

**THE IMPACT OF CULTURAL DISTANCE ON THE MANAGEMENT  
STYLE AND PERFORMANCE OF JAPANESE AND TAIWANESE  
JOINT VENTURES WITH LOCAL PARTNERS IN CHINA**

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## ABSTRACT

This study aims to examine the impact of cultural distance on the management issues of international joint ventures (IJVs). Previous IJV research, which used Hofstede's five dimensions or Kogut and Singh's (1980) formula to examine the impact of cultural distance on IJVs, tendered mixed and conflicting results.

Two models are built to link the relationships between culture and IJV management issues (i.e. management styles, conflict resolution strategies, role stress, and performance) by the perspectives of parent firms and IJV general managers. A conceptual model explores the relationships between the three dimensions (i.e. three party's perspectives, four approaches of performance measure, and long-term orientation). Furthermore, a replication examines the Lin and Germain's (1980) model of linking context variables, conflict resolution strategies and IJV performance.

Hypotheses are tested by the primary data collected by an international mail questionnaire from a sample of 165 IJV general managers in China and foreign parent firms in Japan and Taiwan. First, IJV management issues are found significantly different between the two national groups by ANOVA test. Second, it is found that cultural similarity and Hofstede's five dimensions have weak relationships with IJV management issues. Third, the link between the three dimensions of performance measure is proved by confirmative factor analysis. Finally, Lin and Germain's findings are weakly supported by this replication using LISREL test.

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## TABLE OF CONTENTS

Abstract .....	i
Acknowledgement .....	ii
Table of Contents .....	iii
List of Tables .....	xi
List of Figures .....	xiii
<b>CHAPTER 1 INTRODUCTION .....</b>	<b>1</b>
1.1 Introduction .....	1
1.2 Original Mode .....	6
1.3 Defining International Joint Ventures .....	8
1.4 The Structure of This Thesis .....	11
<b>CHAPTER 2 LITERATURE REVIEW .....</b>	<b>14</b>
2.1 Introduction .....	14
2.2 Joint Venture Theories .....	15
2.2.1 Transaction Cost Theory .....	15
2.2.2 Dunning's Eclectic Theory .....	19
2.2.4 Strategic Management Theory .....	20
2.2.5 Resource-based Theory .....	23



2.2.6 Organizational Learning Theory .....	24
2.3 Summary .....	25
2.4 A Survey of the Impact of Cultural Distance on International Joint Ventures .....	26
2.4.1 Introduction .....	26
2.4.2 Literature Review .....	27
2.4.2.1 Culture Issues .....	27
2.4.2.2 The Impact of Cultural Distance on IJV .....	32
2.4.2.2.1 Ownership and entry mode .....	37
2.4.2.2.2 Formation .....	40
2.4.2.2.3 Location .....	40
2.4.2.2.4 Role Stress .....	41
2.4.2.2.5 Performance .....	41
2.4.3 Discussion .....	46
2.4.3.1 Methodological Problems .....	48
2.4.3.2 Conceptual Problems .....	49
2.4.4 Suggestions .....	51
 CHAPTER 3 RESEARCH METHODOLOGY .....	 54
3.1 Introduction .....	54
3.2 The Conceptual Model .....	55

3.2.1 Cultural Factors .....	55
3.2.2 Cultural Factors and International Human Resources Management .....	56
3.2.2.1 Cultural Factors and Management Style .....	57
3.2.2.2 Cultural Factors and Role Stress .....	58
3.2.2.3 Management Style and Role Stress .....	59
3.2.2.4 Conflict Resolution Strategy .....	60
3.2.3 IJV Performance .....	61
3.3 Data Collections .....	62
3.4 Questionnaire Development .....	64
3.5 International Mail Survey .....	68
3.5.1 First Stage .....	70
3.5.2 Second Stage .....	71
3.5.3 Return-rate .....	72
3.6 Sample Characters .....	74
3.6.1 IJVGMS .....	74
3.6.2 Foreign Parents .....	81
3.7 Limitations in Methodology .....	87
3.8 Summary .....	91

<b>CHAPTER 4 CULTURE IMPACTS ON THE MANAGEMENT STYLE AND PERFORMANCE OF INTERNATIONAL JOINT VENTURES IN CHINA</b> .....	<b>94</b>
4.1 Introduction .....	94
4.2 Literature Review .....	95
4.2.1 Culture Issues .....	95
4.2.2 Performance .....	98
4.2.3 Difference in Management Style .....	99
4.2.3.1 Supervision style .....	99
4.2.3.2 Decision-making .....	101
4.2.3.3 Communication pattern .....	102
4.2.3.4 Control mechanism .....	103
4.2.3.5 Paternalistic orientation .....	105
4.2.4 Role Stress .....	106
4.2.4.1 Role conflict .....	107
4.2.4.2 Role ambiguity .....	109
4.2.4.3 Role overload .....	110
4.2.4.4 Role Stress and Management Style .....	111
4.2.5 Conflict Resolution Strategy .....	114
4.3 Results .....	119
4.4 Discussion .....	124

4.5 Conclusion .....	128
<b>CHAPTER 5 CULTURE IMPACTS ON INTERNATIONAL JOINT VENTURES IN CHINA: A PERSPECTIVE OF FOREIGN PARENT FIRMS .....</b>	<b>130</b>
5.1 Introduction .....	130
5.2 Literature Review .....	131
5.2.1 Cultural Dimensions .....	131
5.2.1.1 Power Distance .....	132
5.2.1.2 Uncertainty Avoidance .....	133
5.2.1.3 Individualism .....	134
5.2.1.4 Masculinity .....	135
5.2.1.5 Long-term Orientation .....	136
5.2.2 Performance and Culture Dimensions .....	137
5.2.3 Management Style .....	140
5.2.3.1 Supervision style .....	141
5.2.3.2 Decision-making .....	142
5.2.3.3 Communication pattern .....	143
5.2.3.4 Control mechanism .....	144
5.2.3.5 Paternalistic orientation .....	145
5.2.4 Conflict Resolution Strategy .....	146



5.2.4.1 Problem-solving strategy .....	146
5.2.4.2 Compromising strategy .....	147
5.2.4.3 Forcing strategy .....	148
5.2.4.4 Legalistic strategy .....	148
5.3 Results .....	150
5.4 Discussion .....	153
5.5 Conclusion .....	158
<b>CHAPTER 6 THE PERFORMANCE MEASURES OF INTERNATIONAL JOINT VENTURES IN CHINA: PERSPECTIVES FROM FOREIGN PARENTS AND IJV GENERAL MANAGERS .....</b>	<b>161</b>
6.1 Introduction .....	161
6.2 Literature Review .....	163
6.2.1 Measure approaches .....	164
6.2.2 Perspectives among IJVGMs, foreign parents, and local parents .....	167
6.2.3 Long-term Orientation .....	169
6.3 Results and Discussion .....	172
6.4 Conclusion .....	177
<b>CHAPTER 7 CULTURE IMPACTS ON SATISFACTORY JOINT VENTURE RELATIONSHIPS: A COMPARATIVE STUDY OF INTERNATIONAL JOINT VENTURES IN CHINA .....</b>	<b>179</b>

7.1 Introduction .....	179
7.2 Lin and Germain's Model and Our Modifications .....	180
7.3 Results .....	185
7.3.1 Lin and Germain's Findings .....	185
7.3.2 Results form The Current Study .....	185
7.4 Discussion .....	191
7.4.1 A comparison of the findings using the same variables between the current study and Lin and Germain (1998) .....	191
7.4.2 A comparison of the findings using modified variables .....	194
7.5 Conclusion .....	196
 <b>CHAPTER 8 SUMMARY AND CONCLUSIONS .....</b>	 <b>199</b>
8.1 Introduction .....	199
8.2 Aims and Background to the Study .....	200
8.3 Summary of Findings .....	203
8.3.1 Summary of Main Findings .....	203
8.3.2 A Survey of the Impact of Cultural Distance on the International Joint Ventures .....	206
8.3.3 Culture Impacts on the Management Style and Performance of International Joint Ventures .....	209
8.3.4 Culture impacts on International Joint Ventures in China: Foreign Parent's Perspective .....	211

8.3.5 The Performance Measures of International Joint Ventures in China: Perspectives from Foreign Parents and IJV General Managers .....	213
8.3.6 Culture Impacts on Satisfactory Joint Venture Relationships: A Comparative Study of International Joint Ventures in China .....	214
8.4 Implications for Theory and Practice .....	219
8.4.1 Implications for Theory .....	219
8.4.1.1 Culture .....	220
8.4.1.2 IHRM .....	221
8.4.1.3 Performance .....	222
8.4.2 Implications for Managers .....	223
8.4.2.1 Culture .....	224
8.4.2.2 IHRM .....	226
8.4.2.3 Performance .....	228
8.5 Limitations .....	230
8.5.1 Limitations of the Published Data .....	230
8.5.2 Limitations of the Primary Data .....	231
8.5.3 Limitations of the Methodology .....	231
8.6 Further Research .....	235
8.6.1 Further Research Direction .....	235
8.6.2 Methodology .....	237

8.6.2.1 Qualitative Research .....	238
8.6.2.2 Quantitative Research .....	239
8.6.2.3 Multi-method Research .....	240
APENDICES .....	243
APPENDIX A COVER LETTER FOR IJV GENERAL MANAGER .....	243
APPENDIX B COVER LETTER FOR PARENT COMPANY .....	244
APPENDIX C QUESTIONNAIRE FOR IJV GENERAL MANAGER ....	245
APPENDIX D QUESTIONNAIRE FOR PARENT COMPANY .....	256
REFERENCES .....	267



## LIST OF TABLES

2-1 Summary of Previous International Alliance Studies with The Impact of Culture Distance .....	33
2-2 Examples and Finding on Empirical IJVs Studies .....	35
3-1 A Summary of International Mail Survey .....	69
3-2 A Summary of Returned Questionnaire from IJVGMs .....	73
3-3 A Summary of Returned Questionnaire of IJV Parents .....	73
3-4 Characters of the IJVGMs .....	77
3-5 IJV Parents Characters (N=82) .....	83
4-1 Summary of ANOVA Results for Japanese and Taiwanese IJVGMs .....	120
4-2 Regression Analysis Results .....	121
5-1 ANOVA Results for Japan and Taiwan Parents (N=82) .....	150
5-2 Regression Analysis Results .....	151
5-3 Relationship between PD and IDV in the Two Groups of Samples .....	155
6-1 PHI Matrix of Combined Group.....	174
6-2 PHI Matrix of Japanese Group.....	174
6-3 PHI Matrix of Taiwanese Group.....	174
6-4 Summary of MANOVA for Performance Measures between the Groups of Japanese Parents and Taiwanese IJVGMs .....	175
6-5 Summary of MANOVA for Performance Measures between the Groups of Taiwanese Parents and Taiwanese IJVGMs .....	175

6-6	Summary of ANOVA for strategic approach between the four groups .....	176
7-1	The Hypotheses in Lin and Germain's (1998) Study .....	181
7-2	The Questionnaire in Lin and Germain's (1998) Study .....	181
7-3-1	Correlation Matrix and Construct Means for Combined group (N=165) .....	186
7-3-2	Correlation Matrix and Construct Means for Japanese Group (N=76) .....	186
7-3-3	Correlation Matrix and Construct Means for Taiwanese Group (N=89) .....	187
7-4	A Comparison of LISREL Model Results .....	187
7-5	A Summary of The Effect of Context Variables between The Current Study and Lin and Germain (1998) .....	192
8-1	Summary of Hypotheses and Results .....	203

## LIST OF FIGURES

1-1 Original Model .....	6
3-1 A Conceptual Model .....	55
4-1 A Conceptual Model .....	95
5-1 A Conceptual Model .....	131
6-1 A Conceptual Framework for IJV Performance Measures .....	163
6-2 Confirmative Factor Analysis (CFA) Model .....	172
7-1 The Conceptual Framework of Lin and Germain's (1998) Study .....	180

## CHAPTER 1 INTRODUCTION

### 1.1 Introduction

The issue of cultural barriers for multinational companies (MNEs) investing in foreign countries has increasingly attracted academic attention in the field of international business. Cultural background has been argued to be influential in the entry mode decision for internationalizing companies (the choice, for example, between wholly-owned and JV activity). And cultural distance between firms of different nationalities has been argued to influence co-operative strategy, and the success or otherwise of international joint ventures and other co-operative modes. A cooperative strategy (of which an international joint venture, IJV, is one example) offers many advantages to a company, since the host country partner can supply familiarity with the host country culture and market.

Differences of management style can be discerned in many areas, such as supervision style, decision-making, communication patterns, paternalistic orientation, and control mechanism. These issues are the important part in my thesis. Academic interest in comparative management grew strongly in the 1980s, partly driven by the challenge to established ideas that Japan's striking economic success seemed to offer. Japanese firms seemed not only to be different, but also to be capable of transferring at least some of these differences to their foreign subsidiaries.



Some of the most complex problems of cultural difference are faced in the context of international joint ventures, which are the subject of this thesis. An IJV has at least two parent firms, and these are frequently from dissimilar national cultures. Differences between their management styles can damage IJV performance. Many illustrative examples could be cited, but a common problem concerns the exercise of authority and supervision. A manager from a collectivist and high power distance culture, to draw on Hofstede's terminology, is likely to have a supervisory style that is autocratic. If this manager then is put in charge of subordinates from a different cultural background, who are used to consultation and freedom of action, then conflict can occur.

It has been found that IJV performance is influenced by the conflict resolution strategies of foreign and local partners). Conflict resolution strategies can be conceptualized as having four types - problem-solving, compromising, forcing, and legalistic strategy (Lin and Germain 1998). There are differences from one national culture to another in the preferred choice of conflict resolution strategy. For instance, U.S. managers tend to enter into direct discussion of problems, whilst Chinese managers prefer to have long chats aimed at building up personal relationships before formally discussing problems. This could easily lead to damaging misunderstanding between US and Chinese managers. As a result, both partners' trust and satisfaction will be damaged.

An IJV mixes the management styles of at least two parent companies. It therefore poses more complex management challenges than domestic managerial activity, or than the transposition of domestic routines into a foreign wholly-owned subsidiary (WOS). An IJV manager faces a difficult juggling act, trying to cope with the different management styles of the two parents, and trying to meet the possibly conflicting criteria for success that these parents impose. As an example, we can look at the issue of role conflict. Role conflicts refer to the dimensions of congruency-incongruency or compatibility-incompatibility in the requirements of the role, where congruency or compatibility is judged related to a set of standards or conditions, which impinge upon role performance (Rizzo et al. 1970). A damaging conflict may occur when an American, who comes from a so-called low Long-term Orientation society, which tends to make profits as soon as possible, is named as a general manager of US-Japanese IJV. His Japanese parent firm operates in a society of so-called high Long-term Orientation, focusing on customer's satisfaction and profits several years later. As the result, the IJV performance can be damaged by his stresses.

The measurement of performance has been one of the most controversial issues in joint venture studies. This is because there are at least three different perspectives on performance – those of the two parents, and that of the IJV itself. The three parties may assess performance in different ways. Whose perspective should be accorded the

greatest importance? Many studies have used the parents' perspectives to measure IJV performance (Anderson 1990). She, however, argues that joint ventures should be evaluated primarily as stand-alone entities seeking to maximize their own performance, and not that of their parents. A subsidiary question arises: what kind of criteria of performance are accepted by the three players in the IJV? Numerous studies address this with different criteria (for example, partner satisfaction, financial indicators, survival, duration, instability, and stock-market reaction) (Blodgett 1992, Barkema and Vermeulen 1997, Cullen and Johnson 1995, Glaister and Buckley 1998). IJV performance has been found more difficult to achieve in developing countries than in developed countries, in which it implies that the criteria of evaluating performance should be different in developing countries (Lecraw 1983, Schaan and Beamish 1988). In this study, four approaches (i.e. economic, strategic, behavioral, and learning approach) are introduced to measure the performances, which have been examined in previous studies (Buchel et al. 1998, Buchel and Thuy 2001, Glaister and Buckley 1999, Yan 2000).

Over the past 20 years, China's "Open Door" policy has resulted in strong economic growth. The growth of GDP in the 1990s was almost 9 percent on average, the highest and most stable period of growth since 1945. China's Foreign Direct Investment (FDI) inflows have been the largest of the developing countries since the mid-1990s, and at times the largest within the world economy more generally. Inflows of FDI

have played a major role in this economic growth, and reached \$40.7bn by the year 2000 (UNCTAD: World Investment Report 2001, p.294). China attracts FDI successfully since the investment climate is for growing markets, increasingly favorable regulatory frameworks and the possibility of establishing joint ventures (Beamish 1985, Yan 2000). FDI inward stock was \$6.2bn in 1980 and increase rapidly to \$346.6bn in 2000 (UNCTAD: World Investment Report 2001, p.304).

Entry modes into the Chinese market have included equity joint ventures (EJVs), contract joint ventures (CJVs), and wholly owned subsidiaries (WOSs). In 1996, EJVs accounted for 43.5% of FDI, WOSs for 36.59%, and CJVs for only 19.51% (China Statistical Yearbook, 1997, p.605). The EJV has been the most popular mode of entry to China's market for foreign companies since the 1980s (Luo 2002). One of the reasons is China government more or less demands JVs as a way of ensuring technology and skills transfer (Yan 2000). We have already noted, however, that the IJV is particularly vulnerable to problems arising from cultural distance. Since many of the companies investing in China are multinationals from the 'Triad' (Europe, the U.S.A. and Japan), there are many problems of cultural distance that arise. Non-Chinese parent companies, the IJV general managers, and the domestic Chinese partners, are all faced with major problems of cultural adaptation and accommodation.



## 1.2 Original Model

The purpose of this survey, as first conceived, was to obtain and compare information from IJV general managers, foreign parent companies, and local parent companies, concerning issues of cultural distance, management styles, conflict resolution strategies, and performance. A further aim was to examine how 'role-stressed' IJV general managers are, given the different and possibly conflicting demands from foreign and local parents. The possible relationships are shown in figure 1-1.

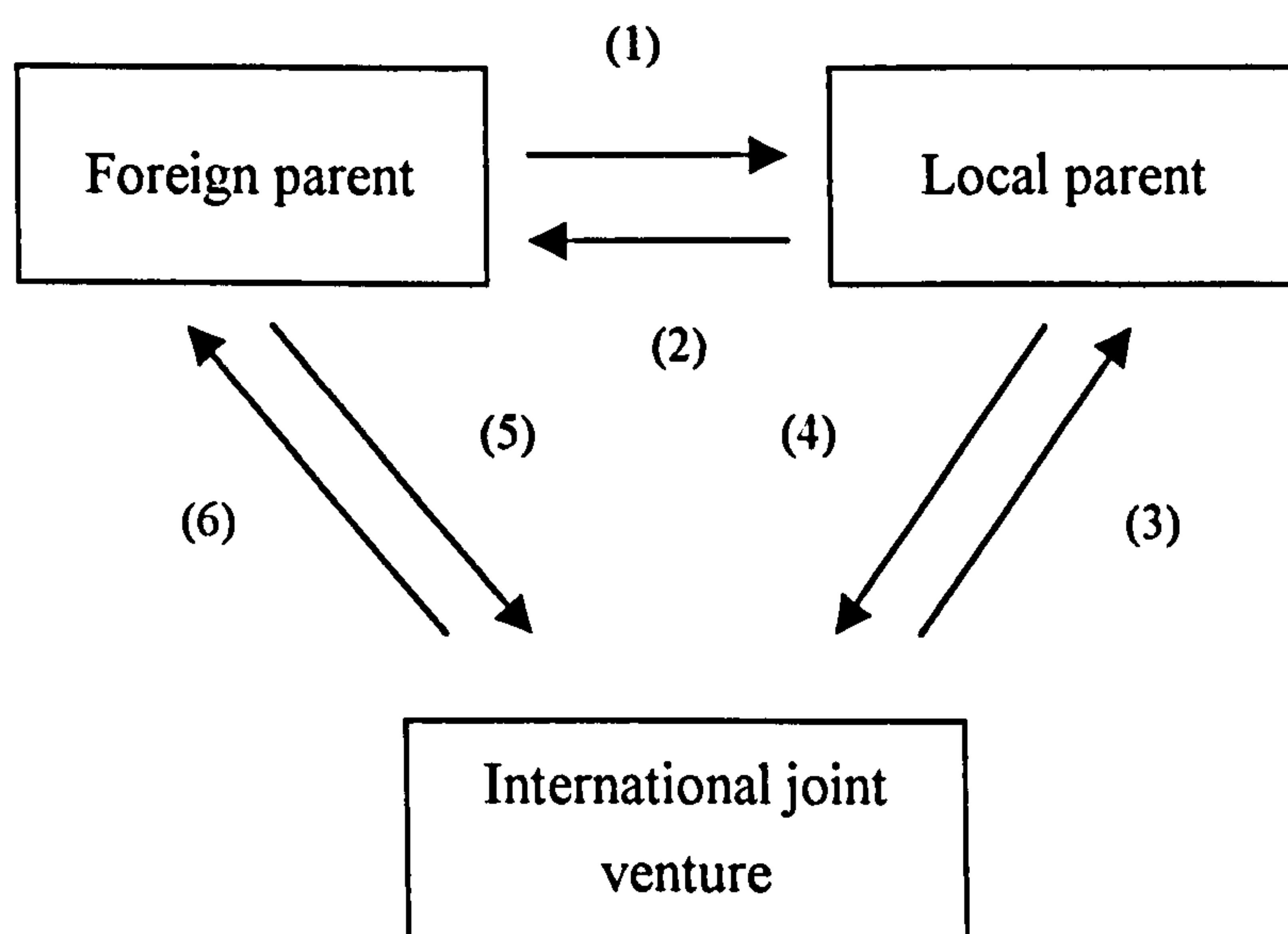


Figure 1-1 Original Model

The idea starts from measuring the performance of an IJV. Numerous studies use the parent company perspective, and the majority of these refer only to one parent, either the domestic or foreign (e.g. Glaister and Buckley 1999). Anderson (1990) questions

several major points, which are related to the evaluation of JV performance. One of them is: the perspective from which the joint venture should be evaluated? There might be three different viewpoints of performance measure (i.e. at least two parent and JV management). She argues that a JV could have high performance but at the price of one parent's sacrifice. Furthermore, she argues that a JV should be evaluated mainly by seeking to maximize its own performance, not the parents. It has been found, from previous studies, that cultural distance, management styles, conflict resolution strategies, and role stress are correlated (Erramilli 1996, Lin and Germain 1998, Peterson et al. 1995, Shenkar and Zeira 1992, Tse et al. 1997).

In figure 1-1 (relationships 3 and 6), we ask IJV general managers what is the difference of management styles between foreign parent and local parent companies, their conflict resolution strategies, and performance measures. In figure 1-1 (relationships 1 and 5), we ask CEOs in the parent firms to respond to questions about conflict resolution strategies with local partners, their own management styles, and measures of IJV performance. However, the questionnaires to the CEOs of local parent companies returned a zero response rate, so that these conflict resolution strategies with foreign partners and their performance measures were lost; in other words, the relationships of (2) and (4) in the figure 1-1 cannot be explored in this study.

### 1.3 Defining International Joint Ventures

Previous research has provided numerous definitions of what a joint venture is, but there is still no universally accepted definition (Young et al., 1989). Lyles (1988) defines a joint venture as an independent entity formed by two or more parent firms. The term “joint venture” normally implies the creation of a separate corporation, whose ownership is shared by two or more partners, each expecting a proportional share of dividends as compensation (Contractor and Lorange 1988). Joint ventures involve two or more legally different organizations, each of which actively participates in the decision-making activities of the jointly owned entity (Geringer 1988). In this definition, shared management activity is the focus.

Inkpen and Beamish (1997) define a joint venture, from a resource-based perspective, as an equity-based joint venture that combines resources from more than one organization to create a new organizational entity, which is distinct from its parents. A joint venture is the pooling of assets in a common and independent organization by two or more firms, which share ownership and control over the use and fruits of these assets (Kogut and Singh 1988). A joint venture definition from the game theory perspective is expressed as mixed motive games between partners who cooperate and compete simultaneously (Yan and Gray 1994). This highlights an essential point: that parent firms are in co-operation within the JV, but also potentially in competition both

within and outside it. Joint ventures are hybrid in nature, but have their own identifiable structures, working procedures, economic transactions, and management personnel. Parent firms receive a proportionate share of its dividend, and can expect to be represented on the joint venture's board of directors (Yan 2000).

Taken in all; these definitions indicate some fundamental concepts of joint venture:

- (1) A joint venture is an independent organization
- (2) A joint venture has two or more parent firms
- (3) Parent firms share the joint venture's ownership and assets
- (4) Parent firms involve the joint venture's management activities together.
- (5) Parent firms benefit from the joint venture's performance.

What is the difference between a joint venture and an international joint venture (IJV)?

An IJV is a joint venture with two or more parents of different nationality (Inkpen and Beamish 1997). According to Geringer and Hebert (1989), an IJV can have two definitional bases: either, one or more parent firms' headquarters are outside the joint venture's country of operation; or, the joint venture has a significant level of operation in more than one country. Shenkar and Zeira (1987) define an IJV as a separate legal organizational entity representing part of the holdings of two or more partners, where the headquarters of at least one partner are located outside the country of operation of

the joint venture. Both agree that only when one or more parent firms' headquarters are outside the joint venture's host country, can the joint venture be called an IJV. Geringer and Hebert (1989), however, stress that a joint venture itself could operate in two or more countries and qualify as an IJV.

In this thesis, an IJV is defined as "a separate legal organizational entity representing the partial holding of two or more parent firms, in which the headquarters of at least one parent firm 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" (Shenkar and Zeira 1987). In the current study, Chinese firms are referred to as the local partner. The partners operating outside the host country, Taiwan or Japan, are referred to as the foreign partners.



#### 1.4 The Structure of This Thesis

This study consists of eight chapters. Chapter 1 discusses and introduces research ideas and definitions concerning joint ventures. Chapter 2 reviews the relevant literature concerning cultural distance, management styles, role stress, conflict resolution strategies, and joint venture theories. The research methodology of the study is presented in Chapter 3. Firstly, published and primary data collections. Published data sourced from several Yearbooks of foreign investments in China, company's homepages, and periodicals. Primary data is obtained from an international survey from questionnaires posted to general managers in Japanese-Chinese and Taiwanese-Chinese IJVs, and their parent companies in Japan and Taiwan. Secondly, questionnaire development and variable measures are demonstrated.

A cultural distance model is examined in Chapter 4, "Culture Impacts on the Management Style and Performance of International Joint Ventures in China" are illustrated in Figure 4-1. According to this model, IJV performance is influenced by cultural distance, management styles, role stress, and conflict resolution strategies, directly or indirectly. The model developed in chapter 4 is specific to general managers in an IJV context, since the role stress of IJV general managers derives from the different management styles of foreign and local parent firms.

Chapter 5 "Culture Impacts on International Joint Ventures in China: A Perspective of

Foreign Parent Firms” presents a culture impact model, which is demonstrated in Figure 5-1. Based on this model, IJV performance is influenced by cultural dimensions, and management styles and conflict resolution strategies of parent companies. The difference between this model and the model in Chapter 4 is that it takes the view from different perspectives, as between IJV general managers and foreign parent firms. As mentioned before, this survey attempts to examine the impact of culture on IJVs from the perspectives of foreign and local parent companies, and IJV general managers. Shenkar and Zeira found cultural distances do influence the role stress of IJV general managers. Peterson et al. (1995) found that power distance and collectivism are negatively related to role ambiguity and positively related to role overload. The findings in these two studies have been used as firm evidence for constructing the models used, in chapters 4 and 5.

Chapter 6 “The Performance Measures of International Joint Ventures in China: Perspectives from Foreign Parents and IJV General Managers” identifies and measures four approaches - economic, strategic, behavioural, and learning. Data comes from foreign parent companies in Japan and Taiwan, and IJV general managers in China.

Chapter 7 “Culture Impacts on Satisfactory Joint Venture Relationships: A

Comparative Study of International Joint Ventures In China” re-examines a model developed by Lin and Germain (1998). This model links context variables (i.e. cultural similarity, relative power, and relationship age) and conflict resolution strategies to IJV satisfaction.

Chapter 8 summarises and concludes the main findings, which have been presented in the previous chapters. Contributions for theory, methodology, and IJV managers are discussed. This chapter finally draws some suggestions for further research.

## CHAPTER 2 LITERATURE REVIEW

### 2.1 Introduction

This chapter initially reviews the relevant joint venture theories: (1) Transaction Cost Theory, (2) Dunning's Eclectic Theory, (3) Strategic Management Theory, (4) Resource-based Theory and (5) Organization Learning Theory. The cultural issues are discussed in the 2.4 (i.e. "A Survey of the Impact of Cultural Distance on International Joint Ventures") after reviewing the mainstream theories in joint venture study. This section reviews that previous IJV research, which employed Hofstede's five dimensions (i.e. Power Distance, Uncertainty Avoidance, Individualism, Masculinity, and Long-term Orientation) to examine the impact of culture on IJV management issues such as ownership, formation, location, role stress, and performance. Several suggestions related to conceptual and methodological issues are made to be the direction for this study and further research.

## 2.2 Joint Venture Theories

### 2.2.1 Transaction Cost theory

Coase was the first to formulate transaction cost theory (TCT). He put the proposition that markets and firms are two alternative and substitutable forms for production (Coase 1937). Firms are created and grow by replacing the market and production is decided by price differences only. Entrepreneurs manage production by internal exchanges without price problems. However, the problem is how to decide when to make products within firms and when to purchase from the market. According to TCT, it can be decided by comparing the costs of using the market with the costs of internal production. Transaction costs, often are not linked to the production, are starting from the search for suppliers or customers, negotiating contracts, and finally monitoring and enforcement. Therefore, it could force firms to withdraw from markets and institutionalize their productions.

Williamson (1975) further developed five factors, which are related to the choices between internalizing the governance of transactions within a firm as opposed to achieving them by market exchange. These factors are (1) opportunism: which refers to behavior that is self-interested and deceptive, (2) bounded rationality: which suggests there are informational and other limits to the exercise of rationality, (3) small numbers: which refers to the limited numbers of partners to choose when two or more parties transact recurrently, (4) uncertainty and complexity: which refers to



market conditions, which are not certain and simple, and (5) information impactedness: which suggests that precise and sufficient information relevant to the transactions is known to one or more parties but not to others.

Williamson (1985) further give more attentions to asset specificity, which refers to durable investments and is made for particular transactions as a point of reference for choosing between transaction governance structures. According to Williamson, the degree of asset specificity should play a key role in the choice of an appropriate governance structure. When a supplier must make a specific investment to respond to the needs of a particular customer, a “lock-in” situation will happen: competition can no longer regulate transactions. It is very difficult to find other customers for a product using specific assets and no business will now supply these products.

Transactions are suitable when the assets are involved in non-specific or market-based situations. Markets can provide effective safeguards for the transacting parties. By contrast, it is better to make internalized transactions when transactions need a long maturity time, under highly conditions of uncertainty, or alternatively they require specific investments.

In addition, Williamson also recognizes two possibilities of involving assets of mixed

specificity: occasional or recurrent. He suggests that occasional transactions need to be backed by a third-party, recurrent transactions need relational contracting and bilateral governance. Relational contraction is related to building long-term relationships between the parties. Bilateral governance can be employed by the parties making investments of specific assets, which serve as hostages against opportunism. Both of them admit the hybrid governance structures such as joint ventures, which mutually commit equity and assets, and agree on how costs and profits are to be divided between parties

TCT is suitable to analyze joint venture, which is a hybrid form in a middle position between arm'-length transactions and complete internationalization within the firm. TCT also views joint venture as a potentially cost-cutting method of organizing international business transactions. Buckley and Casson (1985) apply the TCT perspective to explain how the internationalization of production through foreign direct investment (FDI) such as IJVs enables MNEs to replace a market.

TCT regards the basic choice in organizing economic transactions as being between effecting through market exchanges and internalizing them within an organization, which can be governed by hierarchical relationships fixed in an organizational structure. Although joint ventures offer advantages such as avoidance of the high

uncertainty and the high overhead costs of establishing hierarchies, their uneasy structure leads them into an inherent instability (Buckley and Casson 1988, Kogut 1988b).

TCT analysis has been used to discuss issues of joint ventures, which include entry modes, ownership structure, and the formation (Anderson and Gatignon 1986, Hennart 1988, 1991, Oviatt and McDougall 1994, Parkhe 1993b). Previous studies using TCT have pointed out joint venture can avoid the markets inefficiencies in providing raw materials, learning knowledge, and distribution systems (Child and Faulkner 1998). A question arises: why do firms need to share ownership? The reason is the diseconomies of acquisition or the higher costs of internal development. When integration is not efficient, the alternative is market or contract. However, market transactions are full of opportunistic risk, the final choice is between joint ventures and long-term contract (Kogut 1988a, Dussauge and Garrette 1999).

TCT stresses the efficiency and cost-minimizing rationales for cooperation. Regarding joint ventures, TCT provides important insight into formation motives, cooperative relationships between partners, the nature of the committed investments, and the transactions character. TCT draws attention to cases where a particular mode for governing transactions is preferred on the grounds of market power rather than



efficiency alone (Child and Faulkner 1998, Parkhe 1993b).

### 2.2.2 Dunning's Eclectic Theory

The eclectic theory specifies that international operations of firms grow depending on three types of advantages: (1) ownership-specific, (2) internationalization, and (3) locationalization. Ownership-specific advantages (O-type advantages) are the ownership of exclusive resources and must provide the MNEs with a stronger position than local rivals, which are familiar with the local economy, political situation and culture. Internationalization advantages (I-type advantages) can be assessed on the basis of transaction cost considerations when a firm is in a better position by using its O-type advantage (Dunning 1980, 1988). Firms can decide whether to export or set up a WOS in a host country when they enjoy O- and I- type advantages. The second choice, however, will create international operations when the political and economic conditions in host country are satisfactory (L-type advantages).

Some factors need to be concerned when a firm decides to globalize: (1) possess a specific competitive advantage, (2) better than internally, and (3) setting up assets in a host country. Firms have fundamentally changed the three types of advantages by recent transformations in business environments such as technological progress and

economic globalization. The increase of R&D costs, the emergence of new technologies, and the faster speed of innovation all make it very costly and difficult to create and maintain O-type advantages. Therefore, it encourages firms to share resources with other firms, which leads to form joint ventures rather than acquisitions or mergers. Technical change and global competition create an uncertain and risky business environment so that firms need to keep flexibility and reversibility. I-type advantages conclude that joint ventures are more suitable than internalization.

Finally, MNEs need to react to diversified and dynamic needs around the world so they must have L-type advantages at the same time in different countries. In order to reach the goals, internalization becomes an uneconomic choice, which is very costly and slow for MNE growth. Cooperating with local firms, which have L-type advantages in host countries, becomes a good choice. This reason can explain why joint ventures are booming and replacing traditional forms of MNEs expansion in 1990s.

#### 2.2.4 Strategic Management Theory

Strategic management theory (SMT) focuses on cooperative strategies of drawing attentions to the needs for potential partners to match strategies between them.



Therefore, joint ventures will be a mutually good choice for goal achievement. SMT is also concerned with matching up organizational and national cultures, which partners bring into the joint ventures.

SMT contains a number of factors, which concern (1) the motives of forming joint ventures, (2) partner selection and goal achievement, and (3) match of cultures and systems between partners. joint venture formation has been described as an essentially rational and analytical process such as developing a rational decision model for IJV formation by MNEs (Harrigan 1988, Tallman and Shenkar 1994). Contractor and Lorange (1988) identify several goals for the formation:

- (1) Reducing risk.
- (2) Achieving economies of scale.
- (3) Exchanging technology.
- (4) Cooperating or blocking competition;
- (5) Overcoming entry barriers.
- (6) Assisting international expansion for foreign firms;
- (7) Linking the match contributions of the partners in a 'value chain'.

Partner selection is the next question following the strategic motive for joint venture formation. Geringer (1991) classifies partner selection into two categories: Task-related and Partner-related. Task-related refers to variables that are related to the

viability of a proposed venture's operations. Partner-related refers to variables that characterize the partners' national or corporate cultures, firm size and structure, the previous relationship between them, and trust between two parties.

Regarding 'Partner-related', several factors are correlated with SMT. For instance, culture fit between partners so they can cooperate effectively and develop mutual confidence (Bleeke and Ernst 1993, Faulkner 1995). It requires partners to learn and understand culture differences between them and brings together their management systems (Faulkner 1995).

SMT explains joint venture formation base on strategic reasons, that joint ventures can improve a firm's competitiveness in the market (Kogut 1988a). Harrigan (1988) proposes several reasons to form JVs: (1) exacerbating competition, (2) stabilizing profit levels, and (3) precipitating structural changes. Vickers (1985) suggests that joint ventures are an effective investment choice to avoid the entry-barrier. SMT highlights that firms enter into cooperative relations so they can expand and secure efficiencies at the same time. SMT also emphasizes the partner match rather than looking at cooperation simply from a single partner's point of view (Child 1972).

### 2.2.5 Resource-based Theory

The Resource-based Theory (RBT) focuses on the arrangements negotiated between managers and stakeholders or between partners, who contribute necessary resources in receiving valued returns. RBT explains why firms undertake cooperative strategies. It points out that firms face an uncertainty challenge when supplying resources and human competences that are not readily or sufficiently available (Child and Faulkner 1998, Dussauge and Garrette 1999).

RBT proposes that joint venture is a form of combining skills and resources from partner firms in order to take advantage of new business opportunities (Mitchell and Singh 1996, Teece 1986). When partners jointly use each other's resources, they are leading to skill transfers and capability appropriation between them. However, it depends on the learning ability of the firm that using joint venture to appropriate skills and capabilities rather than only gaining access to these resources (Conner and Prahalad 1996, Mowery et al. 1996). For instance, in US-Japanese IJVs, the Japanese car-maker partners not only sold cars but also acquired precious knowledge about the American car market by their US partners, which made it easier for them to set up WOSs in the USA in future.



## 2.2.6 Organizational Learning Theory

TCT and SMT provide compelling economic reasons for joint ventures.

Organizational Learning theory (OLT) views joint ventures as a means by which firms learn or seek to retain their capabilities. In this view, knowledge is not easily transferred across the boundaries of the firm.

Regarding OLT, forming a joint venture is encouraged when partners do not have each other's technology. The encouragement is under two conditions: (1) one or both firms are keen to obtain the other's know-how, (2) one firm plans to maintain organizational ability but also can benefit from the other's knowledge or cost advantage.

OLT views joint venture as a means by which firms learn from their partners and are driven by the motive of obtaining knowledge to build strategic ability (Kogut 1988a). This learning-driven motive can produce competition and conflict between partners, which influences joint venture performance. OLT emphasizes the "tacit" knowledge, which can only be obtained through a "learning by doing" process (Doz and Hamel 1998). The process of transferring knowledge needs the partners to work together in a organization, which is a JV.

### 2.3 Summary

Some theories discussed above such as TEC and Resource-based Theory focus on particular types of JV. TEC is more relevant to collaboration between suppliers and buyers. The resource-based Theory view to joint venture between companies with complementary skills, notably global competitors. It suggests that categorizing joint venture would be a way to understand the nature of collaboration (Dussauge and Garrette, 1999).

TCT proposes that firms transact by the mode, which minimizes the transaction costs. SMT proposes that firms transact by the mode, which maximizes profits through improving the firm's competitive position. The major difference between the two theories is that TCT focuses on the costs specific to a particular economic exchange, independent of the market strategy, whilst SMT focuses on competitive positioning influencing the asset value of the firm (Yan and Luo 2001).



