Friedrichs, 1990)

Familiarity with the topic by the group members is an addition dimension which may have an impact upon the research results (Friedrichs, p.246-248). In the case of the conducted research the respondents had considerable knowledge and experience in working within Chinese JVs. Having said this, their perspectives and differing vitas had an impact upon their contributions. For example, the Chinese managers see the behaviour of the German expatriates from a different perspective as the expatriates see it themselves. However even within the ethnic groups different professional
standards and behaviour, just to name one example, have an influence upon the contributions made.

The focus groups were limited to a maximum of 90 minutes and the group members did not know each other too well. This should according to the methodological literature have ensured that people are not worn out and that no sub-groups are formed; and furthermore ensure that people are able to air their views without having to fear consequences of other people within the focus group (Creswell, 1994).

One of the key sources of error within a focus group is the moderator (Maxwell, 1996). In the case of the conducted research the moderator is the author himself. He had to lead the discussion through a range of topics and cover a number of areas without leading to the answers. In addition every effort was made to include all the respondent in the discussion and to note behaviour, such as silence and dominance by a particular group member.

Social and language barriers have been identified as being a considerable limiting factor in communicating ideas and establishing rapport between group members (Maxwell, 1996). In the case of this research, the social barriers between the group participants and between the group participants and the moderator were minimal. The language barrier which could have been a considerable problem between the Chinese managers and the moderator was minimal, as the Chinese managers spoke excellent German.
The interviews were taped and any body language which could have had an impact upon the results (Marshall & Rossman, 1995) was noted. This gave the moderator the ability to concentrate fully upon the events during the focus group and ensured the best possible procedure for collecting data for analysis. The results which were obtained during the analysis have been used in structuring the arguments.

The focus groups were conducted using a semi-structured method. This allowed the participants to state their experiences without leading them in any way, while at the same time covering all the important points during each focus group (Marshall & Rossman, 1995). The focus groups were conducted in a relaxed fashion creating good rapport and group participation between all of the members in each of the focus groups.

The focus groups were conducted with respondents who have considerable experience in managing joint ventures in China. Two of the focus groups were conducted with Chinese managers who were either visiting or are now working in Germany. Their experience ranged from functional management in joint ventures to being a member of the board of a joint venture in China. Unfortunately, no respondent had experience at an operational level within a joint venture in China. The participants in the Chinese focus groups were able to communicate in perfect German, translation and lack of understanding was therefore not a problem encountered in these groups.

The two German groups comprised of German managers involved in joint ventures in China. Most of the participants had been or are expatriates in the joint venture in
China. The remaining members of the group were members of the management of the German parent company.

The results of the conducted focus groups encouraged the researcher to continue with the study and the research question development was furthered. Additionally, the researcher proceeded with the initial set-up of the main empirical study. To do this an initial trip to the joint venture in China was planned.

The researcher went on an initial scouting trip to China in October 1998. During the week in China he organised the logistics of staying in China, the task to be undertaken in Shanghai and talked to expatriates and Chinese managers about the proposed research in an informal manner. The positive feedback by everybody confronted with the proposed research encouraged the researcher to continue. Having discussed the initial exploratory and preparatory work, the chapter focuses on the conduct of the main empirical research.

3.3.3 Gaining Access to the Research Field:

The researcher viewed access to the research field as the first stumbling block. He was however in a privileged position as his father was responsible for the business activities of the German JV partner in China. For this reason, the researcher was able to use an established set of relationships with the Government of the People’s Republic of China (PRC), the Chinese joint venture partner and the joint venture itself. A number of groups were identified that had to grant access for the research to be conducted legally and in an ethically acceptable manner.
These groups were:

1) The Chinese government.
2) The German JV parent company.
3) The Chinese JV parent company.
4) The JV.
5) The union of the JV.
6) Council of expatriates at the JV.

The Chinese government was asked to grant access as the research would be conducted in their territory and the researcher did not want to cause rifts in the relationship between his father and the Chinese government. The researcher contacted the Minister for Economics and informed the Consulate in Munich of his intentions. Both parties granted access to the field and visas were issued to work in the PRC.

As the research was conducted in a commercially sensitive environment for the German parent company, permission was sought and the intentions of the research, as well as the publication of possible sensitive information were discussed. In this process the researcher signed a confidentiality agreement with the organisation. In addition, the researcher gave his assurance that the research would focus on the working practices in the JV and that it would not allow competitors undue insights into the organisation, nor would any confidential information be revealed.

The Chinese joint venture partner was contacted through a letter to the Chairman of the organisation. The intentions of the research, the chosen research method and a copy of the confidentiality agreement was included in the letter. This resulted in
written permission from the Chairman of the Chinese IJV parent to proceed with the research. The father of the researcher contacted the board of the IJV and consequently the latter approved the research. Moreover, an invitation to the IJV was granted, conquering yet another bureaucratic hurdle for obtaining a work visa for the PRC.

An open methodology was chosen to avoid ethical problems. During the initial scouting trip the union of the IJV and the council of expatriates at the IJV were both contacted. Both groups had a number of questions, especially concerning the possible results of the research and the light in which this would present their members. The two groups were reassured that it was not the purpose of the study to harm their members’ interests. Consequently both parties approved the research.

In addition to asking the staff representatives, the individuals under observation were informed that participant observational research was taking place. They were reassured that information on individuals would be given in a coded form and confidentiality would be observed. However, the aims of the research were not disclosed, as this could have affected the outcome of the research.

3.4 Identifying the Participant Observational Area:

The research question and the subsequent proposed methodology to investigate it, emphasise the importance of the sample. The sample had to allow for a number of working relationships to be observed and to allow for a comparison of the outcomes achieved by these teams. In other words, the external performance measure and an environment in which a similar situation existed for each working relationship had to
be found. In addition a number of other issues had to be taken into account with regards to the chosen research environment. Important considerations were the position of the researcher, the fit of the researcher into the environment and as the researcher was an employee of the IJV, the organisational needs.

On the practical level the researcher involved a senior manager of the IJV to discuss a possible external performance measure which would allow for the assessment of the performance of particular German-Chinese teams. A number of situations were discussed, but the particular situation chosen had the advantage of having a position for the researcher, allowing him to fit into the environment. The similarity of the tasks and the conditions faced by the teams further favoured this environment. At the beginning of the data chapter a detailed description of these conditions is provided.

The performance measure should be discussed. The researcher was concerned that his research was mainly based on subjective data, namely observational data. The exploratory nature of the research did not allow for the use of any established measures. The researcher however, identified a performance measure in the field which was judged to be valid, reliable and above all objective. To understand the measure it is important to understand the context in which it was used. The ten teams under observation had been created with the task to set up and projects manage a section of a car plant. They were given clear performance goals in terms of the required quality that these sections had to produce prior to a set deadline. The circumstances in which they operated were similar, therefore allowing for a comparison of results. The validity of the measure is discussed in detail in the findings section below, as is the reliability of the measure. The measure was of considerable
importance as a valid, reliable and objective measure of the performance of each of
the ten teams allowed for a comparison of the relative performance. The obtained
measure had two states, either success or failure to reach the project goal. The
question has been raised as to why the research did not seek to measure the
performance of a larger sample, allowing the research to be quantitative. The response
to this is that unfortunately there were only ten teams which faced similar
circumstances and had the same organisational goal.

The observational data provided the researcher with an insight as to the actual
behaviour of the ten teams. The observations are presented below in the form of a
number of cases. In addition, background information is provided to allow the reader
to have an insight into the organisation under observation.

3.5 Entering Into the Research Arena:
The initial entry into the research environment has been highlighted by Friedrichs
(1990) as being important for the further conduct of observational research. On arrival
in China the researcher had to establish himself. In hindsight this period took three
weeks and comprised his establishment as a project manager, as a researcher and
allowed for an integration into the prevailing living conditions.

The initial priority of the researcher was to establishment himself as an efficient and
effective employee of the IJV. This and efficient would allow the researcher to do his
organisational tasks in the shortest possible time, enabling him to spent more time
conducting research. The first week was spend investigating the tasks set out in the
job description, finding out what needed to be done and prioritising the work. The
Initial work included creating a parts database which was later developed to become a stock keeping system, and to establish contact with all the individuals involved in the project. In addition, the location of the store, to be set up by the researcher, was chosen and staff for running the store identified. The second week was spent organizing the store and getting into contact with the ten teams who were also the internal customers of the researcher.

In addition to the work, the researcher found some time during the initial three weeks to set up the research. The workplace was set up so that the researcher could oversee the whole open plan office and thus allow him the space to record events. The physical environment of the factory hall was investigated and any area in which future behaviour could be observed was identified. The researcher was involved in numerous aspects of the project and through this secured access to most of the written project documents.

Getting organized to find the time to conduct research goes beyond the boundaries of the factory. Personal issues have to be organized efficiently to reduce distractions from the research and work (Friedrichs, 1990). During the first two weeks in a new environment, especially one as alien as China is to a Westerner, commuting routes have to be scouted, places to shop and to eat identified etc. This acclimatization process took around two weeks.
3.6 Daily conduct:

During the actual stay in Shanghai a daily routine developed. This is described in the following section and should outline how the day progressed, how much time the researcher had to record events and what daily events took place.

Daily Routine form Mondays to Fridays:

0600- Breakfast in the hotel in central Shanghai.

0630- Bus ride to the company located in Anting.

0700- Arrival at the JIV. The first 15 minutes were spent in the store which was run by the researcher, meeting with the employees and discussing problems and tasks for the day.

0730- Arrival in the office. Meeting with the ten teams, the holding of informal discussion regarding any problems.

0800- Daily project meeting in the project room.

0830- Return to the office and start processing orders from the ten teams. This was followed up by actual on site inspections of the parts delivered, with the researcher spending time in the office, store and on the factory floor.

1200- Official lunch time. The researcher hardly ever went to the canteen, as the time could be used to make research notes about the morning's events in relative peace and catch up with paper work.

1300- After the official finish of lunch break, similar work as in the morning was continued, but usually with the addition of collecting the parts' orders from the ten teams. Additionally, organising parts orders for next day delivery to the machines.

1700- Chinese employees finished work. Usually the store had to be checked just before 1700 to ensure that the parts deliveries for the next day were prepared.
The checking of stock levels followed this, as well as re-ordering parts from the IJV, Chinese suppliers or from the German parent company. The time difference dictated that any queries to the German parent company (for example to the R&D department there) had to be done after this time.

1800- This time was spent recording the events of the day.

1830- Departure to the hotel, usually with a colleague or by taxi.

1900- Arrival at the hotel, followed by dinner, gym and the collection of laundry.

This was the typical routine for most days. The workload usually allowed for the observation of individual teams and for the recording of events. Occasionally problems did occur and the researcher was forced to attend to these. This in turn did not allow for the observation of events or the recording of data. On occasions the researcher was working considerably longer hours than 1830, not leaving the factory until the small hours. This occurred three to four times throughout the research period and represents a considerable limitation for the research, since these days were very eventful.

On the weekends the Chinese factory workers did not work (some of the Chinese project managers, however, did) and the atmosphere was much more relaxed. The researcher usually arrived between 0900 and 1100 on Saturdays and Sundays and worked until between 1500 to 1700 on those days. The weekend routine usually comprised of dealing with part specific problems, administrative work and planning work for the following week. There was usually plenty of time to observe the ten relationships under investigation.
During the weeks IX and X the researcher moved the stores from an adjacent store to the actual production facility. This was done in two stages over two weekends, in order to minimise the disruption to production. The researcher had additional staff (100 Chinese soldiers) allocated to him during this time and considerable time was spent supervising them. It was during these weeks that only very limited observational research could be conducted, as the work did not allow for observations on the shop floor or in the office. The timetable for these two weeks was very different work taking place in the store from early morning to late at night throughout this 14-day period.

3.7 Other Conduct Dimensions:

Being in a physically demanding environment throughout the stay resulted in a number of medical problems. The researcher and all the ten German managers at some stage of the project work suffered debilitating stomach upsets, resulting in time off work. The researcher lost three weekdays to illness and this resulted in no observations being made during this time.

The observations can be categorised into natural occurring and contrived observations. Both of these took place during the research. The natural observations are those that occur during the participant observational research through the position taken by the researcher. Examples of this are attendance at project meetings or observations in the office. The second category, the contrived observation, is sought observation by the researcher. Whenever the work allowed, the researcher sought to observe individual working relationships. The duration of these observations varied, between a few minutes to three to four hours. In addition the observational
environment varied from the office, factory floor, other IJV departments or at suppliers to the IJV.

The recording of observations took place at the workplace and on some occasions in the hotel room. The events were recorded in a descriptive form either in a research diary or in some cases also on note cards. This was done in addition to the work and in the spare time available to the researcher. The notes show this, some being detailed and elaborate and others recorded in short note form. The fact that the researcher was closely involved in the situation reduced the need to immediately capture events in detail.

3.8 Analysis of Data:

As outlined above, the data consists of two different sets. Firstly, the data on the performance of the ten teams and secondly, the data obtained through the observational research.

3.8.1 Performance Data:

The data on the performance of the ten working relationships is secondary data. The quality department at the IJV in conjunction with the quality department of the German parent published these results as part of the project reports. The validity and reliability of these measures is discussed with reference to the actual situation in the findings section. The researcher used the obtained results to classify the ten working relationships as either having failed or having reached the project goal. The researcher had full access to the organisation's results which were openly available to any individual involved in the project and were published in the project room.
3.8.2 Observational Data:

The analysis of the observational data relied on different methods. The data was recorded in the field notes which mainly comprised daily records and note cards. The researcher sorted the observations, utterances and documents by relationship. Once this was done the relationships were grouped into performing and failing relationships based on the secondary performance measure.

The research is, as discussed above, inductive in nature. The inductive nature has practical repercussions in that the researcher does not use an established framework to a situation, but tries to find patterns and differences in the data to establish what might have led to the different performance outcomes of the relationships. The researcher identified the factors which could have impacted on the performance of the relationships but were identical for each of the relationships. The research environment and the performance goal by which the ten teams were measured are very specific. Hence, the researcher could not use an established set of factors which might have influenced the performance of the ten teams. He had to rely on the experience gained and the comments of experienced project managers to help him to identify such factors. These factors were found to be of importance and were similar for each of the teams. The factors are identified at the beginning of the data chapter below. This comprises a description of the factors, supporting data on the similarity for each of the teams and an explanation for the importance of these in achieving the goals.
The inductive process continued not only focusing on the similarities, but also on the differences of the ten teams. Once the similarities were identified, the researcher focused on the differences. Some of these became evident to the researcher during the research, others were suggested to the author by third parties, but the main differences were identified during the data analysis. The researcher through careful examination and re-examination of the data identified the patterns which emerged during the research and during the analysis phase. This research was grounded in the data and the results of this process are presented in the findings chapter which follows the observational data. There the analysis of the data is presented showing the patterns in the data and references to the data are made to support the findings.

Silverman (2000) highlights the use of the constant comparative method to analyse and evaluate qualitative data. This approach was used in the analysis presented in this paper. The data was analysed using a number of different angles. Firstly all the similarities and differences between the relationships were highlighted. The constant comparative method was used for the whole sample. The focus then shifted towards the two groups, those that did achieve the goal and those that did not. Within these groups the analysis of similarities and differences was once again conducted and finally the differences and similarities between the successful and the failed groups were analysed.

3.8.3 Triangulation of the Findings of the Observational Data:

The triangulation of the research findings can be split into two groups. Firstly, the triangulation of the performance data and secondly, the triangulation of the findings. The data on the performance of the ten teams is based on the information provided by
the quality department of the IJV. The quality measure is based on an international standard used throughout the factories of the German parent company. The results provided by the IJV were triangulated by the quality department of the German parent which sent two individuals to the IJV to enforce their quality systems. The observational data, in conjunction with the performance data, allowed the researcher to draw a number of conclusions. These are presented in the findings chapter below. These findings were presented to a small number of managers with IJV experience. The findings of this presentation are presented in chapter VI.
CHAPTER IV

CHINA- THE CONTEXT OF THE SAMPLE

China provides a particular social, economic, technological and political environment (Zheng, 1998; Lieberthal, 1995; Trommsdorff & Wilpert, 1991; Schirokauer, 1982). This study however concentrates upon the internal situation within the IV, hence only few external conditions and influences are discussed, identified either in previous research or having emerged during the research phase.

4.1 Relationships in Chinese Society - Guanxi:

There is a certain cultural idiosyncrasy which might impact upon the findings and therefore has to be taken into account. Within the People’s Republic of China, relationships have been highlighted as being a key feature of economic success. Nair & Stafford (1998, p.139) state: “Trust is fundamental; the Chinese believe that one should build the relationship first and if successful, business will follow.” This emphasis upon relationships within China is further supported by the considerable research into Guanxi (Yeung & Tung, 1996; Luo & Chen, 1996; Davies et al., 1995; Hoon-Halbauer, 1994 & 1999).

“In Chinese, guanxi is a general term of social networking and is often translated as “relationship” or “connection”. The two Chinese characters that make up the term mean a “gate/pass” or “to connect”. Thus, guanxi refers to the establishment of a connection between two independent individuals to enable a bilateral flow of personal or social transactions. However, both parties must derive benefits from the transaction to ensure the continuation of such a relationship.”

(Yeung & Tung, 1996, p. 55)

According to many researchers the economic activity within the People’s Republic of China is closely linked to the networks of Guanxi, especially within the sizeable state
sector of the economy (Yeung & Tung, 1996, Luo & Chen, 1996). Even early on, the success of IJVs within China has been linked to Guanxi through, for example, using these relationships to find the best possible local IJV partner (Brown, 1986). Luo & Chen (1996) in their study into guanxi and the performance of companies within China find:

“The empirical analyses based on the firm-specific data suggest that guanxi-based business factors have a significant and favourable influence on a firm’s profitability, market growth, and asset efficiency, and this influence appears unabated over time and similarly significant for both local Chinese firms and foreign ventures.”

(Luo & Chen, 1996, p.293)

Luo & Chen (1996) emphasise the importance of relationships within the Chinese economy. This attributed importance has a number of implications for the research conducted. If business relationships are important within the Chinese economy as a whole, then it might follow that the importance of business relationships within Sino-foreign joint ventures is just an extension of this concept. This could have profound implications for the possibility of generalising any research findings beyond the Chinese arena, as they could be China specific. This depends upon the importance of business relationships within other cultures. Lu & Chen (1996, p.298-299) highlight the point by stressing that there might be an overlap between guanxi and Western literature on networking between individuals and organisations. The importance of guanxi in Chinese organisations can be seen as an additional argument for the investigation of BRs in IJVs.

The argument has been presented that guanxi are comparable to networks in Western society, however the social importance of guanxi goes beyond the networks of the latter (Yeung & Tung, 1996). While in the West “what you know tends to be
important", within Confucian based Chinese society "who you know" can take preference (Yeung & Tung, 1996, p.55). Thus, for individuals to have long-term business success in Chinese society, guanxi plays a considerable role (Yeung & Tung, 1996).