## 2.4 A Survey of the Impact of Cultural Distance on International Joint Ventures

### 2.4.1 Introduction

The impact of Culture on international joint ventures (IJVs) has been one of most important issues in the field of foreign direct investment. However, the relationships between cultural distance and the characteristics of IJV remain unclear. The first object of this chapter is to point out the relationships between cultural distance and the characteristics of the IJV through a review of the literature in the field. Secondly, several limitations are identified from previous studies, in which Hofstede's (1980, 1991) five dimensions (i.e. Power Distance, Individualism/Collectivism, Masculinity/Femininity, Uncertainty Avoidance and Long-term Orientation) and their influence on the IJVs are examined. The third objective is to provide some suggestions for further research.

Three criteria are used to select published papers in this study. Firstly, empirical works published in leading journals such as Journal of International Business Studies, Management International Review and so on. Secondly, samples sourcing from the empirical studies based on IJVs or their parent firms. Thirdly, Using Hofstede's (1980, 1991) cultural dimensions to be their independent variables.

The sections of the paper are organized in the following manners. In section two, there is a brief introduction of culture and cultural distance. Previous research examining

the characteristics of IJVs in terms of formation, ownership, location, management control, and performance is reviewed. In section three, some methodological and conceptual problems are addressed. Suggestions for further research are presented in the final section.

## 2.4.2 Literature Review

### 2.4.2.1 Culture Issues

A majority of published articles use the terms of culture, country, nation, and society interchangeably since there are very few operational definitions of culture. It is common to use country as a surrogate variable for culture on cross-cultural studies since the convenience of national borders provides a defining unit of analysis for research. Most of these studies label themselves as cross-cultural. In fact, they are cross-national studies (Nasif et al 1991).

Hofstede defines culture as 'the collective programming of the mind which distinguish members of one human group from another' (1980, p.25). His IBM survey, which included a sample of 11,600, found four dimensions: Power Distance (PD), Individualism/Collectivism (IDV), Masculinity/Femininity (MAS), and Uncertainty Avoidance (UA).

The first dimension in Hofstede's national culture is called Power Distance. Power Distance can be defined as the extent to which the less powerful members of institutions and organizations within a country expect and accept that power is distributed unequally. In organizations, it is related to degrees of hierarchy or levels of participation in decisions.

Hofstede's second dimension, Uncertainty Avoidance, is the tolerance or acceptance of ambiguity, risk, or the reduction of chance factors, which is related to the need for stability and conflict reduction. In organization, it is related to formalization and standardization. Risk management technique enhances the effects of avoiding uncertainty, at least some types of uncertainty. Organizations in high uncertainty avoidance tend to uncertainty in the environment by building up a system of high formalization and hierarchy (Hofstede 1980). People who work in high uncertainty avoidance countries turn to this system when confronted by events in the environment, where they feel uncomfortable without such a system to hold on. People who work in low uncertainty avoidance countries feel equally uncomfortable with rigid rules and hierarchy.

Individualism, Hofstede's third dimension, describes the relationship between the



individual and the collectivity, which prevails in a given society. Individualism bears directly on issues of internal integration and influences relationships with personnel, such as the organization's choice of control forms, reward system (Hofstede 1980). Managers from high-individualism (HIDV) and low-individualism (LIDV) work in IJVs may have more conflicts because they focus on different fields. Managers from LIDV countries such as Taiwan, and Hong Kong, endorse "traditional" points of view, and do not support employee initiatives and group activities. In contrast, managers from HIDV countries, such as U.S.A., and France, endorse "modern" points of view on stimulating employee initiatives and group activities.

Masculinity, the fourth dimension in Hofstede's national culture, with its opposite pole femininity, is related to the basic dichotomy between the rational, achievement, aggression, success driven task orientation (Masculine) and emotional, affiliation, passivity, relationship orientation (Feminine). In organization, it is related to Task Orientation as opposed to the relationship styles of management.

A survey conducted a team of 24 researchers called The Chinese Culture Connection (1987) in 22 countries. There are three factors found in this study from the Chinese Value Survey (CVS) correlated with three of Hofstede's four dimensions. One of the factors was unrelated to any of Hofstede's but correlated, named Confucian work

dynamism. Hofstede (1991) introduces it to be the fifth dimension. He divides it into two poles: one is labelled "long-term orientation" which is more oriented towards the future (especially perseverance and thrift); the other is labelled "short-term orientation" which is more oriented towards the past and the present. Hofstede argues that long-term orientation may be the key factor of economic growth in Asia (1991, p.167).

The fifth dimension, LTO, adopted by Hofstede and Bond (1988) has received less attention since scores are available for only twenty-three countries (Hofstede 1991). His multi-dimensional operation provides the beginning of paradigm development in cross-cultural research. Numerous IJVs studies, which use cultural distance as a variable, employ the scores of his study.

Cultural distance is defined as the difference between the national cultural characteristics of the home and of the host countries (Hennart and Larimo 1998). Previous studies measured cultural distance, which employ Hofstede's five dimensions in IJVs in two ways. An approach combines the four dimensions into one aggregate measure of cultural distance between countries, which was developed by Kogut and Singh (1988) (called KSINDEX in follow). The other approach uses one or more Hofstede's five dimensions to examine the effect of cultural distance on IJVs (call



HOFDIMS in follow).

KSINDEX has been one of the most popular approaches in examining cultural impact on IJVs in previous research (e.g. Barkema et al. 1996, Barkema and Vermeulen 1997, Glaister and Buckley 1999, and Hennart and Larimó 1998). This approach was formed based on the deviation along each of the four dimensions of each country from the US ranking. The deviations were corrected for differences in the variances of each dimension and then arithmetically averaged. The index is shown as follows:

$$CD_j = \sum_{i=1}^4 \{(I_{ij} - I_{iu})^2 / V_i\} / 4,$$

where  $I_{ij}$  stands for the index for the  $i$ th cultural dimension and  $j$ th country,  $V_i$  is the variance of the index of the  $i$ th dimension,  $u$  represent the country from which the cultural distance is calculated, and  $CD_j$  is the cultural distance of the  $j$ th country from  $u$ th country.

The first study to apply the KSINDEX as far as can be found in leading journals, was Shenkar and Zeira's (1992). In their study, using KSINDEX did not find the effects of cultural distance on role ambiguity significant in their study. However, when they reanalysed the relationships between the four dimensions, it is found that the four dimensions had differential impacts.

#### 2.4.2.2 The Impact of Cultural Distance on IJV

There are three main impacts, which are related to cultural distance has been broadly discussed in IJV literature: (1) the choice of entry mode and ownership structure, (2) the impact on the choice of location, (3) the impact on IJV performance (Shenkar 2001). Moreover, Role stress has been an important issue in human resource management but has not attracted more attentions after the pioneer research conducting by Shenkar and Zeira (1992). In their study, it is found cultural distance has different types of impact on role stress. The summary of previous IJV studies with the impact of cultural distance is presented in Table 2-1. The following section will discuss the four issues, which is summarized in Table 2-2.

The majority of research has focused on the relationships between cultural distance and the issues of performance and ownership, while little attention has been given to the characteristics of IJVs such as location, formation, and management conflict. The pervious research is reviewed in the following sections.

Table 2-1 Summary of Previous IJV Research with the Impact of Cultural Distance

Issues	KSINDEX	HOFDIMS				
		PD	IDV	MAS	UA	LTO
Ownership and Entry Mode	(v) Pan (1996) CD → ownership. (+) Kough & Singh (1988) CD → entry mode (JV). (+) Hennart & Larimo (1998) CD → entry mode (EJV)	(+) Hennart & Larimo (1998) PDI → entry mode (EJV). (v) Erramilli (1996) PD → ownership. (+) 13: Barkema & Vermulen (1997) Differences in PD → entry mode (EJV).	(+) Barkema & Vermulen (1997) Differences in IDV → entry mode (EJV).	(+) Barkema & Vermulen (1997) Differences in MAS → entry mode (EJV).	(x) Kogut & Singh (1988) UAI → IJV (+) Hennart & Larimo (1998) UAI → entry mode (EJV) (v) Erramilli (1996) UAI → ownership (-) Barkema & Vermulen (1997) Differences in UA → entry mode (EJV) (x) Pan (2002) high UAI → high ownership	(-) Barkema & Vermulen (1997) Differences in LTO → entry mode (EJV).
Formation		(x) Tse, Pan & Au (1997) PD → formation			(x) Tse, Pan & Au (1997) UA → formation	
Location		(v) Tse, Pan & Au (1997) PD → location.			(v) Tse, Pan & Au (1997) UA → location.	
Role Stress	(x) Shenkar & Zeira (1992) CD → role ambiguity.	(+) Shenkar & Zeira (1992) PD → role ambiguity.	(-) Shenkar & Zeira (1992) IDV → role ambiguity.	(+) 7: Shenkar & Zeira (1992) MAS → role ambiguity.	(-) Shenkar & Zeira (1992) UA → role ambiguity.	

(Table 2-1 continued)

Performance	(x) Glaister & Buckley (1999) CD → performance (+) Park & Ungson (1997) CD → IJV dissolution rate. (-) Schuler & Rogovsky (1998) CD → performance (-) Barkema et al. (1996) CD → IJV longevity (x) Merchant (2000) CD → performance  (x) Luo (2002) CD → performance (* Pothukuchi et al. (2002) CD → performance	(*Pothukuchi et al. (2002) difference in PD → performance	(*Pothukuchi et al. (2002) difference in IDV → performance	(+) Zeira et al. (1997) MAS → performance (-) Barkema & Vermulen (1997) MAS → IJV survival (*Pothukuchi et al. (2002) difference in MAS → performance.	(-) Barkema & Vermulen (1997) UA → IJV survival. (* Pothukuchi et al. (2002) difference in UA → performance	(-) Barkema & Vermulen (1997) LTO → IJV survival.
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Note:

(x): no influence (V): have influence, (+): positive influence, (-) negative influence, (\*) mixed influence



Table 2-2 Examples and Finding on Empirical IJV Studies

STUDIES	SAMPLE	METHODS	APPROACH	FINDINGS
Kogut & Singh (1988)	WOS JVs Acquisitions	Secondary data Logistic regressions	KSINDEX UA	1. The larger the cultural distance between home and host country, the greater the chance will be to adopt JV into market. 2. The effect of UA is insignificant.
Shenkar & Zeira (1992)	44IJVs in Israel	Questionnaires	KSINDEX HOFDIMS	1. CD has no significant relationship with role ambiguity. 2. PD and MAS are positively correlated with role ambiguity, whilst IDV and UA were negatively correlated with role ambiguity. 3. The average of the four dimensions in the CD variable therefore cancel out each other's significant impact.
Barkema et al. (1996)	225 foreign ventures	Logistic regression	KSINDEX	Longevity decreases more strongly in the case of JVs than in the case of WOSs
Pan (1996)	4223 EIJs in China	Secondary data Logistic regressions	KSINDEX	Foreign partners prefer to have equal or majority equity ownership as CD increased. However, they are not interested in a majority equity stake if it already had a 50% stake, even though the CD may be increasing.
Erramilli (1996)	337 subsidiaries, 217 US, 120 European	Logistic regression	KSINDEX	The greater PD and UA indices of home and host country, the greater the possibility will be to seek majority ownership.
Barkema & Vermeulen (1997)	228 IJVs and 600 IWOSs cover 72 countries	Secondary data Event history analysis Logistic model	HOFDIMS	1. Differences in UA and LTO have a negative impact on IJV survival and decrease the likelihood that firms enter a foreign country through an IJV rather than through an IWOS. 2. Differences in PD, IDV and MAS between home and host country lead to a preference of IJV over IWOS.
Park & Ungson (1997)	430 IJVs	Secondary data Event history analysis	KSINDEX	1. Larger CD is related to a lower JV dissolution rate. 2. US-Japanese JVs lasted longer than the domestic (US-US) JVs.
Zeira et al. (1997)	34 EIJs in Hungary	Questionnaires regressions	KSINDEX HOFDIMS	The hypothesis is generally non-conclusive, whilst a significant relationship is found between Hofstede's MAS Index and EIJs effectiveness.



(Table 2-2 continued)

Tse et al. (1997)	2998 firm-specific operations in China	Secondary data Regressions equation	HOFDIMS	<ol style="list-style-type: none"> <li>1. PD does not exert any significant effect on IJV formation.</li> <li>2. Firms from high PD cultures locate their operations in places other than SEZ and Open Cities.</li> <li>3. Firms from high PD cultures prefer to interact with lower level government in China.</li> <li>4. The effects of UA on IJV formation are not confirmed.</li> <li>5. The more risk-averse the home culture is, the more likely the investing firms will locate in lower risk areas such as Open Cities and SEZs.</li> <li>6. Firms from risk-averse culture chose to work with higher level government to reduce unnecessary.</li> </ol>
Hennart & Larimo (1998)	266 Japanese firms (113 JVs) and 135 Finnish firms (40 IJVs).	Binomial logistic regressions	KSINDEX HOFDIMS	The larger the CD is between home and host country, the greater chance will be to adopt EJV into market.
Schuler & Rogovsky (1998)	74 US-Chinese IJVs	Questionnaires LISREL Model	KSINDEX	The greater the cultural similarity between IJV partners, the better the IJV performance.
Glaister & Buckley (1999)	520 IJVs include 277 UK firms	Questionnaires Multiple regressions	KSINDEX	CD does not have significant influence on IJV success.
Merchant (2000)	300 IJVs	Cluster Analysis	KSINDEX	Only IJV performance in cluster D is positive and significant, but no different from the other three clusters.
Luo (2002)	134 IJVs in China	Questionnaires Multiple regressions	KSINDEX	CD is not significantly related to IJV performance
Pan (2002)	8,078 IJVs in China from 1979 to 1996	Secondary data Ordered logistic regression Tobit Analysis	HOFDIMS	It is significant that firms from high UA countries have a higher equity ownership in IJVs in China.  However, the result become weak when control variables are incorporated.
Pothukuchi et al. (2002)	202 executives from 61 IJVs	Questionnaires LISREL	HOFDIMS KSINDEX	Cultural distance is partly related to IJV performance

Note:

KSINDEX: Kough and Singh (1988) index

HOFIDMS: Hofstede's five dimensions (i.e. PD, IDV, MAS, US, LTO)

#### 2.4.2.2.1 Ownership and entry mode

Kogut and Singh (1988) were probably the first to test the impact of culture on the choice of foreign entry. Two hypotheses were made in the study: first, it was argued that the greater the cultural distance between the home base of the investing firm and the US, the greater the probability it would choose a joint or wholly owned subsidiary (WOS) investment over a majority or full acquisition. Cultural distance was measured as the deviation between the score of the investor's home country and that of the US on each of Hofstede's four dimensions (1980). It is found that greater cultural distance increases the probability that IJVs would be preferred to WOS and to controlling acquisitions. Their second hypothesis was that the greater the level of uncertainty avoidance in the home country of the investor, the more likely an investor would choose a joint venture or a WOS over an acquisition. The results did not support the case of joint venture but was significant for WOS.

Erramilli (1996) examined the impact of nationality on the ownership policies of MNEs by testing these hypotheses on a sample of European subsidiaries of US and European advertising firms. He argued that the greater the PD and UA characterising the firm's home country culture, the greater the likelihood that the firm will seek majority ownership in foreign subsidiaries. After controlling of country-level,

industrial-level, and firm-level variables, it is found that MNEs based on countries with high PD and high UA tend to prefer majority-owned subsidiaries.

Pan (1996) examined the deterrents of foreign equity ownership in joint ventures in China by sampling 4,223 IJVs formed between 1979 and 1992. Since China was not one of the samples in Hofstede's study, the ratings for Taiwan were used as a surrogate measure for China in the study. The findings contradicted his hypothesis. The foreign partner is more likely to acquire an equal or a majority equity ownership instead of a minority one as the cultural distance increases. It implies that the foreign partner is not interested in a majority equity stake if it already has a 50% stake although the cultural distance may be increasing.

Barkema and Vermulen (1997) examined how the national culture affects the entry mode from a sample of 828 foreign entries. There were two hypotheses in the study: firstly, they argue that differences in uncertainty avoidance between home and host country – rather than differences in PD, IDV and MAS reduce a firm's propensity to set up an IJV rather than a WOS. Secondly, differences in LTO between home and host country – rather than differences in PD, IDV and MAS –reduce a firm's propensity to set up an IJV rather than a WOS. After controlling the experience of firms, GDP per capita, country risk and firm resources, they found that the effects of



uncertainty avoidance and long-term orientation are negative and significant. In contrast, differences along the other three dimensions (i.e. PD, IDV, and MAS) lead to a preference of IJV over IWOS.

Hennart and Larimo (1998) studied the entry strategies of Japanese and Finnish firms in the US by using both of KSINDEX and HOFDIMS. There were two hypotheses: firstly, the lower the power distance and the uncertainty avoidance indices of the home base the investing firm, the greater the likelihood will be it will enter the US with share-equity ventures will be. Secondly, the greater the cultural distance between the home base of the investors and the US, the more likely they will enter the US through shared-equity ventures. They controlled the variables of firm-level and industry-level determinants of subsidiary ownership strategies. The result was contrary to the first hypothesis. Japan has higher values for PD and UA than Finland but Japanese MNEs have lower preference for WOS. It suggests that national characteristics in Japan and Finland do not influence subsidiary ownership choice. They argue that cultural distance between the home country of the investors and the host country has a powerful influence on ownership but PD and UA do not.

A recent study examined the impact of UA on the equity ownership in IJVs by a sample of 8,078 IJVs in the People's Republic of China from 1979 to 1996 (Pan 2002).

Pan hypothesized that firms from source countries with high UA have a higher level of equity ownership in IJVs in a foreign country. The result is significant ( $p < 0.01$ ) but become weaker when control variables (i.e. host country dummy, host country risk, location, government influence, and industry dummies) are incorporated in the analysis. PD is included in his analysis and the result for PD is weak as well.

#### 2.4.2.2.2 Formation

Tse et al. (1997) developed a database on foreign investments to explore the cultural distance impact on the choice of partners, made by the foreign investors in China. There were two hypotheses in the study: firstly, it is argued that firms from a high PD culture would be less likely to form joint ventures with non-Chinese firms when entering China. Secondly, firms from higher UA cultures would be more likely to form joint venture with non-Chinese firms to reduce their risks. It is found that both of PD and UA do not exert a significant effect on the IJV formation.

#### 2.4.2.2.3 Location

Tse et al. (1997) tested the impact of PD and UA on the location of foreign investment in China. The first finding in the study was that firms from high PD culture located their operations in places other than Special Economic Zones (SEZs) and Open Cities.



Secondly, the more risk-averse the home culture is, the more likely the investing firms would locate in lower risk areas such as Open Cities and SEZs. It confirms the mediating effort of operations related factors: firms can reduce their investment risks if the operations are set up in less risky locations.

#### 2.4.2.2.4 Role Stress

Shenkar and Zeira (1992) explored the role conflict and role ambiguity of chief executive officers heading IJVs on a sample of 44 IJVs in Israel. They argue that the larger the cultural distance between parents, the higher the role conflict and role ambiguity of the CEO will be. It is found that role conflict and role ambiguity are not related to the cultural distance. Interestingly, a very different result appeared when they examined the four dimensions of cultural distance separately: all relations emerged as significant. Two dimensions – PD and MAS, are positively correlated with role ambiguity, while the other two – IDV and UA, are negatively correlated with role ambiguity. It is argued that the averaging of the four dimensions in the cultural distance variable therefore cancelled each other's significant impact.

#### 2.4.2.2.5 Performance

Numerous studies examine that cultural distance impact on IJVs focusing on its

performance (e.g. Barkema and Vermulen 1997, Glaister and Buckley 1999, Kogut and Singh 1988, Park and Ungson 1997, Zeira et al. 1997). The findings of these studies, however, are mixed (Yan and Zeng 1999, Robson et al. 2002) (see Table 2-2).

Barkema et al. (1996) examined the cultural distance, which affects the longevity of foreign entries. The sample contained foreign expansions of 13 large non-financial Dutch firms, which used WOS and joint venture to be the entry modes. They argue that the longevity of foreign ventures is more strongly and negatively related to cultural distance in the case of double layered acculturation (JVs and acquisitions), than in the case of single layered acculturation (WOSs and start-ups). The combined results are consistent with the hypothesis that differential effects of cultural distance on longevity for JVs and WOSs, and for start-ups and acquisitions. In addition, longevity decreases more strongly in the case of JVs than in the case of WOSs.

Park and Ungson (1997) investigated the effects of partner nationality on the dissolution of JV in a sample of 186 ventures including 137 IJVs and 49 domestic JVs. They hypothesized that joint ventures are more likely to dissolve when the partners are from culturally distant countries and US-Japanese joint ventures are less likely to dissolve than US-US joint ventures. It is found that cultural distances generally do not affect dissolution while US-Japanese joint ventures last longer than US-US joint

ventures. They suggest that larger cultural distance is related to a lower rate of JV dissolution.

Barkema and Vermulen (1997) examined if national culture affects the survival of IJVs and WOSs. There were two hypotheses in their study: firstly, they argue that differences in uncertainty avoidance between home and host country – rather than differences in PD, IDV and MAS – have a negative impact on IJV survival. Secondly, differences in LTO between home and host country – rather than differences in PD, IDV and MAS – have a negative impact on IJV survival. It is found that the effects of UA and LTO are negative and significant, while the effects of PD and IDV are not. Differences in MAS have a significant, negative impact on the survival of IJVs but the effect is smaller than the effects of UA and LTO.

Zeira et al. (1997) examined the impact of cultural distance on IJV effectiveness in a sample of 34 EIJVs in Hungary. They hypothesised that EIJVs in Hungary where there is a greater national cultural distance between parent companies will be less effective than those where the national cultural distance is less. The dependent variable of EIJV effectiveness included subjective and objective performance measures including six items as following:



- (1) Achieving their goals as specified in their documents of incorporation;
- (2) Meeting the expectations of their stakeholders;
- (3) Having a growing market share;
- (4) Being financially profitable;
- (5) Meeting targeted growth objectives;
- (6) Meeting targeted profit objectives.

The first measure of effectiveness ('GOALS') and the items 2-6 ('INDEX') were both used in the study. The results did not support the hypothesis but a significant relationship between Hofstede's MAS Index and EIJV effectiveness was found as measured by INDEX. The results indicated that the greater the differences between the home culture of the parent companies in the MAS dimension are, the more effective the EIJV will be.

Schuler and Rogovsky (1998) seek to determine the extent to which Hofstede's four dimensions of culture are associated with specific compensation practices on a sample of 74 US-Chinese IJVs. They argue that IJV satisfaction is positively predicted by cultural similarity. The findings show that the greater the cultural similarity between IJV partners is, the better the IJV performance.

Glaister and Buckley (1999) considered the relationship between subjective measures of IJV and a set of variables, which included cultural distance by investigating a sample of UK partner firms in 520 joint ventures with foreign partners. It is argued that cultural distance will be significantly negatively related to IJV performance. After controlling for IJV-type and industrial-level variables, it is found that cultural distance does not have significant influence on IJV success.

Merchant (2000) examined 300 IJVs between U.S. and foreign firms. Using cluster analysis, he groups these IJVs into four clusters. Cluster A involved partners from Asian countries; cluster B involved West European and Southeast Asian partners, of which more than half are Japanese firms; cluster C involved West European partners and some partners in the Asia-Pacific; cluster D involved West European and Japanese partners. The findings indicate that firms in cluster A are least culturally similar and those in cluster C generally are most culturally similar to their non-US partner.

Luo (2002) analyzed the data containing 134 IJVs in China by using KSINDEX. It is found that cultural distance is not significantly related to IJV performance. He suggests that most Western MNEs may no longer suffer from cultural disadvantages or higher liability of foreignness compared with overseas Chinese after more than a decade of operations in China.



Pothukuchi et al. (2002) examined the effect of national culture on IJV performance by a sample of 202 senior managers from 61 IJVs in India. Performance was measured by subjective measures from Geringer and Hebert (1991). Using both of HODIMS and KSINDEX, they hypothesized that national culture distance between partners negatively influences joint venture performance. However, the results receive limited support. KSINDEX shows the measures of three out of nine performances are significantly related. Differences in MAS show positive effect on all performance measure but other dimensions receive mixed results. They suggest that national culture distance can have either a positive or a negative effect on IJV performance. Two factors that modify the effects of cultural differences on IJV performance are identified: the content dimensions of national culture and the nature of IJV performance.

### 2.4.3 Discussion

Regarding the KSINDEX approach, previous studies generally supporting cultural distance are related to ownership and entry modes, but not significantly related to role stress. The results on IJV performance are quite ambiguous and controversial. For instance, one study, (Park and Ungson 1997), supporting cultural distance has had a

positive impact on IJV dissolution but two studies prove cultural distance has negatively impacted on IJV performance (e.g. Schuler and Rogovsky 1998, Barkema et al. 1996). Three studies show cultural distance has no correlation with IJV performance (e.g. Glaister and Buckley 1999, Merchant 2000, Luo 2002). However, a recent study shows the impact of cultural distance on IJV performance to be very dependent on performance measures (Pothukuchi et al. 2002).

Similarly, conflicting results can be found from previous studies of using HOFDIMS approach. For instance, it is found that MAS impacts on IJV performance positively by Zeira et al (1997) but negatively by Barkema et al. (1997). However, Pothukuchi et al. (2002) found that MAS impacts on IJV performance depending on measures.

Some methodological and conceptual questions have been raised by Smith (1996) and Shenkar (2001). Regarding methodological problems in the next section, it has come to light of Hofstede's survey indicating purpose, dimension equivalence, and applied validity of CD. Regarding conceptual problems, the following section will discuss questions of unlimited timing and impact pattern.

#### 2.4.3.1 Methodological Problems

Firstly, it is argued that KSINDEX approach is over simplified HOFDIMS (Shenkar 2001). It assumes equivalence of the four dimensions. Shenkar and Zeira (1992) first hypothesised that the larger the cultural distance between parents, the higher the role conflict and the role ambiguity of the CEOs by using HOFDIMS. They did not find a significant relationship between them. However, the relationship came out significantly when the four dimensions were reanalysed separately. They argue that averaging of the four dimensions therefore cancelled out each other's significant impact.

The different types of impact also can be found in Barkema and Vermulen's (1997) study. Differences in PD, IDV, and MAS are found positively but UA and LTO negatively related to entry. This evidence shows KSINDEX could turn the significant impact of individual HOFDIMS into insignificance.

Secondly, it is suggested that Hofstede's four dimensions developed from his questionnaires are for quite different purposes (Smith 1996). Can it be applied in the field of international business studies directly? Moreover, when multinational companies are getting popular, could they develop a transnational culture? Previous studies used HOFDIMS to examine the impact of national culture did not reach firm



conclusions.

Finally, it is proposed that employees in cross-national organizations could have interactions between colleagues (Smith 1996). For instance, a US manager works in Japan for years and is used to his Japanese colleague's behavior and thinking in business operations. Cultural difference would not be a big problem when he is appointed as a general manager in a US-Japanese IJV. It could be a bias when researchers measure the cultural distance by KSINDEX or HOFDIMS between US and Japanese managers, but regardless of how long the foreign managers have been living in the host country.

#### 2.4.3.2 Conceptual Problems

Firstly, Smith (1996) questions whether the data developed between the sixties and seventies can be employed in the nineties. Does the modern society change the types of cultural dimensions? Shenkar (2001) has the same argument. Secondly, the distance from 'A country to B country' does not necessary equal 'B country to A country'. For instance, a US firm investing in China is faced with the same cultural distance as a Chinese firm investing in the USA. However, the impact of cultural distance for US and Chinese firms should be different since Chinese generally know US culture more



than American know the Chinese.

Thirdly, Shenkar (2001) questions whether the impact of cultural distance on firms will it be linear. In other words, will it be the same degree of impact on firms entering a host country in the first year and then as to ten years? A related question looking into why some firms fail in the first several years is not included in survey. These firms could experience the highly impact of CD.

Fourthly, Usunier (1998) argues that researchers who use KSINDEX are in a naive and dangerous situation. He said:

They have forgotten that Hofstede's study had been undertaken within an American multinational corporation and reflected world cultures in contrast to the USA, not all possible contrasts (Usunier 1998, p. 153).

For instance, using KSINDEX, the distance from France to Turkey (0.45) is shorter than to the UK (2.19). He further suggests that culture should not be assumed as equal to nation.

#### 2.4.4 Suggestions

Several suggestions can be made after reviewing previous IJV research. Firstly, studies using KSINDEX need to test HOFDIMS simultaneously in order to examine the effect of each dimension. Based on the argument above, it is suggested that further study needs to go back to the original Hofstede's dimensions.

Secondly, studies need to develop self-reported techniques in order to test HOFDIMS, whether these dimensions measured in the 1960s and 70s can be used in the 21<sup>st</sup> century. Two methods are recommended: (1) general measure: cultural similarity, which has been used in several studies (e.g. Park and Ungson 1997, Vachani 1991, Lin and Germain 1998) and (2) self-reported measures of HOFDIMS, which have almost not found in previous IJV research.

Thirdly, we need to pay attention to the impact of cultural distance on international human resource management (IHRM). Shenkar and Zeira (1987) indicated that few IJV studies refer to HRM and called for attention of fundamental HRM issues but received little response in 1990s. As Child and Faulkner (1998, p212) said:

Until recently, the human-resource issues arising in strategic alliances have received rather little attention. This is despite evidence that many performance

problems in alliance stem from poorly designed and executed human-resource-management (HRM) policies (Frayne and Geringer 1990).

Further research can focus on the impact of cultural distance on HRM such as management styles, conflict, and HRM fundamental issues such as leadership, control patterns, and decision-making.

Fourthly, performance measures need to be concerned about the criteria. Performance measures of IJV have been shown a complex task (Dussauge and Garrette 1995, Park and Ungson 1997). Geringer and Hebert (1991) found that subjective measures are positively correlated with objective measures. Park and Ungson (1997) used the duration of JV by the number of years and months from formation to dissolution. A measure of longevity was acquired: the number of years the venture persisted was the criteria used by previous studies (e.g. Barkema et al. 1996, Barkema and Vermulen 1997). It is difficult to compare the results because these studies measured performance by very different measures. A recent study also pointed out that the impact of cultural distance on IJV performance depends greatly on the type of performance measure (Pothukuchi et al. 2002). They suggest further research is needed to develop theoretical expectations on this issue.

Fifthly, surveys need to compare the difference between surviving IJVs and failed IJVs to examine the impact of cultural distance on the two groups of IJVs. The majority of IJV surveys focus on operating IJVs. However, the failed IJV could be unsuccessful in coping with the impact of cultural barriers. In other words, these operating IJV could be viewed as having little cultural impact. Therefore, when we survey the impact of cultural difference by the operational IJVs, it is difficult to find any significant influence.



## CHAPTER 3 RESEARCH METHODOLOGY

### 3.1 Introduction

The goals of this study are to explore the impact of culture on IJV management. China is one of focal countries in the field of international business research since China's Foreign Direct Investment (FDI) inflows have been the largest of the developing countries since the mid-1990s. Japanese-Chinese and Taiwanese-Chinese IJVs are chosen as the research setting since they are the No. 2 and No. 3 FDI countries in China. Japan invests 3.7 billions and Taiwan invests \$3.5 billion US dollar in 1996 (China Statistical Yearbook 1997, p.606-607). Taiwan is viewed as Overseas Chinese so the cultural distance is expected to be shorter than Japan when Taiwanese invest in China.

### 3.2 The Conceptual Model

A conceptual model is presented in the Figure 3-1. This model allows for the incorporation of the various theoretical perspectives, which are believed to make complementary contributions to the relationship between cultural factors, IHRM issues (i.e. management styles, role stress, and conflict resolution strategies), and IJV performance. A brief literature review is presented as follow.

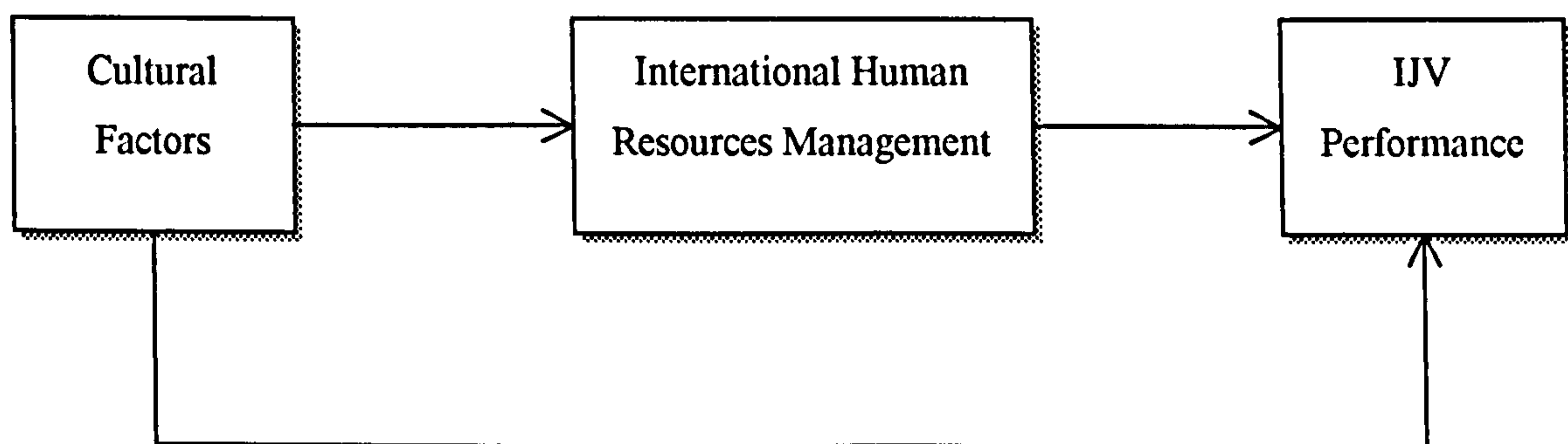


Figure 3-1 A Conceptual Model

#### 3.2.1 Cultural Factors

Culture is a complex concept with numerous definitions. Hofstede's (1980) definition "the collective programming of the mind, which distinguishes the members of one human group from another" probably is the most cited definitions since 1980s. His IBM survey is a large-scale investigation across more than 50 national branches of IBM. He found four dimensions by a combination of factor analysis and theoretical reasoning (i.e. Power Distance, Uncertainty Avoidance, Individualism, and Masculinity). His findings of four dimensions across countries have given rise to the

concept of 'national culture'. Hofstede argues that nation can be the cultural boundary since the different systems between countries such as legal and educational systems are the collective programming, which differentiate people of one nation from another (Hofstede 1983). Cultural similarity refers to one party who observe a similar degree of behavioral patterns to another party (Lin and Germain 1998). The concept of cultural similarity and nationality are correlated and distinct (Buckley and Casson 1988). IJV foreign partners from different countries could perceive local partners different ways of managing and operating so that they can learn and cooperate with each other. In this study, we use the three concepts to measure (i.e. Hofstede's cultural dimensions, nationality, and cultural similarity).

### 3.2.2 Cultural Factors and International Human Resources Management

Until recently, the issues of international human resource management (IHRM) arising in IJVs have received rather little attention within MNE managers and academia (Child and Faulkner 1998). Failure of cooperation between can result in the poor adjustment of managers to working on IJV management. For instance, US MNEs have been observed with a high failure rate of expatriation (Adler and Ghadar 1990). It is found that several IHRM issues are different between nations and have impacts on performance such as management styles, role stress and conflict resolution strategies



(Culpan and Kucukemiroglu 1993, Shenkar 1992, Lin and Germain 1998).

### 3.2.2.1 Cultural Factors and Management Style

Culpan and Kucukemiroglu (1993) build up a model of management styles consisting of six dimensions. These are: (1) supervision style, (2) decision-making, (3) communication pattern, (4) control mechanism, (5) paternalistic orientation and (6) interdepartmental relations. Supervision style relates to the type of interactions between supervisors and their subordinates in organizations. Decision-making refers to different methods of leading to accomplishment and outcomes. Communication refers to the information flow within organizations and barriers to information flow. Control mechanism refers to check and compare the operations conducted and results achieved by the employees meeting the organizational standards. Paternalistic orientation refers to the degree of supervisory concern for personal life of employees and provide social support. Culpan and Kucukemiroglu (1993) found that US and Japanese management styles differ significantly both in overall management styles and in each of the six dimensions, which provide the link between cultural factors and management styles. Achievement of cultural fit is likely to be a challenge for IJV management. The differences of management styles between parents and its conflicts are among the personnel problems have been noted by researchers (Shenkar and Zeira



1987). For instance, barriers to communication between IJVs and parents can easily happen because of cultural difference (Child 1994). Hence, the proposition will be:

P1: Cultural factors have a significant effect on the management styles of IJV general managers and parent firms.

### 3.2.2.2 Cultural Factors and Role Stress

Three kinds of stress have been identified in previous research: (1) role conflict, (2) role ambiguity, and (3) role overload. Role conflict refers to incompatibility between the expectations of parties or between aspects of a single role. Role ambiguity refers to a lack of information needed to perform the role. Role overload refer to a person does not have the necessary resources to fulfill commitments, obligations, or requirements (Cooper et al. 2001, Peterson et al. 1995, Shenkar and Zeira 1992). Shenkar and Zeira (1992) found that role ambiguity of IJV general manager would be higher when the power distance and masculinity gap between parent firms are lower, and when the Individualism and uncertainty avoidance gaps are higher. Peter et al. (1995) found that role stresses are different between countries and two cultural dimensions: power distance and collectivism are negatively related to role ambiguity and positively related to role overload. The two studies provide the links between cultural factors and role stress. Hence, the proposition will be:

P2: Cultural factors have a significant effect on the role stress of IJV general managers.

### 3.2.2.3 Management Style and Role Stress

This study attempts to link the relationship between management styles and role stress, which have not been found in previous IJV research. IJVGM's role conflict occurs from the different expectations of parent firms. Cooper and Cartwright (1994) indicate that stress often occurs within an organization of mixed multi-culture and management styles. Cooper et al. (2001) found that supervision style is a stress source for employee in workplace. It is found negative relationships between formalization control and both ambiguity and conflict (Podsakoff and Todor 1986). Previous studies suggest that communication processes within organizations contribute to employee reactions to their job and the organization as a whole (Guzley 1992, O'Driscoll and Evans 1988). Jackson (1983) suggests that participation in decision-making influence over others' role expectations could reduce role conflict. It is found that intensive job demands reduces an employees contribution towards family life, which cause stress from family life and influence their performance in the workplace (Higgins and Duxbury 1992). Hence, the proposition will be:

P3: Differences of management styles between parent firms have a significant effect

on the role stress of IJV general managers.

#### 3.2.2.4 Conflict Resolution Strategy

Thomas and Kilmann (1974) develop a model for measuring an individual's dispositions into five different styles: (1) integrating; (2) dominating; (3) obliging; (4) avoiding; (5) compromising. Integrating style refer to involves frankness, information exchange, and examination of differences in order to achieve an effective solution acceptable for both parties. Obliging style is linked with attempting to diminish the differences and express harmony so that the concern of the other party can be satisfied. Dominating style is associated with win-lose orientation with forcing behavior to win one's position. Avoiding style is connected with withdrawal, buck-passing, or sidestepping situations. People with this style tend to deny the conflict, change or avoid topics, employ noncommittal remarks, or joking as a way of avoidance when they face conflicts (Hocker and Wilmot 1998). Compromising style refer to involve give-and take whereby both parties give up something to make a mutually acceptable decision. This model makes an effort to explain conflict by studying the internal dynamics of conflict episodes. It classifies a party's orientation into two basic dimensions: to satisfy his own concerns and to satisfy the concern for others. Lin and Germain (1998) adopt integrating style (i.e. problem-solving strategy), compromising



style, and dominating style (i.e. forcing strategy), and develop a new strategy (i.e. legalistic strategy). They found that cultural similarity is positively related to problem-solving strategy, which provide the link between cultural factors and conflict resolution strategy in the current study. Hence, the proposition will be:

P4: Cultural factors have a significant effect on the conflict resolution strategies of IJV general managers and parent firms.

### 3.2.3 IJV Performance

One of the most important issues in IJV research is performance measure. Buchel and Thuy (2001) propose a performance evaluation, with measures clustered into four approaches: economic, strategic, behavioral, and learning approaches. The economic approach concerns financial output and focus on increasing the value of the shareholders, which relate to short-term goals. The strategic approach emphasizes long-term goals such as customer satisfaction, competing with global competitor in local market, and market potential. The behavioral approach focuses on processes within the IJV, which concerns the conduct of the participants in the IJV rather than the output criteria. The learning approach takes into account not only the acquisition of knowledge and the attainment of learning goals, but also the learning processes, which support these ends. Both of the behavioral and learning approaches are viewed as medium-term orientation (Buchel et al. 1998, Buchel and Thuy 2001).



A survey of Chinese values was conducted by a team of 24 researchers called The Chinese Culture Connection (1987) in 22 countries. Three of the factors found in this study from the Chinese Value Survey (CVS) correlated with three of Hofstede's four dimensions. One of the factors was unrelated to any of Hofstede's but correlated with the named Confucian work dynamism. It was introduced as the fifth dimension in Hofstede's study (1991). He divided it into two poles: one is labeled "long-term orientation" which is more oriented towards the future (especially perseverance and thrift); another is labeled "short-term orientation" which is more oriented towards the past than the present. Hofstede argues that long-term orientation may be the key factor of economic growth in Asia (1991, p.167). Hence, the propositions will be:

P5: Cultural factors have a significant effect on IJV performance.

P6: There are significant correlations between cultural factors, measure approaches, and perspectives of IJV general manager and parent firms.

### 3.3 Data Collections

This study takes its sample from two major sources. Firstly, the Japanese sample is drawn from the "Japanese Business in China Yearbook 2000-2001" (Mitsubishi Research Institute 2000). Secondly, the Taiwanese sample come from some periodicals issued in Taiwan including the "Taiwan Stock Market Listed Companies

Investing in China 1999” (Taiwan Research Institute 2000), the “The Member Lists of Taiwan Business Societies in Mainland China 2001” (Straits Exchange Foundation 2001) and “A List of Taiwanese Companies Investing in China 1993-2001” (Chinese National Federation Industries 2001). For the purpose of this study, IJVs are selected to include one foreign and one local parent firms, whose major business activities are in the manufacturing sector. Information in the Japanese Business Yearbook reports subsidiary identity, location, parent firm’s identity, total investment amount, foreign and local equity shares, foreign and local equity contributions and so on. One of the advantages of using this source is that the data includes the names of subsidiaries’ CEO and addresses in China, and foreign partners’ addresses in Japan. However, the data sourced from Taiwanese sample is limited, which include subsidiary identity, location, and identity of Taiwan’s parent firm only. US-Chinese IJVs sourced from China Business Review (US-China Business Council 1981 -2000), which includes the names of US-Chinese IJVs, and limited information about foreign parent, investment amounts. Therefore, more information was obtained from IJV and parent company’s websites and China’s Yellow Pages.

There are two reasons for using multiple sources in this study. Firstly, data collecting for IJV research is not easy in China as the central and local governments have the right to approve foreign firms investing in China depending on how much money they

invest. It is hard to collect the whole amount of information of foreign investment in China. Secondly, some foreign investors, especially from Taiwan, try to avoid political risks so they tend to build up paper companies in third party countries or areas such as Singapore and Hong Kong. One of the goals in this study is to analyze country-level variable so that the nationality of foreign firms need to be correct. Hence, it is an advantage to build up a database by multiple sources for IJV survey in China.

### 3.4 Questionnaire Development

The questionnaire generally follows the methods, which are suggested by Usunier (1998): (1) back translation, (2) bilingual translation, and (3) committee approach in order to make sure of item equivalence across each version. Back translation refers to material in 'A' language, which can be translated into 'B' language then a second person back translates 'B' to the 'A' language. Therefore, the two 'A' language versions can be compared whether differences exist. This method can ensure word correctness across the two languages. However, a disadvantage exists in the back-translation method, which could contain different meanings but present literal equivalence in the two languages (Deutscher 1973).

Secondly, the bilingual translation refers to two bilingual persons taking the same materials in the two languages, which they have mastered. Therefore, they can check

and correct the differences between the two languages. One disadvantage is that the material created is based on the reactions of bilinguals who come from a unique group (Harpaz 1996).

Thirdly, the committee approach refers to a group of bilingual persons translating from 'A' language to 'B' language. The advantage of this method is that mistakes from one person can be found by the others. However, a disadvantage of this method is that people in the committee may hesitate to point out other's mistakes (Brislin et al. 1986).

In this study, a questionnaire was developed in the English version first, then translated into Chinese and Japanese versions and back translated the two languages into English. The author translated the English questionnaire into Chinese then a Chinese-American translated back into English. A Japanese professor translated English into Japanese then a Chinese manager who had been working in Japan for years translated into English. The final version had been discussed with a Chinese associate professor teaching translation and a Chinese assistant professor teaching business management in Taiwan's universities. Their opinions and comments were used to modify and finalize the questionnaire in different versions. A major part of this questionnaire is adopted from previous studies, which had conducted surveys, so a



pre-test method is not included in this study.

The questionnaire consists of six parts. Part I concerns basic factual information about the parent companies and IJVs – company size, IJV size, ownership structure, major business activities, date of formation of IJV, and so on. Senior managers of parent firms and IJVGMs are asked about their age, educational level, field of education, years in present position, years with the company, gender, nationality, and so on.

Part II of the questionnaire concerns management styles, which includes 39 questions developed by Culpan and Kuckemiroglu (1993) and is used in this study after minor revision. It conducts five dimensions: Supervisory Style, Decision making, Communication Pattern, Control Mechanism, and Paternalistic Orientation. Senior managers in the parent firms are asked what is their management styles (using a 9-point Likert scale from 1=very little to 9 = very large). However, IJVGMs are asked to measure the difference of management styles between local and foreign parent companies with the same scale.

Part III of the questionnaire concerns IJVGGM's role stress: role conflict, role ambiguity, and role overload, which is adapted from Rizzo et al. (1970), Shenkar and Zeira (1992), and Peterson et al. (1995). The IJVGMs are asked 19 questions (using

7-point Likert scale from 1=very false to 7=very true).

Part IV of the questionnaire concerns conflict resolution strategies, which are adapted from Lin and Germain (1998). It includes 18 questions, which conducts four dimensions: Problem-solving, Compromising, Forcing, and Legalistic Strategy (using a Likert-type scale ranging by strongly disagree=1 and strongly agree=5).

Part V Performance includes 35 questions, which consult several previous studies (i.e. Buchel and Thuy 2001, Dong et al. 1997, Glaister and Buckley 1998, Lin and Germain 1998, Yan 2000). Buchel and Thuy (2001) categorize performance measures into four approaches: economic approach, strategic approach, behavioral approach and learning approach. Buchel and Thuy (2001) categorizes performance measures into four approaches: economic, strategic, behavioral, and learning approach and three time scales: short-term, medium-term, and long-term (shown in table 6-1). The four approaches are measured by three-point Likert scale (from 1 = worse than expected to 3 = better than expected). These approaches are adopted in the first section of part V. In the second section, respondents are asked two questions, which relate to IJV instability (using a 5-point Likert scale from 1=very disagree to 5=very agree). It has been defined in different ways in previous studies (Harrigan 1988, Park and Ungson 1997, Glaister and Buckley 1998). In section three, an estimation question is asked:

“To your knowledge and estimation, how many parent companies satisfy their performance of IJV in China?” In section four, respondents are asked one question about their general satisfaction with IJV performance (using 5-point Likert scale from 1=very dissatisfied to 5=very satisfied). Finally, two questions are asked about profit and sales growth from 1999 to 2001.

Part VI of the questionnaire concerns cultural distance between the host country and the home country, which is measured by two methods. In the first section, respondents are asked two questions: how their partners (1) perceive things and (2) behave like them, which are adopted from Lin and Germain (1998) (using a Likert-type scale from 1=strongly disagree to 5=strongly agree). A self-reported measure of Hofstede’s five dimensions: PD, IDV, MAS, UA and LTO (1980, 1991) is used in the second section. 20 questions adopted from Hofstede’s Cultures and Organizations (1991, p.37, 67, 97, 125, 173) are measured by 10-point bipolar scales.

### 3.5 International Mail Survey

A number of 1,868 questionnaires were sent to IJVs and parent company’s senior managers in the USA, Japan and People’s Republic of China (see Table 3-1). Each set of mail contains four parts. Firstly, a cover letter explains the purpose of this research and requests respondent’s help. Secondly, the main body of the questionnaire includes

six sections for IJVGMs or five sections for senior managers of parent firms. Thirdly, a copy of a letter issued by Research Degrees and Scholarships Office proves the researcher is a PhD student in Leeds University Business School. Therefore, respondents can trust that this research is carried out exclusively for academic purposes. Finally, an addressed reply envelope was enclosed.

Table 3-1 A Summary of International Mail Survey

First Stage (2001. 11.20 ~ 2001. 12.10)								
		Date	No.	Returned	%	Usable	%	Sum
US-Chinese IJVs	US IJV GM	20-Nov	152	3	1.97%	3	1.97%	3
	US parent firms	16-Nov	109	5	4.59%	5	4.59%	5
	US Rep. in China	23-Nov	62	0	0.00%	0	0.00%	0
	PRC parent firms	5-Dec	175	1	0.57%	0	0.00%	0
Japanese-Chinese IJVs	Japanese IJVGMs	26-Nov	169	10	5.92%	9	5.33%	9
	Japanese parent firms	7-Nov	111	17	15.32%	16	14.41%	16
	Japanese Rep. in China	19-Nov	46	0	0.00%	0	0.00%	0
	PRC parent firms	10-Dec	181	1	0.55%	1	0.55%	1
Taiwanese-Chinese IJVs	Taiwanese IJVGMs		0					
	Taiwanese parent firms		0					
Total			1005	37	3.68%	34	3.38%	34



(Table 3-1 continued)

Second Stage (2002. 1.12 ~ 2002.2.15)								
		Date	No.	Returned	%	Usable	%	Sum
US-Chinese IJVs	US IJVGMs		0					
	US parent firms		0					
	US Rep. in China		0					
	PRC parent firms		0					
Japan-Chinese IJVs		12, 15-Jan	200	35	17.50%	34	17.00%	34
	Japanese IJVGMs							
	Japanese parent firms	15-Feb	104	17	16.34%	17	16.34%	17
	Japanese Rep. in China		0					
Taiwan-Chinese IJVs		14, 16-Jan	348	44	12.64%	40	11.49%	40
	Taiwanese IJVGMs							
	Taiwanese parent firms	21-Jan	211	55	26.07%	49	23.22%	49
Total			863	151	17.38%	140	16.22%	140

### 3.5.1 First Stage

For cost saving purposes, the 1,005 copies were posted using printed matter rates for international mail. At the first stage from November 7 to December 10, 2001, 109 questionnaires were sent to senior managers of parent companies in the USA. 214 questionnaires of the English version were mailed to the US-Chinese IJVGMs and the Representative Offices in China. 175 questionnaires were posted to Chinese parent companies of US-PRC IJVs in the Chinese version. 169 questionnaires of the Japanese version for parent companies were posted to CEOs whose names taken almost entirely from company's Homepages in Japan. Meanwhile, 46 questionnaires

were sent to some of these companies' Chief Representatives in China in order to enlarge the sample size. 169 questionnaires written in Japanese were posted to Japanese general managers and 181 questionnaires written in Chinese were sent to Chinese parent companies.

Due to cost and time considerations, this research has used a single follow up only.

Three weeks after the questionnaire was posted, a reminder letter was sent to the respondents. Since the Christmas and New Year were approaching, a greeting card replaced the letters as a reminder.

### 3.5.2 Second Stage

Both questionnaire return-rates of US-Chinese IJVs and Japanese-Chinese IJVs were very low, so that second-stage posting proceeded from January to February 2002. At this stage, the questionnaires were only posted to Japanese-Chinese IJVs and Taiwanese-Chinese IJVs and used letter matter rate to improve return-rate. The group of US-Chinese IJVs has been excluded here due to the shortage of mailing lists and relatively low questionnaire return-rate. Meanwhile, the sample of local parent companies was abandoned at this stage because the return-rate of local partners was almost zero for both Japanese-Chinese and US-Chinese IJVs in China in the first stage.

The representative offices of US-Chinese and Japanese--Chinese IJVs received the similar situation of low return-rates and were discarded at this stage.

863 questionnaires were posted to Japan, China and Taiwan at this stage. 200 questionnaires in Japanese were sent to the general managers of Japanese-Chinese IJVs in China before the Chinese New Year. Meanwhile, a total of 348 questionnaires in Chinese were sent to general managers of Taiwanese-Chinese IJVs and the chairmen of Taiwan's Business Societies in 48 cities in China. It is believed that some of the chairmen would be willing to pass the questionnaires to their colleagues. 211 questionnaires were sent to CEOs of parent companies in Taiwan. 104 Japanese-version questionnaires were posted to CEOs of parent companies in Japan right after the Chinese New Year. The reminder letters were sent to the parent firms of Taiwanese-Chinese IJVs two weeks after the questionnaires were posted, whereas the reminder letters were sent to respondents in both Japan and China three weeks after the questionnaires were posted because of the length of time incurred by the use of international mail.

### 3.5.3 Return-rate

The return-rate was shown in the Table 3-1. A short summary for IJVs only was



presented in Table 3-2 and short summary for foreign parent companies only was shown in Table 3-3. It is not unusual to carry out a mail survey in China receiving low return-rate (Hoskisson et al. 2000). Brouthers and Xu (2002) pointed out several reasons, which lead to the low return-rate. Firstly, managers cannot trust the surveyor's purposes. Secondly, cooperating with the survey cannot bring any actual benefits for the respondents or the companies except we offer them a copy of the survey's findings. Thirdly, this could be the most important reason, Chinese managers are afraid of leaking commercial secrets to people outside the firm. They could break China's laws to tell outsiders the "inside story" since the majority of Chinese firms still are owned by government. These reasons can explain why this survey received such a low return-rate, especially in the group of Chinese parent firms.

Table 3-2 A Summary of Returned Questionnaire from IJVGMS

	No.	Returned	%	Usable	%	Total
US-Chinese IJV	152	3	1.97%	3	1.97%	3
Japanese-Chinese IJV	369	45	12.20%	43	11.65%	43
Taiwanese-Chinese IJV	348	44	12.64%	40	11.49%	40

Table 3-3 A Summary of Returned Questionnaire of IJV Parent Firms

	No.	Returned	%	Usable	%	Total
US parent firms	109	5	4.59%	5	4.59%	5
Japanese parent firms	215	34	15.56%	33	15.35%	33
Taiwanese parent firms	211	55	26.07%	49	23.22%	49



### 3.6 Sample Characters

The question of numbers of parents is an important methodological issue. Obviously, it will complicate IJV management of having to deal with more than one foreign and one local parent because multiple viewpoints need to be considered when a IJV general manager makes strategic decisions (Zeira and Newburry 1999). Prior research has suggested that the numbers of parents may influence the IJV performance (Geringer 1990). Hence, this survey selects IJV samples, which have one foreign and one local parent only.

#### 3.6.1 IJVGMs

This study consists of 83 IJVGMs from Japanese IJVs (N=43) and Taiwanese IJVs (N=40). Profiles of the respondents included three level (i.e. personal, firm, and industrial) are presented in Table 3-4. At the personal-level, Japanese IJVGMs' age (79% are 51 or above) tended to be older than Taiwanese IJVGMs (42.5% are 51 or above). However, their education levels were similar (Japan: 79.2% and Taiwan: 75% obtain college degree or above). Japanese IJVGMs mainly majored in Engineering (67.4%) while Taiwanese IJVGMs were divided between Business (45%) and Engineering (40%). All of the respondents were male.

At the firm-level, the majority of both groups of respondents have worked in their

present position for under five years (Japan: 86.1%, Taiwan: 70%). However, Japanese IJVGMs tended to work in the same company for longer than Taiwanese IJVGMs (Japan: 65.7% and Taiwan: 5% are all 11 years or above). The majority of the two groups of respondents have lived in China for no more than five years (Japan: 65.1%, Taiwan: 60%). The size of their parent companies was somewhere between the two IJV groups (Japan: 88.3%, Taiwan: 40%). However, the size of Japan IJVs was slightly smaller than Taiwan IJVs (Japan: 72.1% and Taiwan: 57.5% have under 500 employees). The ownership structures for the two groups were firmly different. 62.8 percentage of Japanese parents owned more than half of the shares when the IJVs were formed, while the percentage for the Taiwan parents was 95. Two Japanese parents moved from a "50-50" into major stockholders but all Taiwanese IJVs' ownership structures remained the same. Most of the Japanese IJVs focused on China market (number of firms, which export more than 50 percent of products: 14), but the majority of Taiwanese IJVs concentrated on exports (number of firms, which export more than 50 percent of products: 26). Regarding the age of IJVs, most of the IJVs were between 6-10 years (Japan: 72.1%, Taiwan: 62.5%).

At the industrial-level, the top two industries for the Japan IJVs were: Electronics (20.9%), Automobiles (16.3%) and Machinery & Machine Tools (16.3%), while the Taiwanese IJV's were: Textiles & Apparel (55.0%) and Electronics (22.5%). However,

IJV business activity in China was somewhat different to the Taiwanese parents. The top two industries for Japan IJV's were the same as the parents: Automobiles (16.3%), Machinery & Machine Tools (16.3%) Electronics (14%), while Taiwanese IJVs were: Electronics (22.5%), Computers (12.5%) and Consumer Goods (12.5%).

A challenge in cross-cultural studies is in matching samples across countries on demographic and social factors (Begley and Tan 2001, Peng et al. 1991). Some similar problems in comparing IJVs across cultures are that these samples are not comparable with regards to certain key characteristics in personal, company, and industrial level. These variables need to be controlled since they could affect the response pattern studied (Agarwal et al. 1999). However, in this study, there are significant differences between the two groups (see Table 3-4). Care needs to be taken when interpreting the results.

Table 3-4 Characters of the IJVGMs (N=83)

	Japanese Group (N=43)		Taiwanese Group (N=40)	
	No.	Percentage	No.	Percentage
<b>Age:</b>				
Under 40 years	1	2.3%	1	2.5%
41-45	2	4.7%	11	27.5%
46-50	6	14.0%	11	27.5%
51-55	13	30.2%	9	22.5%
56-60	17	39.5%	8	20.0%
60 and above	4	9.3%	0	0.0%
<b>Education:</b>				
High school	8	18.6%	3	7.5%
Attend college	1	2.3%	7	17.5%
College degree	26	60.5%	20	50.0%
Attend graduate school course	2	4.7%	2	5.0%
Master or PhD	6	14.0%	8	20.0%
<b>Major:</b>				
Business	11	25.6%	18	45.0%
Other Social Science	1	2.3%	3	7.5%
Literature and language	0	0.0%	1	2.5%
Engineering	29	67.4%	16	40.0%
Other Science	2	4.7%	2	5.0%
Other	0	0.0%	0	0.0%
<b>Years in present position</b>				
0-1	3	7.0%	2	5.0%
2-5	34	79.1%	26	65.0%
6-10	5	11.6%	10	25.0%
11-15	0	0.0%	2	5.0%
16 and above	1	2.3%	0	0.0%



(Table 3-4 continued)

Years with present company				
0-1	0	0.0%	2	5.0%
2-5	13	30.2%	14	35.0%
6-10	0	0.0%	8	20.0%
11-15	1	2.3%	15	37.5%
16 and above	29	67.4%	1	2.5%
Gender:				
male	43	100.0%	49	100.0%
female	0	0.0%	0	0.0%
Parent company size				
Under 100 employees	3	7.0%	7	17.5%
100-499	2	4.7%	17	42.5%
500-2499	12	27.9%	12	30.0%
2500-4999	8	18.6%	3	7.5%
Over 5000	18	41.86%	1	2.5%
IJV size				
Under 100 employees	4	9.3%	0	0.0%
100-499	27	62.8%	23	57.5%
500-2499	12	27.9%	13	32.5%
2500-4999	0	0.0%	2	5.0%
Over 5000	0	0.0%	2	5.0%
Parent business activity				
Aerospace	0	0.0%	0	0.0%
Automobiles	7	16.3%	0	0.0%
Chemicals	3	7.0%	3	7.5%
Computers	0	0.0%	4	10.0%
Consumer Goods	1	2.3%	5	12.5%
Construction	0	0.0%	0	0.0%
Electronics	9	20.9%	9	22.5%
Energy	2	4.7%	0	0.0%
Foods	2	4.7%	4	10.0%
Machinery & Machine Tools	7	16.3%	3	7.5%
Medical Equipment	0	0.0%	0	0.0%

(Table 3-4 continued)

Metals & Minerals	1	2.3%	0	0.0%
Pharmaceuticals	0	0.0%	1	2.5%
Telecommunications	1	2.3%	1	2.5%
Textiles & Apparel	2	4.7%	2	55.0%
Transportation	0	0.0%	0	0.0%
Other manufacturing	8	18.6%	8	20.0%
Services	0	0.0%	0	0.0%
<b>IJV business activity</b>				
Aerospace	0	0.0%	0	0.0%
Automobiles	7	16.3%	0	0.0%
Chemicals	3	7.0%	4	10.0%
Computers	0	0.0%	5	12.5%
Consumer Goods	0	0.0%	5	12.5%
Construction	0	0.0%	0	0.0%
Electronics	6	14.0%	9	22.5%
Energy	2	4.7%	0	0.0%
Foods	1	2.3%	4	10.0%
Machinery & Machine Tools	7	16.3%	3	7.5%
Medical Equipment	0	0.0%	0	0.0%
Metals & Minerals	2	4.7%	0	0.0%
Pharmaceuticals	1	2.3%	0	0.0%
Telecommunications	1	2.3%	0	0.0%
Textiles & Apparel	3	7.0%	2	5.0%
Transportation	0	0.0%	0	0.0%
Other manufacturing	10	23.3%	8	20.0%
Services	0	0.0%	0	0.0%
<b>% Share of IJV formed</b>				
Under 50%	7	16.3%	1	2.5%
50-50	9	20.9%	1	2.5%
51-99%	27	62.8%	38	95.0%

(Table 3-4 continued)

<b>% Share of IJV now</b>				
Under 50%	7	16.3%	1	2.5%
50-50	7	16.3%	1	2.5%
51-99%	29	67.4%	38	95.0%
<b>% Product export</b>				
0- 50%	29	67.4%	14	35.0%
51-100%	14	32.6%	26	65.0%
<b>Date of formed</b>				
0-1	0	0.0%	0	0.0%
2-5	11	25.6%	12	30.0%
6-10	31	72.1%	25	62.5%
11-15	1	2.3%	3	7.5%
16 and above	0	0.0%	0	0.0%
<b>Year of GM living in China</b>				
0-1	2	4.7%	1	2.5%
2-5	28	65.1%	24	60.0%
6-10	11	25.6%	13	32.5%
11-15	1	2.3%	2	5.0%
16 and above	1	2.3%	0	0.0%



### 3.6.2 Foreign Parents

This study consists of 82 respondents, who are senior managers in IJV parent firms (Japanese: 33, Taiwanese: 49). Profiles of the respondents included three levels (i.e. personal, firm, and industrial) and are presented in Table 3-5. At personal-level, Japanese respondents' age (72.8% are 51 or above) tended to be older than Taiwanese respondents' (42.9% are 51 or above). Their education levels, however, were similar (Japan: 90.9% and Taiwan: 91.9% obtain college degree or above). Both of the two group respondents majored in Business (Japan: 42.4%, Taiwan: 57.1%), followed by Engineering (Japan: 21.2%, Taiwan: 32.7%). All of the respondents were male.

At firm-level, the majority of Japanese respondents have worked in their present positions for more than 6 years but less than a half of the Taiwanese respondents did (Japan: 69.7%, Taiwan: 48.9%). Moreover, Japanese managers tended to work in the same company longer than Taiwanese managers (Japan: 75.8% and Taiwan: 53.1% are 16 year or above). The size of their companies was quite different between the two groups. 77.6 percent of the Taiwanese firms' employee numbers were between 500 and 2499, but 45.2 percent of Japanese firms employees had more than 2500. However, the size of Japan IJVs was slightly smaller than Taiwanese IJVs (Japan: 72.8% and Taiwan: 59.2% have under 500 employees). The ownership structures for the two country's IJVs are firmly different. 48.5 percent of Japanese firms owned



more than half of shares when the IJVs were formed, while 73.5 percent of Taiwanese firms owned more than half. Only one Japanese firm moved from a “50-50” into major stockholders but all of Taiwanese IJVs’ ownership structure remained the same. 54.5 percent of the Japanese IJVs focused on the Chinese market but 38.8 percent of Taiwanese IJVs concentrated on export. Regarding the age of IJVs, most of the Japanese IJVs were between 6 and 10 years (Japan: 75.8%) but Taiwanese IJVs were generally younger (42.9 % between 6 and 10).

At the industrial-level, the top two industries for the Japanese firms were: Chemicals (2.2%), and Machinery & Machine Tools (18.2%), while for Taiwanese firms they were: Chemicals (26.5%) and Foods (16.3%). The IJV business activity in China was the same as their parent firms.

One of the major challenges in cross-cultural studies is matching samples across countries on demographic and social factors (Begley and Tan 2001, Peng et al. 1991). Some similar problems in comparing IJVs across cultures are that these samples are not comparable with regards to certain key characteristics in the three levels (i.e. personal, organizational, and industrial). These variables need to be controlled since they could affect the response pattern studied (Agarwal et al. 1999). However, there are significant differences between the two groups (see Table 3-5). Care needs to

taken when interpreting the results.

Table 3-5 Characters of Senior Managers in Foreign Parent Firms (N=82)

	Japanese (N=33)		Taiwanese (N=49)	
	No.	Percentage	No.	Percentage
<b>Age:</b>				
Under 40 years	3	9.1%	3	6.1%
41-45	2	6.1%	8	16.3%
46-50	4	12.1%	17	34.7%
51-55	12	36.4%	14	28.6%
56-60	9	27.3%	7	14.3%
60 and above	3	9.1%	0	0.0%
<b>Education:</b>				
High school	1	3.0%	1	2.0%
Attend college	2	6.1%	3	6.1%
College degree	26	78.8%	24	49.0%
Attend graduate school course	4	12.1%	4	8.2%
Master or PhD	0	0.0%	17	34.7%
<b>Major:</b>				
Business	14	42.4%	28	57.1%
Other Social Science	6	18.2%	1	2.0%
Literature and language	4	12.1%	1	2.0%
Engineering	7	21.2%	16	32.7%
Other Science	1	3.0%	3	6.1%
Other	1	3.0%	0	0.0%
<b>Years in present position</b>				
0-1	1	3.0%	4	8.2%
2-5	9	27.3%	21	42.9%
6-10	8	24.2%	14	28.6%
11-15	8	24.2%	4	8.2%
16 and above	7	21.2%	6	12.2%

(Table 3-5 continued)

<b>Years with present company</b>				
0-1	0	0.0%	2	4.1%
2-5	4	12.1%	2	4.1%
6-10	2	6.1%	8	16.3%
11-15	2	6.1%	11	22.4%
16 and above	25	75.8%	26	53.1%
<b>Gender:</b>				
male	33	100.0%	49	100%
female	0	0.0%	0	0.0%
<b>Parent company size</b>				
under 100	3	9.1%	0	0.0%
100-499	10	30.3%	5	10.2%
500-2499	5	15.2%	38	77.6%
2500-4999	7	21.2%	5	10.2%
Over 5000	8	24.2%	1	2.0%
<b>IJV size</b>				
under 100 employees	12	36.4%	2	4.1%
100-499	12	36.4%	27	55.1%
500-2499	7	21.2%	18	36.7%
2500-4999	0	0.0%	1	2.0%
Over 5000	2	6.1%	1	2.0%
<b>Parent business activity</b>				
Aerospace	0	0.0%	0	0.0%
Automobiles	3	9.1%	3	6.1%
Chemicals	7	21.2%	13	26.5%
Computers	0	0.0%	2	4.1%
Consumer Goods	0	0.0%	0	0.0%
Construction	0	0.0%	0	0.0%
Electronics	2	6.1%	4	8.2%
Energy	0	0.0%	0	0.0%
Foods	3	9.1%	8	16.3%
Machinery & Machine Tools	6	18.2%	6	12.2%
Medical Equipment	1	3.0%	0	0.0%



(Table 3-5 continued)

Metals & Minerals	0	0.0%	3	6.1%
Pharmaceuticals	2	6.1%	0	0.0%
Telecommunications	0	0.0%	1	2.0%
Textiles & Apparel	2	6.1%	6	12.2%
Transportation	0	0.0%	0	0.0%
Other manufacturing	7	21.2%	3	6.1%
Services	0	0.0%	0	0.0%
<b>IJV business activity</b>				
Aerospace	0	0.0%	0	0.0%
Automobiles	3	9.1%	3	6.1%
Chemicals	7	21.2%	11	22.4%
Computers	0	0.0%	2	4.1%
Consumer Goods	0	0.0%	0	0.0%
Construction	0	0.0%	0	0.0%
Electronics	2	6.1%	4	8.2%
Energy	0	0.0%	0	0.0%
Foods	3	9.1%	9	18.4%
Machinery & Machine Tools	6	18.2%	6	12.2%
Medical Equipment	1	3.0%	0	0.0%
Metals & Minerals	0	0.0%	2	4.1%
Pharmaceuticals	2	6.1%	0	0.0%
Telecommunications	0	0.0%	1	2.0%
Textiles & Apparel	2	6.1%	6	12.2%
Transportation	0	0.0%	0	0.0%
Other manufacturing	7	21.2%	5	10.2%
Services	0	0.0%	0	0.0%
<b>% Share of IJV formed</b>				
Under 50%	11	33.3%	7	14.3%
50-50	6	18.2%	6	12.2%
51-99%	16	48.5%	36	73.5%



(Table 3-5 continued)

<b>% Share of IJV now</b>				
Under 50%	11	33.3%	7	14.3%
50-50	5	15.2%	6	12.2%
51-99%	17	51.5%	36	73.5%
<b>% Product export</b>				
0- 50%	15	45.5%	30	61.2%
51-100%	18	54.5%	19	38.8%
<b>Date of formed</b>				
0-1	0	0.0%	0	0.0%
2-5	7	21.2%	20	40.8%
6-10	25	75.8%	22	44.9%
11-15	1	3.0%	6	12.2%
16 and above	0	0.0%	1	2.0%
<b>Year of GM living in China</b>				
0-1	2	6.1%	3	6.1%
2-5	23	69.7%	23	46.9%
6-10	8	24.2%	21	42.9%
11-15	0	0.0%	2	4.1%
16 and above	0	0.0%	0	0.0%

### 3.7 Limitations in Methodology

The limitations of the methodology in this study include the conceptual model, questionnaire, and sample. Regarding the conceptual model, two specification models presented in chapter 4 and 5 use particular variables, which lead to limit the generalizability of the findings. For instance, the independent variable used in chapter 4 is cultural similarity, which is general measure for cultural factors. It is possible that this variable over simplify the complex concept of culture, which leads to limited supports for the hypotheses in chapter 4. in addition, both specification models only use single perspective to test models, which do not capture the dynamic pictures between the three IJV parties: IJV general managers, foreign and local parent firms. Finally, the model presented in chapter cannot be test by samples from three IJV parties in this study since we did not receive responses from local parent firms in China. Hence, the generalizability of the model in chapter is limited.

Regarding the limitations of questionnaire, response-style equivalence is an important issue in cross-cultural research but a potential limitation is different response-style bias between the compared national groups. There are two main concerns for response-style equivalence: median and extreme response styles (Usunier 1998). Where a culture values moderate behavior in conflict avoidance such as Chinese culture, respondent will tend to use the median value on questionnaire scales (Shenkar and Von Glinow 1994). An opposite bias results from significant extreme

response-style, the overall response pattern in a particular sample being marked by higher standard deviation. For instance, Americans tend to respond with more enthusiasm and therefore present a more extreme response-style in answering than the Japanese (Zax and Takashi 1967). However, there is no generally accepted method to correct response-style bias between national groups of respondents. Cunningham et al. (1977) suggest that researchers can use ipsative re-scaling. This method calculates standard scores for each respondent by subtracting the mean of each respondent's scores from each separate response, and then dividing by the standard deviation by the same scores. However, such a procedure could make participant response incommensurable (Stewart 1981).

In addition, it is found that the sample characters such as industry type, firm size, ownership structure, and age (shown in Table 3-4 and 3-5) has impact on the variables in the conceptual model and should be controlled (Demers et al. 1997, Hill and Hellriegel 1994, Lin and Germain 1998, Selmer 1999). However, due to the limitation of sample size, this study does not control these variables and should be addressed as a limitation of this study. Researchers have hinted that the type of IJV parents such as POEs or SOEs may influence IJV performance (Zeira and Newburry 1999, Merchant 2000). The significance of parent-type lies in that profit-seeking firms usually have agendas that are at odds with those of SOEs, which is dominated by social objectives



such as full employment (Merchant 2000).

It is also an important issue for MNEs to partner with POEs or SOEs in China. Generally, domestic firms in China can be grouped into state-owned (SOEs), collectively owned (COEs), and privately owned enterprises (POEs). COEs in urban areas are similar in nature to SOEs but enjoy more autonomy. Sometimes, they are included in the SOEs sector (Yin 1998). Comparing the three types of firms in China, previous studies have found the POEs have higher productivity than COEs, and SOEs have the lowest (Choe and Yin 2000, Jefferson et al. 1996, Wen et al. 2002, Zhou et al. 2002). In SOEs, performance is usually evaluated against state-set goals such as full employment and resources are distributed according to a political rationale instead of based on market efficiency. Therefore, SOEs perform poorly but the government cannot shut them down because of concerns about social instability (Walder 1995). In COEs, employees have stronger incentives to work hard since the redistribution of profits is effectively restricted to the local community. However, POEs do not have much help from government and they have to compete with each other more intensively to secure market share and firm profitability. When foreign firms try to find local partners in China, the goals and productivity of local partners can influence on the outcome of IJV. IJVs involving a SOE parent are described as having complex decision-making processes and severe internal conflicts, which lead to lower



performance (Shenkar and Zeira 1992). This study did not identify the type of local parent firm in the questionnaire and control this variable. Therefore, this should be addressed as a limitation of this study.

As regards the sample sources, this survey builds up a database from several publications. Firstly, 2736 IJVs were identified from "China Business Review" (1981-2000). Secondly, 4,408 Japanese-Chinese IJVs were collected from "Japanese Business in China Yearbook 2000-2001". Thirdly, 84 Taiwanese-Chinese IJVs were gathered from "Taiwan Stock Market Listed Companies Investing in China 1999". Fourthly, 52 societies were identified from "The Member Lists of Taiwan Business Societies in Mainland China 2001". Finally, 2,871 IJVs were gathered from "A List of Taiwanese Companies Investing in China 1993-2001". We posted 1,868 questionnaires, which include IJVGMs in China, local parents, and foreign parent in USA, Japanese and Taiwan. According to the "China Statistical Yearbook" (1997, p.605) 31,876 equity joint ventures are approved in 1996. Our database is apparently much smaller than the population of IJVs in China. It should be concerned the validity of findings in the following chapters since the samples received in the current survey only account for less than 2 percentage of our database.

Concerning the lack of local parent sample, this study attempts to compare

perspectives from IJVGMs, local and foreign parents. However, the return-rate from local parents is almost zero, which is a defect in the model of chapter 6 and also lead to the single-perspective models in chapter 4 and 5. Brouters and Xu (2002) points out some possibility of causing the low return-rate such as distrust the survey's purposes and cannot have financial benefits from the research. Several suggestions relating methodological methods for researchers are made in chapter 8 to improve research quality in future.

### 3.8 Summary

The conceptual model focuses on the linkages between the cultural factors, IHRM, and IJV performance. Previous IJV research has paid little attention on IHRM issue such as management styles, role stress, and conflict resolution strategy. This model explains how cultural factors impact on IJV performance, directly and indirectly. The following sections reports the methods of published and primary data in this study, which were collected. It is an advantage to collect the information of IJVs, which includes IJVGm, foreign and local parent's company names and addresses in host and foreign countries from multiple sources.

Developing the questionnaire in different languages for IJVGMs and parents is the second stage. This questionnaire sourced from several previous studies to strengthen

its validity and reliability. It developed in the English version first and used back-translation and bilingual methods in order to make sure of item equivalence across different versions. However, it is a bias that response-styles are different between the compared national groups. Chinese respondent tend to use the median value on questionnaire scales while Americans prefer to have extreme response-style.

International mail survey is the following stage. This survey used one follow-up reminder due to the limitations of time and cost. 1,868 questionnaires were sent to IJVGMs, and local and foreign parents in China, USA, Japan, and Taiwan from November 2000 to January 2001. After one reminder letter, 37 questionnaires returned in the first stage (return-rate: 3.68%) and 151 questionnaires were returned in the second stage (return-rate: 17.38%).

Due to the low return-rate in local parents and USA-Chinese IJVs, this study analyzes foreign parents and IJVGMs in Japanese-Chinese and Taiwanese-Chinese IJVs only. Brouthers and Xu (2002) provided several explanations why previous surveys, including ours, in China receiving low return-rate. These are: (1) respondents cannot trust the survey's purpose, (2) without real benefits for participators or their firm, (3) leaking commercial secrets is quite dangerous for Chinese managers especially in state-owned firms.



This study has several methodological limitations, which are related to conceptual model, questionnaire, and sample. Firstly, two specification models limit the generalizability of the findings by using particular variables and single perspective. Secondly, response-style is a bias for questionnaire survey in the field of cross-cultural research. Respondents with different cultural backgrounds will answer questions diversely. People in some cultures like Americans could go to extreme answer but others like Chinese and Japanese may prefer to have median value. Thirdly, limitations of relating to sample issues (i.e. sample size and sample sources), and lacking of perspective of local parents limits the generalizability of out findings. It is found that sample characters have impacted on performance and need to be controlled. Finally, this study does not control these variables because of limited samples. An important variable should be controlled is the types of local parent firms (i.e. SOEs or POEs), which have different productivity. It should be addressed as limitations in this study that these sample characters are uncontrolled.



## CHAPTER 4 CULTURE IMPACTS ON THE MANAGEMENT STYLE AND PERFORMANCE OF INTERNATIONAL JOINT VENTURES IN CHINA

### 4.1 Introduction

The culture issue is one of the most important topics in the field of international business. The impact of culture on IJVs have been examined by previous studies, however, the result is mixed (e.g. Kogut and Singh 1988, Glaister and Buckley 1999). This study builds up a model to link the relationships between cultural similarity, difference in management styles of parents, role stress of IJVGMs, conflict resolution strategies, and performance. Nationality has been proved a key factor of measuring national culture. Cultural similarity between IJV parents will influence learning, trust and dissatisfaction. Difference in management styles will cause conflict and role stress of IJV general managers (IJVGMs) and lower performance. Conflict in IJV management is unavoidable between parent firms, which come from different cultural backgrounds. Conflict resolution strategies will mediate the effect of cultural similarity and IJV performance.