4.2 The Particular IJV And Sector:
Some background information with regards to the industry and the IJV should be given to provide a context. The IJV is a car-manufacturing company. The situation with regards to the importance of BRs in this organisation might be different to those found in the service sector. The car-manufacturing sector in the People’s Republic of China is tightly controlled. IJVs are the only permitted mode of entry into the Chinese marketplace and hence the foreign MNC has to make the IJV work or leave the country altogether (Trommsdorff & Wilpert, 1991; Glavas, 1997). The market conditions within the People’s Republic of China are still very sheltered and competition levels, although on the increase, have not reached the same levels as in Western countries (Glavas, 1997). However, the organisation was, however integrated into the German multinational’s global network and was supplying parts. These parts had to reach internationally set quality standards and competitive price levels. The technologies used were comparable to those used in the other car plants of the German parent organisation. In addition to being part of a global network, the organisation had a large number of local suppliers (some owned by the local parent company) and was closely linked to the local economy. All this might impact upon the BRs in the organisation as the individuals in the organisation and their work might be affected by these factors.
CHAPTER V
DATA PRESENTATION

The data chapter has been constructed in such a way as to communicate the information collected during the participant observational research. Qualitative data is very complex and difficult to convey, but a structured data presentation was developed to provide the reader with an overview of the data and to allow for a qualitative picture to emerge. This structure comprises an initial description of the situation of the IJV as confronted by the researcher and the teams, including details on the IJVs external environment, the IJV organisation, the car plant and the project. This is followed by a presentation of the performance data collected on the ten teams. Finally, the observations on each of the ten teams are presented in a summarised mini-case form. The presentational style chosen by the researcher allows the reader to gain an insight into the actual conduct in each of the teams without focusing solely on a particular dimension of behaviour. This is in contrast to the discussion of the data in the following chapter which is focused on particular behavioural dimensions and draws references from cases to support the arguments presented. The reason for choosing a different style of presentation of the data in this chapter, as compared to the findings chapter, lies in the author wanting to allow the reader to make up his/her own mind as to the implications of the observations regarding each of the teams.

5.1 The Observational Context:
The methodological literature argues that the context of the participant observational research might have an influence on the obtained results (Bryman, 1988; Silverman, 2000; Friedrichs, 1990). In this particular case the circumstances in which the ten
working relationships operated were very similar, and this was an important factor in choosing the research environment. The similarity in the external circumstances allowed for a better comparison of the behaviour of the teams which in conjunction with the data on team performance has led to the findings presented below. As the research situation is similar, the setting is described separately and the data on each of the cases follows this general environment.

5.2 The International Joint Venture:

The organisation was a collaboration between a multinational German car manufacturer and a local company. This JV was established in the late early 1990s and at the time of the visit was the leading car producer in the People’s Republic of China. The company held close to 50% market share (Glavas, 1997) and was profitable (Zheng, 1998). At the time of arrival it was producing two different cars in two separate car plants next to each other. The actual research was to be conducted in a third car plant which was set-up to build a new car. This new product was based on a car already in production in Europe, but with additional capacity being created here to serve the Chinese marketplace.

The JV is located in the Shanghai region, close to the town of Anting. At the time of the research was conducted Shanghai was a bustling metropolis with 18 million inhabitants during the summer months. The level of development was similar to that found in poorer regions of the European union. The GDP per capita of greater Shanghai was estimated to be similar to that of Portugal in 1997 (Zheng, 1998).
The actual factory was situated on the outskirts of Anting. Most of the workers came from the region and the IJV provided them with free bus transfers. The IJV had a railway connection, but the newly built car plant had no direct access to this. However, the transport links were served by a nearby motorway and excellent main road. Most expatriates were provided with a car and could reach central Shanghai in 30 to 60 minutes depending on traffic. The international airport which has been superseded by a new international airport, was close to the car plant and could be reached within 20 minutes from the factory gate.

While the transport infrastructure left nothing to be desired there were shortcomings in the energy supply at the factory. The new factory almost doubled the electricity needs of the IJV and the town of Anting had to increase energy generation by a similar figure. Initially there were some blackouts, but as the factory progressed, these became increasingly rare. In addition to the electrical needs, the factory had additional needs such as cooling water and waste water treatment. These also took a time to grow in size and to provide for the new factory.

5.3 The Body-Shop:
The IJV under investigation was conducting a major expansion and modernisation of its facilities and product range. This involved the building of a completely new car plant (car plant III) next to the two existing car plants (I + II). The potential output of the organisation was doubled and the latest car manufacturing technology was employed (Zheng, 1998); the first laser welding station in the People's Republic of China exemplifies this point. The research was conducted in this new factory.
The project to build the new factory was a significant investment for the organisation. Overall the IJV invested DM 1.5 billion into the new factory, with the bodyshop costing DM 300 million. This sum included the building of the factory, its fit out and the costs of the pre-production phase. The time frame for the fit out to the production stage was only six months. The researcher actually arrived to an empty building and by the time he had left the first car had been produced from the original tools on the original fixtures using future production staff. The capacity of the factors was around 250000 cars per annum, plus the possibility to expand the production by a further model, bringing overall production to around 350000 cars per annum. During the stay capacity was not the main issue as first the quality standards had to be reached and at a later stage volume was to be steadily increased.

To understand the situation encountered in the car plant, a brief description of the car manufacturing process is provided. Modern automobiles are complex machines comprising thousands of parts. Different categories and differing technologies are used to make, shape and assemble the varying parts into a vehicle. The car plant under investigation produced some parts in-house, but the majority of parts were purchased from local and international suppliers. The car plant in which the research took place was structured in a conventional fashion. Metal parts were stamped in the pressshop. These parts together with some parts from local suppliers, were welded and glued together in the bodyshop. The car body was then put through a number of painting stages in the paintshop. This painting process culminated in the car body being heated to a high temperature. This not only dried the paint, but also hardened the car body. The car body was subsequently passed on to the assembly shop, where the drive-train,
interior and remaining exterior parts were fitted. The finished car was then put through a number of quality tests and if required, rework was done.

The factory was to employ 6000 people in two shifts. This is considerably more than would be required to run a similar sized car plant in a developed country, but the cheap labour costs resulted in a different automation mix when compared to a factory in Germany. During the time of the fit out the number of production staff was around 1000, but further staff were already being trained to be increase numbers to the 6000 people mark. To support the organisation during the setting up phase a large number of expatriates, around 50, were sent to the IIV by the German parent company. These individuals were usually project managers with previous experience in setting up car plants. They were employed in the following areas: pressshop management, bodyshop set up, paintshop process management, paintshop set up, assembly management, conveyor system management, logistics, information technology management, robot technical management, quality control, pilot hall, technical product support, measurement support and in overall project management. The research focused on ten individuals and their Chinese counterparts sent to the IIV as part of the bodyshop set up team.

The reason for choosing the particular ten working relationships has already been outlined in the methodology chapter and the focus here is on the actual environment, the organisational structure, the groups of people involved and any other dimension of the situation noted during the research. This section presents a summary of the environment and is based on the data collected by the author throughout the stay. The
The physical environment encountered by the teams was as follows. The teams were situated in an open plan office in the middle of a newly constructed factory building which was designed to become the new body shop. On arrival of the teams, the building and the office resembled a building site, water leaking through the roof, no air-conditioning and certain areas of the building unfinished. This situation improved steadily and the building was finished one month prior to the time the teams had to reach their goals. The climate which prevailed inside the building until the air-conditioning was completed deserves a special mention, as it was physically very trying. The temperatures in June to the end of August are in the high 30 degrees Celsius and the humidity is above 90% throughout this time period. During the rainy season (June) much of the factory was surrounded by water, complicating logistics and work. Tropical illnesses existed in the environment and the Germans’ immune systems were not always able to withstand the local conditions. Furthermore, the high temperatures and the high humidity made the working conditions strenuous and the most mundane tasks physically demanding.

The office was air-conditioned before the factory floor and the ten teams were provided with the essential office supplies needed for their tasks. Each team had a desk for two and the German managers had a laptop, a printer and a mobile phone. The room only had one phone line, shared with the fax machine. Office supplies such as paper, pens, software, wall charts and more specific technical literature were available however, the quantity of some of the supplies was restricted. In addition to
the open plan office the department had a number of meeting rooms available. Some were located on the factory floor of car plant III and others in the much quieter surroundings of an office building in car plant II. Within the factory hall of car plant III soft drinks were available, but toilet facilities were initially a five minute drive away.

As mentioned previously, the researcher was employed by the IJV during his stay. Initially his role was supposed to be as an intern in the body shop. However, on arrival the researcher was asked to analyse the project requirements in the body-shop and to identify any shortcomings in the planned project organisation. On review, it immediately emerged that the project structure did not have any individual responsible for pre-production logistics. On presentation of these results to the project leaders, the researcher was nominated to head a small department called pre-production logistics bodyshop CPIII. This department comprised the researcher as departmental head, a secretary/interpreter and 15 production staff. Furthermore, a warehouse was made available to the researcher, together with the necessary tools to set up a warehouse. During some of the stages, additional staff in the form of 120 Chinese soldiers were made available to the researcher.

The researcher was in a position to observe the ten relationships due to two different circumstances. Firstly, the researcher was permanently based in the body-shop. Even the warehouse facility was connected directly to the building. Therefore, the physical ability to observe was permanently provided. Secondly, the ten teams were the internal customers of the researcher. They had to order parts from him especially during the production stage and therefore time was spent with each of the teams every
day. The only time when the researcher was unable to observe the teams was during the two occasions when the researcher had to take time out due to illness. The usual working hours have been outlined in the actual conduct section of the methodology chapter. It should, however, be reiterated that the researcher spent most days, including Saturday and Sunday at work.

During the evenings the researcher usually went out with the other expatriates and was fully integrated into the expatriate community. He once played rugby with a team made up of international expatriates and also held a talk to German parents about the International Baccalaureate at the International School in Shanghai.

The focus now shifts to the organisational setting. Firstly, the focus is on the individuals and their backgrounds. Secondly, an overview of the prevailing organisational setting is given. All German managers in the ten working relationships under investigation come from the same department at the German parent company. They had all been involved in setting-up body-shops in other car plants and none of them had previously been to the People’s Republic of China. They were all qualified mechanical engineers and most of them held practical qualifications. Each of the ten individuals had the same job-description and received the same remuneration and benefits. In China they were all classified as junior expatriates which entitled them to a flat, a car, a considerable living allowance and additional medical, as well as family benefits.

The Chinese managers had all been working in the planning department of the IJV for more than a year. They had been working on this project for some time and each held
an engineering degree. None of them had ever been involved in a project of this size. The organisational position of each was that of a junior planner and they were at the same organisational level as their German counterparts.

The IJV had an existing organisational structure and the teams reported to the head of the planning department. In practice this meant that they reported to the German departmental head and his Chinese counterpart. The German managers had additional reporting responsibilities to their German superiors. The parents of the IJV held a project meeting at the IJV once a month. This was attended by board members of both the IJV parents, the board of the IJV, project managers and IJV departmental heads. Individual teams had to provide data to these meetings and were further required to be on standby should they be required to contribute to the meeting. At the end of each meeting difficulties were investigated on location in the factory and additional resources were made available as deemed necessary by the higher echelons of the organisation.

The focus now shifts towards the team goals and the resources that were at the team’s disposal. It should be reiterated that each of the teams was each responsible for the fit-out and calibration of production facilities in certain areas. Each of these subassemblies had to reach a specified quality standard and the subassemblies were then combined in a number of robot stations into the complete car body. The subcontractors for each of the ten teams were the same. The eight main contractors were responsible for the following:
Setting up a car plant and achieving a set quality goal not only depends on the management of subcontractors. To achieve the quality goal, the fit out has to be completed and the single parts which make up the subassemblies have to be of sufficient quality. These parts were supplied to the UV, either from the press shop or from Chinese subcontractors. The researcher had the responsibility of organising the parts and to deliver these to the production line. The available quality of parts varied initially but reached production standards throughout all subassemblies by the end of July 1999.

An additional important resource in the quality optimisation process was the measurement and analysis capability of the quality department. Initially the measurement capacity in the whole of the UV was very limited and different systems and standards complicated the analysis of the data. The situation improved as more measurement rooms became available and as more measurement specialists arrived from Germany. While there was never enough measurement capacity, this limitation remained the same for each of the teams.
As reiterated above, the teams had the same superiors, the same quality assessment organisation determining their performance and the same internal customer. This customer was the production management team which would take over once the project was declared a success. One further fact is important for the understanding of the conducted research. The father of the researcher was responsible for the China activities of the German parent company, placing the researcher in a unique position which might have affected the research outcome.

5.4 Project Structure:
Each of the ten observed teams had to fulfil a certain task within the body-shop. The project faced by each is summarised here. This summary includes an explanation of each task to be performed and the subsequent resource requirements, as well as the access to those resources. The description of the project process is important as it provides the background to the study and by presenting the project in this abstract form the case data below should be easier to understand and interpret.

**Diagram 5.1: Project Outline**

```
  +---------------------+  
  | Project             |  
  +---------------------+  
  |                     |  
  | Quality Optimisation|  
  +---------------------+  
  |                     |  
  +---------------------+  
  | Initial Set-Up      |  
  +---------------------+  
  | Production          |  
  +---------------------+  
  | Analysis            |  
  +---------------------+  
  | Change              |  
  +---------------------+  
  | Handover            |  
```

(Source: Author)

The diagram above shows a simplified version of the actual project diagram presented to the ten teams at the beginning of the project. Each team was required to follow this project layout. The teams individualised the project by altering time lines. The project
consisted of the initial setting up of the factory, the production of subassemblies, the analysis of the quality of the produced subassemblies, the initiation of quality improvement changes, whenever, and once the quality had been reached the handing over of the production area to the IJV’s production department. Teams were made to follow these steps by the IJV parents, the IJV and the key suppliers to the body-shop. The collected observational data indicates that all teams followed this structure and contradictory data was not found during the analysis.

Once the production facilities were set up and the initial calibration was completed, the first sub-assembly was produced and subsequently measured. The produced quality in all ten cases failed to reach the project requirements and the teams had to enter into a process to improve the quality of the produced subassemblies. The quality optimisation process, outlined in the diagram above, needed further explanation. A quality optimisation process consisting of production, analysis of the produced subassemblies and change of production was an integral part of the project. This quality optimisation process functioned as a loop until the required quality for handover of the production area had been achieved. The number of quality improvement cycles required to achieve the project goal varied, but none of the successful teams reached the required quality in less than 7 cycles (see below). The time taken to conduct a quality improvement cycle also varied, but was never observed to be shorter than three days.

Having outlined the overall project process, each individual stage of the projects is presented in detail, thus providing the required level of insight into the situation in the IJV to allow an independent data analysis.
5.5 Initial Set-Up:

This section describes the tasks to be performed during the initiation phase of the project, the resource requirements are outlined and the resource access is discussed. The teams comprising a German and a Chinese project manager were responsible for setting-up the production facility and for handing it over to the production department of the UV by a specified date. Additionally the project team had to show that the quality of the produced subassemblies reached the defined standard. Initially the factory was empty. In other words, on arrival and during the formation of the project teams the building was still undergoing construction and no fit-out had been started. The project teams were given the responsibility for the complete fit-out, setting up and calibration of their designated area. This included the setting up of machines, steel support structures for welding guns and conveyor systems, welding gun installation, conveyor installation, media supply installation, space management, ergonomics, logistics access, training of production staff and documentation. This documentation needed to be completed for future maintenance and for safety records. In addition, the project managers had further responsibilities such as health and safety, environmental control and lighting. Each of the different stages, outlined in the project process has been observed as having specific resource needs. The required resources were observed to be accessible to either both team members or only to one ethnic group. As this was an important observation for understanding how the work progressed, resource requirements and resource access have been documented here. The teams all faced this resource situation at each of the steps. The behaviour of the teams regarding
the resource usage was often different and the behaviour of the teams is described in the cases below.

Table 5.2: Resource Requirements Set-Up Stage

<table>
<thead>
<tr>
<th>Resources:</th>
<th>Controlled by</th>
</tr>
</thead>
<tbody>
<tr>
<td>Plans</td>
<td>German and Chinese</td>
</tr>
<tr>
<td>Local supplier contact</td>
<td>Chinese</td>
</tr>
<tr>
<td>Foreign supplier contact</td>
<td>German</td>
</tr>
<tr>
<td>Access to German Manufacturing site</td>
<td>German</td>
</tr>
<tr>
<td>Access to JIV resources</td>
<td>Chinese</td>
</tr>
<tr>
<td>Ability to deal with local customs</td>
<td>Chinese</td>
</tr>
<tr>
<td>Ability to influence suppliers in Germany</td>
<td>German</td>
</tr>
</tbody>
</table>

(Source: Author)

During the initial set-up phase different resource combinations were required. In the table above, these have been outlined together with the individual in the teams who controlled the access to these. The table illustrates that even though the two individuals shared the responsibility for setting and achieving the goal jointly, they controlled different sets of resources. Furthermore, a combined use of all the resources was needed for the project to succeed. The departmental head at the JV continuously stressed this point and highlighted the need to co-operate to ensure the success of the projects. He emphasised that if the two individuals did not work together this could result in a replication of work or conflicting orders being issued to subordinates and contractors leading to confusion and conflict.

5.6 Production:

This section describes the tasks to be performed during the production stage and the resource availability for the teams to achieve this. Once the factory was set-up, the next stage in the project was the production of subassemblies in the original fixtures using original parts, welding guns and glue guns. The project team had to ensure that
the right parts were available and that the staff knew how to produce the subassemblies. In addition they had to make sure that electricity, cooling water and compressed air was available for production and that the production was meticulously documented. This documentation was required for the analysis of the measurement reports discussed in the next section. Additionally, the project managers were responsible for the health and safety of the workers. This usually meant that the project managers had to supervise production to ensure safety protocols were adequate and that these were diligently followed. Once the quality improvement loop was introduced the team members had to oversee changes in the production area and ensure that these were completed before production started.