This study is organized in the following way. Firstly, previous studies are reviewed on culture issue, performance, management styles, role stress, and conflict resolution strategies. Secondly, research methods including questionnaire, sample, and variable measure are discussed. Thirdly, results and discussion of the findings are presented. Finally, implications, limitations and further research are shown in the conclusion.

## 4.2 Literature Review

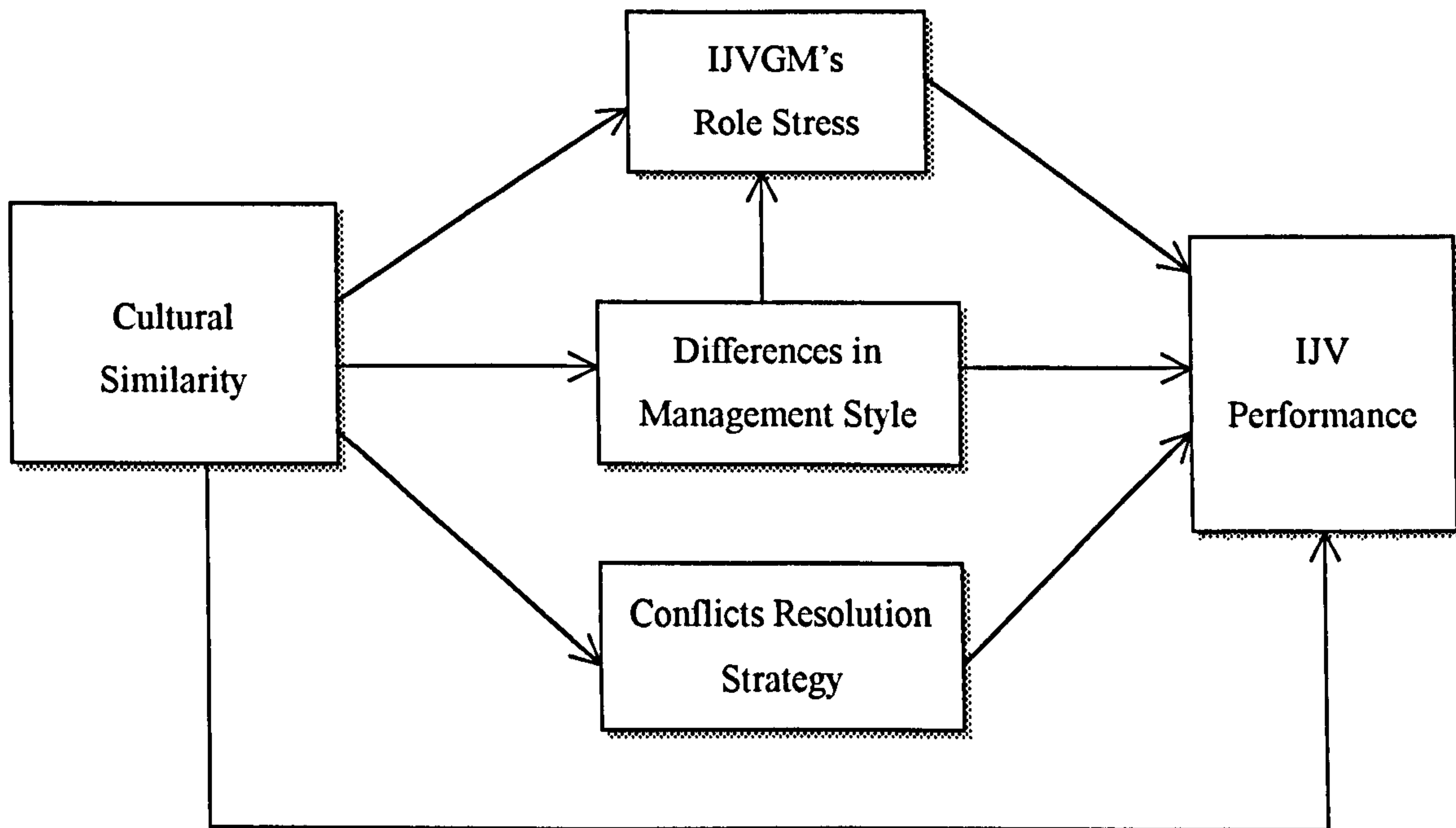


Figure 4-1 A Conceptual Model

As the overall conceptual model presented in Figure 4-1. The relationships between these variable will be discussed as follow.

### 4.2.1 Culture Issues

Culture has been defined in more than 160 definitions primarily in the field of anthropology (Kroeber and Kluckhohn 1963). One of the most cited definitions of culture in two decades is “the collective programming of the mind which distinguishes

the members of one human group from another”, which is defined by Hofstede (1980).

The aspect of mind is his main focus. Moreover, he stresses that culture is learned and shared within social collectives. This interest as the source of mental programming is the society in which people live. It leads to the concepts of “national culture” (Child and Faulkner 1998).

“National culture” studies raise an important issue: can nationality be used as an operational definition when we carry out a cross-cultural research? Hofstede argues there are three reasons supporting the concepts. First of all, by politics, a nation is a union of politic with its own institutions: forms of government, legal systems, educational systems, labor and employer’s association systems. Both formal institutions and informal ways of operations are different. Secondly, by sociology, nationality has a symbolic value to residents. The symbolic value belongs to a nation and people go to war when this identity is threatened. Finally, by psychology, the mental programming in childhood by the family and later educational experiences in schools and organizations, which are different across national borders and affect our thinking (Hofstede 1983).

National cultures are also tied up with the specific organizations of the country and its prevailing dominant political ideologies. Within one or two generations, these



organizations and ideologies can have a significant influence on national cultures. This becomes clear when we compare the People's Republic of China and Oversea Chinese such as Taiwan and Singapore (Child and Faulkner 1998). Nationality is implicitly accepted as an operational definition of cultural factors in most of the comparative management studies. (Adler 1983).

However, Smith (1996) suggests that two major questions should be borne in mind when we carry out cross-culture studies by using national culture as a measurement. Firstly, the diversity of culture could be lost when we compare culture by nations. Secondly, it is a risk to imply that a national culture is a single system without confusion, conflict and disagreement.

Cultural similarity refers to one party who observe a similar degree of behavioral patterns to another party (Lin and Germain 1998). Cultural similarity and nationality are correlated and distinct (Buckley and Casson 1988). IJV foreign partners from different countries could perceive local partners different ways of managing and operating so that they can learn and cooperate with each other. However, Li et al. (2001) compared East-Chinese and West-Chinese IJVs in China, and found that West-Chinese IJVs perform significantly better than their Asian counterparts. They explained that a reason could be East Asian firms focus on labor-intensive operations



whilst Western firm invest in technology-intensive industries and enjoy higher profit.

Hence, the hypothesis will be:

H6a: Cultural similarity is positively related to IJV performance.

#### 4.2.2 Performance

Performance has been an important issue in IJVs since performance difficulties affect the financial structure of parent firms (Lee and Beamish 1995). Numerous studies address this issue with different criteria, such as partners' satisfaction, financial indicators, survival, duration, instability, and stock-market reaction (Blodgett 1992, Cullen and Johnson 1995, Barkema and Vermeulen 1997, Glaister and Buckley 1998). The use of objective measures has limitations that may fail to reflect a joint venture reaching its long-term goals (Geringer and Hebert 1991). In contrast, using subjective measures reflects difficulties that are not easy to acquire with compatible objective data (Osland and Cavusgil 1996). Geringer and Hebert (1991) found that subjective and objective measures are highly correlated. By a sample of UK IJVs, Glaister and Buckley (1998) confirmed Geringer and Herbert's finding. Hence, a subjective measure of asking IJVGMs' satisfaction in general is used in this study.

### 4.2.3 Difference In Management Styles

Comparative management has gradually received attention since the 1970s, when international business has risen enormously. During the 1980s, Japanese management was a rising sun from the East attracting attention in the field of management studies (Kono and Clegg 2001). Since 1990s, the focus has been switched on China, a major FDI inflow country in global economy (Buckley 2002). Culpan and Kucukemiroglu (1993) build up a model of management styles consisting of six dimensions. These are: (1) supervision style, (2) decision-making, (3) communication pattern, (4) control mechanism, (5) paternalistic orientation and (6) interdepartmental relations. The final dimension is excluded in this study since it states the degree of interaction among departments within an organization.

#### 4.2.3.1 Supervision style

Supervision style relates to the type of relations between supervisors and their subordinates in organizations. In companies, managers usually act in different ways and use different methods to relate to their subordinates during management procedure. These different managerial and leadership styles are well documented in the early and contemporary management literature (Culpan and Kucukemiroglu 1993).

McGregor (1960) builds up Theory X, which is characterized by close supervision versus Theory Y representing participative management style. Likert (1961) suggests four primary systems of management: (1) exploitive authoritative, (2) benevolent authoritative, (3) consultative, and (4) participative. Fiedler et al. (1977) differentiate leadership styles by task-motivated and relation-motivated approaches in their contingency model. Bass (1985) develops a theory of transformational leadership that characterizes leadership into two styles: transformational and transactional. Transformational leaders inspire their subordinates, offer challenges, and develop their needs. Therefore, the subordinates can exceed their personal interest into a higher joint goal and vision. In opposition, transactional leaders negotiate and offer subordinates rewards in exchange to reach specific goals and complete tasks (Bass 1985).

Leadership style has been found to be different within countries. Kuchinke (1999) found that leadership style is different between US and German employees. Culpan and Kucukemiroglu (1993) found that US managers' leadership style stress on task-oriented and transactional leadership methods more than Japanese managers.

Hence, the hypothesis will be:

H4a: The higher the cultural similarity, the lower the difference of supervision style between parents will be.

H6e: The higher the difference of supervision style between IJV partners, the lower



IJV performance will be.

#### 4.2.3.2 Decision-making

Decision-making refers to a set of activities leading to accomplishment and outcomes (Lu 1996). Franko (1971) was the first to observe the complexities of decision-making processes in IJVs, which came from cultural difference. Differences of decision-making can be observed between countries. Japanese managers tend to have a high centralization and formal authority in top management teams, and informal way to let most of the employees participate (Pascale 1978, Vogel 1979, Culpan and Kucukemiroglu 1993). In a comparison between US, Japanese and Taiwanese firms, Yeh (1991) found that US managers have a highly decentralize decision-making style, followed by Taiwanese managers, then Japanese managers. Hence, the hypothesis will be:

H4b: The higher the cultural similarity, the lower the difference of decision-making between parents will be.

H6f: The higher the difference of decision making between IJV partners, the lower IJV performance will be.



#### 4.2.3.3 Communication pattern

Communication refers to the information flow within organizations and departments, and barriers to information flow. It includes providing informational input to decisions; establishing missions, roles, and power; achieving cooperation, guiding action toward goals, and providing feedback (Culpan and Kucukemiroglu 1993).

Communication pattern is viewed as a key to organizational achievement because it underlies most aspects of organizational functioning (Kapp and Barnett 1983, Snyder and Morris 1984). Cultural difference is found as a key role of communication blockage in IJV management (Wright 1979). Communication captured the utility of the information exchanged and was deemed to be a key indicator of the partnership's vitality (Cummings 1984). Pascale (1978) found that Japanese managers tend to use extensive face-to-face communication. Olson and Singsuwan (1997) found that American and Thai executives have different perceptions of communication patterns. Calantone and Zhao (2000) found that the control styles between Japanese, Korean, and the US IJVGMs are different. Lane and Beamish (1990) found that good communication was important for the venture performance. Thus, the hypothesis is:

H4c: The higher the cultural similarity, the lower the difference of communication pattern between parents will be.

H6g: The higher the difference of communication between IJV partners, the lower IJV

performance will be.

#### 4.2.3.4 Control mechanism

Control mechanism refers to check operations conducted and results achieved by the employees meeting the organizational standards (Flamholtz et al. 1985, Ouchi 1977).

Strict controlling will lead to a highly centralized and hierarchical organization structure. In comparing American and Japanese management practices, Ouchi (1981) distinguishes between explicit and implicit control. American management sets specific, measurable performance targets, whereas Japanese managers rely on values embodied in a philosophy of management, governing organizational and individual behavior to accomplish objectives (Culpan and Kucukemiroglu 1993).

In regard to the relationship between parents and IJV, Control can be defined as the management process, by which a parent's interests are protected. According to Geringer and Herbert (1989), control refers to the process whereby one party influences, to different degrees, the behavior and output of another party through the use of power, authority, and a wide range of bureaucratic, cultural, and informal mechanisms. Through control, a partner influences the joint venture to behave in ways that lead to the attainment of the organization's objectives (Calantone and Zhao 2000).

Defining control as any process, active or otherwise, by which one determines or intentionally affects the actions of another (Geringer and Hebert 1989, Sohn and Paik 1997). Three control dimensions have been found related to the issue: (1) Mechanism, (2) Extent, and (3) Focus.

Mechanism refers to those formal and informal organizational processes through, which control over a joint venture is exercised by its parents. Extent suggests that parents rely on the centralization of the decision-making process at strategic and operational levels. Focus states that parents may choose to exercise control over some specific rather than the whole activities of IJVs (Geringer and Hebert 1989, Yan 2000).

Previous studies have focused on a different dimension of control. For instance, Killing (1983) and Lecraw (1983) focus on extent, and Schaan and Beamish (1988) concentrate on focus and mechanisms. As Yan and Gray (1994) argue, conceptualization of control in IJVs is more problematic. This study deals with control mechanism between parent firms and IJVs in organizational level.

Control mechanism has been found to vary with the nationality of parents in IJV studies. By a sample of IJVs in China and Hungary, Child et al. (1994) found that



Chinese managers tend to set production targets as their management control while American, German and Japanese foreign parents prefer to introduce different control mechanism. From a sample of UK joint ventures with partners from Western Europe, the USA and Japan, Glaister (1995) found that American parent companies tend to seek tighter control over IJVs than do European or Japanese partners. Foreign parents tend to replicate their domestic standard of operating procedure in foreign subsidiaries (Dimaggio and Powell 1983, Kiduff 1992, Schneider 1988, Yan 2000). Yan and Gray (1994) found that when IJVs were similar in structure to one of the parents, that parent exercised a higher level of control than its partner. It means the parent firm tends to replicate its way of managing in the IJV. Calantone and Zhao (2000) found that the control styles among Japanese, Korean, and the US IJVGMs are different.

Hence, the hypothesis is:

H4d: The higher the cultural similarity, the lower the difference of control mechanism between parents will be.

H6h: The higher the difference of control mechanism between IJV partners, the lower IJV performance will be.

#### 4.2.3.5 Paternalistic orientation

Paternalistic orientation refers to the degree of supervisory concern for employees' non-work related matters. In organizations, highly paternalistic orientation means that



managers care about employees' family life and provide social support. One of the characteristics of the famous Japanese management style is its paternalistic nature, which Ouchi (1981) calls 'holistic concern for employees'. It means that managers need to assume social support roles in addition to their work-related roles for their employees. This dimension provides a useful cross-cultural comparison since it varies across nations (Culpan and Kucukemiroglu 1993). In Japan, a supervisor knows his employees' personal life in detail and would like to arrange for one of his subordinates to meet a decent girl for marriage. In England, an employee would not tell his manager that his father had just passed away (Triandis 1995). Thus, the hypothesis is:

H4e: The higher the cultural similarity, the lower the difference of paternalistic orientation between parents will be.

H6i: The higher the difference of paternalistic orientation between IJV partners, the lower IJV performance will be.

#### 4.2.4 Role Stress

Stress can be defined as a stimulus, a response, or the result of an interaction between the person and environment (Cox 1978). Roles are often defined by expectations in the behavior of a person who receives a given task, responsibility, or character (Kahn et al. 1964). In organizations, an employee's role sets include the supervisor, colleagues, subordinates, or any other person in the organization with the role duty

(Beehr 1995).

Role ambiguity and role conflict both are the first social psychological stressors to be studied in organizations (Kahn et al. 1964). They have been viewed as critical elements in organizational behavior for two decades. In 1981, it is noted that most of the role conflict and ambiguity studies carried out after the one by Kahn and his colleagues, relied upon the theoretical approach (Van Sell et al. 1981, Beehr 1995). Peterson et al. (1995) added a third aspect: role overload in their study of role stress, from a survey of 21 nations. They found that power distance and collectivism are positively related to role overload. Previous studies on the issue of the relationship between role stress and performance received mixed results (Jackson and Schuler 1985, Tubre and Collins 2000). Jackson and Schuler (1985) found that role ambiguity is negatively but weakly related to performance. Recently, Tubre and Collins (2000) were not contrary with their finding. In this study, the three aspects of role stress are adopted to be intermediate variables between cultural similarity and performance.

#### 4.2.4.1 Role conflict

Role conflict refers to situations where the priorities of two systems cannot be achieved at the same time, or incompatibility between the expectations of parties or

between aspects of a single role (Shenkar and Zeira 1992, Peterson et al. 1995).

According to Role theory, role conflict happens when the behaviors expected of an individual are inconsistent. The person will suffer stress, become dissatisfied, and perform less effectively if the expectations are not achieved. Role conflict occurs from two very different policies or demands and cause individual dissatisfaction and decreased organizational performance (Rizzo et al. 1970, Shenkar and Zeira 1992).

Quick and Quick (1984) differentiated four kinds of role conflict: (1) intra-sender, such as when a manager communicates incompatible expectations (2) inter-sender, such as two colleagues communicating expectations of incompatibility. (3) person-role, for instance, a conflict between an employee's values and given role behavior. (4) inter-role, for instance, a manager occupies two roles of having conflicted expectations.

In an IJV, a multipartite, multicultural organization, role conflict reflects incompatible expectations on the IJVGM from local and foreign parents, and can bring on negative emotional reactions due to perceived inability to be effective on the job. The task of IJVGMs is more complicated than their counterparts in wholly owned subsidiaries since IJVGMs must accommodate the interest of parents at the same time (Schaan and Beamish 1988). Thus, the hypothesis is:



H1a: The higher the cultural similarity, the lower the role conflict of IJVGGM will be.

H6b: The higher role conflict of IJVGGMs, the lower IJV performance will be.

#### 4.2.4.2 Role ambiguity

Role ambiguity can be defined as a lack of information needed to perform the role (Pearce 1981; Cooper et al. 2001). According to Role theory, role ambiguity will result in coping behavior by the uncomfortable employees in organizations that may attempt to solve the problems for avoiding stress, or to use defense mechanisms for changing the real situation. Therefore, ambiguity will allow an employee to be dissatisfied with his role in the organization, change reality and reduce his performance (Rizzo et al. 1970).

In IJVs, general managers could experience role ambiguity since they lack enough information regarding specific expectations from local and foreign parents and different expectations of the different groups of employee in the IJVs (Schaan and Beamish 1988, Shenkar and Zeira 1992). The parents have different styles to manage a joint venture, different goals for the joint venture. Therefore, the hypothesis is:

H2a: The higher is the cultural similarity, the lower the role ambiguity of IJVGGM will



be.

H6c: The higher role ambiguity of IJVGMs, the lower IJV performance will be.

#### 4.2.4.3 Role overload

Role overload can be defined as a person lacks of resources to fulfill different roles, which need to devote commitments, obligations, or requirements (Peterson et al. 1995, Cooper et al. 2001). Role overload can lead to over demands of working time and create uncertainty of performance (Cooper et al. 2001). Role overload is the most frequently mentioned stress within the three sources (Narayanan et al. 1999).

In IJV, role overload could come from the different parent's demands. As mentioned above, the management styles will be different between local and foreign parents. As an IJVG, he needs to satisfy both of the parents' demands. The workload could double that of a general manager in WOS. For instance, when the difference in decision-making is great between parents, he needs to negotiate first to reach common ground before he can start his jobs. Hence, the hypothesis is made as follow:

H3a: The higher the cultural similarity, the lower the role overload of IJVG will be.

H6d: The higher role overload of IJVGs, the lower IJV performance will be.

#### 4.2.4.4 Role Stress and Management Style

As mention above, IJVGM's role conflict occurs from the different expectations of parent firms. Cooper and Cartwright (1994) indicate that stress often occurs within an organization of mixed multi-culture and management styles. Previous IJV studies lack the linking of the relationship between management styles and role stress.

Supervision style is a potential source of strain in the workplace for employees (Cooper et al. 2001). Moreover, autocratic and authoritarian supervision style has been found to increase strain among subordinates (Ashour 1982, Seltzer and Numerof 1988). Control mechanisms such as formalization of work and decision-making also can cause stress. However, the impact of control and decision-making receive mixed results. Organ and Greene (1981) found that formalization reduces role ambiguity among scientists but increases role conflict. Podsakoff and Todor (1986) found negative relationships between formalization control and both ambiguity and conflict. Organizational climate suggests that the content and nature of communication processes within organizations contribute to employee reactions to their job and the organization as a whole (Guzley 1992, O'Driscoll and Evans 1988). Overall, lack of participation in decision-making, improper control mechanism, and insufficient communication within the organization are all potential sources of strain (Cooper et al.

2001).

Previous studies have suggested that role stress has a negative relationship with control mechanism (Rizzo et al. 1970; Rogers and Molnar 1976). The existence of professional standards also influences the relationship between role conflict and control mechanism. For instance, instead of reducing role conflict, formalization for employees possessing professional standards increases conflict (Organ and Greene 1981). Jackson and Schuler (1985) found that control mechanism has the tendency to reduce role ambiguity.

Jackson (1983) suggests that participation in decision-making determines two factors of an employees' work situation. Firstly, influence over others' role expectations could reduce role conflict. Secondly, availability of information about role expectations could reduce role ambiguity. This explains the communication patterns, which is related to role stress (Schuler 1979).

Greenhaus and Beutell (1985) found three potential conflicts between employees' job and family lives. Intensive job demands reduces an employees contribution towards family life. Contrarily, stress from family life will influence their performance in the workplace (Higgins and Duxbury 1992). Conflict between job and family demands is



one of the major stresses for individuals (Cooper et al. 2001). However, managers in different cultures deal with the issue with different styles. In Japan, a manager could help his subsidiaries sort out personal problems such as their romances. However, in the US, a manager may not know that one of his subordinates had lost his father last week. In China, personal relationships (Guanxi) are quite important between managers and subordinates. A manager needs to know what is happening in his subordinates' lives because that could influence their performance in the company. From an employee's viewpoint, it means that a manager takes care of them, so they feel like a family.

Smith et al. (1996) found that Chinese managers rely more on rules and procedures, which are positively related to performance and negatively related to role ambiguity than US and UK managers in China.

The organizational factors mentioned above can cause stress in organizations. In IJV, a general manager faces two different management styles from foreign and local parents causing his role stress including role conflict, role ambiguity, and role overload.

Hence the Hypothesis will be:

H1b-f: The lower is the difference of management styles in term of (b) supervision style, (c) decision-making, (d) communication, (e) paternalistic orientation,



and (f) control mechanism between partners, the lower the role conflict of IJVGM will be.

H2b-f: The lower is the difference of management styles in term of (b) supervision style, (c) decision-making, (d) communication, (e) paternalistic orientation, and (f) control mechanism between partners, the lower the role ambiguity of IJVGM will be.

H3b-f: The lower is the difference of management styles in term of (b) supervision style, (c) decision-making, (d) communication, (e) paternalistic orientation, and (f) control mechanism between partners, the lower the role overload of IJVGM will be.

#### 4.2.5 Conflict Resolution Strategy

Conflict can be defined as the deep underlying differences between parties, whereas disputes are the specific differences that emerge on particular occasions. In sociological term, conflict is used in situations processes to solve the inconsistency. In psychological terms, it often means incompatible response tendencies within an individual. In IJVs, it starts in the negotiation stages and exists in daily operations and management.

Based on the conceptualizations of the work of Blake and his colleagues (Blake and Mouton 1964, Hall 1969), Thomas and Kilmann (1974) develop a model for measuring an individual's dispositions into five different styles: (1) integrating; (2) dominating; (3) obliging; (4) avoiding; (5) compromising. This model makes an effort

to explain conflict by studying the internal dynamics of conflict episodes. It classifies a party's orientation into two basic dimensions: to satisfy his own concerns and to satisfy the concern for others. Rahim and Bonoma (1979) rename the two dimensions as: concern for self and for others. The first dimension shows that a person attempts to satisfy his or her own concern by the degree (high or low). The second dimension shows that a person attempts to satisfy the concern of others by the degree (high or low). Descriptions of these styles are presented below.

Integrating style (high concern for self and others) involves frankness, information exchange, and examination of differences in order to achieve an effective solution acceptable for both parties. People with this style tend to face conflict and try to find a proper way to solve a problem. They will focus on both of their own and others' need in balance. This style can be called 'problem solving' style, which represents a party's pursuit of its own and others' concerns.

Obliging style (low concern for self and high concern for others) is linked with attempting to diminish the differences and express harmony so that the concern of the other party can be satisfied. This style is associated with accommodating behaviors that include putting aside one's own needs to please the partner (Hocker and Wilmot 1998).

Dominating style (high concern for self and low concern for others) is associated with win-lose orientation with forcing behavior to win one's position. This style is direct and uncooperative, it relies on the use of position power, aggression, verbal domination, and insistence (Blake and Mouton, 1964). Forcing or competing behaviors associated with a dominating style and refutation of responsibility at the expense of the other party (Hocker and Wilmot 1998). This style can be called 'forcing' style and represents a desire to win one's own concerns at the other's expense.

Avoiding style (low concern for self and others) is connected with withdrawal, buck-passing, or sidestepping situations. People with this style tend to deny the conflict, change or avoid topics, employ noncommittal remarks, or joking as a way of avoidance when they face conflicts (Hocker and Wilmot 1998). This style reflects indifference to the concerns of either party.

Compromising style (intermediate in concern for self and others) involves give-and-take whereby both parties give up something to make a mutually acceptable decision. The compromising style is unique in that it represents the mid-point on the dimensions of production orientation versus people orientation. As such, it is somewhat focused



on individual goals, as well as on the needs of others. This style is also seen as moderately direct and cooperative (Blake and Mouton 1964). The compromising style is intermediate between domination and obliging. It is a preference for moderate but incomplete satisfaction for both parties – for compromise. Compromising is the point of intersection of the two dimensions, that is, a middle ground position where a party has an intermediate level of concern for own and others (Rahim 1983, Rahim et al. 2001).

The evidence from empirical assessments of the five-fold taxonomy as a model of the overall structure of conflict behavior is mixed (Jehn et al. 1997; Rahim 1983; Womack 1988). Pruitt and Rubin (1986) have argued that modeling conflict style in terms of five dispositions is redundant. Lin and Germain (1998) adopt three out of the five styles: (1) problem-solving, (2) compromising, (3) forcing, and developing a fourth (4) legalistic. It is found these styles are positively related to problem-solving.

Many studies have investigated so-called ‘East-West differences’ by comparing U.S. managers to a matched group in an Asian society. Tinsley (1998) found that conflict resolution strategies are different between American, German, and Japanese managers. Gelfand et al. (2001) found that the Japanese tend to use a compromising strategy but Americans tend to use a forcing strategy. Previous studies of IJVs that have grounded



on cultural differences have been an impact for research on handling conflict with employees. Conflict between the parents can be analytic, where disagreement concerns goals and managerial expectations. As such, conflicts can be a barrier to the information flow between the parents and the IJV. Cultural conflict and misunderstanding can minimize information flow and learning (Fiol and Lyles 1985, Salk 1992). An important issue in IJV studies is that cultural conflict can lead to IJV instability and poor performance (Killing 1983, Land and Beamish 1990, Steensma and Lyles 2000). Hence, the Hypothesis will be:

H5: Cultural similarity is positively related to (a) problem-solving and negatively related to (b) legalistic strategy.

H6j-m: Conflict resolution strategies in term of (j) problem-solving, (k) compromising, (l) forcing, and (m) legalistic strategy positively related to IJV performance.

### 4.3 Results

The first stage of the analysis is to compare the independent and dependent variables between the Japanese and Taiwanese IJVGMs. Of the fourteen variables tested, nine of them are significant at 0.05 or 0.001 level. It is significant that culture between Taiwan and China is more similar than between Japan and China (IJVGMs Mean: Japan=2.50, Taiwan=2.95;  $p < 0.05$ ). Comprising of the differences of management styles between parents, Japanese IJVGMs feel more difference between them and the Chinese than the Taiwanese IJVGMs in all but paternalistic orientations. Regarding the role stress, Japanese IJVGMs responds to higher role conflict and role overload significantly, while Taiwanese IJVGMs score slightly higher in role ambiguity. In conflict resolution strategies, Japanese IJVGMs gain higher mean than Taiwanese IJVGMs in three strategies excepting insignificantly in 'forcing' strategy. However, the satisfaction between the two groups is not significant (IJVGMs Mean: Japan=3.28, Taiwan=3.63,  $p = 0.08$ ). The summary of ANOVA results for Japanese and Taiwanese IJVGMs are reported in Table 4-1.

**Table 4-1 Summary of ANOVA Results for Japanese and Taiwanese IJVGMs**

	Japanese IJVGMs	Taiwanese IJVGMs	.
Variables	Mean	Mean	Sig
Cultural Similarity	2.50	2.95	0.012*
Supervision Style	6.47	5.87	0.009**
Decision Making	5.50	5.07	0.023*
Communication Pattern	5.76	4.73	0.000***
Paternalistic Orientation	4.80	5.12	0.119
Control Mechanism	5.05	4.86	0.630
Role Conflict	3.84	3.15	0.001***
Role Ambiguity	6.15	6.31	0.259
Role Overload	3.97	3.33	0.049*
Problem-solving	4.10	3.74	0.016*
Compromising	4.02	3.74	0.027*
Forcing	3.65	3.47	0.128
Legalistic Strategy	3.57	3.19	0.009**
Satisfaction	3.28	3.63	0.080

\*p<0.05, \*\*p<0.01, \*\*\*p<0.001

Table 4-2 summarizes the regression results for Japanese and Taiwanese IJVGMs. The results suggest a limited support for the hypotheses in this study. H2c receives support from one group of IJVs but contrarily from the other group (Japan IJVs: Beta=0.479, p<0.05; Taiwan IJVs: Beta=-0.487, p<0.05). H5k is supported by Japanese-Chinese IJVs (Beta=0.389, p<0.05) and Taiwanese-Chinese IJVs (Beta=0.460, p<0.05).



Table 4-2 Regression Analysis Results

H	Dependent Variables	Independent Variables	Japanese IJVGMs		Taiwanese IJVGMs	
			Beta	R <sup>2</sup>	Beta	R <sup>2</sup>
H1a	Role Conflict	Cultural Similarity	-0.413 <sup>a</sup>	0.283 <sup>b</sup>	-0.078	0.176
H1b		Supervision Style	0.230		-0.105	
H1c		Decision Making	0.006		0.271	
H1d		Communication Pattern	0.083		-0.088	
H1e		Paternalistic Orientation	0.100		0.330 <sup>c</sup>	
H1f		Control Mechanism	-0.005		0.007	
H2a	Role Ambiguity	Cultural Similarity	-0.019	0.236	0.339 <sup>b</sup>	0.296 <sup>c</sup>
H2b		Supervision Style	-0.176		0.632 <sup>b</sup>	
H2c		Decision Making	0.479 <sup>b</sup>		-0.487 <sup>b</sup>	
H2d		Communication Pattern	0.155		-0.174	
H2e		Paternalistic Orientation	-0.073		-0.176	
H2f		Control Mechanism	-0.091		-0.43	
H3a	Role Overload	Cultural Similarity	-0.221	0.254 <sup>c</sup>	-0.031	0.191
H3b		Supervision Style	0.272		-0.422	
H3c		Decision Making	-0.074		-0.211	
H3d		Communication Pattern	-0.073		0.358	
H3e		Paternalistic Orientation	0.330 <sup>c</sup>		0.023	
H3f		Control Mechanism	-0.084		0.001	
H4a	Supervision Style	Cultural Similarity	0.002	0.00	-0.190	0.036
H4b	Decision Making	Cultural Similarity	-0.123	0.015	-0.056	0.73
H4c	Communication Pattern	Cultural Similarity	0.150	0.023	0.105	0.520
H4d	Control Mechanism	Cultural Similarity	0.028	0.001	-0.152	0.023
H4e	Paternalistic Orientation	Cultural Similarity	-0.189	0.036	-0.065	0.688



(Table 4-2 continued)

H5a	Problem-solving	Cultural Similarity	0.075	0.006	0.075	0.006
H5b	Legalistic Strategy	Cultural Similarity	-0.124	0.015	0.020	0.900
H6a	Satisfaction	Cultural Similarity	0.025	0.391	0.280	0.448
H6b		Role Conflict	-0.126		-0.024	
H6c		Role Ambiguity	-0.141		0.107	
H6d		Role Overload	-0.207		-0.256	
H6e		Supervision Style	-0.028		-0.692 <sup>b</sup>	
H6f		Decision Making	0.135		0.619 <sup>b</sup>	
H6g		Communication Pattern	-0.032		0.360	
H6h		Control Mechanism	0.145		0.099	
H6i		Paternalistic Orientation	0.076		-0.193	
H6j		Problem-solving	0.141		-0.420 <sup>b</sup>	
H6k		Compromising	0.389 <sup>b</sup>		0.460 <sup>b</sup>	
H6l		Forcing	-0.013		-0.284	
H6m		Legalistic Strategy	-0.250		0.009	

a:  $p < 0.05$ , b:  $p < 0.01$ , c:  $p < 0.1$

Parts of the hypotheses receives support from one of the two groups, which are role conflict and cultural similarity (Japan IJVs: Beta=-0.413,  $P < 0.01$ ), paternalistic orientation (Taiwan IJVs: Beta=0.330,  $p < 0.1$ ), role ambiguity and cultural similarity (Beta=0,339,  $p < 0.05$ ), supervision style (Beta=0.632,  $p < 0.05$ ), role overload and paternalistic orientation (Beta=0.330,  $p < 0.1$ ), satisfaction and supervision style (Beta=-0.692,  $p < 0.05$ ), decision making (Beta=0.619,  $p < 0.05$ ), problem-solving (Beta=-0.420,  $p < 0.05$ ).

Generally, the majority of hypotheses are not supported by the sample in this study. There is no significance for the hypotheses of stronger relationships between role conflict and cultural similarity (H1a) or conflict and control mechanism (H1e), role ambiguity and communication pattern (H2d), paternalistic orientation (H2e), control mechanism (H2f), role overload and supervision style (H3b), decision making (H3c), communication pattern (H3d), control mechanism (H3f), all of the management styles and cultural similarity (H4a, H4b, H4c, H4d, H4e), all of the conflict resolution strategy (H5a, H5b), satisfaction and cultural similarity (H6a), all of the role stress (H6b, H6c, H6d), communication pattern (H6g), paternalistic orientation (H6h), control mechanism (H6i), forcing (H6l), or legalistic strategy (H6m).

#### 4.4 Discussion

This research investigates the impact of cultural similarity on role stress, management styles, conflict resolution strategies, and performance. Its findings partly support the universality of the theory of cultural difference in this research. Regarding the nationality, the two groups of IJV are different in nine out of fourteen variables. It implies the nationality remains an effective variable to measure cultural difference between countries. However, when we test the impact of cultural similarity (i.e. a self-reported measure) on dependent variables in the model, the majority of hypotheses cannot be supported. Some explanations related to methodology and theory can be made for the findings.

Firstly, sampling issues including sampling equivalence, sample size, and population are needed to be concerned. With regard to sampling equivalence, Dussauge and Garrette (1999) suggest that sample descriptions need to include all of the important characteristics of individuals, organizations, which could affect the interpretations of research results, although samples in this study were carefully selected (i.e. two parents, manufacturing sector, operations more than two years, and two country-groups of IJVs in China). Some variables in individual, organizational, and industrial level still have not been controlled (i.e. age, education, company size of parents and IJVs, business activity of parents and IJVs). It is possible that these variables affect the research outcomes between the two groups of IJVs.



Regarding the sample size, although 83 IJVs are adequate for statistical analysis, a study with a larger sample would generalize its results. According to the 'China Statistical Yearbook' (1997, p.605), 31,876 equity joint ventures were approved in 1996, of which 4,408 Japan IJVs are recorded in the "Japanese Business in China Yearbook 2000-2001" (Mitsubishi Research Institute 2000). Hence, the size of our sample is comparatively small compared with IJVs in China.

Our samples came from a population in which IJVs survive more than two years. The failed IJVs were not included in our sample frame. It is possible that these dissolved IJVs experience higher cultural differences and thus failed to cope. This reason could explain why the impact of cultural distance is not significant in the research findings.

Secondly, our samples source from Taiwanese and Japanese IJVs, which are culturally more similar to China than the West. The impact of cultural distance is relevantly smaller than western IJVs operating in China. Meanwhile, the effects on the management styles, role stress, and conflict resolution strategies are all more similar than western rivals. Hence, the impact of culture distance is not easy to show significantly. From another point of view, it proves that the shorter the cultural distance between host and foreign partners, the less impact of cultural distance on



management issues in IJVs (Puffer 1993, House et al. 1999, Li et al. 2001).

Thirdly, as Shenkar and Zeira (1992) argue that 'non findings' could reflect the management styles of IJVGMs and could stand in contrast to those in the middle or first line managers. Moreover, because the dynamics of role stress and management styles in international operations are substantially different from those in wholly owned subsidiaries (WOS) or domestic operations, IJVs are the combination of multiple environment and ownership so that the influence is more complicated than WOS or domestic JVs.

Fourthly, it could be to simplify to measure culture by two questions. Hofstede's classic study provides a valuable analysis. He found four dimensions after comparing 117,000 IBM employees in 52 countries (Hofstede 1980). Previous research has been applied to the four dimensions in the field of international business studies (e.g. Kogut and Singh 1988). It is worth doing some deeper analysis when we assume cultural difference impacts on IJVs.

A surprising result was found in H2c. Role ambiguity is positively related to difference in decision-making in Japanese IJVs (Beta=0.479,  $p < 0.05$ ) but receives a contrary result in Taiwanese IJVs (Beta=-0.487,  $p < 0.05$ ). A possible explanation is

Chinese and Taiwanese (i.e. Overseas Chinese) managers consider 'face' problems and avoid conflict so that the differences in decision-making are smaller. However, the IJVGMs do not receive clear policies from both parents so they do not have clear planned goals and objectives for their jobs. This assumption needs further qualitative research to prove it.

#### 4.5 Conclusion

The first goal of this study is to test whether nationality is a fitting variable in examining the effect of national culture in IJVs between countries. It is found that all variables except differences in paternalistic pattern and control mechanism, role ambiguity, forcing strategy, and satisfaction are significantly different between the two country's IJVGMs. In regards to management styles, the results generally support Culpan and Kucukemiroglu's (1993) findings that management styles are different between countries.

The second goal of this study is building up a model, which attempts to link the relationships between cultural similarity, difference in management styles, role stress, conflict resolution strategies, and performance. Using a self-reported measure of cultural similarity, the results show that most of the hypotheses cannot be supported. However, it is found that differences in decision-making positively related to role overload for Japanese IJVGMs, while negatively related to Taiwanese IJVGMs. Further research can highlight this issue.

Some limitations have been discussed in the previous section. Sample issues conclude that equivalence, size, and population need to be controlled in further research. Moreover, variables in personal and organizational level (i.e. education, age, company size, ownership structure and industry) need to be controlled as well.

Some suggestions can be made for further research. Firstly, our sample collect from IJVGMs only, further research can benefit from qualitative methods such as in-depth interview or case study. Secondly, further research could tell a different story, which data was collected from three parties: foreign and local parents and IJVGMs. For instance, parents reporting their own management styles could differ from what the IJVGMs experience. Thirdly, it is suggested that performance of IJVs and role stress of IJVGMs could be different from WOS and their general managers. The effects of culture can be examined clearly when a study compares WOS and IJVs with two nations. For instance, further research could compare U.S. and Japanese IJVs and WOS operating in China.



## CHAPTER 5 CULTURE IMPACTS ON INTERNATIONAL JOINT VENTURES IN CHINA: A PERSPECTIVE OF FOREIGN PARENT FIRMS

### 5.1 Introduction

Culture impacts on IJV management have been a popular topic in the field of joint venture studies from the nineties. The impacts of culture on IJVs have been examined by previous studies but the results are mixed. However, few examined the impacts from parent's perspective within these studies. This study aims to build up a model of linking the relationships between cultural dimensions, management styles, conflict resolution strategies, and performance. Nationality and Hofstede's five dimensions are used for measurement to test the culture effect in this study. Management styles could influence IJV performance. Conflict in IJV management is unavoidable between parents, which come from different cultural background. Conflict resolution strategies will mediate the effect of cultural similarity and IJV performance.

This study is organized in the following way. Firstly, the conceptual model and prior studies are reviewed on culture issues, performance, management styles, role stress, and conflict resolution strategies. Secondly, research methods including questionnaire, sample, and variable measure are discussed. Thirdly, results and discussion of the findings are presented. Finally, implications, limitations and further research are shown in the conclusion.

## 5.2 Literature Review

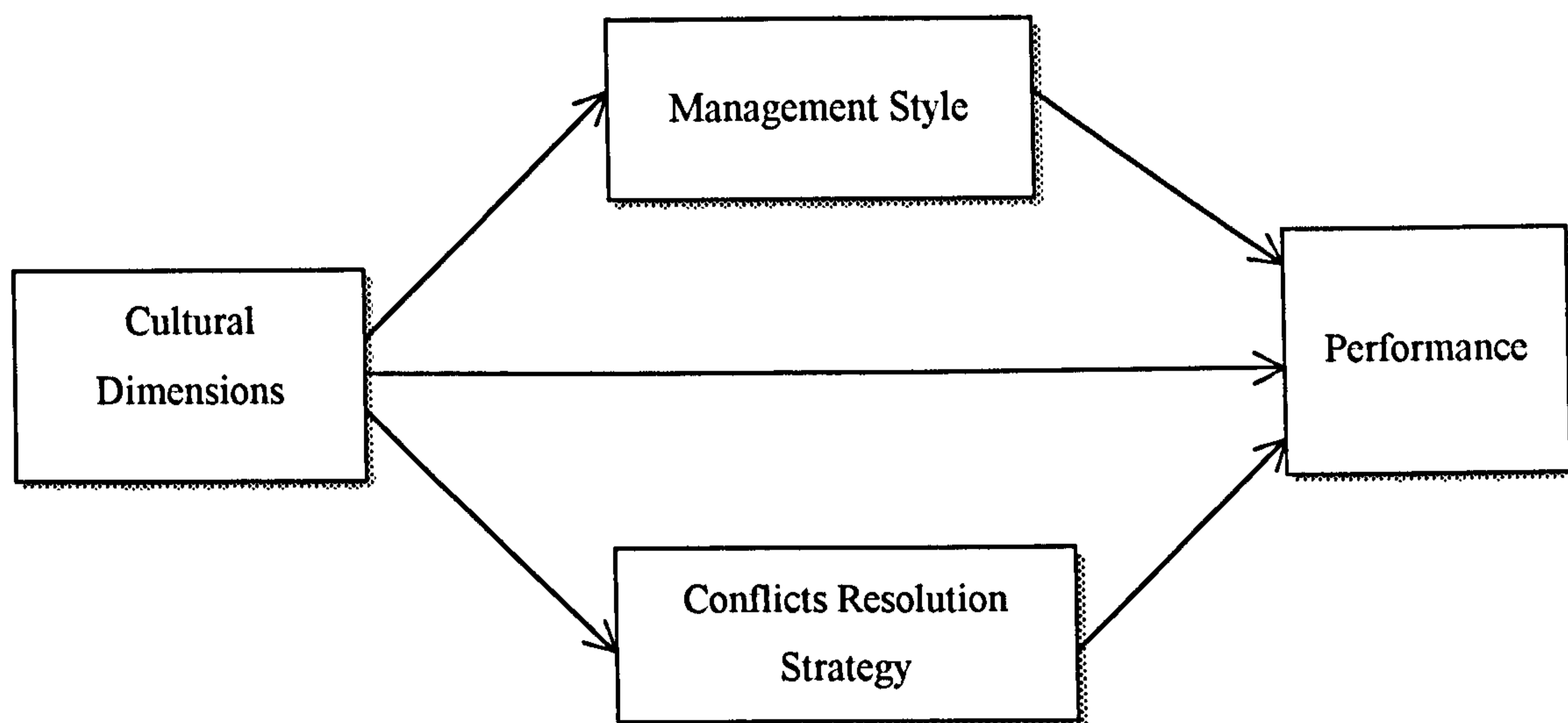


Figure 5-1 A Conceptual Model

Some literature review that has been presented in chapter 4 is not repeated in this chapter. The following section will focus on the relationship between cultural dimensions with Hofstede's five dimensions (i.e. Power Distance, Uncertainty Avoidance, Individualism, and Masculinity, and Long-term Orientation), and other variables: management styles, conflict resolution strategies, and performance.

### 5.2.1 Cultural Dimensions

Hofstede's IBM survey, which had been carried out from 1967 to 1978 is one of the most influential contributions in the field of cross-culture studies. This survey

collected data by questionnaires from over 116,000 employees in IBM's subsidiaries in over 50 countries. Four dimensions are found through a combination of factor analysis and theoretical reasoning. These dimensions are: Power Distance (PD), Uncertainty Avoidance (UA), Individualism (IDV), and Masculinity (MAS). The Chinese Value Survey (CVS) found that the Confucian work dynamism was not related to any of Hofstede's four dimensions. Hofstede and Bond (1988) adopt the Confucian work dynamism and rename it as Long-term Orientation (LTO).

#### 5.2.1.1 Power Distance

The first dimension in Hofstede's national culture is called Power Distance. Power Distance can be defined as the extent to which the less powerful members of institutions and organizations within a country expect and accept that power is distributed unequally. The fundamental issue here is inequality. None of the human societies has ever reached complete equality since some strong forces in our societies maintain existing inequalities. Inequality exist in all human societies, however, some of them are more unequal than others.

In organizations, it is related to the degree of hierarchy or level of participation in decision. Not only the power distance is shown in the ruling members but also in the

bottom of the power hierarchy. Examining the specific cultural dimension shows distinct potential compatibilities.

#### 5.2.1.2 Uncertainty Avoidance

Hofstede's second dimension, Uncertainty Avoidance, is the tolerance or acceptance of ambiguity, risk or the reduction of chance factors. It is related to the need for stability and conflict reduction. People are living in the past, present, and future and need to face the uncertainty of the future every day. However, some societies encourage people to face challenge and not to feel upset by it. Such a society is called "weak uncertainty Avoidance" society and people in the society tend to feel fairly secure. By contrast, since the future is unpredictable, people in some societies called high uncertainty avoidance feel highly anxious and they are told to create security and avoid risk.

In organizations, it is related to formalization and standardization. Risk management technique enhances the effects at avoiding uncertainty, at least some types of uncertainty. Organizations in high uncertainty avoidance tend to create uncertainty in the environment by building up a system of high formalization and hierarchy (Hofstede 1980, p.155). People who work in high uncertainty avoidance countries turn



to this system when confronted with events in the environment; they feel uncomfortable without such a system to hold on to. People who work in low uncertainty avoidance countries feel equally uncomfortable with rigid rules and hierarchy.

### 5.2.1.3 Individualism

Individualism, Hofstede's third dimension, describes the relationship between the individual and the collectivities, which prevails in a given society. On one hand, people in these societies can enjoy a large amount of freedom since the ties between individuals are very loose. Therefore, they tend to take care themselves and focus on their own interest. On the other hand, the ties are very tight and people tend to have responsibility taking care of their family and protecting their family's interest. Individualism bears directly on issues of internal integration and influences relationships with personnel, such as the organization's choice of control forms, reward system (Hofstede 1980, p.218).

Managers from high-individualism (HIDV) and low-individualism (LIDV) working in IJVs may have more conflicts because they focus on different fields. Managers from LIDV countries such as Taiwan, Hong Kong, endorse "traditional" points of view, not

supporting employee initiative and group activity. In contrast, managers from HIDV countries, such as U.S.A., France, endorse “modern” points of view on stimulating employee initiative and group activity.

#### 5.2.1.4 Masculinity

Masculinity, is the fourth dimension in Hofstede’s national culture, with its opposite pole femininity. This orientation is related to the basic dichotomy between the rational, achievement, aggressive, success driven task orientation (Masculine) and emotional, affiliation, passive, relationship orientation (Feminine). Traditionally, men and woman are given different roles in human societies around the world. This is called sex role division.

It is easy to find the roles for men and women are quite different from one society to the other. Some societies called “Feminine”, which allow men and women to take many different roles together. By contrast, people in societies called “Masculine” are stricter in the different roles between men and women. In Masculine societies, men play dominant roles and women take the more caring and service-oriented roles. The focuses of traditional values in these societies are: showing off, performing, achieving something visible, making money, and creating heroes and supermen.

The focuses of traditional values in Feminine societies are: not showing off, relationships with people and quality of life are more important than making money, and the preservation of the environment and helping the weak; creating heroes and supermen is not encouraged. In organizations, it relates to the task orientation as opposed to the relationship styles of management.

#### 5.2.1.5 Long-term Orientation

Long-term Orientation is introduced to be the fifth dimension in Hofstede's study (1991). This dimension is divided into two poles: one is labeled "long-term orientation" which is more oriented towards the future (especially perseverance and thrift); another is labeled "short-term orientation" which is more oriented towards the past and present. Hofstede argues that long-term orientation may be the key factor of economic growth in Asia (1991, p.167).

In summary, organization researchers have been used Hofstede's five dimensions to test the impact of cultural distance on cross-national organizations. However, the impact of cultural difference on IJVs management is mixed, which has been presented in chapter 2-4.

### 5.2.2 Performance and culture dimensions

Satisfaction has been used as an inclusive indicator of how a firm assesses some of the other costs and benefits of its IJV relationship beyond economic performance. Specifically, this study focuses on overall satisfaction with the relationship and the partners, and whether the partner provided adequate contributions to the IJV operation (Cullen and Johnson 1995).

Shenkar and Zeira (1992) found that role ambiguity would be lower in IJVs when Power Distance gaps are lower, and when Individualism/Collectivism and Uncertainty Avoidance gaps are higher. It may imply that Hofstede's four dimensions should be measured by separation and not mixed together. In this combination, successful joint ventures might be expected between partners from Japan and France with partners in HK, Taiwan, South Korea because of the similarity in power distance. In contrast, more failures would be expected between Germany, U.S.A. partners and those countries with high power distance.

Differences in uncertainty avoidance may lead to differences in how partners observe and react to events in the IJV, which will be likely to raise disagreement and argument



between the partners, and may have a harmful impact on the IJV's chances of survival.

Testing on longitudinal data from 828 foreign entries of 25 Dutch multinational in 72 countries between 1966 and 1994, Barkema and Vermeulen (1997) found that the effects of uncertainty avoidance are negative and significantly impact on IJV survival.

Previous studies in this dimension indicate the gap of Masculinity/Femininity will have positive influence on organization (Hofstede 1985, Shenkar and Zeira 1992, Zeira et al. 1997). Hofstede (1985) found that partners from both "feminine" and "masculine" cultures may even benefit the IJV. Shenkar and Zeira (1992) found that role ambiguity would be lower in IJVs when gaps between partners from Masculinity/Femininity countries are lower. In contrast, Zeira et al. (1997) found that the greater the difference in Masculinity/Femininity Index, the more effective the EIJV will be.

Differences in the long-term orientation of the partners will therefore be likely lead to differences in objectives and in perceived opportunities and threats in the IJV (Schneider 1989, Schneider and Meyer 1991). For example, one partner may focus on short-term profits but the other has a long-term view and is more oriented towards investments in financial assets and in building up a relationship with the partner. Such differences would likely raise tensions and affect the survival of the IJV.

Yeh and Lawrence (1995) argue that Hofstede's fifth dimension, Long-term Orientation, is strongly related to individualism dimension. However, Barkema and Vermeulen (1997) suggest that collectivism and long-term orientation representing the same aspect of culture is too much of a simplification. They examined 228 IJVs formed by 25 Dutch firms and found that IJV incidence correlates negatively with differences in long-term orientation.

Based on 90 companies including American, Japanese, and local British companies in the UK market, Doyle et al (1992) found that American subsidiaries were more oriented towards delivering short-term profit performance than their Japanese competitors. Dong et al. (1997) investigated international joint ventures in China and found that Overseas Chinese partners are more profit-orientated than Western and Japanese MNEs. One possibility is the Overseas Chinese partners are small-medium enterprises so that they lack the resources to stand the loss of profits.

In recent study carried out by Hofstede and his colleagues, they found that businessperson's goals are significantly related to Power Distance Index, Uncertainty Avoidance Index, and Long-term Orientation Index (Hofstede et al. 2002). Managers from HIDV countries feel the unimportance of "Profits 10 years from now". Managers from HLTO countries, however, focus on the "Profits 10 years from now" and feel

less important of “This year’s profits”. Thus, the hypothesis is:

H10a-e: IJV performance is positively predicted by foreign parent’s (a) PD and (c) MAS, but negatively predicted by (b) IDV, (d) UA, and (e) LTO.

### 5.2.3 Management Style

Since the eighties, Comparative studies in management styles have received more attentions when the Japanese economy was booming. During this decade, “Japanese-style” management was one of the most important topics because Japanese MNEs had success not only in managing their firms at home but also in oversea operations. Over the past 20 years, the economy growth in China boomed firmly following the “Open Door” policy. China has been one of the focused countries in field of international business research and IJV research is one of the major topics. (Buckley 2002).

China is not one of Hofstede’s survey countries. However, Overseas Chinese such as Hong Kong, Taiwan, and Singapore in Hofstede’s survey all score high Power Distance (HPD) and low Individualism (LIDV). Cheung and Chow (1999) found that managers in PRC, Hong Kong and Taiwan are convergent in IDV and UA but PRC managers have higher PD than others. Therefore, China can be assumed to be a

HPD/LIDV country (Hofstede 2001, p.114).

#### 5.2.3.1 Supervision style

In organizations, supervision style refers to the relation types between managers and their employees. House et al. (2002) found that leadership style is related to PD and IDV by a sample of thousands of middle managers in 61 nations. In IJVs, we focus on the relationship between parents and IJVGMs.

In HPD countries such as Japan and Taiwan, a parent firm will give a hand with major problems. An IJVGGM is given more authority and freedom to schedule his works. In LIDV countries such as Japan and Taiwan, a parent firm will give more support and back-up for IJVGGM. Thus, the hypothesis is:

H1: Supervision style is (a) positively related to PD but (b) negatively related to IDV in Foreign-Sino IJVs.

H10f: Supervision style is positively related to IJV satisfaction.



### 5.2.3.2 Decision-making

The complexities of decision-making processes in IJVs stem from cultural difference (Wright 1979). IJVGMs often find that the local and foreign parents have conflicting expectations and processes (Shenkar and Zeira 1987). Japanese managers tend to make decisions slowly. They will consult their subordinates before they make decisions in order to keep harmony. In a sample of 288 senior managers from UK, France, Thailand, and the US, Earley (1999) found that PD influence the collective decisions made by a team. In the LPD country such as the US, people tend to contribute their own opinion. However, people in the HPD country such as Thailand, appear to have collective decisions made by groups.

Japanese managers tend to be involved in detailed matters from small organizational matters to top-level decisions, which is a sign of PD. In HPD/LIDV country, decisions tend to become centralized. Americans tend to call for a meeting to solve problems, while Japanese tend to talk to a person in private before meetings take place. Decision-making can be based on majority vote on LPD/HIDV but on group consensus in HPD/LIDV (Triandis 1995). Thus, the hypothesis is:

H2: Decision-making is (a) positively related to PD but (b) negatively related to IDV.

H10g: Decision-making is positively related to IJV satisfaction.

### 5.2.3.3 Communication pattern

Differences in communication pattern also can be found in the two HPD/LIDV and LPD/HIDV types of culture. HPD/LIDV countries tend to use an interdependent orientation in communication patterns. People in China emphasize 'we' more than 'I'. Refusing people's request is indicative losing 'face' so they tend to use 'I will consider it' or 'maybe next time' instead of 'No' to maintain personal relationships. Silence, no comment in public, is used in Chinese society as an indication of strength, power, and disagreement (Gudykunst and Nishida 1994). By contrast, people in LPD/HIDV like American are free to express their opinion in public.

In an interview with a group of US and Japanese managers, Japanese managers think that communication is listening to other's opinion. They think Americans talk too much in communication. However, American managers like to be more assertive, ask more questions, and debate more and they think Japanese tend to avoid arguments (Kim and Paulk 1994). Ohbuchi and Takahashi (1994) compare the communication pattern of American and Japanese students. They find that students in LPD/HIDV are more out-spoken than HPD/LIDV. Thus, the hypothesis is:

H3: communication pattern is (a) negatively related to PD but (b) positively related to IDV.

H10h: Communication pattern is positively related to IJV satisfaction.

#### 5.2.3.4 Control mechanism

In a study of Japanese IJVs, Johnson et al. (2001) hypothesize that parent controls are higher when parent firms are from HPD countries. It is found that the HPD is positively related to parent control in IJV operations. Parent companies, which come from HPD countries such as Hong Kong, Singapore, and Japan generally engaged in more direct control. Merchant (2002) found that US partners prefer to have dominant-control in IJV operations. Birnbaum and Wong (1985) found that a positive relationship between decision-making and manager performance by a HPD sample of Chinese employees in HK banks.

The relationship between control and performance has been one of the major issues in the joint venture research but received mixed results (e.g. Calantone and Zhao 2000, Geringer and Hebert 1989, Yan 2000). Lecraw (1983) found that the relationship between control and performance is positive, by a sample of IJVs in five developing countries. Beamish (1985) found that the relationship between foreign parent control and performance is negative. Ding (1997) found that control has a positive impact on performance by a sample of IJVs in China. In a sample of IJVs in China, Calantone and Zhao (2000) hypothesized that control and performance are positively related in

IJVs. Their hypothesis is supported by Korean IJVs and US IJVs but not supported by Japanese IJVs. Thus, the hypothesis is:

H5: Control mechanism is (a) positively related to PD but (b) negatively related to IDV.

H10j: Control mechanism is positively related to IJV satisfaction.

#### 5.2.3.5 Paternalistic orientation

Paternalistic orientation refers to managers concern for their subordinates' personal and family life. In a HPD/LIDV country, a manager behaves like a father who feels he has the duty to take care of his employees' personal problems. In contrast, employees expect their managers to do so and they feel they are a part of this group. In a comparative study of US and Singaporean management styles, Hackman and Kleiner (1990) found that people in HPD country such as Singapore appear to have a paternalistic rule. Thus, the hypothesis is:

H4: Paternalistic orientation is (a) positively related to PD but (b) negatively related to IDV.

H10i: Paternalistic orientation is positively related to IJV satisfaction.



#### 5.2.4 Conflict Resolution Strategy

Cullen and Johnson (1995) found that conflict can damage the partner's relationship and result in lower IJV performance. Dyer and Song (1997) found that the conflict resolution strategies are different between US and Japanese managers. Morris et al. (1998) found that Chinese tend to use conflict avoiding strategy but Americans tend to use forcing style conflict strategy.

##### 5.2.4.1 Problem-solving strategy

Problem-solving refers to the involvement of frankness, information exchanging in order to achieve an effective solution acceptable for both parties. In other words, this strategy tends to build up a satisfaction relationship for both IJV partners to achieve their goals (Campbell et al. 1988). People with this style tend to face conflict and try to find a proper way to solve problem. They will focus on both of their own and others' need in balance.

Chinese managers tend to maintain harmony and hesitate to discuss problems with their partners directly and openly. The ways of telling partners their ideas and asking them for their ideas directly and openly are not seen as a wise strategy. By contrast, US managers appear to discuss problems openly and directly. They like to tell partners

about their ideas and ask partners for their ideas. US managers like to be more assertive, ask more questions, and debate more and they think Japanese tend to avoid arguments (Kim and Paulk 1994). Hence, the hypothesis will be:

H6: Problem-solving is (a) negatively related to PD but (b) positively related to IDV.

H10k: Problem-solving strategy is positively related to IJV satisfaction.

#### 5.2.4.2 Compromising strategy

Individualism is viewed as a major dimension in the observation of culture. In an individualistic culture such as the US, people emphasize on what they can do. By contrast, in a collectivistic culture such as Japan, meeting social responsibilities is more important than one's own interest (Triandis 1995). In a comparison of conflict resolution strategies between Hong Kong and Chinese students, Kirkbride et al. (1991) found that these students tend to compromise more when facing conflicts. They argue that the compromising strategy is adopted by Chinese because of a larger PD culture. In a comparative study, Taiwanese were found to use compromising strategy more than Americans (Trubisky et al. 1991) Thus, the hypothesis is:

H7: Compromising is (a) positively related to PD but (b) negatively related to IDV.

H10l: Compromising strategy is positively related to IJV satisfaction.

#### 5.2.4.3 Forcing strategy

Forcing strategy refers to a one-sided effort to dominate the process of decision-making (Thomas 1976). In a HPD/LIDV country such as China, supervisors tend to order and subordinates would like to follow without question. By contrast, in a LPD/HIDV country such as the US, it is better to explain the reason before supervisors ask their subordinates to follow. In IJVs, one of the parent firms could use their power such as ownership advantage in decision-making when disagreements between parents occur. Hence, the hypothesis will be:

H8: Forcing is (a) positively related to PD but (b) negatively related to IDV.

H10m: Forcing strategy is negatively related to IJV satisfaction.

#### 5.2.4.4 Legalistic strategy

Legalistic strategy refers to people tending to avoid future conflict or trying to solve present conflict by written contract or by seeking legal arbitration. Contract or legal arbitration is a formal form of communication with partners in IJV management.

However, formal roles and contract cannot guarantee the trust and understanding between IJV parents (Child and Faulkner 1998). US managers prefer to have

confrontations whilst Chinese tend to maintain 'face'. In other words, Chinese refer to avoid or solve conflict in private.

Lin and Germain (1998) hypothesized that cultural similarity is negatively related to legalistic strategy. However, this hypothesis is not supported by the sample of US-Chinese IJVs. In a HIDV country such as the US, people would use legalistic strategy to solve problems. "See you in court" or taking legal actions are not unusual in this society (Ross 1993, p.108). By contrast, in a LIDV country such as China, people would negotiate and use personal relationship to solve before taking legal action. By taking a sample of 1,800 junior managers attending MBA courses in 15 countries, Hofstede et al. (2002) found that Power Distance Index is negatively related to 'Staying within the law'. Thus, the hypothesis will be:

H9: Legalistic Strategy is (a) negatively related to PD but (b) positively related to IDV.

H10n: legalistic strategy is negatively related to IJV satisfaction.



### 5.3 Results

The first stage of analysis is to compare the variables between the Japanese and Taiwanese IJVGMs. The ANOVA results for Japanese and Taiwanese respondents are reported in Table 5-1. Eight out of fifteen are significant and the other three show a weak difference between the two national groups. This result suggests that variables in this model including culture dimensions, management styles, conflict resolution strategies, and performance are different between countries. In other words, nationality can be an effective measure for cultures between nations.

Table 5-1 ANOVA Results for Japanese and Taiwanese respondents (N=82)

	Japanese Group (N=33)	Taiwanese Group (N=49)	
Variables	Mean	Mean	Sig.
Power Distance	5.379	6.719	0.042*
Individualism	5.439	6.031	0.047*
Masculinity	5.561	5.378	0.475
Uncertainty Avoidance	5.091	5.327	0.374
Long-term Orientation	4.636	5.163	0.079
Supervision style	6.843	6.518	0.018*
Decision making	5.591	5.269	0.078
Communication Pattern	5.667	5.718	0.725
Paternalistic Orientation	4.538	5.418	0.000***
Control mechanism	4.455	5.673	0.002**
Problem-solving	4.394	3.684	0.000***
Compromising	4.015	3.714	0.045*
Forcing	3.323	3.551	0.052
Legalistic strategy	3.576	3.133	0.004**
Satisfaction	3.424	3.571	0.420

\* p<0.05, \*\* p<0.01, \*\*\* p<0.001

Further, multiple regression is used to test this model. Table 5-2 summarizes the regression results for Japanese and Taiwanese senior managers. A majority of hypotheses are not supported by the samples. Regarding the management styles, H2b, H5b, H5c are supported by a single group and H3b is supported by both groups. Regarding the conflict resolution strategies, H6b, H7b, H8b, and H9b are supported by a single group and H6a is significantly supported by both of the groups.

Table 5-2 Regressions Analysis Results for Japanese and Taiwanese Respondents

H	Dependent Variables	Explanatory Variables	Predicted Relation	Japan parents		Taiwan parents	
				Beta	R <sup>2</sup>	Beta	R <sup>2</sup>
H1a	Supervision Style	PD	+	0.203	0.041	0.162	0.080
H1b		IDV	-	-0.001		0.200	
H2a	Decision Making	PD	+	0.058	0.005	-0.100	0.168 <sup>b</sup>
H2b		IDV	-	-0.070		0.420 <sup>a</sup>	
H3a	Communication Pattern	PD	-	-0.073	0.105	0.049	0.142 <sup>b</sup>
H3b		IDV	+	0.347 <sup>c</sup>		0.363 <sup>b</sup>	
H4a	Paternalistic Orientation	PD	+	-0.160	0.052	-0.138	0.023
H4b		IDV	-	0.078		-0.031	
H4c		LTO	+	0.179		-0.029	
H5a	Control Mechanism	PD	+	-0.132	0.169	-0.113	0.107
H5b		IDV	-	0.031		0.333 <sup>b</sup>	
H5c		LTO	+	0.402 <sup>a</sup>		0.013	

(Table 5-2 continued)

H6a	Problem-solving	PD	-	-0.502 <sup>a</sup>	0.218 <sup>b</sup>	0.184	0.065
H6b		IDV	+	0.305 <sup>c</sup>		0.141	
H7a	Compromising	PD	+	0.051	0.039	0.179	0.184 <sup>a</sup>
H7b		IDV	-	-0.214		0.352 <sup>b</sup>	
H8a	Forcing	PD	+	0.148	0.018	-0.012	0.238 <sup>a</sup>
H8b		IDV	-	-0.062		0.490 <sup>a</sup>	
H9a	Legalistic Strategy	PD	-	-0.063	0.029	0.082	0.159 <sup>b</sup>
H9b		IDV	+	0.188		0.373 <sup>a</sup>	
H10a	Satisfaction	PD	+	0.298	0.509	0.081	0.359
H10b		IDV	-	-0.078		-0.017	
H10c		MAS	+	0.066		0.186	
H10d		UA	-	-0.337		-0.050	
H10e		LTO	-	-0.120		-0.242	
H10f		Supervision Style	+	-0.289		-0.121	
H10g		Decision Making	+	0.527 <sup>b</sup>		-0.181	
H10h		Communication Pattern	+	0.253		0.223	
H10i		Paternalistic Orientation	+	-0.002		0.060	
H10j		Control Mechanism	+	-0.012		0.175	
H10k		Problem-solving	+	0.287		0.230	
H10l		Compromising	+	0.006		0.208	
H10m		Forcing	-	0.119		0.237	
H10n		Legalistic Strategy	-	-0.327		-0.283	

a:  $p < 0.01$ , b:  $p < 0.05$ , c:  $p < 0.1$



## 5.4 Discussion

This study investigates the impact of cultural dimensions in management styles, conflict resolution strategies, and IJV performance from foreign parents' perspectives. Firstly, we test whether the fifteen variables are different between Japanese and Taiwanese senior managers. The findings partly support the view that cultural difference exists between nations. Regarding the five dimensions, PD and IDV are significantly different between the two countries but MAS, UA, and LTO are not significant. Regarding management styles, supervision style, Paternalistic Orientation and Control Mechanism are found significantly different between Japanese and Taiwanese senior managers. Excepting forcing strategy, the conflict resolution strategies are significantly different between the two nation's managers. In regards to IJV satisfaction, there is no different between the two groups.

Secondly, we test the model whereby culture is measured by five self-reported dimensions. The results show mixed support of the hypotheses. Regarding the management styles, supervision style and paternalistic orientation are not found to be related to PD and IDV in the two groups. Decision-making is found significantly related to HIDV in Taiwanese managers. Communication patterns is found significantly related to HIDV in Japanese managers. In regards to conflict resolution strategies, problem-solving is found significantly related to LPD and HIDV in the Japanese group. Compromising, forcing, and legalistic strategies are found



significantly related to HIDV in the Taiwanese group. IJV satisfaction is found significantly related to decision-making only in the Japanese group.

Seven out of ten hypotheses confirm that IDV positive relate to dependent variables in one or both groups. Previous IJV studies have not linked the relationship between IDV and management issues. The findings in this research provide a good implication for further IJV research.

Moreover, PD and IDV are found to have a negative correlation in the Japanese group when we test these hypotheses (see Table 5-3). However, only four out of ten hypotheses show similar results in the Taiwanese group. PD and IDV have been found to have a highly negative correlated ( $r = -0.68^{***}$ ) in Hofstede's IBM survey (Hofstede 2001, p.250). The results of the Japanese group confirm the correlation between the two dimensions.

Table 5-3 Relationships between PD and IDV for Japanese and Taiwanese Respondents

H	Dependent Variables	Explanatory Variables	Result relation	
			Japanese Parents	Taiwanese Parents
H1a	Supervision Style	PD	+	+
H1b		IDV	-	+
H2a	Decision Making	PD	+	-
H2b		IDV	-	+ a
H3a	Communication Pattern	PD	-	+
H3b		IDV	+ c	+ b
H4a	Paternalistic Orientation	PD	-	-
H4b		IDV	+	-
H5a	Control Mechanism	PD	-	-
H5b		IDV	+	+ b
H6a	Problem-solving	PD	- a	+
H6b		IDV	+ c	+
H7a	Compromising	PD	+	+
H7b		IDV	-	+ b
H8a	Forcing	PD	+	-
H8b		IDV	-	+ a
H9a	Legalistic Strategy	PD	-	+
H9b		IDV	+	+ a
H10a	Satisfaction	PD	+	+
H10b		IDV	-	-

a:  $p < 0.01$ , b:  $p < 0.05$ , c:  $p < 0.1$

Why can the HPD/LIDV correlation be found in testing the Japanese group but not in Taiwanese group? Several explanations can be made here. Firstly, national wealth, Hofstede finds when the national wealth (1970 GNP/capita) is controlled the correlation coefficient between PD and IDV is reduced to  $r = -0.32^*$  only (Hofstede

2001). He said:

“For the longer term, we can assume that as long as the wealth of nations grows, the individualism of those nations’ citizens will increase. If there is to be any convergence between national cultures it should be on this dimension (Hofstede 2001, p254-255).

As Hofstede argues, national wealth is a factor influencing the correlation between PD and IDV. National wealth has been significantly improved in Taiwan since Hofstede carried out his IBM survey in the 1970s. Therefore, we can predict IDV changed in Taiwan within the last thirty years.

Secondly, IDV increases in those countries, which introduce modern technology successfully such as in China and Japan (Hofstede 2001, p.216). Yang (1988) argues that modernization will eventually reduce cultural differences between nations. He found that twelve out of twenty characteristics in modern societies have common ground with individualism.

Thirdly, age; the younger generation in collectivism countries is moving towards individualism (Triandis 1995). They accept western education, live in modern

societies, and the increases national wealth. It is easy to become more individualistic in countries such as China, Taiwan and Japan. Numerous studies provide evidence that the younger generation in collectivism countries have been shifting toward individualism (Kitayama 1992, Iowa 1993). In our sample, Taiwanese managers are generally younger than Japanese (72.8% of Japanese and 42.9% of Taiwanese are 51 or above). Consequently, the older generation in Japan tends to follow HPD/LIDV patterns while the younger generation in Taiwan shifts toward HIDV. Further research needs to pay attention to this issue.



## 5.5 Conclusion

Firstly, by our sample, nationality is proved to be an effective indicator for examining cultural difference. Secondly, a conceptual model is built to link the cultural dimensions, management styles, conflict resolution strategies, and IJV performance by foreign parent perspective. Thirdly, it is found that IDV is significantly related to management styles and conflict resolution strategies in one or both groups. Finally, it is found that HPD/LIDV relationship is confirmed by Japanese senior managers but only partly confirmed by Taiwanese senior managers. Several explanations are given to address this finding. Further research is encouraged to pay attention to this issue.

Several limitations, which relate to cross-cultural research, have been addressed in chapter 4. Firstly, sampling equivalence, Harpaz (1996) suggests that sample descriptions need to include all of the important characteristics of individuals and organizations which could affect interpretations of research results. Although we are careful to control variables in this study (i.e. two parent firms, manufacturing sector, operating more than two years, and two country-groups of IJVs in China), some variables in individual, firm, and industrial levels still have not been controlled (i.e. age, education, company size of parents and IJVs, business activity of parents and IJVs). It is possible that these variables affect the research outcome between the two country's groups.

Secondly, sample size; although a sample of 82 parent firms is adequate for statistical analysis, a study with a larger sample would generalize its results. According to the “China Statistical Yearbook” (1997, p.605), 31,876 equity joint ventures are approved in 1996, of which 4,408 Japan IJVs are recorded in the “Japanese Business in China Yearbook 2000-2001” (Mitsubishi Research Institute 2000). Hence, 82 samples are relevantly small compared with IJVs in China.

Thirdly, our samples came from a population, in which IJVs survive for more than two years. The failed IJVs are not included in our sample frame. It is possible that these dissolved IJVs experience higher cultural differences whilst failing to cope. This reason provides an explanation why the impact of cultural distance is not significant in the research findings.

Fourthly, our samples source from the Taiwanese and Japanese IJVs, whose cultures are more similar to the Chinese than to the West. The impact of culture is relatively smaller than western IJVs operations in China. Meanwhile, the effects on the management styles, role stress, and conflict resolution strategies are all more similar than in the western rivals. Hence, the impact of culture is not easy to show significantly. From another point of view, it proves that the shorter the cultural distance between host and foreign partners, the less impact of cultural distance on

management issues in IJVs (Puffer 1993, House et al. 1999, Li et al. 2001).

Further research can focus on these issues. Firstly, IDV impacts on IJV management issues such as functions in human resource management. Secondly, HPD/LIDV correlation shifts by qualitative research such as case studies. Thirdly, replication research in some countries with significantly different cultures such as US and Japan to test the validity of the model.

## CHAPTER 6 THE PERFORMANCE MEASURES OF INTERNATIONAL JOINT VENTURES IN CHINA: PERSPECTIVES FROM FOREIGN PARENTS AND IJV GENERAL MANAGERS

### 6.1 Introduction

The way in which to enter a foreign market successfully has been a major issue in the field of international business research (Anderson and Gatignon 1986). Some market entry strategies could be used for firms such as export, licensing, joint venture, and wholly owned subsidiary (WOS), whilst joint venture probably is the most popular forms among them. Joint ventures are formed mainly they can reduce investment risk, share local knowledge, improve efficiency, and enhance competitiveness of parent firms (Auster 1987, Harrigan 1988). In contrast, co-operating with a foreign partner may lead to conflict and dissolution due to cultural differences (Barkema et al. 1996, Shenkar and Zeira 1992).

Over the past 20 years, the economic growth in China has exploded following the economic reform. The growth of GDP in real terms reached almost 9 percent on average in the 1990's, which is the highest and most stable period after the Second World War. China has the second biggest Foreign Direct Investment (FDI) inflow in the world. FDI has shared a major role in the economy growth and reached \$ 40.7 billion in 2000 (UNCTAD: World Investment Report 2001, p.294). China now attracts FDI successfully whilst the investment climate is in growing markets, increasingly



favorable regulatory frameworks and the possibility of establishing joint ventures (Beamish 1985).

The major entry modes in China's market include equity joint venture (EJV), contract joint venture (CJV), and wholly owned subsidiary (WOS). EJVs account for 43.5 percent of FDI, while WOS take a share of 36.59 percent and CJV only gain 19.51 percent in 1996 (China Statistical Yearbook 1997, p.605). EJV is the most popular mode of entry to the China's market for foreign companies since 1980s (Luo 2002). However, the impact of cultural difference on IJV is one of the biggest difficulties needed to be coped with among local, foreign parent firms, and IJV general managers. IJV performance has been found more difficult to achieve in developing countries than in developed countries (Lecraw 1983, Schaan and Beamish 1988). It implies that the criteria of evaluating performance should be different in developing countries.

This chapter aims to link up the relationship among the performance measures, time orientation, and different parties' point of view in IJVs. In this study, four approaches are introduced to measure performance: economic, strategic, behavioral, and learning which have been examined in previous studies (Buchel et al. 1998, Glaister and Buckley 1999, Yan 2000, Buchel and Thuy 2001).