Table 5.3: Resource Requirements for Production

<table>
<thead>
<tr>
<th>Resource:</th>
<th>Controlled by</th>
</tr>
</thead>
<tbody>
<tr>
<td>Obtain resources</td>
<td>Chinese and German</td>
</tr>
<tr>
<td>Oversee production</td>
<td>Chinese and/or German</td>
</tr>
<tr>
<td>Previous experience</td>
<td>German</td>
</tr>
<tr>
<td>Local staff and IV management</td>
<td>Chinese</td>
</tr>
</tbody>
</table>

(Source: Author)

The table shows that both the Chinese and the German team member controlled access to certain resources during the production phase. Both individuals had to make these available for production to take place. Delays in the acquisition of resources or the inability to co-ordinate resources could result in a production delay. It should be noted that it was not sufficient to have only certain supplies at a certain time. Welding within the body-shop required: staff, parts, electricity, cooling water, compressed air, fixtures, welding guns, clear production instructions and sometimes glue guns as well as glue. All these inputs had to be co-ordinated to be available at the same time, as production was not possible if any of these inputs were missing or are not adequate.
5.7 Analysis:

The aim of this section is to give the reader an overview of the tasks involved in adequate analysis of subassemblies. The resources that were at the disposal of the individuals and that were needed to perform the analysis are highlighted. To achieve the set quality targets the teams had to get their produced subassemblies measured and graded. This meant that they had to book measurement machine time and ensure measurement experts were available. Furthermore, they had to organise transport to the measurement room and throughout this process had to ensure that the subassemblies were neither distorted nor damaged. Once the subassemblies were measured, the quality department had to go through the results and produce a measurement report for each subassembly. This measurement report included a grade which determined the quality of the part. As long as the grade did not reach the specified standard the team had to continue to calibrate and adjust the fixtures until the quality was improved. Once the results of the measurement had reached the set standard the team could hand the factory area over to the production team.

<table>
<thead>
<tr>
<th>Table 5.4 Resource Requirements for Analysis</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Resource</strong></td>
</tr>
<tr>
<td>Obtaining measurement time</td>
</tr>
<tr>
<td>Analytical skills and experience</td>
</tr>
<tr>
<td>Access to German know how</td>
</tr>
<tr>
<td>Transport of subassemblies</td>
</tr>
<tr>
<td>Parts information</td>
</tr>
<tr>
<td>Production staff information</td>
</tr>
</tbody>
</table>

(Source: Author)
The table shows the different resources to which each team member had access to the resources. Additionally the table highlights that without the co-operation between the two individuals and the sharing of resources, no meaningful analysis could take place. Delays in inputs, such as the acquisition of measurement time resulted in the quality improvement process being delayed.

5.8 Changes:

This section highlights the tasks and resources for the change stage of the quality optimisation process (in the context of diagram 5.1). In the event that the measurement report did not reach the required quality standard for handover, the team had to devise changes to improve the subassembly quality. This had to be done in conjunction with the Chinese and German subcontractors who were contractually obligated to improve the machines to achieve the set standard. They had however to be convinced that the proposed changes by the teams would warrant such improvements. In addition, the teams had to project manage the changes so that the next quality improvement cycle could be conducted as quickly as possible.

<table>
<thead>
<tr>
<th>Resource</th>
<th>Controlled by</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chinese subcontractors</td>
<td>Chinese</td>
</tr>
<tr>
<td>German subcontractors</td>
<td>German</td>
</tr>
<tr>
<td>Overseeing changes</td>
<td>Chinese and/or German</td>
</tr>
<tr>
<td>Developing changes</td>
<td>Chinese and/or German</td>
</tr>
<tr>
<td>Authorisation of changes</td>
<td>Chinese</td>
</tr>
</tbody>
</table>

(Source: Author)

The changes to the machines had to be co-ordinated with the subcontractors and the Chinese and German project managers controlled the access to each of the two groups of subcontractors. Furthermore, the Chinese manager had the final say regarding the
authorisation of changes. This was due to the payment procedure requiring a Chinese national to authorise the foreign exchange payments necessary to conduct the changes.

5.9 Hand-Over:
This section outlines the tasks required for handing over the project to the production department of the IJV. The resource requirements are also outlined and discussed. Once the quality target was achieved, the teams could hand over the production facilities under their project control to the production department. This included all the relevant documentation, especially the relevant training and safety documentation. Additionally, the handover was an important benchmark for the sub-contractors, as a further stage payment would be made at this point.

It should be noted that not all of the teams achieved the quality goal within the required time frame. These teams were relieved of their duties and an emergency task force from Germany took over to complete the quality optimisation in those areas. The question has been raised as to why this task force was not employed from the outset. The answer to this question is based on costs and on wanting to transfer know-how. It is extremely expensive to employ a task force. The IJV calculated the cost close to DM 1 million. The project had also been designed in such a way as to make a task force unnecessary. The second reason as to why tasks forces were not sent earlier, was that in the long-run the IJV was supposed to internalise the engineering and project management skills required to manage a project of this magnitude. The idea was therefore to create teams with a German and a Chinese manager and therefore allow the Chinese manager to learn the practical skills required for such a
project from their German counterpart. A small number of examples were cited within the other departments of the JV where such an approach had been successfully implemented.

The resource requirements for the task of handing over were limited. The main duty was to gather all the relevant information and documentation from the subcontractors and to compile these into a final documentation. Both individuals needed to participate in this process as both German and Chinese language skills were required.

5.10 The Performance of the Teams:
The methodological design of the study puts considerable emphasis on the performance of the ten observed teams. The theoretical justification for the performance measure used was discussed in the methodology chapter. It is based on the output of the teams measured in terms of a set organisational goal. The teams were formed for the sole purpose of achieving this goal to set-up a production facility and to reach a specified quality standard by a certain date. The following table outlines whether this was achieved:

Table 5.6: Performance Goal Achievement by the Teams

<table>
<thead>
<tr>
<th>Team No.</th>
<th>Reached Goal</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Yes</td>
</tr>
<tr>
<td>2</td>
<td>Yes</td>
</tr>
<tr>
<td>3</td>
<td>No</td>
</tr>
<tr>
<td>4</td>
<td>No</td>
</tr>
<tr>
<td>5</td>
<td>No</td>
</tr>
<tr>
<td>6</td>
<td>No</td>
</tr>
<tr>
<td>7</td>
<td>Yes</td>
</tr>
<tr>
<td>8</td>
<td>Yes</td>
</tr>
<tr>
<td>9</td>
<td>Yes</td>
</tr>
<tr>
<td>10</td>
<td>Yes</td>
</tr>
</tbody>
</table>

(Source: Author)
On review of this information six out of the ten teams managed to achieve the goal, while four teams failed to do so. The results were used in the IV to trigger bonus payments and further resulted in special task forces being sent into the four areas which did not meet to the required quality standard.

One difference observed between those teams that did reach the goal and those that did not, was the frequency and number of quality cycles. The teams which did not achieve the quality goal tended (3 out of 4) to take longer than the other teams to finish the initial set-up phase. Furthermore, the teams which did not reach the goal took longer to conduct a quality optimisation cycle (up to two weeks as compared to the average of one week of those that reached the goal). The table below provides the data to support these observations.

**Table 5.7: Quality Improvement Cycles**

<table>
<thead>
<tr>
<th>Team No.:</th>
<th>Date of first production:</th>
<th>No. Quality Cycles:</th>
<th>Reached Goal:</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>23.5</td>
<td>8</td>
<td>Yes</td>
</tr>
<tr>
<td>2</td>
<td>20.5</td>
<td>7</td>
<td>Yes</td>
</tr>
<tr>
<td>3</td>
<td>29.5</td>
<td>6</td>
<td>No</td>
</tr>
<tr>
<td>4</td>
<td>4.6</td>
<td>5</td>
<td>No</td>
</tr>
<tr>
<td>5</td>
<td>23.5</td>
<td>6</td>
<td>No</td>
</tr>
<tr>
<td>6</td>
<td>31.5</td>
<td>5</td>
<td>No</td>
</tr>
<tr>
<td>7</td>
<td>19.5</td>
<td>9</td>
<td>Yes</td>
</tr>
<tr>
<td>8</td>
<td>22.5</td>
<td>9</td>
<td>Yes</td>
</tr>
<tr>
<td>9</td>
<td>21.5</td>
<td>7</td>
<td>Yes</td>
</tr>
<tr>
<td>10</td>
<td>23.5</td>
<td>9</td>
<td>Yes</td>
</tr>
</tbody>
</table>

(Source: Author)

The question then arises as to why the four teams were unable to reach the set goal or to conduct a higher number of quality optimisation cycles. This question is investigated in the section on findings.
5.11 The Cases:

This section presents a narrative summary of the observations made with regards to each team. This presentational style was chosen as it provides the reader with as much information as possible in a limited number of words.

5.11.1 Case no.1:

This team comprised of a 33 year old German manager and a 35 year old Chinese manager. The German manager had been with the German multinational organisation since leaving school. Initially he had trained as an apprentice in tool making and later he had continued to be supported through university by the company. He was a fully qualified mechanical engineer. His expertise in car production and especially project management in a body-shop environment was enhanced by practical experience in project management. During his previous project he had been responsible for planning and executing a similar layout of production facility. The German manager had never been employed outside of Germany, nor had he ever participated in any form of joint venture. His language skills comprised business English, both verbally and written, as well as his mother tongue, German.

The Chinese manager had been with the Chinese parent company and the joint venture since leaving university. He graduated from university with a master’s degree in mechanical engineering and had furthered his expertise by attending training courses at the IJV. In addition to the theoretical training, the Chinese manager had been working in the planning department of the IJV for the last five years. The project was his first major experience of setting out a new production area.
On meeting, the two individuals immediately went into the factory hall together. There the Chinese manager explained to his German counterpart the layout of the intended production facility. Following on from this the two individuals went into a meeting room to discuss the project. The researcher was present in the meeting room, working on logistical questions in one corner of the room, and could therefore observe the initial discussions between the two. The two individuals started by introducing themselves, their professional and personal background. Following on from this the two individuals developed a detailed project plan and identified the resources necessary to achieve the project goal. A priority plan was developed, identifying what was urgently needed and both sides allocated tasks to each other. After this meeting it was decided that the two managers would spend the first week together allowing the German manager to meet people in the IJV and to establish contacts. This planned behaviour was observed during the following week.

During the initial set-up phase a clear separation of tasks emerged. The Chinese manager organised the Chinese subcontractors, while the German manager concentrated on managing the German subcontractors and on identifying problems. They both met frequently during the day and discussed difficulties. If and when circumstances required, the two individuals immediately changed their priorities. For example, they were told one day by the import department of the joint venture that one of their machines had been held up in customs due to missing papers. Both immediately re-scheduled their day and searched for the missing document in the IJVs bureaucracy. The next day the machine was cleared by customs and a minimal delay was further reduced by the two convincing the Chinese and German subcontractors to work through the night to move the machine into place. The two individuals jointly
attended project meetings and both worked jointly on the weekly progress report. This joint approach to meetings and to the weekly progress report did not change throughout the duration of the project.

The Chinese and German managers were frequently observed exchanging not only information, but also teaching the other project management skills. The German manager taught the local manager how to use a project management software package and was observed explaining to the Chinese manager on who might be a good contact person in the German company to gain relevant information. The Chinese manager on the other hand tried to convey the organisational structure of the IJV to the German manager and frequently explained how to manage in a Chinese environment. One such conversation observed by the researcher centred around the concept of face and how to manage change in the IJV context without inflicting the loss of “face” on a Chinese manager.

Especially during the initial set-up phase the team depended heavily on external resources to ensure the success of the project. It emerged that the Chinese manager usually dealt with the IJVs bureaucracy, unless the task required contact with an expatriate in the IJV, in which case the German manager took up the task. Furthermore, the German manager managed all contact with the German parent company and the German suppliers.

During the production phases the German manager concentrated on supervising the production process and on documentation. The Chinese manager focused on ensuring the availability of the required resources. This division of work was found in each of
the production stages of the quality improvement cycles. Having said this as soon as one of the two managers was faced with a problem beyond his abilities the other manager was immediately consulted. Communication between the team members was observed frequently. Early every morning the two individuals met to discuss the project and they were observed frequently chatting together during the day. Once again this communicative behaviour was observed throughout the project period. Another observation which was constant throughout the set-up right until handover was the time management by the two individuals. They both tried to be there as long as possible, including most Saturdays and Sundays. Furthermore, if one of the two managers was unable to be at work, for example when the German manager was ill for two days, the other covered for him by staying longer. Throughout the observational time period the duplication of a task was never observed. Either one of the two individuals or a joint approach by both was used to deal with tasks, but it was always co-ordinated and managed. Neither of the two individuals was ever observed talking negatively about the other.

The German manager established very good relations with the quality department. He was therefore able to ensure prompt measurement of produced subassemblies and during each of the quality improvement cycles the produced parts were measured within 24 hours. Once the actual measurement report was returned, the two managers immediately started a joint analysis. This comprised an initial analysis of the measurements and then continued on to the actual fixtures. During this process both parties were observed to contribute to the analysis process. Once the changes had been agreed upon, the German manager concentrated on getting the German subcontractor to adapt the fixtures, while the Chinese manager concentrated on
getting the local subcontractors to augment the welding guns. The changes were closely supervised by the two individuals and they were frequently observed on the shop-floor.

The day on which the measurement report was returned, stating that they had reached the goal, the two managers left the office and went into Shanghai for a meal. On their return the next day they immediately concentrated on finishing the documentation. During this phase the two individuals shared the task presented. The German manager concentrated on collating the information required from German sources while the Chinese manager collated the information from the Chinese sources. A week after the project was finished and after the bonuses had been paid to both individuals, the two were seen out together with their wives in Shanghai.
S.11.2 Case no. 2:

This team comprised a 30 year old German mechanical engineer and a 32 year old Chinese manager. The German manager had been with the German multinational for two years prior to being sent to the IJV. During this time he worked on setting-up a body-shop at the main production facility of the German IJV parent. The Chinese manager had been with the IJV since graduating from university where he had studied mechanical engineering. The knowledge gained during these studies was furthered by the attendance at a course at the IJV which aimed to provide the manager with theoretical knowledge relevant to the automotive industry. On completion of this course, the manager rotated through a number of different departments at the IJV. He had been working in the planning department for 11 months prior to the start of this project.

On meeting, the two individuals immediately sat down to discuss the project. This discussion lasted until late at night and numerous loud outbursts of disagreement were observed during this time. The following day the two individuals continued their discussion and started to develop a detailed project plan. They spent the whole of the first week analysing the project status and identifying critical issues. The fruits of this analysis and the consequent project plan were presented to the weekly project meeting on the Friday of the first week. This presentation revealed a detailed project plan, together with a proposed division of tasks. The plan was jointly presented and both individuals were able to answer questions regarding the plans.

During the second week, the team concentrated on putting the plan into action. The two individuals met early in the morning and discussed the plans for the day. The
division of labour during the set-up phase resulted in the Chinese manager focusing on the actual building work, the steel support set-up and media supply installation. The German manager concentrated on fixture set-up and welding gun installation. The two individuals tended to be work on the shop floor and to deal with issues as they surfaced. They were in constant contact and were frequently observed talking to each other. During lunch time the two individuals usually did some office work, done jointly when necessary. Their concentration on furthering the project resulted in the team not completing project reports on time or submitting incomplete project reports. The two individuals were therefore often reprimanded during the weekly project meetings. Questions regarding the project status were usually asked by superiors during these meetings. These questions were always answered without fail by both team members.

During the set-up phase it was also observed that the two individuals had a clear separation of how they dealt with other individuals in the IJV or from the German IJV parent. This division indicated that the German manager dealt with other Europeans, either within or external to the IJV, while the Chinese manager dealt with the Chinese contacts. During the meetings held with external people, usually only one of the two individuals attended and on return briefed the other on the meeting. This behaviour towards external contacts was observed throughout the project period.

The production phase required the co-ordination of a number of factors of production. The team split these factors amongst each other and concentrated on making these available at the same time. The team’s ability to manage the production process usually resulted in production as soon as the machines were set-up or changed. The teams
followed the part through the production process ensuring proper handling and manufacture. Usually one of the two individuals concentrated on the supervision of production while the other concentrated on safety and documentation. These roles were not fixed and changed during the cycles. Once the subassembly was finished, the two individuals arranged the transfer of the part to a measurement room. One of the two individuals was always present during the measurement process and if considerable quality issues were noted during this process the other was immediately contacted. The issue was then discussed while the part was still in the measurement jig. When the researcher asked them about this behaviour they stated that by seeing the actual part and the discrepancies in a physical setting, rather than on a measurement report, would allow them to optimise the manufacturing process quickly and efficiently. On return of the measurement report the two individuals analysed the report jointly. Once this analysis was completed, the two individuals went onto the shop floor to discuss the best possible way of rectifying the problems identified. This process was observed on a number of occasions even until late at night. During the time spent on the shop-floor the team was observed taking decision jointly, after discussions. The next morning was usually spent creating detailed drawings for the subcontractors outlining the required changes. The changes were communicated through meetings with the subcontractors. These meetings were attended by both team members.

As soon as the measurement report was received showing that the goal had been reached, the two individuals called in all their subordinates and subcontractors and congratulated them on achieving the goal. This meeting was followed by a celebratory dinner of the whole group at a nearby restaurant. The next day the two managers
immediately started to collate the documents required for handover and prepared to move on to another project within the IJV.
5.11.3 Case no.3:

Team no.3 comprised a 45 year old German project manager and a 28 year old Chinese manager. The German manager had studied mechanical engineering at university and after this had worked for an engineering contractor. One of these contracts had brought him to the German parent of the IJV where he was then employed. He worked on a number of projects in different German plants. During the last three years he had been involved in setting up areas in new body-shops. He could speak business English and German.

The Chinese manager had recently joined the IJV after university where he had studied mechanical engineering. He had completed the IJV internal training program and completed a small IJV internal project just prior to entering into the project under investigation. His language skills comprised limited business English and his mother tongue, Chinese.

On meeting, the two individuals spent some time going through the factory and after this the German manager outlined a project plan together with a division of labour. This was accepted by the Chinese manager. The project plan was roughly based on the general project layout, comprising layout, production, quality improvement cycles and handover. No detailed dates were set except for the time when the first production was to take place. The German manager would be responsible for the actual machinery set-up, the overseeing of production, the analysis of the measurement reports and the management of required changes. The Chinese manager was supposed to concentrate on the peripheral issues, such as documentation, enforcement of regulation and safety issues.
During the initial set-up phase the German manager concentrated on managing the physical setting-up of the factory. This included the setting up of machines, steel structures, welding guns and conveyor systems. The Chinese manager focused on the electrical systems, safety issues and documentation. The researcher worked in the same open-plan office as all the teams, allowing for frequent observations. During the set-up phase the researcher did not observe any communication on managerial issues between the two team members. Meetings were attended solely by the German manager and all the required reporting to the project leaders was prepared by the German manager. It was also observed that the Chinese manager kept to the office hours while the German manager stayed late into the evening. On the weekends, the German manager was observed working in the area whereas the Chinese manager was never seen in the factory outside of office hours.