## 6.2 Literature Review

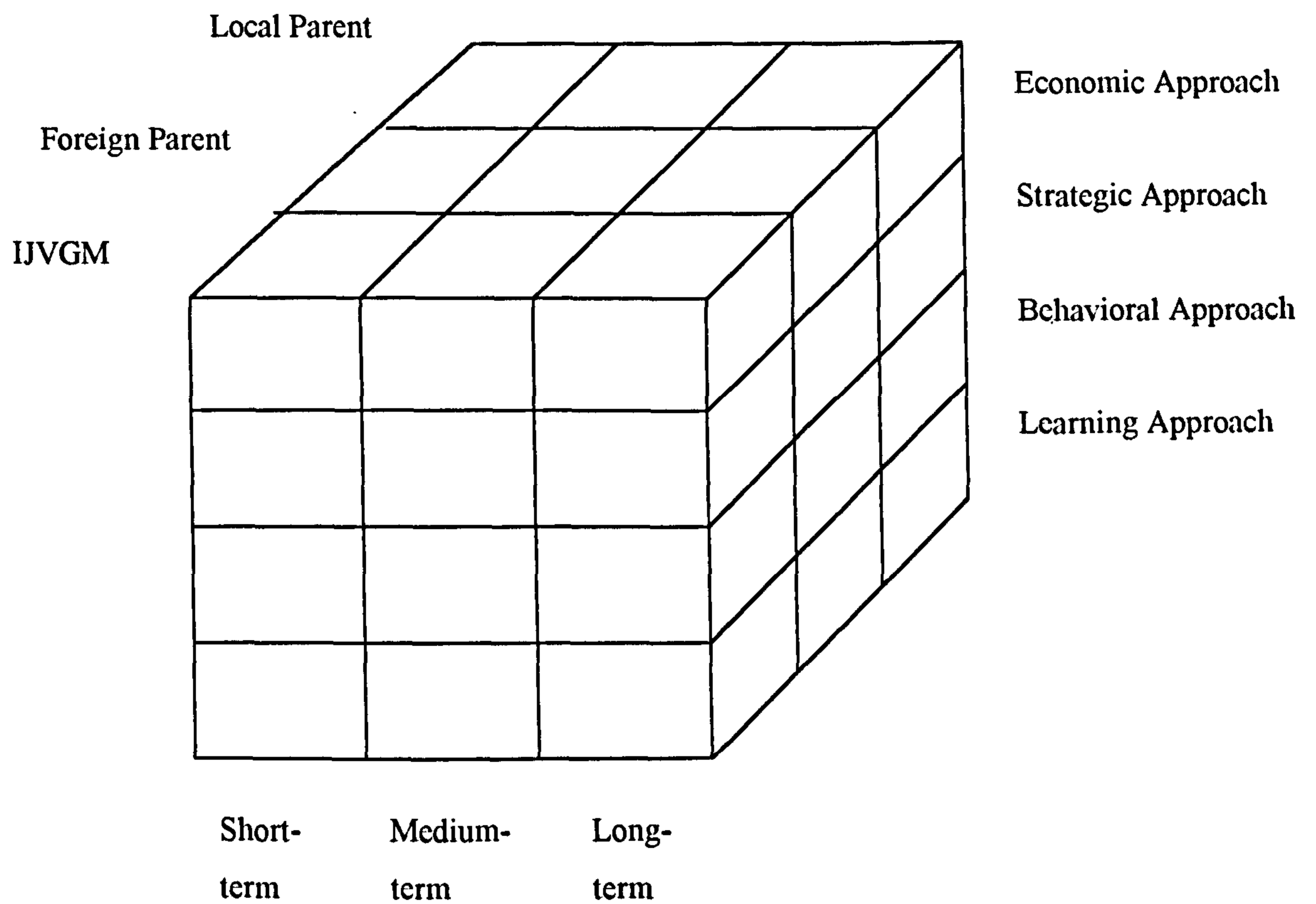


Figure 6-1 A Conceptual Framework for IJV Performance Measures

A conceptual framework is shown as Figure 6-1. In the framework, it is the goal to try linking up the relationship among measure approaches, parents' and IJVGM's perspectives, and Long-term Orientation.

### 6.2.1 Measure approaches

Performance has been an important issue in joint venture since performance difficulties affects the financial structure of parent firms (Lee and Beamish 1995).

Numerous studies have been addressing this issue with different criteria such as partner satisfaction, financial indicators, survival, duration, instability, and stock-market reaction (e.g. Blodgett 1992, Barkema and Vermeulen 1997, Glaister and Buckley 1998). However, the use of economic measures has limitations that may fail to reflect a joint venture to reach its long-term goals (Geringer and Hebert 1991).

The majority of studies use satisfaction to be the criteria of measuring performance of international joint ventures (e.g. Beamish 1987, Beamish and Inkpen 1995, Schuler and Rogovsky 1998). It is an advantage that this measure can provide much information as to whether an IJV has reached its goals. However, Geringer and Hebert (1991) argue that many research methods do not have chance to collect these types of data instead of using objective performance measures, for instance, researches based on secondary data sources or official documents.

Early studies employ some financial indicators such as profitability and growth in measuring the performance of joint ventures (Lecraw 1983, Lee and Beamish 1995).

There are three limitations of using this type of measure. Firstly, many joint ventures

have no public financial reports. Secondly, it is difficult to compare joint ventures across different industries with financial performance (Brown et al. 1994). Thirdly, a joint venture may reach a long-term performance but using short-term financial measures could indicate poor performance (Anderson 1990). However, JV managers in China still put more focus on profit than any other criteria. In a sample of U.S.-Chinese joint venture, Osland and Cavusgil (1996) found that both partners are satisfied with the performance of the joint venture since profits reach their goal. A director of the Chinese partner said:

We [the partner company] now see the value in generating dividends and focusing on profits. The government is also more interested in the profits that the joint venture generated. These profits provide tax money (Osland and Cavusgil 1996, p.117).

Stelzer et al. (1992) report that 60 percent of the U.S. partner announced 10% or more ROI in a five-year average. In a sample of 114 IJVs involved North America, European, Japan and Oversea Chinese, Dong et al. (1997) found that the overseas Chinese partners put more focus on profitability than other foreign partners.

Buchel and Thuy (2001) propose a performance evaluation, with measures clustered



into four approaches: economic, strategic, behavioral, and learning approaches. The economic approach concerns financial output and focus on increasing the value of the shareholders (Buchel and Thuy 2001). The theory for this approach is based on financial and capital markets and involves examining measures such as cost control, ROI, market share, and sales growth which can be examined in the short-term. However, the strategic approach emphasizes long-term output such as customer satisfaction, competing with global competitor in local market, and market potential.

The behavioral approach focuses on processes within the IJV, which concerns the conduct of the participants in the IJV rather than the output criteria. This approach bases on an evaluation of the IJV's internal transformation such as effective communication, working well together, and the development of trust and commitment, which are viewed as medium-term measures. Moreover, the learning approach takes into account not only the acquisition of knowledge and the attainment of learning goals, but also the learning processes, which support these ends (Buchel et al. 1998, Buchel and Thuy 2001). Both of the behavioral and learning approaches are viewed as medium-term orientation. Thus, the hypotheses will be:

H1a: The measures of IJV performance in China is evaluated using four approaches: economic, strategic, behavioral and learning.

H1b: Both of Japanese and Taiwanese IJVs evaluate performance in China by the four

approaches.

H2a: There will be positive correlations among the four approaches for all IJVs in China.

H2b: There will be positive correlations among the four approaches for Japanese and Taiwanese IJVs.

### 6.2.2 Perspectives among IJVGMs, foreign parents, and local parents

Whose perspective can represent all the IJV parties' opinions? Is it the local parent's, foreign parent's or IJVGM's? Many studies use the parent's perspectives to measure IJV's performance while Anderson (1990) argues that joint ventures should be evaluated primarily as stand-alone entities seeking to maximize their own performance, not the parents'.

Using single-parent respondent takes the risk that foreign and local-parents in an IJV could have different needs. Therefore, they may have different levels of satisfaction. Beamish (1987) argues that parents sometimes differ in their assessment of performance so that only mutual agreement between the partners regarding their overall satisfaction was considered successful. Nevertheless, researchers who collect data from multi-parents are facing with time and budget problems. Anderson (1990) argues that joint venture should be evaluated primarily as stand-alone entities seeking to maximize their own performance, not the partners'. This perspective frees the

venture from parent politics and parochial viewpoints. Hyder and Ghauri (2000) carried out two case studies of IJVs between Swedish and Indian partners, by interviewing both the partners and IJV managers during data collection. They suggest that the way of interviewing three parties can have a fair and complete picture of the situation. Geringer and Hebert (1991) found that there is a significant positive correlation among the parents' and the IJV general manager's assessments of IJV performance. They suggest that the IJV general manager could provide fairly reliable data not only on each parent's satisfaction, but also on how each parent perceived its partner's satisfaction with IJV performance. Consequently, data collected from IJV general managers seems a reliable source.

Dong et al. (1997) found that local partners in joint ventures with Western and Japanese MNEs are relatively more satisfied with their JV's performance than those in joint ventures with Overseas Chinese partners. Moreover, Western partners' level of satisfaction is much lower than that of their local partners. In a US-Chinese IJV survey, Stelzer et al. (1992) found that nearly two-thirds of U.S. parents reported that IJVs performance in China were satisfactory due to meeting or exceeding expectation. In contrast, Beamish (1993) reports that over half of the Chinese and foreign managers in his interviews reported dissatisfaction with the performance of their joint ventures. Thus, the hypothesis will be:



H3: There will be no differences between the IJVGMs' and foreign parents' measures of IJV performance in terms of (a) economic, (b) strategic, (c) behavioral, and (d) learning approaches.

### 6.2.3 Long-term Orientation

A survey of Chinese values was conducted by a team of 24 researchers called The Chinese Culture Connection (1987) in 22 countries. Three of the factors found in this study from the Chinese Value Survey (CVS) correlated with three of Hofstede's four dimensions. One of the factors was unrelated to any of Hofstede's but correlated with the named Confucian work dynamism. It was introduced as the fifth dimension in Hofstede's study (1991). He divided it into two poles: one is labeled "long-term orientation" which is more oriented towards the future (especially perseverance and thrift); another is labeled "short-term orientation" which is more oriented towards the past than the present. Hofstede argues that long-term orientation may be the key factor of economic growth in Asia (1991, p.167).

Differences in the long-term orientation of the partners will therefore likely lead to differences in objectives and in perceived opportunities and threats in the IJV (Schneider 1989; Schneider and Meyer 1991). For instance, one partner may focus on short-term profits but the other has a long-term view and is more oriented towards



investments in financial assets and in building up a relationship with the partner. Such differences would likely raise tensions and affect the survival of the IJV.

Yeh and Lawrence (1995) argue that Hofstede's fifth dimension, long-term orientation, is strongly related to individualism dimension. However, Barkema and Vermeulen (1997) argue that collectivism and long-term orientation represent the same aspect of culture and is too much of a simplification. They examined 228 IJVs formed by 25 Dutch firms and found that IJV incidence correlates negatively with differences in long-term orientation.

Based on 90 companies including American, Japanese, and local British companies in the UK market, Doyle et al. (1992) found that American subsidiaries were more oriented towards delivering short-term profit performance than their Japanese competitors. Dong et al. (1997) investigated international joint ventures in China and found that overseas Chinese partners are more profit-orientated than Western and Japanese MNEs. One of the possibility is that overseas Chinese partners are small-medium enterprises and lack the resources to stand the loss of profits.

A recent study carried out by Hofstede and his colleagues, found that businessperson's goals are significantly related to Long-term Orientation Index (Hofstede et al. 2002).

Managers from high Long-term Orientation (HLTO) countries are more concerned with “Profits 10 years from now” and feel that “This year’s profits” is less important.

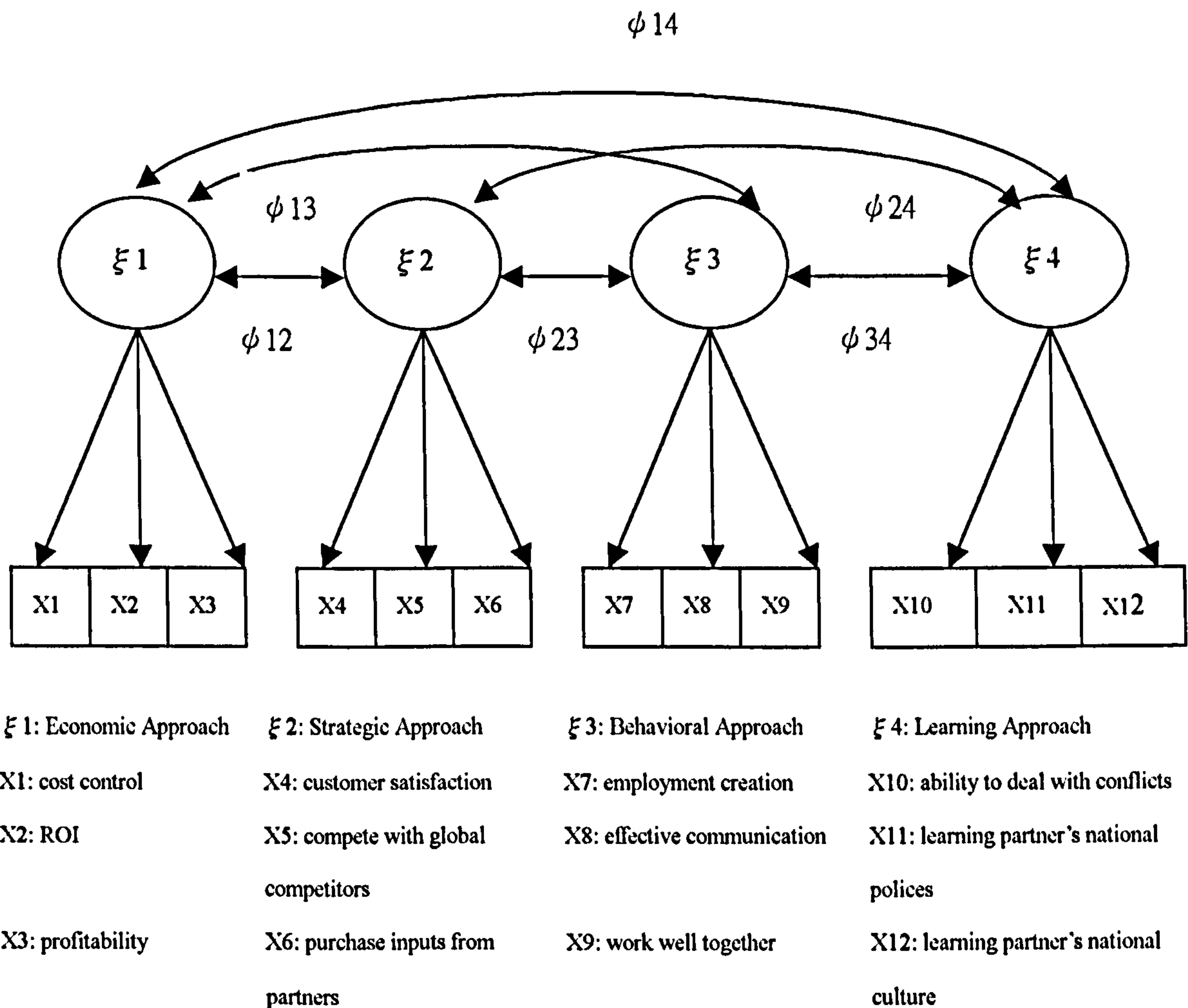
Thus, the hypotheses will be:

H4: There will be no differences in strategic approach between managers who come from high Long-term Orientation countries.

### 6.3 Results and Discussion

Hypotheses 1 and 2 are tested by a LISREL model using confirmatory factor analysis (CFA) (LISREL 8.52). Three items in each approach are used due to the limitation of sample size. The correlation matrix and Standard Deviation are used as input. The relationship of the twelve items and four approaches are presented in Figure 6-2.

Figure 6-2 Confirmative Factor Analysis (CFA) Model



The combined group model showed good overall fit ( $X^2 = 55.845$ ;  $df = 48$ ;  $NFI=0.904$ ;  $IFI=0.985$ ;  $GFI=0.948$ ;  $AGFI=0.915$ ). The sample size upon which the model is estimated ( $N = 165$ ) is higher than the general minimum of 100. Three of the

modification indices exceeded 5.0 but none of the standardized residuals exceeded  $\pm$

2. H1a is supported.

The overall fit of the Japanese group model is acceptable but not very adequate ( $X^2 = 73.4$ ;  $df = 48$ ;  $NNFI = 0.903$ ;  $IFI = 0.933$ ;  $GFI = 0.863$ ;  $AGFI = 0.778$ ). Goodness Fit Index (GFI) and Adjusted Goodness of Fit Index (AGFI) do not reach the recommended 0.90 so that the model fit needed to be concerned. Some of the modification indices exceeded 5.0 and some of the standardized residuals exceeded  $\pm 2$ . The overall fit support the Taiwanese group ( $X^2 = 59.858$ ;  $df = 48$ ;  $NNFI = 0.920$ ;  $IFI = 0.947$ ;  $GFI = 0.905$ ;  $AGFI = 0.846$ ). Adjusted Goodness of Fit Index (AGFI) does not reach the recommended 0.90. Some of the modification indices exceeded 5.0 and some of the standardized residuals exceeded  $\pm 2$ . H1b is supported. The results confirm Buchel and Thuy's (2001) argument that the four approaches can be applied in developing country such as China where economic policies of the past and the national infrastructure are fundamentally different from developed countries.

From Table 6-1 to 6-3 show the PHI Matrix for combined, Japanese, and Taiwanese group. Hypothesis 2 predicts there is positive correlation between the four approaches.

Table 6-1 shows the correlations between the four approaches all reach significantly ( $p < 0.01$ ) for combined group. H2a is supported. All of the correlations reach



significantly in Japanese group but only parts of them are significant in Taiwanese group. H2b is partly supported.

Table 6-1 PHI Matrix of Combined Group

PHI Matrix				
	Economic	Strategic	Behavioral	Learning
Economic	1.00			
Strategic	0.339 ** ( $\phi$ 12)	1.00		
Behavioral	0.379 ** ( $\phi$ 13)	0.448 ** ( $\phi$ 23)	1.00	
Learning	0.180 ** ( $\phi$ 14)	0.255 ** ( $\phi$ 24)	0.398 ** ( $\phi$ 34)	1.00

\*  $p < .05$

\*\*  $p < .01$

Table 6-2 PHI Matrix of Japanese Group

PHI Matrix				
	Economic	Strategic	Behavioral	Learning
Economic	1.00			
Strategic	0.716 ** ( $\phi$ 12)	1.00		
Behavioral	0.502 ** ( $\phi$ 13)	0.668 ** ( $\phi$ 23)	1.00	
Learning	0.436 ** ( $\phi$ 14)	0.377 ** ( $\phi$ 24)	0.484 ** ( $\phi$ 34)	1.00

\*  $p < .05$

\*\*  $p < .01$

Table 6-3 PHI Matrix of Taiwanese Group

PHI Matrix				
	Economic	Strategic	Behavioral	Learning
Economic	1.00			
Strategic	0.087 ( $\phi$ 12)	1.00		
Behavioral	0.194 ** ( $\phi$ 13)	0.382 ** ( $\phi$ 23)	1.00	
Learning	-0.098 ( $\phi$ 14)	0.048 ( $\phi$ 24)	0.257 ** ( $\phi$ 34)	1.00

\*  $p < .05$

\*\*  $p < .01$

One-Way analysis of variance (ANOVA) is used to test H3, which predicts that the performance measures between IJVGMs and foreign parents will have no difference. The results are presented in Table 6-4 and 6-5. Regarding the economic approach, H3a is supported by Japanese groups (F=3.705, p=0.058) and Taiwanese groups (F=0.255, p=0.165). H3b relates to strategic approach, and is supported by both groups (Japanese: F=0.542, p=0.464; Taiwanese: F=0.762, p=0.385). Regarding the behavioral approach, H3c is supported by Japanese (F=1.195, p=0.278) and Taiwanese groups (F=1.857, p=0.176). However, H3d is supported by Taiwanese groups (F=0.112, p=0.739) but not supported by Japanese groups (F=4.943, p=0.029).

Table 6-4 Summary of ANOVA of Performance Measures between the Japanese IJVGMs and Parent Firms

Approach	df	Mean Square	F	Sig.
Economic	1	0.717	3.705	0.058
Strategic	1	0.049	0.542	0.464
Behavioral	1	0.261	1.195	0.278
Learning	1	0.732	4.943	0.029*

\* p<0.05    \*\* p<0.01    \*\*\* p<0.001

Table 6-5 Summary of ANOVA of Performance Measures between the Taiwanese IJVGMs and Parent Firms

Approach	df	Mean Square	F	Sig.
Economic	1	0.035	0.255	0.165
Strategic	1	0.0417	0.762	0.385
Behavioral	1	0.211	1.857	0.176
Learning	1	0.014	0.112	0.739

\* p<0.05    \*\* p<0.01    \*\*\* p<0.001

This finding partly supports Geringer and Hebert's (1991) argument that there will be a significant positive correlation among the parents' and the IJVGMs' assessments of IJV performance. It is found that a significant difference exists in the learning approach between Japanese parent and Japanese IJVGMs in this study. An explanation is that the Japanese IJVGMs face higher cultural barriers in China and have to cope with the problems whilst the senior managers in Japan are not aware of the cultural impact on the IJV management.

H4 predicts that the strategic approach between managers who come from high Long-term Orientation countries will have no difference. This hypothesis is examined by One-Way analysis of variance (ANOVA). Levene Statistic shows that the strategic approach between the four groups are not homogeneity ( $p=0.172$ ). ANOVA result is summarized in the Table 6-6. It shows that strategic approach is not different between the four groups ( $F=0.686$ ,  $p=0.562$ ). H4 is supported.

Table 6-6 Summary of ANOVA for Strategic Approach between the Four Groups

df	Mean Square	F	Sig.
3	0.049	0.686	0.562

\*  $p<0.05$  \*\*  $p<0.01$  \*\*\*  $p<0.001$



## 6.4 Conclusion

This study aims to link up the relationship among parents' and IJVGMs' perspectives, performance measures, and Long-term Orientation. Based on the conceptual framework, four hypotheses are examined by a sample of IJVs in China and foreign parent firms in Japan and Taiwan. It is found that measures of IJV performance in China are evaluated using four approaches: economic, strategic, behavioral and learning. Moreover, a positive relationship among the four approaches is found. Of the perspectives between foreign parent and IJVGm, it is found that there is no difference in the approaches of economic, strategic, and behavioral; however, difference is found significantly in learning approach. Regarding the Long-term Orientation, it is found that managers from high Long-term Orientation measure performance similarly in strategic approach.

This study provides new insights by connecting with different parties' perspectives and cultural dimension: Long-term Orientation. Moreover, as the second FDI inflow country, China joined the World Trade Organization (WTO) in year 2002, which has given new energy to single country studies of the market entry and development behavior of foreign firms (Buckley 2002). This research offers a comprehensive perspective of IJV performance in China. It shows that performance measures of IJV are related to the national culture and party's needs.



In supporting previous studies in the field of IJV performance, this study focuses on a single developing country: China. This research takes an advantage of comparing the different dimensions between two foreign countries investing in China. There are limitations in this study, which need to be addressed for further research. Firstly, a disadvantage of the data in this research is that the two foreign countries and host countries have similar cultures so that the cultural impact is not easy to be aware of. Meanwhile, the conclusion can be proved positively by further research of a large sample size and higher return-rate, which focuses on a single industry. Secondly, local parent's perspective, which is presented in our conceptual framework but is not examined in the hypothesis since data collecting has been a difficulty for business research in China (Hoskisson et al. 2002).

Further research could benefit from using different methods such as interview and in-depth case study. Thirdly, the data of foreign parents and IJVGMs source from different samples, it should be pointed out that the validity could be improved by a same group of samples with higher return-rates. Finally, performance measures need to be replicated in developed countries in order to examine the validity of this model.

## CHAPTER 7 CULTURAL IMPACTS ON SATISFACTORY JOINT VENTURE RELATIONSHIPS: A COMPARATIVE STUDY OF INTERNATIONAL JOINT VENTURES IN CHINA

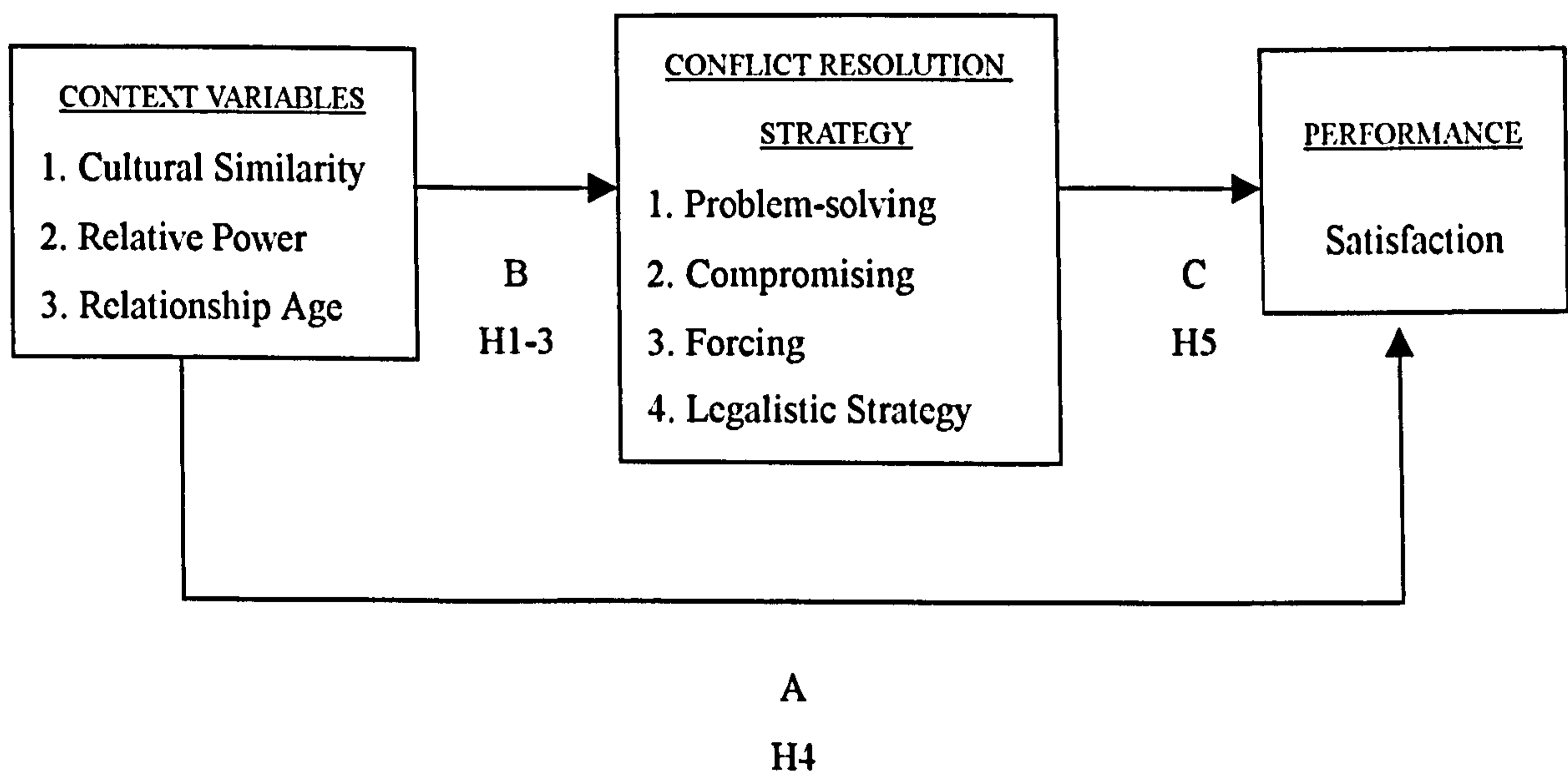
### 7.1 Introduction

Many scholars (e.g. Werner 2002) have called for direct comparisons of theoretical frameworks in different countries to advance the understanding of international joint ventures (IJVs) as contradictory results have been observed in empirically testing joint venture models (Yan and Gray 1994; Calantone and Zhao 2000). Lin and Germain (1998) developed a LISREL model examining the relationships between context variables (cultural similarity, relative power, and relationship age) and conflict resolution strategies on IJV performance in a sample of US-Chinese IJVs in China. The purpose of this paper is to evaluate the effect of different national management styles on the variables in Lin and Germain's model. We re-examine their findings using a sample of Japanese-Chinese and Taiwanese-Chinese IJVs in China. We control for nationality by including only those IJVs with a general manager from either Japan or Taiwan thus avoiding Lin and Germain's pooling of US and Chinese respondents.

## 7.2 Lin and Germain's Model and Our Modifications

Lin and Germain's conceptual framework is presented in Figure 7-1. The detailed hypotheses and questionnaire are presented in Table 7-1 and 7-2. Data was collected by personal delivery to managers in US-Chinese IJVs. 118 of 143 questionnaires were collected, of which 94 were usable (35 US managers and 59 Chinese managers). Our variables are not exactly same as Lin and Germain's (1998) as in some cases, simplification was appropriate.

Figure 7-1 The Conceptual Framework of Lin And Germain's (1998) Study





**Table 7-1 The Hypotheses in Lin and Germain's (1998) Study**

H1: cultural similarity is (a) positively related to problem-solving; and (b) inversely related to legalistic strategy.

H2: relative power is inversely related to (a) problem-solving; and (b) compromising; and positively related to (c) forcing.

H3: relationship age is positively related to (a) problem-solving; and (b) compromising; inversely related to (c) forcing; and (d) legalistic strategy.

H4: IJV satisfaction is positively predicted by (a) cultural similarity; (b) relative power; and (c) relationship age.

H5: (a) problem-solving and (b) compromising positively associate with IJV satisfaction; and (c) forcing and (d) legalistic strategy inversely relate to IJV satisfaction.

**Table 7-2 The Questionnaire in Lin and Germain's (1998) Study**

**Cultural Similarity (Strongly Disagree = 1 and Strongly Agree = 5)**

1. Chinese managers perceive things like us.
2. Chinese managers behave like us.

**Perceived Power (Strongly Disagree = 1 and Strongly Agree = 5)**

1. We possess more power than our partner in this relationship.
2. Compared to the partner, we have a stronger influence in the joint venture.
3. We are dependent on our partner.

**Problem-solving (Strongly Unlikely = 1 and Strongly Likely = 5)**

1. We will enter into a direct discussion of the problem with our partner
2. We will attempt to get all our concerns and issues into the open.
3. We will tell our partner our ideas and ask them for their ideas.
4. We will show our partner the logic and benefits of our position.

**Compromising (Strongly Disagree = 1 and Strongly Agree = 5)**

1. We will propose a middle ground.
2. We will use "give and take" so that a compromise can be made.
3. We will try to find a position that is intermediate between their position and our position.
4. We will try to find a fair combination of gains and losses for both parties.



**Forcing (Strongly Disagree = 1 and Strongly Agree = 5)**

1. We will use our management authority to select our proposal.
2. We will use our expertise to make a decision based on our proposal.
3. We will use our power to win a competitive situation.

**Legalistic Strategy (Strongly Disagree = 1 and Strongly Agree = 5)**

1. We will remind the partner of its obligations stipulated in contracts.
2. We will refer to the written contract when there is disagreement with our partner.
3. We will make interpretations of written agreement in order to convince our partner.
4. We will use written agreement as a “tool” to get the partner to agree to our positions.

**Satisfaction (Strongly Disagree = 1 and Strongly Agree = 5)**

1. We are satisfied with our personal relationship with the Chinese partner.
2. The joint venture’s financial performance is satisfactory.
3. We are satisfied with our overall relationship with the partner.

**1. Context**

Lin and Germain (1998) suggested that three context variables (i.e. cultural similarity, relative power, and relationship age) determine the conflict resolution strategies.

Cultural similarity refers to the degree that one party perceives another party as similar to them in perceptual and behavioral patterns (Kim 1991). Our study adopts this variable exactly. Relative power refers to the ability to affect the other party’s decision-making, and is obtained from the resources that a party contributes (Lin and Germain 1998). This variable was measured by (1) a three-item scale indicating dependence, influence, and power and (2) equity share. Our study utilizes only equity

share as an easily measured and objective variable. Finally, relationship age is measured by the length of time that an IJV had endured or the age of the IJV. Our study use the actual age the IJV.

## 2. Conflict Resolution Strategy

Lin and Germain (1998) suggest four types of conflict resolution strategies: (1) problem-solving, (2) compromising strategy (3) forcing, (4) legalistic strategy. Each strategy is measured by four questions in their survey. Problem-solving involves concerns, ideas, and issues discussed frankly, and the search for satisfactory solutions for both parties (Pruitt 1981). A compromising strategy for an IJV manager means that he would look for the middle ground between the initial positions of the two parents (Friedmann and Beguin 1971). Forcing refers to the situation where one party attempts to dominate decision-making (Thomas 1976), for instance, an IJV manager may use his advantage in ownership, technical or management know-how to pressure the other party (Killing 1983). An IJV manager could use a legalistic strategy, such as referring to written contracts or informal binding agreements in order to achieve the preferred result in conflicts (Frazier and Summers 1984). We utilize the same approach.

### 3. Performance

Performance was measured by the responses to three questions, which reflect an IJV partner's satisfaction with: (1) the IJV's financial performance, (2) the 'personal relationship' with the other IJV parent and (3) the overall IJV relationship (Lin and Germain 1998). Our study utilizes the IJV general manager's "overall satisfaction" with the IJV as its single measure of performance.



## 7.3 Results

### 7.3.1 Lin and Germain's Findings

Lin and Germain's (1998) findings are summarized in the Table 7-2 together with the findings of current study. Regarding cultural similarity, they found that this variable relates positively to problem-solving as the conflict resolution strategy (H1a). Cultural similarity, however, is not significantly related to a legalistic strategy (H1b). The hypothesis that relative power is inversely related to problem-solving was not supported (H2a). Relative power was inversely related to compromising (H2b) and positively related to forcing (H2c). Relationship age was positively related to problem-solving (H3a) and compromising (H3b); negatively related to forcing (H3c) and legalistic strategy (H3d). Hypothesis 4a was confirmed in that IJV satisfaction was positively related to cultural similarity, to relative power (H4b), and to relationship age (H4c). On conflict resolution strategies, the results were mixed. Problem-solving was positively (H5a) and legalistic strategy was negatively (H5d) associated with IJV satisfaction. However, "compromising" and "forcing" are not significantly related to IJV satisfaction (H5b and H5c).

### 7.3.2 Results from The Current Study

In our study, the hypotheses are tested by a LISREL model (LISREL 8.52). Since there are two groups of IJVs in the sample, the model is tested three times: (combined



group, the Japanese group, and the Taiwanese group). Tables 7-3-1 to 7-3-3 present the correlation matrixes and construct means of the variables for each of the three groups. Table 7-4 shows a comparison of the structural model results for our samples with that of Lin and Germain (1998).

**Table 7-3-1 Correlation Matrix and Construct Means for Combined Group (N=165)**

Variable	Y1	Y2	Y3	Y4	Y5	X1	X2	X3	Mean	SD
Y1: Problem-Solving	1.000								3.9485	.6855
Y2: Compromising	.404**	1.000							3.8606	.6286
Y3: Forcing	.153*	.247**	1.000						3.5111	.5379
Y4: Legalistic Strategy	.264**	.480**	.286**	1.000					3.3485	.6856
Y5: Satisfaction	.069	.182*	.084	-.146	1.000				3.4788	.8525
X1: Cultural Similarity	.021	-.003	.010	-.211**	.293**	1.000			2.7788	.7816
X2: IJV Equity Shares	-.257**	-.104	.083	-.114	.039	.099	1.000		.6129	.1591
X3: IJV Age	.014	.041	-.112	-.039	.121	-.036	.056	1.000	6.76	2.38

\*\* Correlation is significant at the 0.01 level (2-tailed).

\* Correlation is significant at the 0.05 level (2-tailed).

**Table 7-3-2 Correlation Matrix and Construct Means for Japanese Group (N=76)**

Variable	Y1	Y2	Y3	Y4	Y5	X1	X2	X3	Mean	SD
Y1: Problem-Solving	1.000								4.2270	.5876
Y2: Compromising	.347**	1.000							4.0197	.6202
Y3: Forcing	.225	.171	1.000						3.5088	.5429
Y4: Legalistic Strategy	.262*	.338**	.248*	1.000					3.5724	.5899
Y5: Satisfaction	.217	.283*	.012	-.185	1.000				3.3421	.8726
X1: Cultural Similarity	.177	.126	.050	-.111	.223	1.000			2.5526	.7982
X2: IJV Equity Shares	-.025	.026	.158	.108	-.135	-.027	1.000		.5374	.1470
X3: IJV Age	.293*	.110	-.030	-.106	.332**	.102	-.262*	1.000	6.53	1.95

\*\* Correlation is significant at the 0.01 level (2-tailed).

\* Correlation is significant at the 0.05 level (2-tailed).

Table 7-3-3 Correlation Matrix and Construct Means for Taiwanese Group (N=89)

Variable	Y1	Y2	Y3	Y4	Y5	X1	X2	X3	Mean	SD
Y1: Problem-Solving	1.000								3.7107	.6762
Y2: Compromising	.356**	1.000							3.7247	.6066
Y3: Forcing	.124	.328**	1.000						3.5131	.5367
Y4: Legalistic Strategy	.113	.521**	.342**	1.000					3.1573	.7065
Y5: Satisfaction	.073	.173	.150	-.051	1.000				3.5955	.8218
X1: Cultural Similarity	.106	.005	-.031	-.168	.309**	1.000			2.9719	.7165
X2: IJV Equity Shares	-.176	-.025	.029	-.042	.069	-.016	1.000		.6775	.1401
X3: IJV Age	-.078	.038	-.168	.035	-.034	-.178	.201	1.000	6.96	2.69

\*\* Correlation is significant at the 0.01 level (2-tailed).

\*Correlation is significant at the 0.05 level (2-tailed).

Table 7-4 A Comparison of LISREL Model Results

H	Structural Model	Combined group (N=165)			Japanese group (N=76)			Taiwanese group (N=89)			Lin & Germain (1998) US & China (N=94)		
		SE	T	R	SE	T	R	SE	T	R	SE	T	R
H1a	CS → CRS1	0.05	0.63	NS	0.15	1.33	NS	0.10	0.91	NS	0.20	2.16 <sup>b</sup>	S
H1b	CS → CRS4	-0.21	-3.28 <sup>b</sup>	S	-0.17	-1.65 <sup>c</sup>	Weak	-0.15	-1.72 <sup>c</sup>	Weak	0.04	0.50	NS
H2a	SHARE → CRS1	-0.26	-3.44 <sup>b</sup>	S	0.06	0.48	NS	-0.17	-1.56	NS	-0.09	-0.89	NS
H2b	SHARE → CRS2	0.00	-0.03	NS	0.04	0.35	NS	0.03	0.26	NS	-0.22	-2.03 <sup>b</sup>	S
H2c	SHARE → CRS3	0.14	1.80 <sup>c</sup>	Weak	0.14	1.23	NS	0.08	0.74	NS	0.56	4.48 <sup>a</sup>	S
H3a	AGE → CRS1	0.03	0.40	NS	0.29	2.53 <sup>b</sup>	S	-0.03	-0.24	NS	0.18	1.83 <sup>b</sup>	S
H3b	AGE → CRS2	0.04	0.49	NS	0.02	0.17	NS	0.06	0.59	NS	0.05	0.45	NS
H3c	AGE → CRS3	-0.13	-1.74 <sup>c</sup>	Weak	-0.07	-0.54	NS	-0.20	-1.91 <sup>c</sup>	Weak	0.16	1.78 <sup>b</sup>	CN
H3d	AGE → CRS4	-0.05	-0.69	NS	-0.18	-1.62	NS	0.02	0.17	NS	-0.21	-2.11 <sup>b</sup>	S
H4a	CS → PERF	0.24	3.29 <sup>b</sup>	S	0.11	1.08	NS	0.29	2.84 <sup>b</sup>	S	0.16	2.11 <sup>b</sup>	S
H4b	SHARE → PERF	0.00	0.01	NS	-0.05	-0.50	NS	0.06	0.57	NS	0.22	1.84 <sup>b</sup>	S
H4c	AGE → PERF	0.12	1.66 <sup>c</sup>	Weak	0.22	1.93 <sup>c</sup>	Weak	0.03	0.26	NS	0.27	3.40 <sup>a</sup>	S
H5a	CRS1 → PERF	0.00	0.04	NS	0.10	0.81	NS	-0.02	-0.21	NS	0.57	6.91 <sup>a</sup>	S
H5b	CRS2 → PERF	0.27	3.12 <sup>b</sup>	S	0.30	2.68 <sup>b</sup>	S	0.21	1.69 <sup>c</sup>	Weak	0.12	1.58	NS
H5c	CRS3 → PERF	0.10	1.29	NS	0.02	0.15	NS	0.15	1.36	NS	-0.08	-0.69	NS
H5d	CRS4 → PERF	-0.25	-2.90 <sup>b</sup>	S	-0.28	-2.39 <sup>b</sup>	S	-0.16	-1.32	NS	-0.16	-1.71 <sup>b</sup>	S

a P < 0.01; b P < 0.05; c P < 0.10 (one-tailed tests)

Note:

S: Supported

NS: Not supported

CN: Contradicted

Weak: Weak supported

SE: Standard Estimate

CS: Cultural Similarity

SHARE: IJV Shares

AGE: IJV Ages

T: t-value

CRS1: Problem-solving

CRS2: Compromising

CRS3: Forcing

CRS4: Legalistic Strategy

R: Results

PERF: Satisfaction

Overall, the three groups showed good fit: (1) combined group:  $X^2 = 0.50$ ,  $df = 3$ , CFI = 1.00, IFI = 1.18, GFI = 1.00, AGFI = 0.99; (2) Japanese group:  $X^2 = 0.48$ ,  $df = 3$ , CFI = 1.00, IFI = 1.03, GFI = 1.00, AGFI = 0.98; (3) Taiwanese group:  $X^2 = 0.93$ ,  $df = 3$ , CFI = 1.00, IFI = 1.02, GFI = 1.00, AGFI = 0.97. None of the modification indices exceeded 5.0 and none of standardized residuals exceeded  $\pm 2$  in the test of three groups. Therefore, the diagnostic measures of three groups are adequate for further analysis.