During the production stage, the German manager concentrated on producing the subassemblies while the Chinese manager organised the parts and documented production. During this stage the Chinese manager prepared a detailed document for each of the parts which was then presented to the German manager prior to the analysis of the subassemblies. It was noted during this stage that the German manager managed all external communication for the team. He was observed to take up contact with expatriates and local managers in the JV when he deemed this to be necessary and furthermore, was in constant contact with colleagues from the German parent company. The duplication of work was never observed throughout the project period.
The analysis of the measurement reports and the subsequent changes to the machines and welding guns was conducted by the German project manager. He decided on the changes and managed their implementation. The implementation had to be done by employees of German and Chinese subcontractors. The subcontractor were informed about the necessary steps by the German manager and it was he, who checked the implementation of changes.

Throughout the quality cycles, the German manager took it upon himself to improve the quality. He openly stated in a project meeting that he would be personally responsible if the team failed to reach the quality standard. Ultimately, the team was replaced by a task force from Germany as the set quality goal had not been reached by the set date. The German manager was sent home and the Chinese manager moved to another department in the IJV.
5.11.4 Case no. 4:

The German manager in this team was in his early 50s while his Chinese counterpart was in his early 40s. The German manager had been with the German joint venture parent since leaving university. He was previously employed in the production department and had only recently moved into the planning department. He had never been posted outside of Germany and his English skills were limited. His Chinese counterpart however, not only spoke excellent English, but was also fluent in German. At university he, the German, had studied mechanical engineering and at the IJV he attended language courses. He had been with the IJV since the organisation was founded and had previously worked for the Chinese parent company. The Chinese manager used to work in the planning department of the IJV prior to this project, but was mainly involved in the setting-up of the paint shops of the other two car plants. His experience in the body-shop was therefore limited.

On arrival the two managers went to lunch together. After this, the two managers spent some time in the production facility and discussed the following day they the project. The next day the two individuals presented a joint project plan, outlining the key milestones and the responsibilities of the two individuals. During the day the two individuals started the supervision of the factory fit out. The Chinese manager concentrated on setting up the steel supports while the German manager supervised the fixtures being put into place. A problem was identified as soon as setting up was supposed to start. The set up plans for the steel supports and the fixtures did not take into account the structural limitations of the factory floor. It was only able to take a certain weight per square meter and this limit was breached in a number of areas. The problem was unique to this team, as the large parts used as part of this subassembly
required larger fixtures. The German fixture manufacturer refused to change their machines and the Chinese manufacturer of the steel supports refused to change theirs.

The two members of team 4 took different sides, with the Chinese manager wanting the fixture supplier to change his machines and the German manager wanting the steel frame maker to change the specification. The two individuals could not resolve their differences and this resulted in them both complaining to the head of the overall project. The project leader and his Chinese deputy looked into the situation and adopted an innovative solution using large ground plates to spread the weight onto a larger area. Following this initial conflict, the two team members concentrated on setting-up the areas which they had delegated to each other during the initial project planning. Little communication between the two was observed and two different presentations were given during the weekly project meetings.

Once the setting-up phase had been completed, the Chinese manager managed all the resource requirements and conducted production without informing his German counterpart. On learning about this, the German manager immediately launched an official complaint to the project leaders and an open conflict erupted during the weekly project meeting. This resulted in the Chinese manager accusing the German manager of being lazy and not committed to the project and the German manager leaving the meeting room. Later on during the day, the two managers were summoned by the German and Chinese project leaders. The next day the measurement report returned from the quality department, was first read by the Chinese manager and then handed to the German manager. The Chinese manager proceeded to initiate changes with the subcontractors, followed by the German manager going to the subcontractors asking for the changes he thought to be required. This resulted in confusion as the
requests were sometimes conflicting. The following day the German subcontractor made a presentation in the project room detailing the differences in the requested changes. The subcontractor further claimed that they had tried to raise this issue with the team, but that this did not result in a clarification. As the subcontractor had a financial incentive to finish the calibration as soon as possible, the company asked senior IJV managers to intervene. As a consequence, a senior IJV manager who happened to be an expatriate, analysed the measurement report and dictated changes which mirrored those proposed by the Chinese manager. Following the meeting, the German manager was observed accusing the Senior IJV manager of being a traitor and having been in China for too long. The IJV manager threatened disciplinary action and the German manager apologised.

Following on from this incident, the German manager concentrated on documentary work. He arrived on time and departed from the office on time. He attended each of the project meetings, but it was the Chinese manager who made any presentations or answered any questions. Furthermore, the Chinese manager organised the production, measurement, analysis of measurement reports and subsequent changes to production facilities. He was observed to come to work earlier than any of his Chinese counterparts and usually was one of the last to leave. The level of communication between the two individuals had been markedly reduced with time and once the project was deemed to have failed the German manager left China without saying goodbye to his Chinese colleague.
5.11.5 Case no.5:

The German manager in this team was in his early 50s and had been working with the German joint venture parent for more than 20 years. During this time he had worked mainly in the planning and production department, but also for two years in the research and development department of the company. His education at university had been as a mechanical engineer. The English skills of the German manager were adequate, but as his Chinese counterpart spoke German, these skills were not often utilised. The Chinese manager was in his early 30s. He had been project manager at the IJV for four years. This experience was mainly obtained in the assembly plant of car-plant II having only worked in the body-shop of car-plant II two on one previous project. He had graduated from a technical university in Beijing as a mechanical engineer and had received further training at the IJV in courses in automotive engineering and project management.

On arrival, the Chinese manager was observed while he was showing the expatriate all three car plants. He helped the German manager by showing him where he had to go and whom he had to meet. On the second day the two managers started to discuss the project. The German manager was observed leaving the office in the late morning to attend to personal business. He stated that he had to organise his accommodation. The Chinese manager waited throughout the day for the German manager's return. The following day the team drew up a plan for the project and were seen to work on a presentation for the weekly meeting. At the meeting on Friday, the German manager presented a project plan without any input from his Chinese colleague.
The German manager called a meeting on the Monday with subordinates and subcontractors and presented a project plan to the assembled groups. The Chinese manager was in attendance, but did not contribute to the meeting. During this week fit-out commenced and the German manager held a daily meeting with all the subcontractors. The Chinese manager however, did not attend the meeting. At the end of the week the researcher observed a second meeting taking place. This meeting was shared by the Chinese manager and attended by all the Chinese staff and Chinese subcontractors. The following week the meeting of the German manager was only attended by the German subcontractor and the Chinese manager held a daily meeting at the same time with the Chinese staff. Any reporting to the project office was done by the German manager and the Chinese manager was not present at any of the group project meetings.

In addition to the observations on the meetings and reporting behaviour of the team, observations as to how the set-up phase was co-ordinated were also made. The co-ordination of the setting-up was mainly observed to take place between the subcontractors. In other words, the German and Chinese subcontractor employees responsible for setting-up this particular area, co-ordinated their activities. This group was observed sharing machines, tools, optimising plans and co-ordinating media supplies.

At the same time as the fit-out progressed, the German manager concentrated on co-ordinating electrical issues. He spent numerous days going through the electrical set-up and in the process aggravated the Chinese subcontractor responsible for electrical fit-out. This conflict resulted in the Chinese subcontractor making an official
complaint regarding the behaviour of the German manager. The German manager was reprimanded for his behaviour by a senior expatriate manager of the IJV.

On completion of the set-up phase by the subcontractors, a senior IJV manager would not allow production to commence as the safety documentation was not complete and as there were serious safety issues, were identified. The two team leaders were asked to attend a project meeting and in the process were asked if they thought they had the ability to complete the project within the set parameters. During this meeting the two individuals stated that they had both approached the project in a partisan manner and pledged to change their project management style. The superiors decided to give the team members another chance, but ordered the holding of frequent meetings in their area on the shop-floor to monitor progress.

The behaviour of the team was observed to change after the meeting. The two managers held joint meetings and spent a considerable amount of their working time together on the shop floor. They rectified the safety issues in conjunction with the subcontractors and were allowed to start production.

During the production stage the two individuals continued to hold joint meetings. The Chinese manager concentrated on acquiring the resources necessary for production, while the German manager concentrated on the overseeing of the production process. He shadowed the production of each part and documented the production diligently. It was observed that once the subassembly was finished he handed this over together with the documentation to his Chinese counterpart. The Chinese manager then organised transportation to the measurement room and scheduled measurement time.
When the first measurement report was returned, considerable shortcomings in the calibration process undertaken during set-up were exposed. The results were discussed by the two managers for two days and a considerable action plan was presented to the subcontractors over the weekend. The following week the two managers were observed to be permanently on the shop-floor supervising the initiated changes. The team neglected the project reporting and were reprimanded for this by the management of the IJV. The second part that was produced by the team showed a considerable improvement in overall quality and the two individuals presented the results to the project office. Further changes were discussed during each of the quality improvement cycles and the teams oversaw the implementation of these on the shop-floor. The team did not manage to reach the required quality standard on time. Consequently the team had to hand over the project area to a task force sent by the German IJV parent company. The German manager returned to Germany and the Chinese manager was taken on by the logistics department of the IJV.
5.11.6 Case no.6:

Team no. 6 consisted of a 39 year old German manager and a 30 year old Chinese manager. The German manager had initially joined the German car manufacturer as an apprentice tool maker. Following this practical qualification he worked in the tool shop of a German car plant until he was given the opportunity to be sponsored through university by the German car company. Following his studies which resulted in him gaining a masters degree in mechanical engineering, he worked as an engineer in the machine tool department of the German parent company. This work initially comprised engineering work and later on project management responsibility. The language skills of the German manager included German, French and business English. Even though the individual had travelled widely this was his first posting as an expatriate.

The Chinese manager joined the JIV following university and worked as an engineer on the planning of this project. He had travelled on numerous occasions to other factories of the multinational company and spoke excellent English and German. This was his first posting in a position of responsibility for a project.

On arrival the German manager met with a German friend who was a long-standing expatriate at the JIV. He was shown the facilities and introduced him to key individuals in the organisation. This was followed by lunch at the expatriate canteen. In the afternoon the German and Chinese managers spent the afternoon setting-up their office space. This included moving into the office and the organisation of office supplies. The following day the two individuals spent time on the shop-floor. The German manager arrived early in the mornings and worked until late at night. The
first presentation for the project meeting was jointly prepared and both individuals presented the project plan. It outlined a clear division of tasks, and questions posed were answered by the teams along those firmly set lines. The Chinese manager was responsible for the welding guns and the media supplies. The German manager, on the other hand, was to concentrate on the fixtures and on the conveyor systems. The researcher asked a question during this meeting as to who would be responsible for parts management and the team was not able to respond. Further questions by other managers present at the meeting highlighted shortcomings in the project design. The two individuals were informed and asked to rectify this. The responsibility regarding the parts supply was never solved and this led to conflicts during the production stage.

During the initial set up stage the German manager concentrated all his efforts on overseeing the setting up of the fixtures and the conveyor systems. He worked long hours, usually from 0630 to 1930 on weekdays and at least eight hours on each day on the weekends. His Chinese counterpart worked office hours and concentrated on the set up of the steel support structure, welding gun installation, and the electricity and water supplies. During this phase the researcher did not observe much communication between the team members. They worked side by side on the shop floor, but did not seem to communicate with each other. The communication by the team members with the subcontractors was not co-ordinated. At one stage during the set up one of the Chinese sub-contractors complained that the German and the Chinese manager wanted him to work according to different priorities. The sub-contractor made these comments during a project meeting and when the two individuals were asked by the project leader, whether this was the case they responded in the affirmative. They
promised to co-ordinate their activities better, but the following week some of the other sub-contractors raised the same complaint.

After set up was completed, the team took longer than any other team to organise the factors of production. The German manager concentrated on the documentation and on overseeing production, while his Chinese colleague concentrated on finding and securing the factors of production. With increasing delay the German manager started to try to raise the factors of production by himself. This resulted in him handing in further parts' requests thus causing a conflict between the team and the researcher. The researcher subsequently had to raise the same complaint as the sub-contractors. The German manager apologised to the researcher and stated that he could no longer rely on his Chinese counterpart, as his abilities could not secure the successful conclusion of the production phase. Subsequently, a change in the behaviour of the expatriate was observed. He no longer seemed to involve the Chinese manager in any decisions. He contacted any member of the JIV and attempted to, de facto, run the team without his Chinese counterpart.

Once the sub-assemblies had been produced, documented and delivered to the project room, the German manager usually stayed with them throughout the measurement process. At one stage the researcher only saw the individual in the measurement room and nowhere else within the factory. Once the sub-assembly had been measured and the measurement report had been produced, it was analysed by the German manager. He proceeded to create detailed drawings, together with a draftsman employed by the German fixtures' manufacturer and then proceeded to initiate changes. It was observed that the first measurement report was offered to the Chinese counterpart, but
that he refused to take it. This resulted in the German manager officially complaining to a senior manager of the IJV. Following this complaint, the Chinese manager rather than engaging in the project visible withdrew from the project. He was no longer present in the open plan office, but seemed to be documenting safety standards on the shop floor on a permanent basis.

Returning to the management of the changes, the German manager closely supervised any required changes. These changes ranged across fixtures, welding guns and changes to the conveyor systems. The German manager was therefore in contact with both Chinese and German subcontractors and no longer stuck to the division of labour previously declared. At one stage a senior IJV manager commented that the German manager worked very hard, but that it seemed to him that this was driven by desperation rather than by being able to manage the project with a level head. The fact that the quality did not steadily improve through the quality improvement cycles further confirmed this observation.

With the project deadline fast approaching, the German manager worked increasingly long hours. However, was not sufficient to hand over the project. He was sent back to Germany and the facility was finished by a task force sent from Germany. The Chinese manager no longer works for the IJV. Following his performance during this project he was sent to work for a supplier to the IJV which happens to be a fully owned subsidiary of the Chinese parent company.
5.11.7 Case no.7:

This team had the following team members. A German manager who at the time of the observations was 29 and a Chinese manager of the same age. Both individuals spoke English and the Chinese manager was in the process of learning German. The Chinese manager had recently graduated as a mechanical engineer and had gone through the JIV internal training programme. The German manager had also graduated as a mechanical engineer and later worked on a two year project at the German parent company.

On meeting the two individuals were observed spending a number of days in the area where they intended to set up the production facility. They compared plans with reality and drew an outline of the production facility on the floor. Once this had been completed, they were observed in a meeting room, developing their project plan. The general project outline was based on the overall project strategy, suggested by the JIV and JIV parent management. On the Friday of the first week, the team presented the project plan during a meeting of the whole project team. Their plan was praised for its realistic time frame and detailed planning. Questions were raised regarding the possible specialisation of work, but the two individuals stated that they were planning to allocate tasks daily.

Initially the set-up phase was managed jointly, but after one week it emerged that the German manager was mainly dealing with the set-up and calibration of the fixtures supplied by a German subcontractor. The Chinese manager was observed to be concentrating mainly on the steel support set-up and welding gun issues. The two
individuals were frequently observed discussing problems frequently and usually met
to discuss the project in the morning and in the evenings.

In addition to the professional contact, the two individuals were frequently observed
to be working on weekends and late into the night. Furthermore, they were also
observed spending their social time together. On a number of occasions the researcher
met both of them in central Shanghai eating or drinking together. These observations
took place throughout the duration of the project.

After the set-up had been finished, the two individuals concentrated on obtaining the
resources required to start production. The two agreed a certain time for production to
start and then concentrated all their efforts to ensure that all the resources required for
production were available at that time. The German manager went into the
organisation to talk to key expatriates, especially those responsible for ensuring the
parts supply, while the Chinese manager made a concerted effort to secure media
supplies. The aim of starting production at a set time was achieved and the first set of
subassemblies was produced under close supervision by the managers. During the
production of the first and of subsequent subassemblies, the two managers took
detailed notes. This documentation included digital photographs and the innovative
use of data which could be downloaded from the welding gun control unit. Being able
to download this information saved the individuals writing down the current, voltage,
closing pressure and closing time of the welding gun and significantly simplified the
documentation process. To be able to download and to convert the data to a usable
form, the Chinese manager spent a weekend writing a special computer program. As
this computer program was of use to all the other teams, it was traded by the two
individuals, usually for getting measurement time enabling them to get convenient measurement slots.

The measurement of the parts was loosely followed by the two team members. They were observed transporting their subassembly to the measurement room on a number of occasions. Once the measurement commenced they usually left the facility, but asked the staff to call them if a major defect was detected. While they were waiting for the measurement reports, a process that could sometimes take a couple of days, they tended to organise the factors of production required for the next production run. Parts were ordered, staff was put on standby and engineering time was ensured with the subcontractors so that the necessary changes, could be performed as soon as possible.

On return of the measurement report the two individuals tended to start discussion immediately. They initially identified what they called “category of errors” and then spent time either in the office or in the actual facility in order to identify the causes of the quality errors. As soon as they had found the changes necessary, they asked the subcontractors for a meeting and a plan of action was then developed. The team drew up detailed plans together with an engineer from the subcontractors. The implementation of the changes was closely supervised by the two individuals. Throughout this process they spent their entire time on the shop floor.

The final measurement report which confirmed that the two individuals had reached the quality target within the specified time frame was greeted by the two managers with jubilation. They immediately left the factory and bought beers for themselves
and their subordinates, as well as the workers of the German and Chinese subcontractors. Following the celebrations, the managers spent the next week preparing the documentation for handover. The Chinese colleague concentrated on collecting all the relevant information from the Chinese sources, while the German manager collected the information from the German sources. On handover the two individuals vacated the workspace immediately. The German manager left to take on a considerably sized project at the German parents company’s plant in Brazil. The Chinese manager was promoted to senior planner and given another project in the same organisation.
5.11.8 Case no.8:

The team comprised a 34 year old German manager and a Chinese manager in his early 30s. The German manager had been with the German parent company in the planning department since leaving university. He had considerable experience in project management and had worked previously in setting up a body-shop. His experience in the body-shop environment covered fixture planning and conveyor systems. The Chinese manager had graduated from a technical university in Shanghai with a degree in mechanical engineering and had then joined the JV. His first year at the JV was spent in further training. The training comprised rotation through different departments and training in project management skills. Subsequently, the Chinese manager had worked in the planning department of the JV and had managed a number of refit projects in the existing body-shops. Both individuals spoke business English and no communication difficulties were observed.

On meeting, the two individuals immediately went on a tour of the production facility. The Chinese colleague introduced the German colleague to many of the individuals in the production hall and the two individuals were then observed touring the existing facilities. The following day the two individuals met and had breakfast together in the office, followed by a discussion of the project. This was followed by a joint lunch. In the afternoon the two individuals were observed to develop a detailed project plan. This plan was continued on the next day. On Friday of that week the two individuals presented a detailed project plan to the project meeting. They both presented the project plan together and jointly answered questions on the project.
During the following week the two individuals were observed to be spending a lot of time together. They tended to meet in the morning and shadow each other throughout the day. They were also the only team to always eat lunch together. The other teams usually had the expatriate going to the expatriate canteen and the Chinese manager to the canteen open to local managers. All meetings were also jointly attended during the set-up phase and the two managers held a daily project meeting on the shop-floor. This meeting included their subordinates and representatives of all relevant subcontractors. During each meeting difficulties were discussed and solutions developed. The meetings were further used to discuss interface and co-ordination difficulties encountered when putting the different parts together. Once the relevant solutions had been found, a clear timetable was agreed and all commitments were documented. Throughout the day the two individuals were often seen on the shop-floor checking on the implementation by subcontractors.