The standardized estimate, t-value, significance level, and results of hypothesis testing for the combined group and the separate groups are presented together with Lin and Germain's (1998) results in Table 7-4. Cultural similarity is expected to be positively associated with problem-solving (H1a) and negatively with legalistic strategy (H1b). As shown in Table 7-4, cultural similarity is unrelated to problem-solving ( $\gamma 1,1$ ) in any of the groups, not supporting H1a. Cultural similarity is related to legalistic strategy ( $\gamma 4,1$ ) in the combined group but is only weakly related in the Japanese group and Taiwanese group, giving some support for H1b.

H2 relates IJV equity shares to conflict resolution strategies. IJV equity shares is associated with problem-solving ( $\gamma 2,1$ ) in the combined group, but not supported in



the Japanese group and Taiwanese group. Our findings contrast with Lin and Germain's in that our combined group shows support for H2a and interestingly all of the single nationality partner groups (Japanese, Taiwanese, and US-Chinese) do not support this relationship. IJV equity shares does not predict that a compromising strategy ( $\gamma 2,2$ ) will be used in any of the groups, not supporting H2b. IJV equity shares does not predict forcing ( $\gamma 3,2$ ) in the Japanese and Taiwanese groups but is weakly related in the combined group, very weakly supporting H2c.

According to H3, IJV age will relate positively to problem-solving ( $\gamma 1,3$ ) and to compromising ( $\gamma 2,3$ ) but will be inversely related to forcing ( $\gamma 3,3$ ) and legalistic strategy ( $\gamma 4,3$ ). The results for H3a show that the IJV age in the Japanese group is as predicted (and as Lin and Germain found), but this is not the case in the combined group and in the Taiwanese group. H3b is not supported by the results from any of the groups. The results show that H3c is weakly supported: both for the combined group and for the Taiwanese group. This contrast with Lin and Germain's finding that hypothesis was contradicted. Regarding H3d, none of the groups shows IJV age to be related to legalistic strategy.

H4 predicts that the three context variables are related to satisfaction ( $\gamma 5,1 - \gamma 5,3$ ).

Cultural similarity is related to satisfaction ( $\gamma 5,1$ ) in the combined group and the



Taiwanese group but is not related in the Japanese group, partly supporting H4a. IJV equity shares in all groups does not relate to satisfaction ( $\gamma$  5,2, H4b) in contrast to Lin and Germain's findings. IJV age is weakly related to satisfaction ( $\gamma$  5,3) in the combined group and Japanese group but is not related in Taiwanese group (H4c).

H5a is not supported. Problem-solving does not predicts satisfaction ( $\beta$  5,1) in any grouping in contrast to Lin and Germain's. Compromising positively predicts satisfaction ( $\beta$  5,2) in the combined group and the Japanese group but is only weakly related in the Taiwanese group, partly supporting H5b and again in contrast with Lin and Germain's. Forcing does not relate to satisfaction ( $\beta$  5,3) in any of the groups (H5c). Legalistic strategy positively predicts satisfaction ( $\beta$  5,4) in the combined group and the Japanese group but is not related in the Taiwanese group (H5d).

## 7.4 Discussion

Our discussion is organized in two sections, in which, comparing the findings of the current study and that of Lin and Germain's by: (1) using the same variables, (2) using modified variables. The conflicting results between the two studies are as explained.

### 7.4.1 A comparison of the findings using the same variables between the current study and Lin and Germain (1998)

Table 5 presents the comparisons between the two studies. The combined group in our study and Lin and Germain's study can be viewed as non-controlled for nationality effect whilst the Japanese and Taiwanese groups control for effect of partner nationality. Two context variables (i.e. cultural similarity and IJV age) in this study are same as Lin and Germain (1998) and are discussed here. The second context variable (i.e. IJV equity shares) is slightly different from Lin and Germain's (1998) relative power and discussed in the following section.

Table 7-5 A Summary of the Effect of Context Variables between the Current Study and Lin and Germain (1998)

Context Variables	Hypotheses	National effect non-controlled		National effect controlled	
		Lin and Germain (1998)	Combined Group	Japanese Group	Taiwanese Group
Cultural Similarity	H1a	S	NS	NS	NS
	H1b	NS	S	W	W
	H4a	S	S	NS	S
IJV Equity Share*	H2a	NS	S	NS	NS
	H2b	S	NS	NS	NS
	H2c	S	W	NS	NS
	H4b	S	NS	NS	NS
IJV Age	H3a	S	NS	S	NS
	H3b	NS	NS	NS	NS
	H3c	CN	W	NS	W
	H3d	S	NS	NS	NS
	H4c	S	W	S	NS

\* is relative power in Lin and Germain (1998)

Note:

S: Supported

NS: Not supported

CN: Contradicted

Weak: Weak supported

Regarding the effects of cultural similarity and IJV age, the findings of this study conflict with Lin and Germain (1998). Three possibilities can explain this phenomenon. Firstly, we use ANOVA to test whether the conflict resolution strategies will be different between Japanese and Taiwanese groups. The results show that the Taiwanese and Japanese groups are significantly different in the use of all four strategies ( $p < 0.05$ ). Lin and Germain (1998) argue that nationality has been used as a proxy to measure culture, but their measure allowed the respondents to reflect on the

extent to which the attitudinal and behavioral patterns of both IJV partners are similar.

Based on our findings, we suggest the model should be tested by different national groups.

Secondly, Confucianism is viewed as one of the important spirits in Chinese culture (The Chinese Culture Connection 1987). This spirit includes tolerance and harmony with others, which influence not only Chinese and Overseas Chinese (i.e. Taiwan, Hong Kong, and Singapore), but also become a part of Japanese and Korean cultures.

When people are under the influence of Confucianism, a legalistic strategy cannot become the prior conflict resolution strategy. Using a legalistic strategy to solve conflict, however, is not unusual for US managers. It is not surprising that H1b cannot be supported by a mixed national sample of US and Chinese managers in Lin and Germain's study whilst it is supported by the current study, in which national effect is controlled.

Finally, contrary to the predictions of H3a-d, in both studies IJV age is generally unrelated to conflict resolution strategies. In both Lin and Germain's sample and our Japanese group. Problem-solving strategies increase with the age of IJV and unsurprisingly, Lin and Germain' sample which include US managers increasing use legalistic strategies as the IJV ages. In all our groups, it is unlikely that a legalistic



strategy will be used because of the cultural orientation of the managers.

#### 7.4.2 A comparison of the findings using modified variables

The results of H2a-c differ between the two studies (see Table 7-5). Lin and Germain (1998) argue that the greater a partner's relative power, the more likely it is for the partner to force its preferred alternative solution onto the other partner when a disagreement occurs. Our results did not support this argument. Two explanations can be made. Firstly, the sample in Lin and Germain (1998) came from two extremely cultural dissimilar countries (i.e. US and China). When one party (e.g. US managers) with dominating shares tended to use a forcing strategy and the other party (e.g. Chinese managers) tended to use comprising strategy. The result is predictable -- that forcing would be the final resolution strategy.

Secondly, there has been a debate whether equity shares impact on IJV performance.

A recent study examining ninety IJV empirical studies show the conflicting findings on this issue (Robson et al. 2002). Several studies found no relationship between ownership and IJV performance; two researchers found that dominant foreign ownership resulted in higher performance; and three studies have contradictory findings that dominant foreign ownership resulted in lower performance. Therefore, it

is not surprise that our results contradict Lin and Germain's findings.

## 7.5 Conclusion

This study examines the model developed by Lin and Germain (1998). The main purpose of this research is to test the effect of nationality on the variables in this model.

Two implications for IJV theory were found. First, the impact of national culture on IJV conflict resolution strategies and performance is complex. We received mixed results when the variables in Lin and Germain (1998) were employed in this research. The nationality of the IJV's general manager was found to be significantly related to conflict resolution strategies. Hence, we suggest the LISREL model needs to be run for different national ownership groups such as Japanese IJV, US IJVs. Lin and Germain (1998) mixed managers of different nationalities and this detracts from their findings.

Second, Lin and Germain (1998) find that cultural similarity is significantly related to performance. However, the results are mixed in our study. It is argued that the nature of the performance measure influences the correlation between cultural impact and performance, since partners from different cultural backgrounds evaluate performance in different ways. Therefore, it is suggested that a combined measure of performance be used in further IJV research.

This study has limitations. The return rate for posted questionnaires was only barely satisfactory (between 11% and 24%), and as a result the returned sample size for each national group was lower than the recommended sample size of 100 in testing a LISREL model. It is not unusual that a mail survey in China receives a low return-rate (Hoskisson et al. 2000). Multiple methods such as interviews, and in-depth case studies, would be helpful in validating the findings.

A second methodological issue is that data were successfully elicited from IJV general managers and from foreign parents, but not from local parents. Questionnaires were sent to the local parents, but none were returned. This suggests that the questionnaire as a research tool for investigating Chinese domestic companies is severely compromised by the unwillingness of Chinese managers to respond. It is a challenge for further research, therefore, to collect data from all the three relevant parties in an IJV – the foreign parents, the local parents, and the IJVs themselves. Research methods that work for one of these parties may not necessarily work for others (Anderson 1990).

A third methodological issue is that this study examined successful IJVs only. Failed IJVs were not included. The absence of failures from business research is a generic methodological problem, and further research can benefit from detailed case studies



(Robson et al. 2002). The study of failure would provide valuable information about the factors leading to success.

## CHAPTER 8 SUMMARY AND CONCLUSIONS

### 8.1 Introduction

This study contributes to a better comprehension of the influence of cultural differences, especially that of Hofstede's cultural dimensions, which has not been widely examined by self-reported measures. The result suggests that while culture has little impact on IJV management, the differences of IHRM functions do exist between countries.

This study has six goals to accomplish. Firstly, examining the previous IJV studies, which use Hofstede's cultural dimensions or Kogut and Singh's (1988) Index (KSINDEX) as independent variables (chapter 2-4). Secondly, developing a conceptual model, which links the cultural similarity and IJV management from the perspective of IJV general managers (chapter 4). Thirdly, building up a conceptual framework, which explores the relationship between cultural dimensions and IJV management from the perspective of parent firms (chapter 5). Fourthly, connecting the perspectives of the three parties with IJV measure approaches and Long-term Orientation by a conceptual model (chapter 6). Finally, re-examining Lin and Germain's (1998) model to evaluate the national effect, which impacts on conflict resolution strategies and performance (chapter 7).

## 8.2 Aims and Background to the Study

The subject of cultural distance impact on international joint venture in developing countries, especially in China, has been one of the main streams in the field of international business research since mid 1980's. This study started from a gap, which was pointed out by Glaister and Buckley (1999). They examined the impact of cultural distance on IJVs by a sample of UK partner firms in 520 IJVs with foreign partners. KSINDEX is used as the measures of cultural distance. It is found that cultural distance does not have significant influence on IJV performance. Their findings do not support the argument that IJV performance is impacted by cultural distance, which measures by Kogut and Singh's (1988) formula. Glaister and Buckley (1999) suggest further research can focus on this issue.

The majority of previous IJV studies, which use HOFDIMS or KSINDEX to measure cultural distance focus on ownership structure and performance (see Table 2-1). However, the results are mixed and conflicting. The link between the cultural distance and IJV performance is still unclear. It must be some intermediate variables between the impacts of culture and performance. Culture, as Hofstede define, is "the collective programming of the mind which distinguish members of one human group from another' (1980, p.25). Hence, we believe the impacts of culture on an organization with multiple cultures like IJV will go through its management functions relating to human being, international human resources management. This ideal gradually

develops into a conceptual model of Culture – IHRM – Performance (see Figure 3-1).

When foreign managers negotiate with a local firm to form an IJV in China, the first thing they face is conflicts and different resolution strategies. For instance, US managers tend to use forcing strategy but Chinese prefer to adopt compromising strategy. In operating the IJV, both parents may find the management styles of their partners are different, in term of supervision, decision-making, communication pattern, paternalistic orientation, and control mechanism. For the IJV general manager, he or she may feel stress when faces two different types of decision-making. For instance, US managers use to enjoy higher autonomy but Chinese manager prefer to high centralization and formal authority. When a US manager is appointed as the US-Japanese IJV general manager, his or her role conflict occurs. These variables discussed above are related to IHRM and have influence on performance of organizations such as IJVs. The details of discussions are presented in chapter 4 and 5.

Several challenges happen when the survey was carried out from the end of 2001 to 2002. A major problem to carry out a mail survey is lower return rate, especially in China. As Brouters and Xu (2002) points out, Chinese managers cannot trust the purposes of researchers and afraid of leaking commercial secrets. This survey receives a range of return-rate between 0 and 26 percents from China, USA, Japan and Taiwan.



The low return-rate and only 165 samples limit the generalizability of the findings.

The methods of improving research quality are presented in 8.5.2 Methodology.

## 8.3 Summary of Findings

### 8.3.1 Summary of Main Findings

In this section the major findings of the study will be presented. Table 8-1 summaries the main research hypotheses developed for each of the chapters (i.e. chapter 4 to 7).

Table 8-1 Summary of Hypotheses and Results

CHAPTER 4 CULTURE IMPACTS ON THE MANAGEMENT STYLES AND PERFORMANCE OF INTERNATIONAL JOINT VENTURES IN CHINA					
H	Variables		Predict Relation	Results	
	Independent	Dependent		Japanese Group	Taiwanese Group
1a	Cultural similarity	Role conflict	-	S	NS
1b	Supervision style		+	NS	NS
1c	Decision-making		+	NS	NS
1d	Communication		+	NS	NS
1e	Paternalistic orientation		+	NS	S
1f	Control mechanism		+	NS	NS
2a	Cultural similarity	Role ambiguity	-	NS	S
2b	Supervision style		+	NS	S
2c	Decision-making		+	S	S
2d	Communication		+	NS	NS
2e	Paternalistic orientation		+	NS	NS
2f	Control mechanism		+	NS	NS
3a	Cultural similarity	Role overload	-	NS	NS
3b	Supervision style		+	NS	NS
3c	Decision-making		+	NS	NS
3d	Communication		+	NS	NS
3e	Paternalistic orientation		+	WS	NS
3f	Control mechanism		+	NS	NS
4a	Cultural similarity	Supervision style	-	NS	NS
4b		Decision-making	-	NS	NS
4c		Communication	-	NS	NS
4d		Paternalistic orientation	-	NS	NS
4e		Control mechanism	-	NS	NS

(Table 8-1 continued)

5a	Cultural similarity	Problem-solving	+	NS	NS
5b		Legalistic strategy	-	NS	NS
6a	Cultural similarity	IJV performance	+	NS	NS
6b	Role conflict		-	NS	NS
6c	Role ambiguity		-	NS	NS
6d	Role overload		-	NS	NS
6e	Supervision style		-	NS	S
6f	Decision-making		-	NS	S
6g	Communication		-	NS	NS
6h	Paternalistic orientation		-	NS	NS
6i	Control mechanism		-	NS	NS
6j	Problem-solving		+	NS	S
6k	Compromising		+	S	S
6l	Forcing		-	NS	NS
6m	Legalistic strategy		-	NS	NS
<b>CHAPTER 5 CULTURE IMPACTS ON INTERNATIONAL JOINT VENTURES IN CHINA: A PERSPECTIVE OF FOREIGN PARENT FIRMS</b>					
	<b>Variables</b>			<b>Results</b>	
H	<b>Independent</b>	<b>Dependent</b>	<b>Predict Relation</b>	<b>Japanese Group</b>	<b>Taiwanese Group</b>
1a	PD	Supervision style	+	NS	NS
1b	IDV		-	NS	NS
2a	PD	Decision-making	+	NS	NS
2b	IDV		-	NS	S
3a	PD	Communication pattern	-	NS	NS
3b	IDV		+	WS	S
4a	PD	Paternalistic orientation	+	NS	NS
4b	IDV		-	NS	NS
5a	PD	Control mechanism	+	NS	NS
5b	IDV		-	NS	S
6a	PD	Problem-solving	-	S	NS
6b	IDV		+	WS	NS
7a	PD	Compromising	+	NS	NS
7b	IDV		-	NS	S
8a	PD	Forcing	+	NS	NS
8b	IDV		-	NS	S

(Table 8-1 continued)

9a	PD	Legalistic Strategy	-	NS	NS
9b	IDV		+	NS	S
10a	PD	IJV performance	+	NS	NS
10b	IDV		-	NS	NS
10c	MAS		+	NS	NS
10d	UA		-	NS	NS
10e	LTO		-	NS	NS
10f	Supervision style		+	NS	NS
10g	Decision-making		+	S	NS
10h	Communication pattern		+	NS	NS
10j	Control mechanism		+	NS	NS
10i	Paternalistic orientation		+	NS	NS
10k	Problem-solving		+	NS	NS
10l	Compromising strategy		+	NS	NS
10m	Forcing strategy		-	NS	NS
10n	Legalistic strategy		-	NS	NS
<b>CHAPTER 6 THE PERFORMANCE MEASURES OF INTERNATIONAL JOINT VENTURES IN CHINA: PERSPECTIVES FROM FOREIGN PARENTS AND IJV GENERAL MANAGERS</b>					
			<b>Results</b>		
H	<b>Context</b>		<b>Combined Group</b>	<b>Japanese Group</b>	<b>Taiwanese Group</b>
1a	The measures of IJV performance in China are evaluated using four approaches: economic, strategic, behavioral and learning.		S		
1b	Both of Japanese and Taiwanese IJVs evaluate performance in China by the four approaches.			S	S
2a	There will be positive correlations among the four approaches for all IJVs in China.		S		
2b	There will be positive correlations among the four approaches for Japanese and Taiwanese IJVs.			S	PS
3a-d	There will be no differences between the IJVGMs' and foreign parents' measures of IJV performance in terms of (a) economic, (b) strategic, (c) behavioral, and (d) learning approaches.			PS	S
4	There will be no differences in strategic approach between managers who come from high Long-term Orientation countries.			S	S



(Table 8-1 continued)

CHAPTER 7 CULTURAL IMPACTS ON SATISFACTORY JOINT VENTURE RELATIONSHIPS: A COMPARATIVE STUDY OF INTERNATIONAL JOINT VENTURES IN CHINA						
	Variables			Results		
H	Independent	Dependent	Predict Relation	Combined Group	Japanese Group	Taiwanese Group
1a	Cultural similarity	Problem-solving	+	NS	NS	NS
1b		Legalistic strategy	-	S	WS	WS
2a	Relative power	Problem-solving	-	S	NS	NS
2b		Compromising	-	NS	NS	NS
2c		Forcing	+	WS	NS	NS
3a	Relationship age	Problem-solving	+	NS	S	NS
3b		Compromising	+	NS	NS	NS
3c		Forcing	-	W	NS	WS
3d		Legalistic strategy	-	NS	NS	NS
4a	Cultural similarity	IJV satisfaction	+	S	NS	S
4b	Relative power		+	NS	NS	NS
4c	Relationship age		+	WS	S	NS
5a	Problem-solving		+	NS	NS	NS
5b	Compromising		+	S	S	WS
5c	Forcing		-	NS	NS	NS
5d	Legalistic strategy		-	S	S	NS

S: Supported

WS: Weakly supported

PS: Partly supported

NS: Not supported

### 8.3.2 A Survey of the Impact of Cultural Distance on International Joint Ventures

Regarding the KSINDEX approach, previous studies generally support the view that cultural distance is related to ownership and entry modes, but not significantly related to role stress. It received quite ambiguous and controversial results on IJV performance. One study finds that larger cultural distance is related to a lower

dissolution rate of IJV. Two studies prove that larger cultural distance has negatively impacted on IJV performance. However, three studies show that cultural distance has no correlation with IJV performance. Moreover, a recent study shows the impact of cultural distance on IJV performance is very dependent on performance measures (Robson et al. 2002). Similar results happen when studies use the Hofstede's five dimensions (HOFDIMS) approach.

Some methodological and conceptual questions have been raised by Smith (1996) and Shenkar (2001). Firstly, Shenkar and Zeira (1992) found that role conflict and role ambiguity are not related to the cultural distance. However, when they examined the four dimensions of cultural distance separately, all relations emerged as significant. Two dimensions – PD and MAS, are positively correlated with role ambiguity, while the other two – IDV and UA, are negatively correlated with role ambiguity. They suggest that the averaging of the four dimensions in the cultural distance variable therefore cancelled each other's significant impact. Hence, we suggest that researchers should abandon KSINDEX, which lacks of theoretical support and has conflicting empirical results.

Secondly, studies need to develop self-reported measures in order to test whether HOFDIMS, which were measured in the 1960s and 1970s, can still be used in the 21<sup>st</sup>

century. Two methods are suggested for further research: (1) the general measure approach such as cultural similarity in previous studies (e.g. Barkema et al. 1996), (2) the self-reported HOFDIMS, which previous IJV research in leading journals has not been found to use when they test the impact of cultural distance on IJV operating.

In addition, IJV performance conceptualization and operationalization need to be improved in order to compare the findings between studies (Robson et al. 2002). One of the major problems in IJV research is performance measurement, which has been shown to be a complex task. It is difficult to compare the results because these studies measured performance by very different measures. A recent study also points out that the impact of cultural distance on IJV performance very much depends on the types of performance measure (Pothukuchi et al. 2002). These works suggest that further research needs to develop theoretical expectations on this issue

Finally, surveys need to compare the difference between survival IJVs and failed IJVs, to examine the impact of cultural distance. A majority of IJV surveys focus on operating IJVs. The failed IJVs could be precisely those that were unsuccessful in coping with cultural conflicts. The surviving IJVs could be those, by contrast, where the cultural differences have been resolved. When we survey the impact of cultural distance in surviving IJVs, we may be looking at the wrong sample, if we want to find



significant influence.

### 8.3.3 Culture Impacts on the Management Style and Performance of International Joint Ventures

This study provides a perspective from IJV general managers (IJVGMs) to examine the impact of culture on IJV management issues such as management styles, role stress, and conflict resolution strategies. The impacts of culture on IJVs have been examined by previous studies, but the results have been mixed. This study builds up a model to link the relationship between cultural similarity, difference in management styles of parents, role stress of IJV general managers, conflict resolution strategies, and performance.

In chapter 4, nationality and culture similarity are used to test the impact of culture while the results are mixed. Firstly, nationality has been proved a key factor of measuring national culture. Secondly, cultural similarity between IJV parents will influence learning, trust and dissatisfaction. On the other hand, difference in management styles between parent firms will cause conflict and role stress of IJV general managers and lower performance. Conflict in IJV management is unavoidable between parents, which come from different cultural background. Conflict resolution



strategies will mediate the effect of cultural similarity and IJV performance.

The hypotheses and results are presented in Table 8-1. Culture similarity is not related to most of the variables in this model in a sample of Japanese- Chinese and Taiwanese-Chinese IJV general managers. Several explanations can be made for the results. However, a surprising result found in H2c that role ambiguity is positively related to differences in decision-making in Japanese IJV general managers but receives contrary results in Taiwanese IJV general managers. A possible explanation is that Chinese and Taiwanese managers consider 'face' problem and avoid conflict so that the difference in decision-making are smaller.

Several suggestions can be made after reviewing previous IJV research. Firstly, studies using KSINDEX need to test HOFDIMS simultaneously in order to examine the effect of each dimension. Based on the argument above, it is suggested that further study needs to go back to the original Hofstede's dimensions. Secondly, studies need to develop self-reported measure to test HOFDIMS, whether these dimensions measured in the 1960s and 70s can be used in the 21<sup>st</sup> century. Finally, scholars need to pay attention in the impact of cultural distance on international human resource management (IHRM). Shenkar and Zeira (1987) indicated that few IJV studies refer to HRM and called for attention of fundamental HRM issues but received little response

in 1990s. Further research can focus on the impact of cultural distance on HRM such as management styles, conflict, and HRM fundamental issues such as leadership, control patterns, and decision-making.

Two methods of accommodating cultural differences and the practices are suggested. Firstly, it is possible to adopt one parent's culture as the dominant mode, which may have the majority of ownership. Consequently, the two parents' cultures and practices can exist together well in the IJV. Secondly, integration, which is the most challenging but also probably the one can have most benefit. This approach needs to develop a mechanism, which both parents can trust each other and solve problems in a common ground.

#### 8.3.4 Culture impacts on International Joint Ventures in China: A Perspective of Foreign Parent Firms

A model has been developed to test the impact of culture on IJV management by the perspective of foreign parents in chapter 5. Culture is measured by two approaches: nationality and Hofstede's five dimensions. As mentioned above, nationality acts as an effective measure in the model of chapter 4. A set of 20 questions was used to test Hofstede's five dimensions.

The hypotheses and results are presented in Table 8-1. Hofstede's five dimensions are not significantly related to most of the variables in this model. An exciting result has found that a negative relationship is found between IDV and PD in the Japanese group, which is the same as the hypotheses predict. However, the pattern is not found in the Taiwanese group. The result in the Japanese group provides solid evidence that PD and IDV are highly negatively correlated ( $r = -0.68$ ), as in Hofstede's IBM survey (Hofstede 2001). Several explanations, however, can be made for why the pattern cannot be found in the Taiwanese group. The result is presented in Table 8-5.

In our results, Taiwanese managers appear to exhibit a more western orientation toward Individualism, while Japanese managers seems to hold a more traditionally Asian collectivist bent. However, their performance does not have significantly different. For MNE managers, who is doing business in china, understanding one another's cultures and building a working relationship on that understanding is crucial for successful IJVs. The Asian paradox of embracing both Collectivism and Individualism is a struggle between old and new values that is part of the growth of national wealth. This paradox also is changing China when her economy growth has been booming for a decade. This implies that MNEs may benefit from a central-planned economy, which roots on Confucian culture (Ralston et al. 1999).

### 8.3.5 The Performance Measures of International Joint Ventures in China:

#### Perspectives from Foreign Parents and IJV General Managers

This chapter builds up a model, which links three dimensions: IJV partners, performance measures, and Long-term Orientation. IJV partners include IJV general managers, foreign and local parents. Performance measures contain economic, strategic, behavioral, and learning approaches. Hofstede's Long-term Orientation is used as one dimension in this model.

The hypotheses and results are presented in the Table 8-1. H1a and H1b examine the measures of IJV performance in China using the four approaches, and are supported. H2a tests the four approaches used by Japanese and Taiwanese groups, and receives support. H2b is partly supported. H3a-d refers to the measure approaches between IJVGMs and foreign parents. H3a-c are supported by both groups. However, H3d is only supported by Taiwanese group. H4 links the LTO and strategic approach, which is supported.

This study employees Buchel and Thuy's (2001) measure approaches but provides new insights by connecting with different parties' perspectives and a cultural



dimension: Long-term Orientation. In supporting Buchel and Thuy's findings, this research can compare the different dimensions between two foreign countries (i.e. Japan and Taiwan) investing in a developing country: China. This research offers a comprehensive perspective, showing that measures of performance are related to the national culture and to the partners' needs.

One disadvantage in the field of IJV research is the use of diverse measures of IJV performance. This could explain why the previous studies receive conflicting and mixed results. We suggest that researchers need to develop theoretical supports and firmly methodological methods in order to solve this problem. Drawing from the IJV theories of Transaction Cost, Eclectic, Strategic Management, Resource-based, and Organizational Learning, where the topic of IJV performance had received heightened empirical attention. Researchers could benefit from the conceptualization of IJV performance as a multiple dimensions of culture-perspective-measure, which is presented in the chapter 6.

#### 8.3.6 Culture Impacts on Satisfactory Joint Venture Relationships: A Comparative Study of International Joint Ventures in China

Lin and Germain (1998) developed a LISREL model examining the relationships

between context variables (cultural similarity, relative power, and relationship age) and conflict resolution strategies on IJV performance in a sample of US-Chinese IJVs in China. In respect of cultural similarity and conflict resolution strategies, several findings are made in their study. Firstly, cultural similarity is positively related to problem-solving and to satisfaction with the performance of the IJV on the part of senior managers. Secondly, problem-solving is positively related to satisfaction with IJV performance. Thirdly, the use of a legalistic strategy is negatively related to IJV performance of satisfaction. The purpose of this paper is to evaluate the national effect impacts on the variables in the model. We propose to re-examine Lin and Germain's (1998) findings using a sample of Japanese-Chinese and Taiwanese-Chinese IJVs in China.

The majority of results in the current study are conflicting with Lin and Germain's (1998) findings. Some possibilities can explain the phenomena. Firstly, ANOVA test show the all of the four conflict resolution strategies are significantly different between the Japanese and Taiwanese groups ( $p < 0.05$ ). Based on this finding, we suggest the model should be tested by different national groups.

Secondly, Confucianism includes tolerance of others and harmony with others, which influence not only Chinese and Overseas Chinese (i.e. Taiwan, Hong Kong, and

Singapore), but also become a part of Japanese and Korean cultures. When people are under the influence of Confucianism, legalistic strategy cannot become the prior conflict resolution strategy. Using legalistic strategy to solve conflict, however, is not unusual for US managers. It is not surprising that H1b cannot be supported by a mixed national sample of US and Chinese managers in Lin and Germain's study whilst supported by the current study, in which national effect is controlled.

Thirdly, as predicted in H3a-d, the IJV age is related to conflict resolution strategies. It is possible that one party changes their strategy to match the other party. For instance, the sample in Lin and Germain (1998) sourced from the two countries with very different culture: US and China. One party (e.g. Chinese managers) could change their strategy after years of dealing with partners (e.g. US managers). Chinese managers turn into direct discussion of the problem with US partners; and attempt to openly express their concerns to US partners. Consequently, the strategies between the two parties will be developed consistently and their satisfaction will be improved by the harmonious strategy.

Fourthly, it is possible that the sample in Lin and Germain (1998) came from two extremely culturally dissimilar countries (i.e. US and China). When one party (e.g. US managers) with dominating shares tends to use forcing strategy and the other party



(e.g. Chinese managers) tends to use comprising strategy. The result is predictable that forcing would be the final resolution strategy.

Finally, it has been a debate whether the ownership impact on IJV performance. A recent study examining ninety IJV empirical studies shows the conflicting findings in this issue (Robson et al. 2002). Therefore, it is not a surprise outcome that our results contradict Lin and Germain's findings.

Two implications can be found for the joint venture theory. Firstly, the impact of national culture on IJV conflict resolution strategies and performance is complex. We received conflicting results when the similar variables in Lin and Germain (1998) were employed in this research. Nationality is found to be significantly related to conflict resolution strategies. Hence, we suggest the LISREL model needs to be run in different national ownership groups such as Japanese IJV, US IJVs. Lin and Germain (1998) mixed managers of different nationalities and this detracted from their findings.

Secondly, Lin and Germain (1998) find that cultural similarity is significantly related to performance. However, the results are mixed in our study. It is argued that the nature of the performance measure influences the correlation between culture impacts



and performance, since partners from different cultural backgrounds evaluate performance in different ways. Therefore, it is suggested that a combined measure of performance is used in further IJV research.

## 8.4 Implications for Theory and Practice

### 8.4.1 Implications for Theory

This research has offered a more comprehensive understanding of how the IJV performance impacted by the cultural fit between partners, which is through by IHRM functions. This is achieved by the distinction between three categories of IHRM functions, i.e. management styles, role stress, and conflict resolution strategies. The ability of foreign and local parents to work together effectively is largely dependent on their fit of IHRM practices, which are influenced by their own culture. An IJV's performance can be depressed from the start, if the parents' goals: long-term or short-term are constrained by the types of measures that they intend to use. Matching goals between the three parties can help to prevent suspicions that one parent's unstated goals are in conflict with another's. Different and conflicting goals will lead to distrust each other and then dissolve the IJV.

This study build up a conceptual model (see Figure 3-1), which links the relationship of culture – IHRM – performance, with the main flow of cultural influence assumed to management styles, role stress, and conflict resolution strategies, and then to IJV performance. This model can interrelate in terms of two models by perspectives of IJV general managers and parents, which lead to the sub-models in chapter 4 and 5 (see Figures 4-1 and 5-1). Several implications, which are related to culture, IHRM, and performance, are presented as following.

#### 8.4.1.1 Culture

Culture is a complex but consequential concept. The cultural distance between foreign and local parent firms impacts on the management functions with which they can cooperate. Achieving cultural fit is a fundamental challenge for IJV survival. A good cultural fit between foreign and local parents optimizes the potential of the IJV and helps to avoid the threats to its survival, which may arise from misunderstanding and distrust. When two firms come together to form an IJV, cultures, including institutional systems of regulating countries' political, educational and economic systems, give rise to differences, which have to be accommodated.

The results in this study have clear cultural implications for theory. Firstly, this study measures culture by three methods: nationality, cultural similarity, and Hofstede's five dimensions. It is found that nationality is an effective measure to examine national culture. Cultural similarity is not related to a majority of variables in this study. It is found that PD and IDV are negatively correlated with all dependent variables in the group of Japanese senior managers in chapter 5.

Secondly, this study develops a set of 20 questions to measure Hofstede's five

dimensions. It could be the first study in the field of IJV research using self-reported measures to examine the impact of Hofstede's five dimensions on IJV management.

The findings are reported above.

Thirdly, this study sources information from parent firms in Japan and Taiwan, and from Japanese and Taiwanese IJV general managers in China. Previous studies generally collected data from one party so it is difficult to have balanced information from different parties of IJVs. This study therefore provides a dynamic perspective, by comparing data collected from foreign parents and IJV general managers.

This study generally echo other researchers in the field of cross-cultural studies, in which IHRM functions such as training and expatriate relations are found to be influenced by cultural distance. Sergeant and Frenkel (1998) interviewed expatriate managers about managing employees in China. Their conclusions suggest that MNE managers may focus on major challenges in the measures of performance and cultural training, which can improve expatriate relations.

#### 8.4.1.2 IHRM

Our understanding of Japanese and Chinese management styles has been hampered by



the limited representation of industries and company size in previous empirical studies. This study provides some clarification and currency. The results show that managers in both countries, Japan and Taiwan, have different management styles when we use nationality as measurement. Furthermore, these styles are influenced by their home cultures and have some impacts on IJV performance. However, the relationship between cultural dimensions and management styles are not always in same direction. For instance, Power Distance is positively related to supervision style but negatively related to communication pattern. We suggest further research can focus on this issue.

Another implication is related to conflict resolution strategies. Lin and Germain (1998) use a mixed sample, US and Chinese managers, to test the impacts of cultural similarity on conflict resolution strategies and performance. We received mixed results when the model in Lin and Germain (1998) were employed in this research. It is found the nationality is significantly related to conflict resolution strategies. We suggest researchers in the field of cross-cultural research need to aware this issue.

#### 8.4.1.3 Performance

This survey provides some evidences of similarities and differences of viewpoints between IJV general managers and foreign parent firms. We develop a model that

links the relationship between perspectives of IJV parties, measure approaches, and Long-term Orientation (see Figure 6-1). Our findings suggest that IJV parties generally evaluate performance by the four approaches but focus on different orientations. The IJV theories (i.e. Transaction Cost, Strategic Management, Resource-based, and Organizational Learning) provide solid theoretical background for the four approaches. However, in testing the generalizability of the model, we suggest researcher can carry out replications in developed countries such as USA or Japan.

When forming IJVs in developing countries, in which businessmen have different management styles, Western MNEs are likely to face highly cultural barriers and lower performance. We suggest that foreign parent firms may include learning approach as a part of performance measures in the first two years of IJVs. This will give IJV general managers more time to gain knowledge of local culture and adjust their behaviors and strategies, which can lead to higher performance in the long-term.

#### 8.4.2 Implications for Managers

The results of this study have some important managerial implications related to culture, IHRM and IJV performance. China is a large and diversified economy, which

presents a particularly complex investment for foreign firms. This combines with a long traditional cultural background and rapid changes that have accompanied modernization since she adopted the 'Open Door' policy in 1979. The high degree of state control and influence, combined with the significant impacts from FDI, has forced liberalize the market. When MNEs do business in China, cultural cognition is necessary.

#### 8.4.2.1 Culture

An important managerial implication is that firms will find it valuable to assess their level of conflict and the strategies they currently use to handle it. Managers may have cause for concern when they find PD/IDV paired with high levels of problem-solving, compromising, forcing, and legalistic strategies. Our results reveal that these features characterize variables both in Japan and Taiwan, and the IJV performance seems to be influenced. Furthermore, MNE managers need to rethink the value of matching strategy and its implementation. It appears that strategies are influenced by cultural dimensions such as power distance and individualism. Therefore, MNE managers should review their present strategies and the cultural fit. Although the use of forcing and avoiding strategies may be well accepted within many IJVs, managers need to be aware that these behaviors do not seem to promote healthy conflict resolution.



Selmer (1999) suggests that parent firm should provide cultural training for IJV general managers before and after they arriving in China, since it could help them to reduce the culture shock. An IJV general manager, as expatriate, receives little cultural training and practices, before and arrives in China may damage IJV performance. Senior Managers at headquarters do not see the need to modify expectations of the IJV general manager to a different cultural environment where establishing and maintaining personal relationships are salient, the lack of a common language may be a serious impediment as could bureaucratic barriers. This argument can be supported by our findings that performance measures in learning approach are different between Japanese IJV general managers and senior managers in Japanese parent firms. Japanese IJV general managers learn host country's national culture and how to deal with conflicts. They consider that is a kind of important performance, whilst senior managers in home country do not think so. We suggest that the communication between expatriate and managers in home country is needed to improve and the learning of host culture should be viewed as a part of IJV performance.

When foreign managers are doing business in China, they must be aware of the traditional characteristics. Significant management barriers such as differences in supervision style, and decision-making are still having a great impact on business activities in China. These barriers stem from Chinese culture and traditional



management practices, which need to be recognized alongside the great economic system transition in China. The intensive interactions with local staff demanded on the part of IJV general manager, an expatriate implies that the latter should possess language capability and be culturally sensitive. The ability of speaking the local language can improve the quality of communication with local employees and reduce the cultural boundary. Culturally sensitive IJV general managers can reduce the social distance through their own effort. For instance, working with highly collectivism colleagues in China, an IJV general manager had better to use 'we, our' instead of 'I, my' when communicating with them.

In China, SOEs comprise the biggest group of these outside agencies. Those recruits who have worked in SOEs for many years may have formed some relaxed behaviors such as reading newspaper for hours in the office, taking afternoon naps and so on. They also get used to the SOE's working style such as slow pace of work. Especially, it is difficult for older staff to change their behaviors and to integrate into the new IJV system (Tsang 2001).