One noteworthy incident occurred during this stage. While the German manager was on the shop-floor supervising the set-up of the production facility, he observed a Chinese employee hammering screws into a conveyor belt. He immediately confronted the individual using his Chinese colleague as an interpreter. The employee of the subcontractor stated that he got bored with screwing hundreds of screws into the conveyor belt and that by hammering them in he could do it much quicker. The two managers asked him to stop and to identify the screws he had hammered so that the windings could be re-cut. The employee of the sub-contractor agreed to do this. An hour later he was once again, this time by the Chinese project manager, seen hammering the screws into the conveyor belt. The Chinese manager now complained to the management of the sub-contractor and they intervened. The employee was
immediately sacked and repairs were promised. Yet after lunch none of the employees of the sub-contractor returned. They were on strike protesting about the sacking of their colleague. They claimed to be unfairly treated by the management of the IJV and their employees. The sub-contractor tried to negotiate, but was unable to resolve the problem within the deadline set by senior management of the IJV. Subsequently the subcontractor was deemed to be in breach of contract and the German sub-contractor was asked to finish the project, including the work that was supposed to be done by the Chinese company.

Once the facilities had been set-up, the two managers concentrated their efforts on ensuring that the initial calibrations were accurate and that the welding guns were able to reach all the required places. Once the changes identified during this process had been completed, the team focused their attention on attaining the resources for production. The Chinese manager concentrated on obtaining these, while the German manager created concise instructions for each welding station. These were part of the documentation required on hand-over and no other team had created these until much later in the production process. These instructions were then presented to the workers when the first part was put through the production process. Throughout the production of the first and subsequent parts, the two individuals were always present on the shop floor. They documented the production diligently and discussed difficulties with the workers where and when they occurred. They were also observed to have created a special transport jig for transporting the finished subassembly to the measurement room.
The two team members were always observed predicting the production process. This allowed them to book measurement time in advance. The measurement machine usually had the measurement jig fitted and was calibrated by the time the part arrived, reducing any delays in the process. The measurement of each of the parts was observed by both of the team members. As soon as the measurement report was returned the two individuals were observed leaving the open plan office to go into another quieter building. On their return they usually continued as soon as possible by creating detailed plans of proposed improvements to the machines.

The proposed changes were then presented during the daily project meeting with their subcontractors and workers. A timetable for the implementation was created during the meetings and the commitments regarding the implementation were recorded. Throughout the implementation of changes during each of the quality optimisation cycles the two team members were observed to be on the shop floor supervising and discussing the changes.

The two team members attended the measurement session when it became apparent that the subassembly had reached the required quality standard for handing over the facility. The two individuals without waiting for official confirmation delivered later in the form of an official measurement report, immediately started collating all the relevant documents. This process took them three days. Following this, rather than handing the project over they conducted a safety audit and produced another small number of subassemblies. During this production they ensured that the procedure card at each of the work stations was complete and fully understood. They then handed over the project. The German manager returned to work in Germany and the Chinese
manager changed to management in the production department. His responsibilities were increased and he became shift manager of the body-shop in car plant III.
Case no.9:

This case comprised a very experienced German project manager. He was in his mid-40s and had previously been involved in the set up of four different bodyshops. He had graduated 20 years earlier from university in Germany where he successfully completed studies in mechanical engineering. The management of the IJV paired this individual with a Chinese manager in his mid-30s. He had some experience as a project manager. This project was, however, the first time he was involved in creating an area of a factory. He graduated in the mid-1990s from a technical university in Shanghai and had been working for the IJV ever since. Prior to starting this particular project, the IJV had provided the Chinese manager with training in project management skills. Both individuals spoke English fluently and the Chinese manager was in the process of learning German.

When the German manager arrived in the People’s Republic of China he was picked up at the airport by his Chinese counterpart. The Chinese manager then, according to the accounts of the German manager, drove the German manager to his flat and provided him with his personal phone number allowing the German manager to get in contact with him over the upcoming weekend. The two individuals met on the Saturday. According to the German manager the two spent the day together, with the Chinese manager showing the German manager local amenities and some of the key tourist sights of Shanghai.

The following Monday the two individuals immediately started to discuss the project. This discussion was observed by the researcher and a number of points were noted. The German manager did not focus on the project as all the other teams had done, but
asked the Chinese manager about his future career plans. The Chinese manager stated that he liked to do project work and that he enjoyed working in the planning department of the IJV. The German manager discussed frankly the skills that are required to become a senior project manager and then asked which of his skills the Chinese manager thought would need improving. The Chinese manager stated that he thought that his engineering skills were adequate, but that he was lacking in project management skills. The German manager then offered the Chinese manager a novel approach to tackle the project. He proposed that they would interact closely with the Chinese manager taking the lead and the German manager instructing him as to how to proceed. The German manager argued that this should not be a problem as a similar workload would easily be managed by one project manager in Germany. They both agreed on this approach and shook hands confirming their commitment.

Following this commitment they were observed on the shop floor. The Chinese manager explained the layout, the chosen design of fixtures and introduced the German manager to subordinates and sub-contractors. Subsequently, the two individuals were observed in a meeting room, where the Chinese manager presented his detailed ideas regarding the project and where the German manager was observed providing feedback. The following day the two individuals were observed finalising a project plan. Once this was complete they contacted the sub-contractors and discussed its feasibility. During this meeting a number of changes to the initial project plan were agreed and the final plan was presented to the weekly project meeting on the Friday of the first week. The presentation was done by the Chinese manager and most of the questions were answered by the Chinese manager. The acceptance of the project plan by the IJV hierarchy and the sub-contractor was positively highlighted by senior
Chinese management and the teams efforts were praised during the meeting. On Monday the two managers returned to work and the Chinese manager stated that he was impressed with the cooking skills of his German colleague who had invited the Chinese manager and his family for Sunday lunch.

The team met early on the Monday morning and started to put the project plan into action. They concentrated on the different suppliers who had been provided with the detailed project plan. Each supplier was visited and progress was checked. Furthermore, the actual situation on the shop floor was checked. During this procedure some shortcomings in the performance of the sub-contractors was noted and the two individuals tried to enquire as to the source of delays. Once the source was identified a strategy to solve the problem was developed in conjunction with the sub-contractor. It could therefore be said that the team was observed driving the project, but reacting to problems as and when they occurred. This approach remained the same throughout the project. The work was allocated according to the project needs. The two managers decided who would deal with which problem. Once this allocation was agreed, it was observed that the two did not check on the work of the other. Another observation, made during the set up phase was that the two individuals regularly communicated with each other. In fact, they tended to spend most of their time together. They attended all meetings jointly, including project meetings, meetings with suppliers and meetings with other IJV departments. Additionally, they were never seen individually on the shop floor, but always together. This joint approach did not change throughout the whole observation period.
When the setting up of their area was completed the two individuals spent one day inspecting the area. They identified a number of areas of concern and argued that they could not start production until these issues were resolved, especially as three of the identified problems were health and safety related. Once these problems had been overcome, rather than starting production, the team invited the manager to whom they would eventually hand over the project. They showed him the set up and invited comments and criticism. A few concerns were raised and the team immediately instructed the sub-contractors to rectify these.

Having ensured that all the interested parties had agreed that the area was properly set up, the team now proceeded with the optimisation of the quality. They organised the parts and ensured that the energy, water and air supply was available. Rather than letting their staff make the part, they decided to produce the first part and to get the production staff involved as observers. They argued that this would allow them to identify possible problems as they occurred. The first sub-assembly was documented as the part was produced and the instruction sheets for each of the steps of manufacture were designed and written. The information on the production cards was jointly gathered and comments made by the production staff were taken into account. Even though the production of the first part took a long time the used process allowed the individuals to understand the production process on an in-depth level. Furthermore, they managed to identify problems which they could not have envisaged from the plans. They then completed the station sheets and made sure that they were fully understood by the staff. The problems identified during the production of the first sub-assembly were subsequently rectified by the suppliers, while the two individuals concentrated on measuring the part and analysing the results.
The production of any further part was conducted by the production staff. They produced the part and documented the production. This reduced the workload of the team considerably and they used the available time to work on the documentation which would be required on handover. When the sub-assembly was finished they usually checked it and then allowed the production staff to hand it over to the quality department.

The measurement of the sub-assemblies was handled by the team in a similar way to the production stage. During the measurement of the first sub-assembly, the team was permanently present in the measurement room and asked constant questions as problems were identified. During the process they also asked the measurement experts to take a number of additional measures which were not specified in the official quality control protocol for the specific sub-assembly. When they were asked as to the reason for this, they argued that this would allow them to understand how the parts were spaced in the machines, therefore allowing them to improve the quality in a more efficient way.

As soon as the measurement report was returned to the team they went into a quiet meeting room to analyse the results. Once they had identified the problems they usually went onto the shop-floor. They argued that this would allow them to understand the results in a physical context. Subsequently, they were observed together with the sub-contractors discussing necessary changes in the physical environment. The changes which were usually agreed to by all parties were then scheduled. The implementation of the changes was closely supervised by the team.
They spent the entire time during this process on the shop-floor. They were observed to be in constant contact with the sub-contactors and with the production staff.

The final measurement report arrived in the evening and the two individuals immediately went through it to check its accuracy. Concluding this they proceeded to contact their families and to arrange dinner in a family restaurant in Shanghai. The following day was spent checking the health and safety situation. They identified a number of electrical issues, such as the wrong size of power cable being fitted to some welding guns and designed a schedule for rectification. The required changes took two days and were closely supervised by the two managers. Once they were satisfied that they could no longer improve the production facility, they invited senior JIV management to scrutinise the facilities. These senior managers could not find any improvements and the team was praised for their diligence. The final stage in the project was the finishing of the documentation which took the team a further three days. After handover, the German manager was integrated into a task force which was supposed to finish a production area of the JIV. The Chinese manager was promoted in the organisation and subsequently headed a project to refit a bodyshop of one of the two other factories, so that a new model can be produced.
5.11.10 Case no. 10:

In this case a 40 Year old German and a 28 year old Chinese manager were paired together. The German manager had been with the German parent company since leaving university. He had been working in a number of different departments before starting work ten years earlier in the planning department of one of the smaller German car plants of the parent company. His theoretical background, a masters in mechanical engineering, was complemented by considerable experience in managing projects. The Chinese manager on the other hand, had only six months of previous experience as a project manager. He had graduated as a mechanical engineer from a technical university in Shanghai and further completed the IUVs’ automotive training program. Both individuals spoke excellent English and no communication difficulties were observed throughout the project period.

The two individuals immediately went to work on the shop floor. The German manager asked his Chinese counterpart to show him the facilities, introduce him to the relevant subcontractors and to arrange lunch with all their subordinates. The following day the two team members spent time inspecting the IJV and the Chinese manager introduced his German colleague to individuals in other departments. The next few days were spent together and the two managers prepared a detailed project plan and presented this jointly at the project meeting. They were asked if they had devised a division of labour. They replied that they intended to devise this on a daily basis and if any individual needed to contact the team that they could contact either regarding all issues.
Following the meeting the team immediately started to put the approved plan into action. During the first week, the two individuals spent many hours together. They were observed meeting early in the morning and preparing for the day together. The German manager with his considerable project management experience was observed teaching the Chinese manager how to manage a project. This included explanations on organisational issues, but also extended to instruction on how to deal with subcontractors and subordinates to ensure they stay within the project plan. The Chinese manager seemed keen to learn and tried to put the principles into practice. The joint managerial approach continued for a number of weeks. Then a division of labour emerged. The Chinese manager concentrated on dealing with the Chinese subcontractors, while the German manager focused on the German subcontractor. The two individuals continued to hold a morning meeting and met regularly throughout the day to discuss project issues. In the evening both individuals always finished their day by having another meeting. Once the set-up phase had been concluded the two individuals decided to collect all relevant documentation and spend a weekend together ensuring health and safety regulations had been followed. A number of changes were commissioned to improve safety measures and once these were put into practice the production stage was initiated.

In order to organise the production of the first parts a number of factors had to be coordinated. Both parties met constantly during this phase and organised the different resources either jointly or individually. Once all the resources were assembled the production was started with both individuals being present on the shop floor. Each stage of production was meticulously followed, discussed and documented. This resulted in the production of the first part taking three days. Once the part was finally
produced, it was sent to the measurement room and the two individuals organised it to be measured over the weekend. At lunchtime on the following Monday, the measurement report arrived. A measurement report consists of a large number of measurements of individual points of each part. From this the overall quality grade is then calculated. The two team members followed a particular analytical method developed by the German manager. During the production of the first part, the two team members noted which production process had which effect on the part. For example, a clamp might move a certain part on the X-axis and hold it along the Z & Y-axis. This complex, and to an outsider confusing report, was now compared to the measurement report and it became clear in which step changes had to be initiated. At first this comparison was conducted manually, but then the Chinese manager devised a spreadsheet which allowed the measurements to be quickly linked to all the possible changes. Using this method to analyse the measurement reports resulted in faster analysis times and as a superior manager of the IJV commented, a much more scientific approach.

The analysis resulted in a plan of action. This plan was put into detailed engineering plans. Once these drawings were completed, they were presented to the subordinates in order to explain how this would affect the production of the parts. The presentation to the subordinates was held in the actual production facility and any comments or suggestions by the subordinates were discussed. If the subordinates agreed, the plans were then discussed with the relevant subcontractors. The presentation of the plans was always accompanied by a detailed explanation of each change in the actual production area. A detailed schedule of the implementation of changes was consequently agreed on by all parties and either the German or Chinese manager.
supervised the changes on the shop floor. The other manager usually used the available time to further the documentation or to prepare the reports required by the project office.

Once the measurement report confirming the achievement of the quality goal before the set date was returned, the two managers went for a celebratory lunch in a local hotel. They did not return to the office until the next day. They both collated all the relevant documentation which had almost been completed and handed over the project. The German manager returned to work in Germany and the Chinese manager progressed to another project in the IJV. Both were praised by their superiors at the IJV for their exemplary team work. This resulted in them receiving promotions and pay rises.

The chapter comprised a number of different types of data. Initially the situation in the IJV was described. This was followed by a presentation of the obtained performance data on each team. The final section outlined each of the ten cases and aimed to provide the reader with an insight into the behaviour of each of the ten teams. The next chapter uses the presented data to establish findings and outline the implications of the obtained findings.
CHAPTER VI
FINDINGS AND DISCUSSION OF RESULTS

The analysis of all the data, including the data presented in the previous chapter, resulted in two different groups of findings:

1) Observations with regards to the research question.
2) Observations linked to existing literature.

The first category of findings is concerned with the actual research question, while the second type identifies observations made during the research which conflict, support or allow comment on other studies. The first section is based on the research design outlined in the methodology. In other words, the segment is based on the objective performance measure and on the analysis of the working practices in the ten observed relationships. The conclusions presented are supported through reference to the data chapter. Furthermore, specific examples are highlighted which support the conclusions.

The second section of this chapter highlights the relevance of the observations on existing literature. While the research has not been designed to investigate the specific issues highlighted here, the richness of the qualitative data enabled the author to comment on a number of other studies. The author considered excluding these observations from the final thesis. However, as the insights might be helpful for future research, they were included in the thesis. Each of the relevant observations is linked to the relevant literature discussed in the initial literature review. The observations, identified during the analysis of the data are presented in conjunction with a brief discussion as to the implication of this observation on a particular study. The point
argued is always supported by examples, but no attempt was made to present a complete list of relevant observations.

Prior to entering into an actual discussion of the findings, the limitations of the research methodology are re-emphasised. The argument for the chosen research methodology is clearly outlined in the Methodology Chapter. The main limitations of the research approach that have been identified are rooted in (a) the qualitative nature of the research and (b) the observational research approach. The qualitative nature of the research reduces the ability of the researcher to extrapolate the findings beyond the studied sample. The research, however, did not aim to do this and the main reason for undertaking the research was to establish whether future research into business relationships between local and expatriate managers of international joint ventures could be warranted. The second research approach was to observe actual behaviour within relationships between local and foreign managers and then to compare this with other relationships and outcomes. In other words the second aim was to gain insight and understanding, rather than testing an existing hypothesis.

The second limitation results from the observational nature of the research. The researcher observes behaviour, rather than asking an individual and hence the motivations and the intent of the individual remain unknown. The nature of the participant research also resulted in the collection of information obtained through conversation with individuals. Consequently, the researcher has sometimes obtained information on the intent and motivations of individuals. These were, however, neither controlled, nor complete and the information flow was infrequent.
6.1 Findings and Discussion Regarding the Research Question.

This section uses the data presented in the previous chapter to develop a discussion of the findings which have been made regarding the research question. The discussion comprises a re-examination of the presented data in conjunction with the development of a detailed argument. From the presented evidence conclusions are subsequently drawn.

The analysis of the research question has been dissected into a number of separate sections. Initially the suitability of the sample is investigated. This comprises the situation faced by the ten teams, the suitability of the measure and the conditions faced by the researcher. The aim of this investigation into the underlying conditions is to establish whether the empirical research fulfilled the preconditions set out in the methodology, especially with a focus on the similarity of the situation, meaningful outcome, measure and conduct consistent with methodological conventions.

Depending on the assessment of the empirical situation above, the next sections focus initially on the attained outcomes of the teams. The performance of the teams is subsequently compared. The analysis is then widened to take into account the behaviour within the teams. The underlying argument and findings are summarised in the final section and conclusions are drawn for each of these findings.

6.1.1 Similarities Faced by the Teams:

The particular research question was difficult to investigate empirically. The methodology chapter outlines the chosen process and this discussion is not repeated here. The methodology did, however, create a number of peculiarities that have to be
examined. To allow the research to draw conclusions on the outcomes of particular relationships, especially in light of the quality of the working relationship, a number of preconditions had to be satisfied. These preconditions mainly concerned the sample.

The research setting is described in detail in the data chapter above. The question arises as to whether it provided a suitable setting for the investigation. Firstly, the similarities in the situation need to be discussed. Each of the ten teams under investigation had to fulfil the same set project goal. To allow a meaningful comparison of the performance of the teams the initial conditions and subsequent events should be as similar as possible. On review of the data it became clear that the ten teams faced similar conditions. The following areas of similarity were observed:

1) Physical
2) Resources
3) Skills
4) Organisational
5) Technological
6) Project approach
7) Task

The data chapter provides supporting evidence for the seven areas of similarity. Similarities 1 to 6 are concerned with the similarity of the conditions faced by the teams, while similarity 7 is concerned with the similarity of the organisational tasks required to achieve goal fulfilment.