#### 8.4.2.2 IHRM

The findings of this study provide some important IHRM lessons for IJV senior

managers. Firstly, it is important for IJV general managers to understand the strategies of resulting conflicts from both parents – foreign and local. IJV general managers not only need to minimize the conflicts but also balance the difference of resolution strategies between IJV parties, which would in turn increase IJV performance.

Secondly, IJV general managers in China, as expatriates, may need to be trained on the management styles and conflict resolution strategies. For instance, when a Chinese employee shows a tendency to avoid conflicts with foreign managers, say, US managers, who tend to use forcing strategy. Both of them may misconstrue the other's intentions. The latter would seem too aggressive while the former is perceived as too conservative. Foreign managers may be trained in seeking a balanced method, which include understanding the unique meaning of the conflict resolution strategies.

Thirdly, IHRM should play an important role in an IJV's policy. It needs to be brought into the planning and operating an IJV, when many of the relevant factors are being decided such as cultural training and expatriating. The quality of cooperation will be enhanced by expatriate's training and staffing, which focus on communication abilities and cultural understanding.

Finally, Human resources managers may be interested in the cultural makeup of

employees to facilitate better job cooperation and increase IJV performance. For instance, an employee who is high in Long-term Orientation may be well suited for a position that deals with the future, such as planning or budgeting. Managers in MNEs may be interested in these results when reviewing cultural training program for expatriates. In the future, researchers may choose to replicate this study by two national groups with larger cultural distance, or in a different cultural environment.

#### 8.4.2.3 Performance

Given the high failure rate of IJVs, performance of IJVs has always been the dominant concern of MNEs senior managers. The findings of this study highlight the importance of cultural similarity for IJV success, especially link IJVs to management styles, and suggest that culture should be considered along with IHRM functions in IJV management. A well-planned IHRM policies and practices can make a significant contribution to the IJV success, which can help the adjustment of practices between parents, offer control mechanism, and improve IJV performance.

Perspectives between foreign parent and IJV general manager could be more or less different in term of performance measures. This may lead to damage the trust and cause stress on the IJV general manager. For instance, an IJV general manager could

be satisfied with the overall performance because he or she learns some cultural knowledge in the first year. However, a senior manager in foreign parent firm could be dissatisfied because that product quality has not been improved enough. This produced mixed results of satisfaction on IJV performance since the primary criterion used to evaluate performance does vary by the parties in IJVs. Our results in chapter 6 show that Japanese and Taiwanese managers have different approaches of measuring performance. This finding supports the argument above.



## 8.5 Limitations

Several limitations of this research should be mentioned. These limitations will be discussed with respect to the published and primary data, and methodology.

### 8.5.1 Limitations of the Published Data

Firstly, the database in this study is built up by several sources; although we did as much as possible to collect the information of IJV in China, the database scale in this study is relatively limited. According to the “China Statistical Yearbook” (1997, p.605), 31,876 equity joint ventures were approved in 1996, of which 4,408 Japanese IJVs are recorded in the “Japanese Business in China Yearbook 2000-2001” (Mitsubishi Research Institute 2000). The size of our sample is therefore relatively small compared to the total number of IJVs in China.

Secondly, this survey collects information only from survival IJVs since the database did not include failed IJVs. The absence of failures from business research is a generic methodological problem, and further research can benefit from very detailed case study (Robson et al. 2002). A study of failure would, however, provide valuable information about the factors leading to success.

### 8.5.2 Limitations of the Primary Data

Firstly, sampling equivalence, Harpaz (1996) suggests that sample descriptions need to include all of the important characteristics of individuals, and of organizations, which could affect interpretations of research results. Although we were careful to select samples such as two parents, manufacturing sector, operating more than two years, and two country-groups of IJVs in China, some variables in individual, organizational, and industrial level (e.g. age, education, company size of parents and IJVs, business activity of parents and IJVs) are not controlled. It is possible that these variables affect the research outcomes between the two country's groups.

Secondly, sample size, although a sample of 165 IJVs from IJV general managers and foreign parents is adequate for statistical analysis, a study with a larger sample would generalize results. The return-rate is between 11 and 24 percent in this survey, which is quite normal to carry out mail survey in China. We need to be careful to generate the conclusion.

### 8.5.3 Limitations of the Methodology

Firstly, our sample sources from Taiwanese and Japanese IJVs. Taiwan and Japan both have strong cultural affinities to China, and the impact of cultural distance is therefore less than for western IJVs operating in China. The effects of cultural distance on

management styles, role stress, and conflict resolution strategies are all probably less than similar effects concerning IJVs involving Chinese and Western partners. The impact of cultural distance is, therefore, for Japanese and Taiwanese IJVs in China, relatively difficult to discern. Of course, looked at from another angle, we could take this as confirmation that the smaller the cultural distance between host and foreign partners, the less the impact will be of cultural distance on management issues in IJVs (Puffer 1993, House et al. 1999, Li et al. 2001).

Secondly, there is a problem concerning the local parent's perspective. This was presented in our conceptual framework but is not examined in the hypotheses, since the research instrument generated no data for the local parents. Several reasons of leading to a low return-rate of questionnaires are pointed out by Brouthers and Xu (2002). For instance, Chinese managers cannot trust the surveyor's purposes and are afraid of leaking commercial secrets to people outside the firms.

Thirdly, Robson et al. (2002) suggests that IJV performance conceptualization and operationalization need to be improved. Regarding the IJV performance, they argue that the mixed findings of previous studies are due to the lack of eight criteria: performance dimensions, frame of reference, stakeholder perspective, unit of analysis, scope of analysis, time horizon, data source, and assessment mode. It is suggested that



future research can benefit from the conceptualization of IJV performance as a dynamic process, in line with Anderson's (1990) input-output continuum of IJV business performance.

Fourthly, our samples came from a population, in which IJVs survive more than two years. The failed IJVs are not included in our sample frame. It is possible that these dissolved IJVs experience higher cultural difference, and fail to cope with this. This reason could explain why the impact of cultural distance is not significant in the research findings. This study did not control this variable because of the limitation of sample size. Furthermore, the sample size in each national group is lower than the recommended sample of 100 when LISREL is used in chapter 6 and 7. The results need to be interpreted carefully.

Fifthly, the respondents in Hofstede's survey came from a single international company: IBM, which could change the pattern of cultural difference between nations since IBM has been seen as a hi-tech company with strong American culture. The employees in the IBM branch in developing countries in 1970s such as Taiwan were viewed as well-educated and westernized people. Their attitudes reflect a very small part of middle-class people and cannot represent the whole society. In addition, there is the timing of data collection. Hofstede's IBM survey collected his data between



1967 and 1973, while The Chinese Culture Connection (1989) collected their data in the mid-1980s. This study collected data between 2001 and 2002. A number of social and economic changes have occurred in the past thirty years in Asian countries such as Japan and Taiwan. Japan went through economic booms in 1980s and recessions from 1990s, and Taiwan has been changing from an under developing country into a new industrialized country. Therefore, this timing issue may explain the significant relationship between high power distance and lower individualism that is found in Hofstede's findings but not in the current study.

Finally, this study did not report the types of local parent firm (i.e. SOEs and POEs). It is found that SOEs measure performance by state-set goals such as full employment, which lead to lower productivity than POEs (Walder 1995). The goals of local parent firms may influence IJV performance when they form IJV with a foreign partner (Shenkar and Zeira 1992). Hence, this issue should be addressed as a limitation of this study since the variable of the types of local parent firms did not be identified and controlled.

## 8.6 Further Research

The number of IJVs has rapidly increased during the past decade, providing MNEs the opportunity to stay competitive and the possibility of participating in the long-term projects. IJVs are complex, mixed-motive relationships in which theoretically identified key variables have received meager empirical attention. Given the 'soft' nature of these under-researched aspects of voluntary inter-firm cooperation, it seems unlikely that even in the future IJVs can be satisfactorily studied using currently emphasized 'hard' methods. To address this important gap, a fundamental shift is needed in the approach to research (Parkhe 1993a).

### 8.6.1 Further Research Direction

Based on the results of the study, several avenues for further research appear promising. Firstly, survey should include countries, which fall into the two diametrically opposite cultural groupings. For instance, countries chosen to represent HPD/LIDV cultures may include Japan, South Korea, and Mexico. By contrast, countries chosen to represent LPD/HIDV cultures may include Canada, UK and USA. This may provide evidence of generalizability beyond the current study. However, Further research should abandon KSINDEX, which lack of theoretical support and has mixed and conflicting empirical results.

Secondly, The research on Japanese-owned and managed firms in the USA is just a start in developing theory. More systematic studies are needed in various kinds of

research settings so that finding across site can be compared. Other types of multinational organizations may reflect very different responses with regard to intercultural interaction. Moreover, the emphasis on national culture obscures other cultural foci that may impinge on organizations. National culture may not be as salient a factor in all situations. Comparison, therefore, should extend to cross-cultural interaction that does not exclusively involve national differences (Boyacigiller et al. 1996).

Thirdly, regarding the Hofstede's five dimensions, several criticisms have been addressed in limitations. Scholars in the field of cross cultural research called for developing and testing multi-layered theories and models (e.g. Steenkamp 2001). A research direction is to reconsider Adler's (1983) six approaches of cross-cultural management issues (i.e. parochial, ethnocentric, polycentric, comparative, geocentric, and synergistic) and develop theories and models. These theories will enrich the field of cross-cultural research and keep scholars busy in the 21<sup>st</sup> century.

Finally, further research is needed to enhance our understanding of the interrelationships of management styles, conflict resolution strategies, role stress, and IJV performance. An important area of further research concerns carefully designing and evaluating the effects of intervention on supervision style bases in enhancing

positive conflict resolution strategies, role conflict and IJV performance. Moreover, the types of local partners should be investigated.

### 8.6.2 Methodology

The most common methods of data collection in survey research can be grouped into qualitative and quantitative methods including case studies, interview, and questionnaire. In cross-cultural surveys, it should be aware of the constraints that arise from national or cultural differences. A major difficulty may be the selection of methodology, which is needed to be understood by respondents and be viable in the field.

Much of the difficulty of cross-cultural studies lies in the area of research methods (Buckley and Chapman 1996). Careful research design can enhance the research quality in spite of the research standards maintained in the cross-cultural research.

Firstly, we encourage researchers can carry out more case studies when the complex and dynamic nature of IJV performance should be investigated by collecting qualitative data. Secondly, the complex fundamental relationship between measure approaches of IJV performance and its outcome need to have integrated analytical tools for quantitative research such as LISREL (Robson et al. 2002). Regarding



methodology, we provide some suggestions for further research in the following sections.

#### 8.6.2.1 Qualitative Research

Large-scale mail surveys and secondary database are difficult to capture the 'soft' core concept such as trust and conflict (Parkhe 1996). IJV researchers need to develop a suitable direction in order to fill the gaps caused by quantitative methods. In a leaving form questionnaire survey, a case study would permit researchers to get close to the operations of IJVs. Case studies are the target of much skepticism in the scientific community. However, strong measures can be taken to build rigor into case studies at the research design, data collection, data analysis, and composition. Parkhe (1993a) argues that one of the strengths of building theory from cases is that the constant combination of conflicting realities forces individuals to reframe perceptions into a new gestalt and so the process has the potential to generate theory with less bias.

It appears that the advantages of qualitative interviews outweigh their disadvantages vis-à-vis quantitative methods such as mail questionnaire (Yeung 1995). In-depth interview method enables researchers to gain a rich understanding of respondents' perspectives, which often provides insights that the questionnaire would not have uncovered. This is the lesson we had learnt from the current study. However,

interviews can be subject to problems of bias, poor recall, and poor or inaccurate articulation. Therefore, the interview evidence must be triangulated with multiple data sources such as company's documentation so that researchers can test for convergence (Yin 1984).

#### 8.6.2.2 Quantitative Research

The field of international business research has been dominated by quantitative research for decades. However, some research works are open to the criticism that the statistical analysis takes precedence over the validity of the data (Buckley and Chapman 1996). The reasons have been addressed above. Some suggestions can be made for researchers prefer to carry out quantitative research in future. Firstly, take the current study as an example; this survey was conducted among Japanese and Taiwanese managers. Therefore, the findings reflect only the reality of the two national groups. Those models developed in this study have not held true for other managers from USA or EU. Data analysis, in chapter 4 and 5, was conducted by using multiple regressions due to the limitation of sample numbers. It is difficult to claim that the developed measurement scale has well-established validity. We suggest further quantitative research can test model by structuring equation modeling (e.g. LISREL).

Secondly, Questionnaire delivered in personal can improve the return-rate (Lin and Germain 1998). However, the disadvantage of using this method is the respondent in China could have a bias that researchers may be given answers they wanted. Finally, sample issues including equivalence, size, and population need to be controlled in further research. Moreover, variables in personal and organizational level (e.g. education, age, company size, SOEs or POEs, ownership structure and industry) need to be controlled as well.

#### 8.6.2.3 Multi-method Research

A compromise research method has been proposed by Buckley and Chapman (1996). They suggest that an in-depth interviews together with participant observation where the company can accept it. Researchers can obtain information through the in-depth interviews with senior managers and employees in the IJV, joining executive meetings, and collecting data from questionnaire. In the interviews, managers are asked about the facts, opinion and insights about the events. Such interviews can be extremely fruitful, because interviewees can provide crucial insights, suggest sources of corroboratory evidence, and initiate access to such sources. Furthermore, data from questionnaire can broaden the information sources.

A good example of triangulation of data obtained using multiple data sources and multiple methodological approaches is found in Beamish (1988). His study on IJVs in developing countries used case research on a set of 12 'comparative core cases' personal interviews, and questionnaires. The questionnaire findings lent themselves to nonparametric statistical analysis, and this analysis was supplemented by interview data. A further strength of the research design of this study is that data were collected from the IJV general managers, the foreign parents, and local parents. Soliciting information from each major player in the IJV provides a more balanced picture of IJV operation and enhances confidence in the research findings. Future researchers may try to follow the way of the Beamish study but need to commit more resources than quantitative research.

Recently, another excellent research of using a multi-method, this study adopts a personal interview and questionnaire approach to identify the major management lessons (Glaister et al. 2003). Their study sourced secondary data from an online database providing comprehensive details on international IJV activity. Primary data obtained from each of the three parties of the IJV system (i.e. UK parent, western European parent, IJV management team). Furthermore, they obtained and reviewed the annual reports and accounts of the parent firms. The personal interview schedule and questionnaire were developed from pilot interviews. After the interview, the



interviewee was invited to identify three senior colleagues in the same party of the IJV, who had a good understanding of the research issues and relevant knowledge of the venture. The questionnaires were passed by the interviewee on to the three colleagues. The questionnaire findings show that the majority of respondents learn lessons from operating the IJVs. This study provides a proper way for IJV researchers to explore 'soft' data within IJV management process. Hence, we suggest further research can adopt this multi-method approach.

## APENDICES

### APPENDIX A COVER LETTER FOR IJV GENERAL MANAGER

Dear Mr. \_\_\_\_\_

I am a PhD candidate in Leeds University Business School and carrying out a research project of international joint venture (IJV) operating in China. The main purpose of the research is to obtain a deeper knowledge of the relationships among cultural distance, management style, management conflicts, conflicts resolution strategy, and performance.

This questionnaire is suitable to be completed by senior managers who are familiar with the joint venture. If you are not able to complete the questionnaire, please pass it to a colleague who has the relevant knowledge

It is guaranteed that all received information will be absolutely treated confidentially. None of a person and company will be identified at analytic stages and shown in any publication. It takes you only several minutes to answer the questions. The research will highly benefit from your participation. As soon as the study is completed, I will send you a summary of the research findings.

Many thank you for your time. Please return the questionnaire by using attached envelope. I will greatly appreciate receiving a completed questionnaire from you.

You have my sincere best wishes for every success.

Yours sincerely,

Lung-Tan Lu  
PhD candidate  
Leeds University Business School, UK

## APPENDIX B COVER LETTER FOR PARENT COMPANY

Dear Mr. \_\_\_\_\_

I am a PhD candidate in Leeds University Business School and carrying out a research project of international joint venture (IJV) operating in China. The main purpose of the research is to obtain a deeper knowledge of the relationships among cultural distance, management style, conflicts resolution strategy, and performance.

This questionnaire is suitable to be completed by senior managers who are familiar with the joint venture. However, please choose one joint venture, which you are more familiar with when your company has more than one joint ventures operating in China. If you are not able to complete the questionnaire, please pass it to a colleague who has the relevant knowledge

It is guaranteed that all received information will be absolutely treated confidentially. None of a person and company will be identified at analytic stages and shown in any publication. It takes you only several minutes to answer the questions. The research will highly benefit from your participation. As soon as the study is completed, I will send you a summary of the research findings.

Many thank you for your time. Please return the questionnaire by using attached envelope. I will greatly appreciate receiving a completed questionnaire from you.

You have my sincere best wishes for every success.

Yours sincerely,

Lung-Tan Lu  
PhD candidate  
Leeds University Business School, UK

## APPENDIX C QUESTIONNAIRE FOR IJV GENERAL MANAGER

### PART I BASIC INFORMATION

#### Age:

- Under 40 years
- 41-45
- 46-50
- 51-55
- 56-60
- 61 and above

#### Education

- High School
- Attend college courses
- College degree
- Attend graduate school courses
- Master or PhD degree

#### Major

- Business
- Other Social Science
- Literature and language
- Engineering
- Other Science
- Other

#### Years in Present Position

- 0-1
- 2-5
- 6-10
- 11-15
- 16 and above

#### Years with the present company

- 0-1
- 2-5
- 6-10
- 11-15
- 16 and above

#### Gender

- Male
- Female

#### Nationality

- USA
- Japan
- China
- Other \_\_\_\_\_



Company Size (please circle)

	Parent company	JV
Fewer than 100 employees	1	2
100-499	1	2
500-2499	1	2
2500-4999	1	2
Over 5000 employees	1	2

What is the major business activity of your company and the JV? (Please circle)

	Parent company	JV
Aerospace	1	2
Automobiles	1	2
Chemicals	1	2
Computers	1	2
Consumer Goods	1	2
Construction	1	2
Electronics	1	2
Energy	1	2
Foods	1	2
Machinery & Machine Tools	1	2
Medical Equipment	1	2
Metals & Minerals	1	2
Pharmaceuticals	1	2
Telecommunications	1	2
Textiles & Apparel	1	2
Transportation	1	2
Other manufacturing	1	2
Services	1	2

The percentage of shares your company owned when the IJV was formed

\_\_\_\_\_ %

The current percentage of share \_\_\_\_\_ %

The percentage of products in the IJV for export \_\_\_\_\_ %

The date IJV was formed? \_\_\_\_\_

Number of years the IJV general manager has lived in China: \_\_\_\_\_ (year)

The party responsible for the employment of the general manager

- JV
- US parent company
- China partner company

**PART II      MANAGEMENT STYLE**

The following contains 35 statements, which refer to the difference of management style between your China parent company and US parent company. Please circle the number that is most appropriate for each item as it pertains to you.

	Very Little									Very Large
	1	2	3	4	5	6	7	8	9	
1. Amount of discretion given to IJV general manager	1	2	3	4	5	6	7	8	9	
2. Degree of delegation of authority to IJV general manager	1	2	3	4	5	6	7	8	9	
3. Soliciting for IJV general manager inputs	1	2	3	4	5	6	7	8	9	
4. Freedom of IJV general manager to schedule his/her own work	1	2	3	4	5	6	7	8	9	
5. Democratic supervision	1	2	3	4	5	6	7	8	9	
6. Only parent company handling major work problems	1	2	3	4	5	6	7	8	9	
7. Decisions and work problems delayed in IJV general manager's absence	1	2	3	4	5	6	7	8	9	
8. Parent company's back-up for IJV general manager	1	2	3	4	5	6	7	8	9	
9. Parent company's sacrifice for IJV general manager	1	2	3	4	5	6	7	8	9	
10. Amount of direction given from top	1	2	3	4	5	6	7	8	9	
11. Close supervision	1	2	3	4	5	6	7	8	9	
12. Tackling unusual work problems	1	2	3	4	5	6	7	8	9	
13. Trying innovative methods and products	1	2	3	4	5	6	7	8	9	
14. Number of suggestions from subordinates	1	2	3	4	5	6	7	8	9	

15. Wasting time and efforts by incorrect estimates	1	2	3	4	5	6	7	8	9
16. Accepting unpopular projects	1	2	3	4	5	6	7	8	9
17. Initiating improvements	1	2	3	4	5	6	7	8	9
18. Decision delegation to the lowest level	1	2	3	4	5	6	7	8	9
19. Consensus decision making	1	2	3	4	5	6	7	8	9
20. Employee participation in decision making	1	2	3	4	5	6	7	8	9
21. Amount of supervisory direction	1	2	3	4	5	6	7	8	9
22. Individual decision making	1	2	3	4	5	6	7	8	9
23. Employee freedom to select their own course of actions	1	2	3	4	5	6	7	8	9
24. Parent company awareness of IJV performance meeting standards	1	2	3	4	5	6	7	8	9
25. Free flow of information	1	2	3	4	5	6	7	8	9
26. Parent company awareness of important things happening within IJV	1	2	3	4	5	6	7	8	9
27. Complains reaching top management	1	2	3	4	5	6	7	8	9
28. IJV general manager unawareness of changes in policies and directives	1	2	3	4	5	6	7	8	9
29. Communication are blocked	1	2	3	4	5	6	7	8	9
30. Managers being on top everything	1	2	3	4	5	6	7	8	9
31. Emphasizing on production as a goal	1	2	3	4	5	6	7	8	9
32. Relying the IJV without checking	1	2	3	4	5	6	7	8	9
33. Following-ups and checking in goal realization	1	2	3	4	5	6	7	8	9
34. Involving in family matters of employees	1	2	3	4	5	6	7	8	9
35. Helping employees with non-working related matters	1	2	3	4	5	6	7	8	9



### PART III ROLE STRESS

The following contains 19 statements, which refers to various facets of the role stress. Please circle the number that is most appropriate for each item as it pertains to you, using the following scale.

	Very false							Very true
	1	2	3	4	5	6	7	
1. I often get involved in situations in which there are conflicting requirements.	1	2	3	4	5	6	7	
2. I receive incompatible requests from two or more people.	1	2	3	4	5	6	7	
3. I have to do things should be done differently under different conditions.	1	2	3	4	5	6	7	
4. I work under incompatible policies and guidelines.	1	2	3	4	5	6	7	
5. I receive an assignment without the manpower to complete it.	1	2	3	4	5	6	7	
6. I have to buck a rule or policy in order to carry out an assignment.	1	2	3	4	5	6	7	
7. I receive an assignment without adequate resources and materials to execute it.	1	2	3	4	5	6	7	
8. I work on unnecessary things.	1	2	3	4	5	6	7	
9. I have to work under vague directives or orders.	1	2	3	4	5	6	7	
10. I have clear planned goals and objectives for my job.	1	2	3	4	5	6	7	
11. I know exactly what is expected of me.	1	2	3	4	5	6	7	
12. I know what my responsibilities are.	1	2	3	4	5	6	7	
13. I feel certain about how much responsibility I have.	1	2	3	4	5	6	7	
14. My responsibilities are clearly defined.	1	2	3	4	5	6	7	
15. There is a need to reduce some parts of my role.	1	2	3	4	5	6	7	
16. I feel overburdened in my role.	1	2	3	4	5	6	7	
17. I have been given too much responsibility.	1	2	3	4	5	6	7	
18. My workload is too heavy.	1	2	3	4	5	6	7	
19. The amount of work I have to do interferes with the quality I want to maintain.	1	2	3	4	5	6	7	



## PART IV CONFLICTS RESOLUTION STRATEGY

The following contains 15 statements, which refers to various facets of the conflicts resolution strategies. Please circle the number that is most appropriate for each item as it pertains to your company, using the following scale.

	Very Unlikely 1	Unlikely 2	Neutral 3	Likely 4	Very Likely 5
1. We will enter into a direct discussion of the problem with our partner	1	2	3	4	5
2. We will attempt to get all our concerns and issues into the open.	1	2	3	4	5
3. We will tell our partner our ideas and ask them for their ideas.	1	2	3	4	5
4. We will show our partner the logic and benefits of our position.	1	2	3	4	5
5. We will propose a middle ground.	1	2	3	4	5
6. We will use "give and take" so that a compromise can be made.	1	2	3	4	5
7. We will try to find a position that is intermediate between their position and our position.	1	2	3	4	5
8. We will try to find a fair combination of gains and losses for both parties.	1	2	3	4	5
9. We will use our management authority to select our proposal.	1	2	3	4	5
10. We will use our expertise to make a decision based on our proposal.	1	2	3	4	5
11. We will use our power to win a competitive situation.	1	2	3	4	5
12. We will remind the partner of its obligations stipulated in contracts.	1	2	3	4	5
13. We will refer to the written contract when there is disagreement with out partner.	1	2	3	4	5
14. We will make interpretations of written agreement in order to convince our partner.	1	2	3	4	5
15. We will use written agreement as a "tool" to get the partner to agree to our positions.	1	2	3	4	5

## PART V PERFORMANCE

The following refers to various facets of the performance. Please circle the number that is most appropriate for each item as it pertains to your company, using the following scale. However, please mark an "X" in the box if the item is not your initial measure for the JV.

	Worse than expected 1	Same as expected 2	Better than expected 3
<input type="checkbox"/> Cost control	1	2	3
<input type="checkbox"/> ROI	1	2	3
<input type="checkbox"/> Profitability	1	2	3
<input type="checkbox"/> Labor productivity	1	2	3
<input type="checkbox"/> Reputation	1	2	3
<input type="checkbox"/> Market share	1	2	3
<input type="checkbox"/> Sales growth	1	2	3
<input type="checkbox"/> Customer satisfaction	1	2	3
<input type="checkbox"/> Compete with global competitors in China market	1	2	3
<input type="checkbox"/> Purchase inputs from partner	1	2	3
<input type="checkbox"/> Partner buys outputs	1	2	3
<input type="checkbox"/> Market potential in China	1	2	3
<input type="checkbox"/> Benefit from tax incentives	1	2	3
<input type="checkbox"/> Technology transfer from partner	1	2	3
<input type="checkbox"/> Obtain foreign cash investment	1	2	3
<input type="checkbox"/> Employment creation	1	2	3
<input type="checkbox"/> Effective communication	1	2	3
<input type="checkbox"/> Work well together	1	2	3
<input type="checkbox"/> Development of trust and commitment	1	2	3
<input type="checkbox"/> Work satisfaction	1	2	3
<input type="checkbox"/> Ability to deal with conflicts	1	2	3
<input type="checkbox"/> Learning partner's national policies, rules & relevant laws	1	2	3
<input type="checkbox"/> Learning more about partner's national culture	1	2	3
<input type="checkbox"/> Gaining knowledge of new production management	1	2	3
<input type="checkbox"/> Gaining knowledge of partner's market characteristics	1	2	3
<input type="checkbox"/> Gaining understanding of labor resources	1	2	3
<input type="checkbox"/> Gaining understanding of capital resources	1	2	3

The following refers to various facets of the instability of IJV. Please circle the number that is most appropriate for each item as it pertains to your company, using the following scale.

	Very Disagree 1	Disagree 2	Neutral 3	Agree 4	Very Agree 5
1. Would you agree that an IJV dissolution before contract finished because it failed to reach its goal?	1	2	3	4	5
2. Would you agree that an IJV ownership has been changed because it failed to reach its goal?	1	2	3	4	5

To your knowledge and estimation, how many US parent companies satisfy their performance of IJV in China?

- 0~25%
- 26~49%
- 50-50
- 51~75%
- 76~100%

	Very Dissatisfied 1	2	Neutral 3	4	Very Satisfied 5
In general, how satisfied have your company been with the JV's overall performance?	1	2	3	4	5

The following refers to profit and sales growth of IJV. Please circle the number that is most appropriate for each item as it pertains to your company

	Profit	Break-even	Loss
1. How is the IJV's actual profit from 1999 to 2001?			
2001	1	2	3
2000	1	2	3
1999	1	2	3
	Grow	Even	Decline
2. How is the IJV's actual sales growth from 1999 to 2001?			
2001	1	2	3
2000	1	2	3
1999	1	2	3







## APPENDIX D QUESTIONNAIRE FOR PARENT COMPANY

### PART I BASIC INFORMATION

#### Age:

- Under 40 years
- 41-45
- 46-50
- 51-55
- 56-60
- 61 and above

#### Education

- High School
- Attend college courses
- College degree
- Attend graduate school courses
- Master or PhD degree

#### Major

- Business
- Other Social Science
- Literature and language
- Engineering
- Other Science
- Other

#### Years in Present Position

- 0-1
- 2-5
- 6-10
- 11-15
- 16 and above

#### Years with the present company

- 0-1
- 2-5
- 6-10
- 11-15
- 16 and above

#### Gender

- Male
- Female

Nationality

- USA
- Japan
- China
- Other \_\_\_\_\_

Company Size (please circle)

	Your company	JV
Fewer than 100 employees	1	2
100-499	1	2
500-2499	1	2
2500-4999	1	2
Over 5000 employees	1	2

What is the major business activity of your company and the JV? (Please circle)

	Your company	JV
Aerospace	1	2
Automobiles	1	2
Chemicals	1	2
Computers	1	2
Consumer Goods	1	2
Construction	1	2
Electronics	1	2
Energy	1	2
Foods	1	2
Machinery & Machine Tools	1	2
Medical Equipment	1	2
Metals & Minerals	1	2
Pharmaceuticals	1	2
Telecommunications	1	2
Textiles & Apparel	1	2
Transportation	1	2
Other manufacturing	1	2
Services	1	2



The percentage of shares your company owned when the IJV was formed

\_\_\_\_\_ %

The current percentage of share \_\_\_\_\_ %

The percentage of products in the IJV for export \_\_\_\_\_ %

The date IJV was formed? \_\_\_\_\_

Number of years the IJV general manager has lived in China: \_\_\_\_\_ (year)

The party responsible for the employment of the general manager

- JV
- US parent company
- China partner company

**PART II          MANAGEMENT STYLE**

The following contains 35 statements, which refer to the management style. Please circle the number that is most appropriate for each item as it pertains to you.

	Very Little									Very Large
	1	2	3	4	5	6	7	8	9	
1. Amount of discretion given to IJV general manager	1	2	3	4	5	6	7	8	9	
2. Degree of delegation of authority to IJV general manager	1	2	3	4	5	6	7	8	9	
3. Soliciting for IJV general manager inputs	1	2	3	4	5	6	7	8	9	
4. Freedom of IJV general manager to schedule his/her own work	1	2	3	4	5	6	7	8	9	
5. Democratic supervision	1	2	3	4	5	6	7	8	9	
6. Only parent company handling major work problems	1	2	3	4	5	6	7	8	9	
7. Decisions and work problems delayed in IJV general manager's absence	1	2	3	4	5	6	7	8	9	
8. Parent company's back-up for IJV general manager	1	2	3	4	5	6	7	8	9	
9. Parent company's sacrifice for IJV general manager	1	2	3	4	5	6	7	8	9	
10 Amount of direction given from top	1	2	3	4	5	6	7	8	9	
11. Close supervision	1	2	3	4	5	6	7	8	9	
13. Tackling unusual work problems	1	2	3	4	5	6	7	8	9	
13. Trying innovative methods and products	1	2	3	4	5	6	7	8	9	
14. Number of suggestions form subordinates	1	2	3	4	5	6	7	8	9	
15. Wasting time and efforts by incorrect estimates	1	2	3	4	5	6	7	8	9	

16. Accepting unpopular projects	1	2	3	4	5	6	7	8	9
17. Initiating improvements	1	2	3	4	5	6	7	8	9
18. Decision delegation to the lowest level	1	2	3	4	5	6	7	8	9
19. Consensus decision making	1	2	3	4	5	6	7	8	9
20. Employee participation in decision making	1	2	3	4	5	6	7	8	9
21. Amount of supervisory direction	1	2	3	4	5	6	7	8	9
22. Individual decision making	1	2	3	4	5	6	7	8	9
23. Employee freedom to select their own course of actions	1	2	3	4	5	6	7	8	9
25. Parent company awareness of IJV performance meeting standards	1	2	3	4	5	6	7	8	9
25. Free flow of information	1	2	3	4	5	6	7	8	9
26. Parent company awareness of important things happening within IJV	1	2	3	4	5	6	7	8	9
27. Complains reaching top management	1	2	3	4	5	6	7	8	9
28. IJV general manager unawareness of changes in policies and directives	1	2	3	4	5	6	7	8	9
29. Communication are blocked	1	2	3	4	5	6	7	8	9
31. Managers being on top everything	1	2	3	4	5	6	7	8	9
31. Emphasizing on production as a goal	1	2	3	4	5	6	7	8	9
32. Relying the IJV without checking	1	2	3	4	5	6	7	8	9
33. Following-ups and checking in goal realization	1	2	3	4	5	6	7	8	9
34. Involving in family matters of employees	1	2	3	4	5	6	7	8	9
35. Helping employees with non-working related matters	1	2	3	4	5	6	7	8	9

### PART III CONFLICTS RESOLUTION STRATEGY

The following contains 15 statements, which refers to various facets of the conflicts resolution strategies. Please circle the number that is most appropriate for each item as it pertains to your company, using the following scale.

	Very Unlikely 1	Unlikely 2	Neutral 3	Likely 4	Very Likely 5
1. We will enter into a direct discussion of the problem with our partner	1	2	3	4	5
2. We will attempt to get all our concerns and issues into the open.	1	2	3	4	5
3. We will tell our partner our ideas and ask them for their ideas.	1	2	3	4	5
4. We will show our partner the logic and benefits of our position.	1	2	3	4	5
5. We will propose a middle ground.	1	2	3	4	5
6. We will use "give and take" so that a compromise can be made.	1	2	3	4	5
7. We will try to find a position that is intermediate between their position and our position.	1	2	3	4	5
8. We will try to find a fair combination of gains and losses for both parties.	1	2	3	4	5
9. We will use our management authority to select our proposal.	1	2	3	4	5
10. We will use our expertise to make a decision based on our proposal.	1	2	3	4	5
11. We will use our power to win a competitive situation.	1	2	3	4	5
12. We will remind the partner of its obligations stipulated in contracts.	1	2	3	4	5
13. We will refer to the written contract when there is disagreement with out partner.	1	2	3	4	5
14. We will make interpretations of written agreement in order to convince our partner.	1	2	3	4	5
15. We will use written agreement as a "tool" to get the partner to agree to our positions.	1	2	3	4	5



## PART IV PERFORMANCE

The following refers to various facets of the performance. Please circle the number that is most appropriate for each item as it pertains to your company, using the following scale. However, please mark an "X" in the box if the item is not your initial measure for the JV.

	Worse than expected 1	Same as expected 2	Better than expected 3				
<input type="checkbox"/>				Cost control	1	2	3
<input type="checkbox"/>				ROI	1	2	3
<input type="checkbox"/>				Profitability	1	2	3
<input type="checkbox"/>				Labor productivity	1	2	3
<input type="checkbox"/>				Reputation	1	2	3
<input type="checkbox"/>				Market share	1	2	3
<input type="checkbox"/>				Sales growth	1	2	3
<input type="checkbox"/>				Customer satisfaction	1	2	3
<input type="checkbox"/>				Compete with global competitors in China market	1	2	3
<input type="checkbox"/>				Purchase inputs from partner	1	2	3
<input type="checkbox"/>				Partner buys outputs	1	2	3
<input type="checkbox"/>				Market potential in China	1	2	3
<input type="checkbox"/>				Benefit from tax incentives	1	2	3
<input type="checkbox"/>				Technology transfer from partner	1	2	3
<input type="checkbox"/>				Obtain foreign cash investment	1	2	3
<input type="checkbox"/>				Employment creation	1	2	3
<input type="checkbox"/>				Effective communication	1	2	3
<input type="checkbox"/>				Work well together	1	2	3
<input type="checkbox"/>				Development of trust and commitment	1	2	3
<input type="checkbox"/>				Work satisfaction	1	2	3
<input type="checkbox"/>				Ability to deal with conflicts	1	2	3
<input type="checkbox"/>				Learning partner's national policies, rules & relevant laws	1	2	3
<input type="checkbox"/>				Learning more about partner's national culture	1	2	3
<input type="checkbox"/>				Gaining knowledge of new production management	1	2	3
<input type="checkbox"/>				Gaining knowledge of partner's market characteristics	1	2	3
<input type="checkbox"/>				Gaining understanding of labor resources	1	2	3
<input type="checkbox"/>				Gaining understanding of capital resources	1	2	3

The following refers to various facets of the instability of IJV. Please circle the number that is most appropriate for each item as it pertains to your company, using the following scale.

	Very Disagree 1	Disagree 2	Neutral 3	Agree 4	Very Agree 5
1. Would you agree that an IJV dissolution before contract finished because it failed to reach its goal?	1	2	3	4	5
2. Would you agree that an IJV ownership has been changed because it failed to reach its goal?	1	2	3	4	5

To your knowledge and estimation, how many US parent companies satisfy their performance of IJV in China?

- 0~25%
- 26~49%
- 50-50
- 51~75%
- 76~100%

	Very Dissatisfied 1	2	Neutral 3	4	Very Satisfied 5
In general, how satisfied have your company been with the JV's overall performance?	1	2	3	4	5

The following refers to profit and sales growth of IJV. Please circle the number that is most appropriate for each item as it pertains to your company

	Profit	Break-even	Loss
1. How is the IJV's actual profit from 1999 to 2001?			
2001	1	2	3
2000	1	2	3
1999	1	2	3
	Grow	Even	Decline
2. How is the IJV's actual sales growth from 1999 to 2001?			
2001	1	2	3
2000	1	2	3
1999	1	2	3





- |  |                               |   |
|--|-------------------------------|---|
| 9. Work in order to live   | _ _ _ _ _ _ _ _ _ _ _ _ _ _ _ | Live in order to work   |
| 10. Managers use intuition and strive for consensus              | _ _ _ _ _ _ _ _ _ _ _ _ _ _ _ | Managers expected to be decisive and assertive                      |
| 11. Stress on equality, solidarity, and quality of work life     | _ _ _ _ _ _ _ _ _ _ _ _ _ _ _ | Stress on equity, competition among colleagues, and performance     |
| 12. Resolution of conflicts by compromise and negotiation        | _ _ _ _ _ _ _ _ _ _ _ _ _ _ _ | Resolution of conflicts by fighting them out                        |
| 13. Comfortable feeling when lazy; hard-working only when needed | _ _ _ _ _ _ _ _ _ _ _ _ _ _ _ | Emotional need to be busy; inner urge to work hard                  |
| 14. Precision and punctuality have to be learned                 | _ _ _ _ _ _ _ _ _ _ _ _ _ _ _ | Precision and punctuality come naturally                            |
| 15. Tolerance of deviant and innovative ideas and behavior       | _ _ _ _ _ _ _ _ _ _ _ _ _ _ _ | Suppression of deviant ideas and behavior; resistance to innovation |
| 16. Motivation by achievement and esteem or belongingness        | _ _ _ _ _ _ _ _ _ _ _ _ _ _ _ | Motivation by security and esteem or belongingness                  |
| 17. Small savings quote, little money for investment             | _ _ _ _ _ _ _ _ _ _ _ _ _ _ _ | Large savings quote, funds available for investment                 |
| 18. Quick results expected                                       | _ _ _ _ _ _ _ _ _ _ _ _ _ _ _ | Perseverance towards slow results                                   |
| 19. Concern with 'face'  | _ _ _ _ _ _ _ _ _ _ _ _