The similarity in the physical environment faced by the ten teams was found to exist. All the ten teams were based in the same open plan office, situated centrally in the area of the factory hall in which the body-shop was located. This resulted in the same climatic, logistical and communicational conditions. The observational research did
not identify any differences regarding the physical environment. It was therefore concluded that the physical environment was not a factor which might explain performance differentials between the teams.

The resources available to the team comprise a number of different tangible and intangible resources. These range from the physical, such as machines, parts, water, energy, space and employees, to the intangible, such as access to design engineers at the German parent company. On review of the resource situation of the ten teams outlined in the data chapter above, no divergence in the resources available to the teams was observed; therefore, this was disregarded as a possible cause of performance differentials. The usage of the available resources was, however, handled differently by the teams and this is discussed in detail below. One resource is of special importance in trying to reach production quality when welding sub-assemblies in a body-shop. This resource is the individual parts and their quality. Essentially without parts that conform to quality standards in dimensions and texture, quality targets set for sub-assemblies could not be achieved. The situation regarding parts was the same for all ten teams. At the outset some of the single-parts had not achieved the required quality standard, this was, however, rectified shortly into the project and all the ten teams faced a similar parts situation with regards to quality and quantity.

The third category identified above is skills. This category focuses on the individuals involved in each of the teams, their level of expertise, experience and other relevant skills, such as language skills. It was found that there were considerable differences in the skills held by the expatriates as compared to the local employees. Even though the
skills varied within teams, the overall skills of the teams were comparable as the skills possessed in the ethnic groups were comparable.

As stated above, each team comprised a German and a Chinese manager. The ten Germans had been sent over at the start of the project. They all arrived in the People’s Republic of China for the first time and none in this group had any experience of working in a foreign country or joint venture. Each of the German managers had graduated as an engineer and each member had been working in similar projects previously. Hence, their experience, expertise and education hence were deemed to be similar. Furthermore, each of the ten team members not only spoke their mother tongue, German, but each individual was also able to communicate in English. One could therefore conclude that there is no considerable difference in the level of skills among the ten German managers.

The Chinese managers had all been with the IIV for approximately five years. The project under investigation was their first major project and none had previously worked abroad prior to starting this project. In 1998, the ten managers were sent on a scouting trip to Germany, at which point they met their German counterparts. Educationally, the ten Chinese managers are all graduates of mechanical engineering and had completed an internal course to provide them with specific training for the car industry. The language skills were similar within the teams. Each individual not only mastered his/her mother tongue, but also spoke English and in some instances German. Even though there was a slight difference in the language skills, the ten managers were deemed by the researcher to possess similar skills. Language skills
were compared with the results and there no tangible link between the Chinese manager being able to speak German and the team's subsequent success was found.

Similarity was also examined at an organisational level. This examination of the data focused on the organisational position of the individuals involved in the teams. The reporting structure, the remuneration of individuals and other organisational conditions were taken into account. The observational data showed that there were considerable differences between the situations faced by the local and the expatriate managers. Within the two groups, however, no significant divergences were found. In the Chinese group all the ten team members were on the same organisational level and hence received the same basic remuneration. They all had the same superior and had to comply with the same reporting demands.

The ten German managers also faced the same organisational position. Once again they had the same remuneration package (including an expatriate package comprising education, housing, health and travel benefits), the same organisational position in the IJV, the same reporting requirements to the IJV and the German parent, and they all had the same superiors within the IJV and at the German parent company. In summary, the organisation position was found to be similar and hence could not be drawn upon to explain differences in the measured team performance.

In an automotive plant the production technologies play a considerable role in the vehicle production and especially in achieving quality goals. As the goal to be achieved by the ten teams was to reach a certain production quality in their area by a set date, technology had to be taken into account. The ten teams were each responsible
for the fitting out, setting-up and starting of production in a certain area of the body-
shop. The technologies used in each of the areas, may this be the welding guns,
fixtures or transport systems, were similar and all were supplied by the same set of
suppliers. It can therefore be concluded that there were no technological differences
which might explain the success or failure of the teams.

The teams were chosen because of the level of comparability identified by a senior
expatriate at the IJV. The team performance was measured against an organisational
goal and this task was said to be similar to allow for comparisons. The tasks faced by
the teams were put under close scrutiny in order to identify whether the promised
similarity was existent during the observational research. Firstly, each of the ten teams
was responsible for the production of a sub-assembly which was then used to create
the final car body. The responsibility covered all aspects of the process, from the
fitting out of the space, to setting-up, production and quality improvements. This was
the same for all the ten teams. The sub-assemblies to be produced by the ten teams,
while not identical, were highly similar. All sub-assemblies comprised single parts
that were put into fixtures to allow them to be in a relative position to each other for
the purpose of welding. Once in the fixtures, the single parts were welded and/or
glued together. Once this process was complete, additional parts were added in other
fixtures until the sub-assembly was complete. The transport between the different
stations was automated using the same conveyor and overhead systems. The task of
optimising the quality of the sub-assemblies was therefore also very similar.

The level of quality which had to be reached by the teams was identical. The measure
is an IJV and German parent company wide quality grade. It is based on the
measurement system used by the German multinational company. The measurement of the sub-assemblies and the subsequent determination of the level of quality reached was conducted by the quality department of the IJV, with additional support being provided by measurement experts sent by the German parent company. To conclude, the task was similar for each of the ten teams and the determination of the results was conducted through the same processes and by the same people.

The final similarity identified in the table above, the similarity of the taken project approach taken is based on the data. Some of the supporting arguments have already been presented above, but are reiterated to allow for the case to be made. The analysis of the data, especially through the review of the data, interviews and internal documents collected by the researcher, led to the emergence of a pattern of conduct. The organisational requirements, set out by the IJV, the IJV parents and agreed on with the subcontractors, obliged the individual teams to follow a certain project structure. This consisted of the initial installation of the machinery, followed by quality optimisation cycles (discussed in detail below) and finally the handing over of the project to the production department of the IJV. The project process is summarised in the “central spine” of diagram 6.1. The reporting structure required by the IJV and the parent companies further reinforced this project set-up.

As all the teams followed the same organisational approach towards reaching the designated quality goal, other factors may have existed to determine the success or failure of the teams. The qualitative nature of the research, while not allowing for statistical inferences to be drawn, did allow for an in-depth analysis of the situation with differences identified and discussed below. Each of the ten teams were faced with
the same challenges, had the same resources at their disposal and the same, clearly
defined goal. Table 6.1 once again highlights, once again the similarities faced by the
ten teams, especially the similarities, which might have had an impact on the project
process.

Table 6.1: Similarities Faced by the Teams:

<table>
<thead>
<tr>
<th>- Same physical environment</th>
</tr>
</thead>
<tbody>
<tr>
<td>o Same factory hall</td>
</tr>
<tr>
<td>o Same climatic conditions</td>
</tr>
<tr>
<td>o Same office</td>
</tr>
<tr>
<td>- Same organisational positioning</td>
</tr>
<tr>
<td>o All teams were part of the JV’s planning department</td>
</tr>
<tr>
<td>o All team members were on the same organisational level</td>
</tr>
<tr>
<td>- Same resources</td>
</tr>
<tr>
<td>o Same office supplies</td>
</tr>
<tr>
<td>o Same communication access</td>
</tr>
<tr>
<td>o Same suppliers</td>
</tr>
<tr>
<td>o Same information</td>
</tr>
<tr>
<td>- Same staff qualifications</td>
</tr>
<tr>
<td>o Similar training &amp; experience levels</td>
</tr>
<tr>
<td>- Same technology</td>
</tr>
<tr>
<td>- Same external environment</td>
</tr>
<tr>
<td>o Same political, technological, social &amp; economic conditions</td>
</tr>
<tr>
<td>- Same project goal</td>
</tr>
</tbody>
</table>

(Source: Author)

The observations outlined in table 6.2 (below) support the assumption that the teams
all followed the same project process. The supporting evidence and the lack of
refuting evidence suggests that the observation made, that all the teams followed the
same project process, holds true.
Table 6.2: Observed Similarities

1) All teams attended the daily and weekly project meetings.
2) All teams supplied the weekly progress reports to the document office to project requirements.
3) No remarks or behaviour was observed suggesting that the teams were following any other managerial approach to reach the goal.
4) All teams conducted their pre-planning according to the project structure. This was evident in the first meetings in which the teams presented milestone maps to the other teams.

(Source: Author)

This section investigated whether the precondition of similarity in the situation faced by the teams was met. If the condition would not have been met, a comparison of the team performances would have been meaningless. Furthermore, a comparison of the teams' behaviour with regards to the performance of the teams would also have been fundamentally flawed. The data did, however, show a high degree of similarity and the discussion of some of the dimensions in which such similarity occurred was provided.

6.1.2 The Performance Measure

The theoretical case for the use of the goal, set by the organisation, as the performance measure of the teams has been made above. This section tries to assess the effectiveness of the measure in the light of the conducted research study. The choice of the particular sample was closely linked to the two conditions identified in the
methodological discussion above. These two conditions were similar and comparable and thus valid and reliable performance measure. The similarity of the conditions faced by the ten teams was discussed above and the focus here is on the actual measure.

Measuring the performance of teams is extremely complicated (Huczynski & Buchanan; 1991) and a review of the wider literature revealed no suitable or standardised way of measuring the performance of the teams, especially if the teams comprised individuals from more than one country and consequently across cultures. The initial trip to the People’s Republic of China allowed the researcher to identify a particular situation in the JV with a specific organisational measure. Using such a specific measure can have considerable advantages, as discussed by Friedrichs (1990), allowing for relevance to the particular situation and therefore increasing validity. The validity of the measure and the reliability of the measure are discussed here, especially in light of the collected data.

The measure was, from the methodological point of view, deemed to be a valid measure of the teams’ performances. The supporting theoretical case is set out in the methodology chapter. The analysis of the data was used to investigate whether this theoretical case could be supported by the actual empirical situation encountered during the research. Discussions with the individuals in the teams and with the superiors of the teams confirmed the notion that the quality of the machine output was the main measure of their performance. This data hence supports the notion that the measure was valid. Additionally, the analysis of the observational data did not reveal
any data which contradicted the validity of the measure. Reviewing all the collected data, no other valid measure of the performance of the teams was identified.

Further support for the validity and reliability of the measure can be drawn from the established use of the measure within the IIV and its multinational parent organisation. The measure of project success is based on the quality targets set and the employees of the organisations have accepted that these measures in order to establish bonus payments. The fact that the project managers and their unions have accepted the measure as a link to pay, suggests that they have embraced it. On numerous occasions members of the failed teams described the used performance measure as "fair", further supporting the validity and reliability of the measure.

The link between changes to the production area and the quality of the sub-assemblies lies at the heart of the argument. It should therefore be discussed in detail, especially as it provides a key link in the underlying logic. The data collection entailed the recording of quality data obtained during each of the quality improvement cycles of the ten teams. This data was readily available and published in the IIV. In addition, the quality was assessed by a third party (the quality department of the IIV) and triangulated by the representatives of the German parent company's quality department at the IIV and should therefore be assumed to be reliable. The validity of the measurements has been discussed in the methodology section. The question did arise as to whether the teams had any bearing on the quality outcome. The following diagram tries to show at which stages of the project process the teams were able to influence the quality of the produced sub-assemblies.
Diagram 6.1: Behaviour and the Link to Output:

Firstly, the teams were responsible for setting up the machinery and for initial calibration. Their actions therefore directly impacted on the quality of the produced parts. Secondly, the teams initiated and managed all subsequent changes to the settings of the machines. The physical changes in the production machinery were the direct cause of changes to the sub-assemblies and if one assumes a faultless measurement process, these changes can be seen in a direct cause - effect relationship. If one accepts this link, between the changes in the machines and the quality of the sub-assembly, then the cause of the changes can be investigated and a tentative link may be established. Such a link between changes initiated in a machine and a subsequent outcome of the machine is not a new concept, it constantly takes place in
society. For example, when a person turns a steering wheel in a car, a change in the machine occurs and the car changes direction.

Having established that the measure proved to be valid and reliable, it should be noted that a difficulty with employing specific measures to determine the performance of teams existed. Namely, that it can only be employed in the situation under investigation. This complicates the replication of the study.

6.1.3 The Performance of the Ten Teams:

Having discussed the performance measure in detail, the focus now shifts towards the actual performance of the ten teams. The research relied on a clearly defined measure of team performance. The measure was used by the organisation and the research essentially adopted the obtained results. The presentation of the performance of the ten relationships, in the data chapter, clearly shows which of these succeeded or failed in reaching the set project goal. The measure itself, even though the quality of the sub-assemblies was determined along a sliding scale, has only two states; either the teams reached the project goal, or they failed to do so. To summarise, six out of the ten teams achieved the organisational goal, while four of the ten teams failed to reach the goal. While this is a synopsis of the findings with regards to the project, this section continues to highlight the implications of the finding with regards to the study and as regards the wider literature.

Firstly, the fact that the teams achieved varying levels of output highlights that performance differentials between the teams existed. This supports an investigation into the relationships between the local and expatriate managers, as without such
performance differentials no justification for further research into the relationships could be presented.

Secondly, the findings regarding the teams’ performances support the attributed importance of such relationships as mentioned in the literature. This is a considerable contribution to the existing body of knowledge as the attributed importance, for example by Meschi (1997), has never been empirically confirmed. The attributed importance is discussed in detail in the literature review. Additionally, the argument presented by Parkhe (1993), namely that the understanding of the internal workings of JVs can be furthered through qualitative research, is supported by the findings. This is of importance, as it supports the chosen research methodology for the study.

Furthermore, the observed performance differentials were ascertained in a situation with a high level of similarity. Many factors which might have explained the performance differentials, were found to have been similar for each of the teams. The similarities identified were discussed previously in this chapter. The performance data and the context in which the teams operated, therefore supported an investigation into the behaviour of the teams.

The question arises as to whether reasons could be identified which might explain the reasons why some teams failed while others succeeded even though the circumstances faced by the teams were similar. During the analysis the collected data was grouped according to the success and failure of the teams. The data was then compared within the two groups and comparisons between the observations on the failed and successful teams were also made. During this process certain patterns emerged and these are
discussed below. Prior to this discussion it should be noted that the author does not claim any causality. This research compares observed behaviour with the obtained outcomes of the teams and shows that in the sample a link between the performance of the teams and their behaviour might exist. The following section outlines the behavioural differences and similarities discovered during the comparison of the observed behaviour data of the successful and failed teams.

6.2 The Behaviour Within the Teams:
The performance differential between the successful and failed teams has been highlighted above. Once the performance differentials had been established, the analysis of the data focused on possible contributors to the performance differentials. For this purpose the external circumstances faced by the teams were investigated for factors which might explain performance differentials. As discussed above the analysis of the data did not reveal any differences in the external environment faced by the ten teams. On the contrary, a high level of similarity was established. The similarities are documented in the data chapter above and have been previously discussed in the section on similarities.

Having established the performance differentials and similarities in the external circumstances, the focus of the data analysis shifted to the actual conduct by the teams and their members. The observational data collected provided rich qualitative data on the behaviour of the teams and an analytical process, outlined in the methodology chapter, was used by the researcher. This process grouped the teams according to the obtained output and then tried to establish similarities and differences in behaviour.
The findings presented here mainly focus on the found differences in the behaviour of the successful as compared to the failed teams. Some similarities are also highlighted.

Before focusing on the actual differences of behaviour observed, the point should be made that there were profound differences in the behaviour of the successful and failed teams. These differences became apparent to the researcher during the actual conduct of the observational research and analysis of the collected data confirmed the initial observations. The investigation and identification of the differences was henceforth justified.

During the data analysis a pattern emerged showing clear differences in the behaviour of the successful, as compared to the failed teams. It transpired that the successful teams interacted and worked differently and furthermore, approached the work in a different manner, as compared to those that failed. To formulate the differences into a concise description is difficult. Human behaviour, especially based on such a limited sample, is notoriously difficult to categorise. To classify the observed difference, the following observation lies at the heart of the findings:

- The successful team integrated and acted as a unit. They jointly faced challenges and worked on achieving the project goal. The unsuccessful teams failed to do so.

The statement is general in nature. A number of dimensions were, however, identified during the analysis of the data which exemplify certain aspects of the general statement. These dimensions are:
Table 6.3: Dimensions of Observed Behavioural Difference:

1) Co-operation between the team members.
2) Resource use by the teams and the individual members.
3) Decision making in the teams.
4) Organisation of work.
5) Time management.
6) Communication by the teams and between team members.
7) Behaviour in the wider organisational environment.
8) Dealing with subordinates and suppliers.

(Source: Author)

Each of the eight areas of observation is now discussed in detail and examples of the behaviours are provided to support the argument.

6.2.1 Co-Operation:

The observations with regards to co-operation can be summarised as follows. The successful teams showed a higher level of co-operation between the team members as compared to those that were unsuccessful ones. An example of this was the way in which the weekly progress report was prepared by the ten teams.

Each of the ten teams had to produce a weekly progress report. This not only had to be written, but the information for the report had to collected and processed so that it could be included in the report. The teams that did this jointly were:
The teams that did not cooperate in the process, where one member had to collect the data to write the report, were the following:

3,4,5,6.

This is the exact split found in the teams which did manage to reach the project goals (the former) as compared to those that failed (the latter group). Even though this provides just an example of the teams' behaviour regarding one area of co-operation, it highlights the split found in the level of co-operation.

6.2.2 Resource Use:

The way in which the resources available to the teams were managed differed significantly between those teams that did reach the goal, as compared to the teams that failed to do so. An example of this was the way in which the team members coordinated the use of the resources. Resource coordination went beyond the issue of resource sharing. Such issues as information exchange, planning, taking managerial decisions and communication with subordinates and suppliers also played a role here. Certain teams did not do this and were perceived, especially in relation to the German machine subcontractor, a major cause of confusion and conflict. The following examples highlight the differences in behaviour regarding the teams that succeeded, as compared to the teams that failed to reach the set quality standard on time.
Examples:

Team 2: Week 12:
The team had planned to produce sub-assemblies during this week and in order to do so a number of resources had to come together at the same time. During the morning meeting on the day of planned production, the two individuals agreed that they would split up for the day and concentrate on the different resources, needed for production. Once this was done, production commenced on time.

Team 10: Week 6.
The two team members co-ordinated their negotiations with the German subcontractor. They discussed the negotiation strategy in the presence of the researcher and they jointly worked out how to persuade the German sub-contractor to proceed. The researcher attended the meeting with the German sub-contractor and the two individuals followed through with their strategy, achieving their pre-set goals.

Team 3: Week 8 & 9:
The two individuals did not co-ordinate their analysis of the measurement report, nor did they co-ordinate the changes to the machinery. They actually independently asked the German subcontractor, responsible for the fixtures, to change the machines in opposite directions. This resulted in the German subcontractor making an official complaint to the JIV.

6.2.3 Decision Making Process:

Behavioural differences were observed in the decision making process within the teams. The teams which achieved the goals organised their decision making processes
in the following way. Decisions impacting on both individuals in the team were taken jointly, while decisions within the sphere of one of the two members were taken individually. This was a factor observed in all of the successful teams and is documented through the cases in the data chapter. Team no.8 clearly highlights this approach to decision making. The Chinese manager concentrated on dealing with all of the issues involving Chinese staff and contractors, while the German manager took all of the decisions regarding the German sub-contractors. Any decision impacting on both individuals was discussed and a joint decision made. Once the decision was taken, both sides supported the decision and ensured its implementation. An example was the changes initiated after each measurement process. The two team members decided on the decisions to be taken, jointly presented these to their superiors, subordinates and sub-contractors and jointly managed the implementation.

The failed teams approached decision making differently. Either the team members would conflict with each other or one individual tended to take the decisions with little regard for their co-worker. Team 3 especially exhibited decision making behaviour where one team member took all of the decisions. This team was, as described above, dominated by the German manager. The Chinese co-worker never took any decision and a couple of weeks into the project did not comment on the process either. An example of this was the decisions to improve the quality of the sub-assemblies. The Chinese colleague was not involved in making changes to the fixtures. This resulted in the German manager analysing the report, deciding on the changes he deemed necessary and managing the implementation. The Chinese manager concentrated on peripheral issues such as documentation and avoided any involvement with the quality improvement process.
6.2.4 The Organisation of Work:

The fourth issue identified above is the observed difference in the organisation of work. If one reviews the cases presented earlier, it becomes clear that the ten teams had different approaches to the organisation of work. Furthermore, taking into account the differences in the performance of the teams, a split approach becomes noticeable. The main difference in the organisation of work lies in the level of deliberate work management by the successful teams. In each of the six successful teams, the two individuals constantly discussed the organisation of their work. They tried to devise a division of work that allowed for specialisation, as well as jointly working on tasks, depending on task requirements. An example of this was found in team 1. Each morning the two individuals discussed the project progress, developments and problems. During this process the two individuals decided on who would focus on which issues during that particular day.

On the contrary, in the unsuccessful team 5 the Chinese manager did most of the work relating to the quality improvements. The German manager, on the other hand, was sidelined into dealing with electrical and documentary issues. This set organisation of work was never reviewed or altered. A similar rigidity of task segmentation was found in each of the four unsuccessful teams. In the initial weeks a work segmentation which possibly minimised conflict between the individuals, was established and throughout the observed period this did not change.
6.2. 5 Time Management:

Differences in the time management of the teams were found. The successful teams co-ordinated their work time. This was done either to meet at certain times, to cover for each other or to co-ordinate their working hours to provide longer supervision time. The time management seemed to be driven by the requirements of the project. Team no. 7 provided an example of this approach to time management. The team decided that they should be in the office as long as possible to provide the subcontractors with a contact for a longer time period than office hours. Therefore, the Chinese manager came to work early while the German manager stayed late in the evenings. This allocation of work time took into consideration the needs of the project, as the office was manned for longer hours. Additionally, it also took into consideration that the Chinese manager had a family and therefore preferred to come to work earlier and return home at a reasonable hour.

A review of the failed teams suggests a different approach to time management. Initially the team members of the ten teams tended to work according to the set working hours of the UV. Occasionally and only when deadlines were approaching, such as the weekly progress reports, were additional hours put in to deal with the tasks.

6.2.6 Communication:

Communication was highlighted as one of the variables where differences between the successful and unsuccessful teams persisted. These communication differences were found in two different types of communication, namely the communication between the team members and the communication between the team and third
parties. Focusing on the communication between the team members, the following was observed. In the successful teams the individuals communicated freely. Information was shared, open discussion conducted and private subjects were also discussed. The failed teams, by contrast, often withheld information and limited their communication to a minimum. An example of excellent communication was observed in team 7. In this team the Chinese manager made a considerable effort to make as much information available to the German manager as possible. This included translating documents from Chinese into English on weekends. On the other hand team 3 highlights a complete breakdown of communication. The researcher observed that in the final weeks the two individuals no longer communicated.

The second area of communication where differences were observed was the communication by the team with third parties. The differences here were multiple. Firstly, the successful teams tended to manage their external communication. This meant that they decided who would attend meetings and who would prepare and present certain information. Secondly, the successful teams were able to gain access to the information required to further the project. This included technical information from Germany and information from within the IJV or Chinese government agencies. An example of this was the ability of the Chinese manager of team 7 to gain information from the customs office in Shanghai. This information allowed the team to plan their tasks, taking this information into account.

6.2.7 Behaviour in the Organisational Environment:

The observational research identified a difference in the behaviour of the wider organisational environment. The successful teams tended to establish good
connections within the IJV and with the parent company executives. These external relationships were used by the team members to further their project, for example, by gaining further resources. The unsuccessful teams did not have any such relationships and could not use these to gain favour. An example of how the relationships helped the successful teams in attaining their goal, can be seen when team 9 used its connection in the measuring department to gain priority on a measurement machine when a sub-assembly was finished.

6.2.8 Management of Subcontractors and Subordinates:

The final area where differences were observed was in the relationship of the teams to the subordinates and suppliers. The successful teams (e.g. team 10) developed a joint strategy to manage these individuals and companies. Discussions between the team members of successful teams were often observed, focusing on who and how to manage the subordinates. These discussions resulted in a division of the task, in most cases the German manager dealt with the German subcontractor and the Chinese manager dealt with the Chinese production staff. The unsuccessful teams (e.g. team 4) were never observed to consciously discuss a management strategy with regards to suppliers or subordinates, resulting in only one of the two individuals dealing with these groups.

The eight dimensions of behavioural differences as discussed above, have highlighted that there were profound differences in the behaviour of the teams which achieved the goal as compared to those that did not. This finding has a number of theoretical implications which should be discussed. Firstly, it confirms the underlying theoretical argument. In other words, it supports the notion that the conduct by the team members...
could be an influencing factor on the performance of the relationships. The actual research design did not allow for a causality to be established, but in the limited sample a high degree of correlation was found. Each of the six successful teams showed significantly different conduct to the four failed teams. Furthermore, within the two groups a high level of similarity of behaviour was observed. This section focused on the eight different behavioural dimensions. Additionally, the review of the case data presented above further highlights observed behavioural differences. The implications of the findings are discussed in detail in the next chapter which also highlights the theoretical and managerial implications.

6.3 The Triangulation of the Findings:
Once the data analysis was concluded and the findings formulated, the researcher contacted two former expatriates at a Sino-German JV. Additionally, contact with two former Chinese employees now working in Germany was established. The findings were presented to them and comments were invited. The four individuals, independently of each other, highlighted the fact that they were aware of the importance of the relationship between the local and expatriate employees. They argued that they had constantly tried to improve their personal relationship with their counterparts and furthermore tried to encourage expatriates and Chinese managers to seek good relationships with their foreign counterparts. The four individuals also stated that they perceived differences in the performance of the teams and that they thought the relationship might have played a part in explaining the performance differentials. The triangulation of the data was therefore found to support the findings of the research regarding the research question.
6.4 Findings and Discussion: Observations Relating to other Studies

Working in an international joint venture over an extended time period of six-months gave the researcher the opportunity to make many observations and conduct many informal interviews. These covered a wide range of topics beyond the bounds of the research question. On review of the data, some of the observations were deemed to be relevant to the current state of research on international joint ventures and these are presented and discussed in this section.

6.4.1 Dual Hierarchies:

The area on which the author collected some relevant information is regarding the existence of dual hierarchies in international joint ventures. Meschi (1997) and Hoon-Halbauer (1994 & 1999) argue that there can be dual hierarchy structures in international joint ventures. This can be summarised as the foreign and the local employees having their own organisational structures (formal and/or informal). The two structures include the main flow of information between the two groups. Furthermore, cross group planning and decision making is limited to the minimum. Certain observations in the international joint venture under investigation support the findings by Meschi (1997) and Hoon-Halbauer (1994 & 1999). The researcher was closely involved with the other expatriates and it became apparent that in many departments the main communication of expatriates was either with other expatriates or with the German head office. All informal communication was often with other German expatriates and thus the existence of a dual hierarchy could be assumed from the expatriate point of view. The supporting evidence is not conclusive. It lacks the Chinese perspective and detailed research into the communications and decision-making pattern of the joint venture would be required to come to a conclusive
statement as to whether dual hierarchies exist at the joint venture level. Similarly, the researcher found no concrete evidence contradicting the notion of dual hierarchies. Throughout the whole organisation the researcher did not observe any hierarchies in which expatriates and local managers fully integrated. On the contrary, the official reporting mechanisms and translating practices seemed to support specialisation by locals and expatriates on certain issues, which in turn might act to reinforce or even create dual hierarchies if these were found to be in existence.

6.4.2 The Role of Expatriates in the International Joint Venture:

It has been argued that the role of expatriates in international joint ventures encompasses a variety of tasks, often extending beyond those required of an individual as a manager at the foreign parent organisation (Smith, Peterson & Wang, 1996). These roles could be: manager, teacher, expert, mediator (Smith, Peterson & Wang, 1996) and controller (Friedmann & Beguin, 1971; Hoon-Halbauer, 1994 & 1999; Tromsdorff & Wilpert, 1991). The direct expatriate superior of the researcher at the international joint venture had to fulfil all these roles. He was a project manager responsible for managing the setting up of a whole car plant. He taught the local managers project management skills through a number of workshops. These included the teaching of relevant software packages. Many managers viewed him as an expert on technical issues, especially with reference to the setting up production processes. On a number of occasions he had to mediate in conflicts between local and expatriate staff. Finally, he was required by the German parent company to provide specific reports on project progress and financial matters. These observations, while not proving the multitude of roles which an expatriate has to perform, support the view
that managers in the international joint venture setting often have to fulfil tasks exceeding those performed at the parent organisation.

Harvey (1997) emphasised private complications encountered by expatriates and their possible impact on the work performance of the expatriate. He specifically highlights difficulties if the partner of the expatriate is also pursuing a career which is then disrupted by the foreign assignment (dual career expectations). This is, however, just one private complication discussed in international joint venture literature. During the stay at the international joint venture the following distractions were identified:

1) Difficulties in finding educational facilities for the expatriates' children.
2) Difficulties caused by distance to family, especially during a family crisis (for example illness of a parent).
3) Conflicts between the wives of expatriates.
4) Housing difficulties.
5) Healthcare needs.

The effect of these personal difficulties on the performance of the expatriate differed from situation to situation. Under certain circumstances it resulted in an expatriate having to take time off during the day to attend to the needs of his family, on other occasions expatriates had to leave to attend to family crises in Germany. The level of disruption caused varied from situation to situation. It has been argued that individuals are exposed to problems of a personal nature, resulting in difficulties, irrespective of whether they are abroad or at home. It might be argued that the lack of an established social network in the host country could complicate matters further. In addition, the new surroundings and the consequent upheaval in the personal lives of expatriates and their families causes further complications that the expatriate would not have faced at home. In Shanghai, the lack of a German school and the consequent need for
expatriates to either send their children to an English speaking international school or to send the child away from the family, caused many personal difficulties.

With reference to the list above, housing needs caused difficulties for all the ten expatriates within the observed teams. In the People’s Republic of China foreign nationals are only allowed to live in certain specified areas and buildings. This limits the choice available to foreigners and complicates the house moving process. All the ten expatriates in the sample took time off to finalise their accommodation and/or to sort out difficulties with the moving in process.

In Shanghai there is a western style hospital and hence the healthcare needs of the expatriates were provided for. During a severe health crisis, such as when an expatriate suffered a heart attack, further resources had to be flown in from abroad and repatriation issues had to be discussed. During this specific event some expatriates took time off to care for the family of the expatriate and to help in organising the repatriation of the expatriate. These findings support those of Stavis & Gang (1998) who identified particular educational, housing, healthcare, and social needs of expatriates.

An additional factor which was observed as impacting on the performance of individuals in the international joint venture, was the extreme climatic conditions. During the stay, especially during the summer months, the temperatures were extremely high (over 35°C) and the high humidity was further aggravated the situation. The climatic conditions reduced the physical and mental performance of
individuals. Climate was even cited by doctors as a major contributing factor to the many illnesses suffered by expatriates. These ranged from upset stomachs, heat stroke to heart attacks. The medical difficulties suffered by locals and expatriates might be a considerable performance factor which might warrant further investigation.

6.4.3 Impact of the Social Environment on the International Joint Venture:
The environment within which the joint venture functions has been identified as a performance factor in the literature review above. The economic, social, technological and political environments all have been cited. One event highlighted the direct impact of the social and political environment. The accidental bombing of the Chinese embassy in Yugoslavia during the NATO-Yugoslav conflict had a direct effect on the situation in the joint venture. The bombing took place during a weekend and the following Monday, after a weekend of large-scale protests against Westerners in China, the climate in the joint venture had changed. Communications by Chinese managers were limited to condemnation of “Western” behaviour and all internal projects were suspended for a number of days. The situation did, however, normalise by the end of that week. The cited situation does not allow any wider conclusions regarding the influence of the external environment to be drawn, but it provides a poignant example of a particular situation occurring in the external environment with direct impact on the behaviour of individuals in the international joint venture.

6.4.4 Guanxi- The Importance of Relationships in China.
The importance of relationships between individuals in China has been highlighted in the literature review. The literature emphasised the importance of special relationships for the running of the Chinese economy and the importance of guanxi on the success
and failure of enterprises, including the success and failure of Sino-foreign joint ventures (Yeung & Tung, 1996; Luo & Chen, 1996; Davies et al., 1995; Hoon-Halbauer, 1994 & 1999). During his stay at the joint venture the researcher was occasionally confronted with the influence guanxi can have on bureaucratic processes. At one point a customs office in Shanghai was holding up shipments of parts. One Chinese manager offered his help and the researcher kindly accepted. The Chinese manager was in the marketing department and was not regularly involved in organising shipments, but he had an “old contact” at the customs department and after his intervention the shipment was released within an hour. Other expatriates told many anecdotes regarding guanxi and how these relationships were often used in otherwise unsolvable situations. The evidence therefore supports the existing literature on guanxi in international joint ventures in China.

6.4.5 Expatriate Loyalty:
Banai & Reisel (1993) investigated the loyalty of expatriates to international joint ventures. Their theoretical argument was that the expatriates were likely to be loyal to their parent organisation, especially as they were likely to have further career aspirations there rather than at the international joint venture. They investigated this by questioning individuals and their results did not support their initial hypothesis. The observations made in this joint venture, found a high level of expatriate loyalty to the German parent company. Expatriates prioritised their work around the reporting needs of the German organisation, even if this resulted in a delay of work for the joint venture or reports being created that were of little local value. Furthermore, all expatriates ceaselessly talked about their career aspirations with regards to the German parent company. At no point did the researcher hear an expatriate talking
about progressing within the international joint venture. When the researcher informally enquired about foreign managers being promoted inside the international joint venture, the HR-manager, responsible for the expatriates at the joint venture stated that this had never taken place. The circumstantial evidence collected concerning expatriate loyalty does not prove that the expatriates are loyal to their foreign parent company, but it does create the case for further investigation and supports the theoretical argument presented by Banai & Reisel (1993).

6.4.6 Knowledge Transfer Through the International Joint Venture:
Hu & Chen (1996) argue that an international joint venture organisation can be used to transfer knowledge. They argue that the local organisation can gain technological and managerial knowledge, while the foreign organisation can use the joint venture to gain specific local knowledge.

In the international joint venture under investigation, the local managers received technological and managerial training. This was theoretical, in a classroom setting, and practical. Individuals of the German parent company in the joint venture conducted the practical training and sometimes the Chinese managers had the opportunity to be trained at the foreign parent's headquarters. The Chinese managers often switched between being employed by the joint venture or the Chinese parent company. As they are taking the training with them into the parent organisation, a transfer of knowledge could be assumed as taking place. Furthermore, the technology employed in the organisation was often more advanced in comparison to the local technological environment. The factory was only the second company in the whole of
China that was using laser-welding technology on a commercial and mass production scale.

The observations support the argument presented by Hu & Chen (1996) that the international joint venture can be used to acquire knowledge for the local partner. There was, however, no evidence that the German joint venture partner was able to gain any local knowledge. There was no knowledge management program, no formal training, and many of the expatriates were of retiring age with no intention of returning to work for the German multinational. Once again this observation does not exclude the possibility that a knowledge transfer might have taken place.

6.4.7 Infrastructure:

Beamish (1983) and Inkpen (1995) highlighted the difficulties that exist when setting up or running an international joint venture in a developing country. In the joint venture visited, situated in the People’s Republic of China, many of the difficulties identified by Beamish (1983) were prevalent. These included:

1) Limitations due to infrastructure.
2) Local government intervention.
3) Import controls.

The limitations of the infrastructure became apparent when the electricity supply to the new factory was delayed and the cooling water supply could not be established on time due to the limitations of the water supply infrastructure in the local town.

The intervention of the local government was conducted through a number of channels. The local government owned the local joint venture partner and the local governor of Shanghai directly appointed the members of the board of the local joint
venture partner. In addition to the direct influence of the local government, the provincial government had influence over the joint venture through local planning laws. In the Shanghai area these cover planning permission for buildings, local labour laws, local environmental laws and local commercial law. All these types of laws have had influences on the international joint venture. The local planning laws were enforced rigorously and resulted in the international joint venture having to change specifications and subcontractors for construction projects. Local labour laws, especially concerning the number of expatriates allowed in the joint venture were observed as impacting the HRM decisions of the JV. Furthermore, local environmental laws resulted in different specifications of exhaust systems of the paint-shop.

The import controls became a considerable factor during the fit-out of the new factory. The joint venture had to apply for an import license for every machine ordered. Each time the organisation had to prove the case that their machine could not be purchased locally or even within the People's Republic of China. This process was time consuming and resulted in project delays as import licenses could not be obtained on time.

Davidson (1987) further highlighted energy, communication and transport. Energy was discussed above, but communication infrastructure became an issue during the stay. The international joint venture only had a limited number of telephone lines. These shortcomings of the local infrastructure resulted in a reduced ability to communicate, especially through e-mail and fax. Many employees utilised their private mobile phones to receive calls and hence facilitated verbal communications.
Educational, health, recreational and cultural infrastructure was highlighted (Friedman & Beguin, 1971) as being of importance in the international joint venture setting. Expatriates have special requirements with regards to these infrastructure issues. For example, the lack of a German school in Shanghai caused considerable difficulties for a number of expatriates and some spent considerable hours (even working hours) to try arranging suitable education for their children.

The examples of shortcomings in the available infrastructure and how these impact on the organisation support the existing literature. Despite this, a counterargument should be considered. Any organisation in the same setting would face the same difficulties, particularly if a foreign party is involved. Hence it might be a misconception that the specific nature of the international joint venture aggravates the impact of shortcomings in the infrastructure. Further research would be needed to establish the validity of such an argument.

6.5 Summary

To summarise, there are two different points to be made. Firstly, the research highlighted a number of observations which allow for comment on research within the international joint venture field, even if it is not directly related to the research question. Observations were made regarding a large number of structural and human issues. The fact that many of the observations are concerned with the behaviour of individuals, highlights the focus of the study on such issues and underlines the suitability of the research method to research such issues. The observational scope of
the research was focused on behavioural issues. This limited scope does not exclude the possibility of the existence of other factors not brought to the attention of the researcher.

The research was mainly focused on one joint venture. This in turn did not allow for comparisons between organisations to be drawn. The lack of comparability is a particular weakness if one tries to establish the impact of organisational wide policies, industrial and economic factors or technological developments. In conclusion, the data analysis yielded a number of insights which are of some limited value in supporting or refuting existing studies into the performance of international joint ventures. These insights may be useful in informing future research.
CHAPTER VII
CONTRIBUTIONS MADE BY THE RESEARCH

In the previous chapter the findings of the research were outlined. This chapter tries to widen the scope of the argument away from the actual findings, to the implications of the findings on the existing theoretical framework. In addition to this, the wider managerial implications and any possible future studies are identified and discussed.

7.1 Theoretical Implications of the Study:
The study has two different contributions to make to existing literature on international joint ventures. Firstly, there is the contribution of establishing the use of a particular methodology to investigate business relationships in the international joint venture setting. Secondly, the findings with regards to the research question and the general observations presented in the previous chapter make a significant contribution to the current state of research into international joint ventures.

The undertaken research could not rely on an established methodology for the study of business relationships within, and the impact upon, joint ventures. The researcher had to develop a workable methodology and due to the limitations of the study, also had to conduct all of the research and the analysis. Measuring the output of individual working relationships and comparing this to the output of other relationships is extremely difficult. Comparability, reliability and validity questions had to be addressed. The researcher was able to identify a particular situation in the international joint venture where ten teams could be observed under similar circumstances. The circumstances and the employed method are described in the
methodology chapter and not outlined again at this stage. The in-depth observations of the working practices in each of the ten relationships under close investigation further helped the researcher in his final analysis, the results of which have been outlined in the previous chapter.

The data collected allowed for comparisons between the ten relationships. An objective measure of working relationship performance was identified in the organisational setting. The measure was deemed to be valid and reliable. Indepth observations of the behaviour of the individuals in the ten teams were collected and from this data meaningful conclusions were drawn. In short, the obtained results allow for the conclusion to be drawn that the research methodology was successful in allowing the researcher to gain insight into the working relationships in the international joint venture. Thus proving this methodology not only suitable for this study, but also for future research. The exploratory nature of the research and the consequent qualitative approach might be suitable for helping to develop insights as suggested by Parkhe (1993).

Moving away from the methodological contribution of the research and focusing on the theoretical contribution of the research, two different categories of findings have been presented above. The first are the findings regarding the actual research question and the second category are general findings obtained during the observational research.

The research question focused the research on the actual working relationships between the local and expatriate managers of an international joint venture. The
conduct between the individuals in the relationship was contrasted to the obtained outcomes of the relationship. Due to the qualitative nature of the research no general principles could be established. The implied importance of the working relationships between local and expatriate employees on international joint venture performance, as mentioned by Meschi (1997), Hoon-Halbauer (1994 & 1999), Stoughton (1989), Contractor (1984), Blodgett (1991), and Harrigan & Newman (1990), would warrant further investigation. The findings presented above, firstly confirm that the way in which the local and foreign employees of the IJV work together, have an effect on their outcomes. This finding confirms the initial assumptions made by the above mentioned authors. Secondly, a qualitative analysis of the working practices of the teams revealed that the successful teams had a higher level of co-operation, communication and joint planning than the teams that did not manage to reach the set project goal. The research therefore confirms the conclusions drawn by Hoon-Halbauer (1994 & 1999) from her case study into two international joint ventures in the People’s Republic of China.

In addition to allowing comment on existing references and research into working relationships in the international joint venture setting, the findings allow for further research to be proposed. The finding that the behaviour within the teams of expatriates and local managers in the international joint venture setting is linked to the outcomes of the teams might have future research implications. Firstly, it could help to establish working relationships as a possible factor for overall international joint venture performance. This is especially true as no previous study which the author identified investigated such a possible link.
Secondly, rather than focusing on international joint ventures at an organisational level the research findings support the notion of looking at such organisations at an individual level. Any organisation, including any international joint venture, is comprised of individuals and by looking at their actions it might be possible to gain insight in order to explain organisational events. This type of research, however, requires the researcher to take considerable risks, as any such research would be exploratory at first and is likely to require indepth investigation into international joint ventures. This is in contrast to large-scale surveys which can be conducted from an office environment and that have been the norm in most research into international joint ventures so far. The researcher can hence be seen to be in agreement with Parkhe (1993) and his criticism that to progress the academic understanding of international joint ventures, researchers have to be willing to move away from mainly focusing on easily measurable objective measures and attempt more subjective, exploratory and/or unstructured research approaches. An argument which could be summarised as trying to gain more insight and understanding, rather than trying to prove statistical relationships.

The second category of findings (see previous chapter) can be seen as peripheral to the main focus of the study. The category comprises observations made during the stay at the joint venture that might allow for comment on existing studies. The section does not claim to be methodologically sound and comments made cannot be attributed with too much weight. The section does, however, provide some limited insight which might be of use in future research. The actual findings are presented above and to go into further detail here would be beyond the remit of a concluding chapter, however, researchers are referred to the relevant section in the previous chapter.
7.2 Managerial Implications:

The academic contribution of the research has been discussed above. Additionally, managerial implications of the research findings can be identified. These are mainly founded in the results obtained during the investigation of the research question. As the importance of the working relationships between local and expatriates in the international joint venture has been identified, managers might benefit from paying particular attention to these relationships.

Firstly, the findings have implications for the HRM department of the international joint venture and additionally the HRM departments of the parent companies of the joint venture. The selection of individuals chosen to be working within the joint venture, training, team building exercises and remuneration arrangements could for example be reviewed, so that they encourage co-operation between local and expatriate managers.

Secondly, superiors within the international joint venture and in the joint venture parent companies might benefit from encouraging good relationships between local and expatriate employees. Some of the observed behavioural patterns by superiors tended to undermine relationships; examples of such behaviour have been outlined in the data chapter. In particular the reporting demands by superiors, the attribution of responsibility, the encouragement of team building and transparency of the employed strategy were often not encouraging for teams to form between local and expatriate managers.
To summarise, managers might benefit from helping in establishing and maintaining good working relationships between local and expatriate employees of international joint ventures. The findings of this study have highlighted that in the particular setting under investigation, the quality of the working relationship between the local and the expatriate manager led to different outcomes.

7.3 Future Studies:

The findings of the research make a considerable contribution to existing literature in their own right, but the nature of the research and the findings encourage research into the working relationships between local and expatriate managers of international joint ventures. The exploratory nature of the research allowed for insights into international joint ventures upon which future research could be based. Firstly, the research due to its qualitative nature, can neither claim to be representative nor prove that the findings are similar in other international joint ventures. By conducting further research which is quantitative and based on a larger sample, this shortcoming might be overcome.

The review of the literature resulted in the identification of guanxi as a major factor in Chinese business life. The argument has been advanced that because of the importance of relationships in China in general and especially guanxi, any relationship inside the joint venture might assume a higher level of importance, compared to business relationships in international joint ventures in different cultural settings. As the research was limited to international joint ventures in the People's republic of China, this argument can not be refuted. To achieve this, further research in other countries would need to be conducted.
Another possible direction for future research might be to establish a clear link between business relationship output and international joint venture performance. This research makes some observations as regards to such a link, but it can not claim to have established anything more.

The methodological approach used in this study has been described in detail in the methodology chapter. Additionally, the case for future research into international joint ventures using similar (i.e. exploratory, qualitative) research approaches has been stated at the beginning of this chapter. It only remains that future research, using a similar research design with the aim of gaining insight and understanding, might be helpful in advancing the existing understanding of international joint ventures.
CHAPTER VIII
CONCLUSION:

Foreign direct investment increased significantly in the second half of the last century, especially in the 1980s (Lizondo, 1990; Pomfret, 1991; Lawson, 1988) and 1990s (Lassere, 1997). These investment flows were a considerable force in changing the global economic landscape (Inkpen, 1995). The increasing foreign direct investment was conducted through a number of different business models (Harrigan, 1984a). Throughout the 1990s popular management literature contained many references to the increasingly popular co-operative organisational forms (Dicken, 1992; Vanhonacker, 1997; Alter & Hage, 1993; Mudambi & Ricketts, 1998). IIVs are part of this group and were found to comprise a significant share of the total foreign direct investment flows, especially in the People’s Republic of China (Wong et al., 1999; Robinson, 1987), where foreign direct investment was often conducted through IIVs.

Killing (1989) emphasises that managing a co-operative organisation creates a large number of challenges which multinationals would not face if they were to invest using non co-operative organisational forms. Campbell (1989) and Harrigan (1986) highlight many of the additional difficulties faced by multinationals engaged in IIV activity and these were briefly outlined in chapter II. Even though the management of the IIVs was found to be complex, companies were not deterred from entering into these, as the data on IIV investment flows shows. IIVs take many different forms and there are many different reasons for entering into an IIV (Harrigan 1984a; Nanda & Williamson, 1995; Naylor & Lewis, 1997). In the Third World local knowledge and legislation were argued to be the main drivering force for multinational companies.
choosing JVs as an investment vehicle (Brooke, 1996; Beamish, 1985). In the People’s Republic of China legislation prohibits, to this date, foreign companies from investing in certain sectors (Zheng, 1998; Pomfret, 1991). Therefore JVs were prevalent in this restricted sectors, as foreign companies wishing to enter the Chinese had no choice, but to use this form of investment. The automotive industry which provided the backdrop to this study, was one of these protected sectors (Zheng, 1998). Having established reasons why the foreign partner might enter into an JV, some of the reasons for a local partner to enter should be highlighted. The local partner is often enticed to enter into JVs in order to gain access to technology, skills and capital (Robinson, 1987).

The failure rate among JV organisations has been found to be relatively high, compared to other organisational forms (Medcof, 1997; Paape, 1995). Nevertheless Asia saw large increases in JV activity in the 1980s and early 1990s (Lasseres, 1997). China, with its large market potential, in conjunction with strict laws governing foreign investment, had an especially high percentage of foreign direct investment conducted though JVs (Wong et al., 1999).

The problems faced by companies, such as the additional managerial difficulties involved in JVs, high failure rates and legislation sometimes prohibiting other types of foreign direct investment, led to management literature which gave advice on how to manage JVs. Some of the academic studies into JV performance have been reviewed in chapter II. These studies have been categorised as structural factors, human factors, multifactor studies and studies into particular JV management issues. Reviewing the studies highlighted that there was no overriding approach which might
explain IJV performance differentials. The conflicting nature of the research into IJVs was demonstrated by outlining the differences in the existing literature on how to define and ultimately measure the performance of IJVs.

Parkhe (1993) stresses that the conducted studies in the IJV field were often constrained by methodology and he proposes the increased use of exploratory research into IJVs. This research tried to take his criticism of existing literature into account. It was exploratory in nature and tried to develop an understanding of IJV management without concentrating on objective measures.

The actual research question arose from the literature on human relationships and their influence on IJVs. In particular, the work by Hoon-Halbauer (1994 & 1999) encouraged the researcher to investigate the relationships between the local and expatriate employees of the IJV.

Having identified the area of investigation, a methodology was developed to examine the relationships between the local and expatriate employees of the IJV. Friedrichs (1990) argues that social science research should be driven by methodological considerations and practical limitations. He argues that successful research should manage to do the best in the given circumstances. The methodological investigation of the present research aims could be summarised as follows. As a result of the exploratory nature of the research, a qualitative research approach was chosen. Any findings would therefore be dependent on the sample, a limitation which could have been overcome if quantitative research would have been feasible. Furthermore, the research focused on the actual behaviour of individuals and not on their intentions.
Thus, the resultant research design uses observational, rather than a questioning research approach.

The methodological research issues had to be reconciled with the practicalities of conducting the research. Gaining access to IJVs, especially at an individual level, could have been difficult. The researcher was, however, able to draw on family connections to gain access to an IJV in China. Financial limitations obliged the researcher to work during his time at the IJV in order to finance the stay in China. As a result, this constraint excluded the researcher from non-participative methods. A detailed methodological defence of the research approach was presented in the methodological chapter.

The research setting and especially the investigated relationships had to be chosen carefully, as a number of methodological conditions had to be met. The main limitation was concerned with the comparability of relationship output. A situation was therefore sought, within the IJV, that would allow the researcher to observe relationships with similar tasks in similar situations. The sample choice was justified and the similarities regarding the situation were outlined in chapter V and discussed in chapter VI.

Qualitative data was collected in a specific setting and this was outlined in Chapter IV which identified some of the China specific issues from within the existing IJV literature. Additionally, chapter V outlined the situation encountered by the researcher, especially in the IJV. A key point regarding the actual situation encountered was that the IJV could be judged a success, by any IJV measure (Zheng,
1998), and that the internal situation might have been different in a failing UV. The joint venture was situated in Shanghai and was a long established Sino-German joint venture in the Chinese car industry. The UV was undergoing a considerable expansion and the observations were made in one of the expansion projects over a six month period in 1999.

The methodology chapter provided further information on the actual conduct of the research and the data collection method. The collected data was presented in Chapter V. It provided the information in a number of distinct sections. Firstly, the data on the setting and on the similarity of situation faced by the ten teams was outlined. Secondly, the performance data of the ten teams was summarised and thirdly, the ten cases were presented. Following on from the actual presentation of the data the following findings and implications were discussed.

The findings of the research were split into four distinct groups. The first group of findings compared the encountered empirical, conditions with the methodological preconditions. It was found that the similarities faced by the teams, in terms of task and conditions, were comparable and therefore confirmed the validity of the comparison of the performance of the teams. Additionally, the findings regarding the performance measure supported the meaningfulness of the measure in the observational context, further increasing its validity. In conclusion, the result of the comparison of the actual situations with the conditions set out in the methodology, was that the set methodological preconditions were met in reality. Therefore the investigation of the performance of the teams and a comparison of the behaviour of the teams was deemed to be justified.
The second category of findings was based on the collected performance data. The data showed that six teams reached the set project goal, while four teams failed to do so. This split confirmed that there were performance differentials, even though the situation faced by the teams showed a high level of similarity. The performance data therefore supported the further analysis of the observational data, probing into any differences in the behaviour of the teams which might explain the performance differentials. Had the performance of the teams been the same, no such investigation would have been warranted.

Having established the existence of performance differentials, the observational data was analysed and it was concluded that the failed teams showed different behaviour as compared to the successful teams. While the team members of the successful teams interacted with each other and tackled the project jointly, the failed teams did not this. Evidence is provided in eight dimensions, with reference to the case data presented. The eight dimensions are: the co-operation between the team members, the resource use by the teams, decision making in the teams, organisation of work, time management, communication by the teams and between team members, behaviour in the wider organisational environment and the manner in which the teams dealt with subordinates and suppliers. The particular findings in each of the eight categories are presented in chapter VI. It should be noted that the research was not set out to investigate causality and that the findings could not be used to make such a claim. Although it was the case that the failed teams were observed to behave in a different manner than the successful ones, this did not prove causality. For example, another
factor might be causing both the difference in performance and behaviour. Further research would therefore be needed to establish this.

The final category of findings closely relates to the reviewed literature. The qualitative nature of the research, while not allowing for generalisations, did allow for comments on existing studies in the context of the sample. The research provided on data, allowing for comments on the following areas highlighted in the literature review: dual hierarchies, the role of the expatriate in the IJV, the impact of the social environment on the IJV, guanxi and the importance of relationships in China, expatriate loyalty, knowledge transfer and the IJV, as well as infrastructure and its impact on the IJV.

The findings had a number of implications in the academic and managerial realms. The research made a significant contribution to existing research into IJVs in a number of different ways. From a methodological point of view, the research established a methodological approach to conduct indepth investigations of working relationships in general and in IJVs in particular. The emphasis on comparability of results and similarity of task and situation was especially noteworthy here. Additionally, the research confirms the assumption made by Parkhe (1993) that qualitative and exploratory research can significantly improve the understanding of IJVs.

On a theoretical level the research contributes by confirming the possible importance of the relationship between local and expatriate employees, as implied in existing literature on IJVs. From this contribution further research could be justified,
especially if it were to be conducted in a different environment, using a larger sample. Furthermore, studies aiming to investigate whether there is a causality between behaviour of the individuals in the teams and team performance could further draw upon the present findings. The increased understanding of the relationship between expatriates and local IJV managers not only has academic, but also managerial implications.

From a managerial point of view the findings emphasise the importance of good working relationships between local and expatriate employees. Hence, this study hence emphasises that human interaction should not be disregarded and that concentrating solely on structural factors might not yield success. The most brilliantly structured IJV has, after all, to be implemented by expatriates and local managers, as illustrated by the case in China. Managerial methods, such as training of individuals, selection of staff, organisational structures which support integration and a concerted managerial effort to improve the working relationships between local and expatriate staff, could be useful tools in improving team and ultimately IJV performance. In conclusion, human factors were found to be of important within the IJV under investigation and played a significant part in the day to day management of the IJV. Creating a strategic management approach to consciously improve the relationships between local and expatriate managers might yield significant results for the IJV and ultimately its parent organisations.
REFERENCES


Hall, D, **The International Joint Venture,** Preager, New York, USA., 1984.


Ho, A, **Joint Ventures In The People’s Republic Of China,** Preager, New York, USA., 1990.


Lane, H, and Beamish, P, Cross-cultural Cooperative Behaviour In Joint Ventures In LDCs: Management International Review. Volume 30, pp. 87-102, 1990.


Newbury, P and Zeira, Y, Generic Differences Between Equity International Joint Ventures (EIJVs), International Acquisitions (IAs) and International Greenfield Investments (IBIs): Implications For Parent Companies, Journal Of World Business, Volume 32, Number 2, pp. 87-102, 1997.


Paape; B, Joint Ventures In Osteuropa Unter Besonderer Berücksichtigung Der Republik Ungarn, Verlag Mainz, Aachen, Germany, 1995.

Pan, Y, Influences On Foreign Equity Ownership Level In Joint Ventures In China, Journal of International Business Studies, First Quarter, pp. 1-26, 1996.


Weick, K; Systematic Observational Methods; Cambridge; USA.; 1968.


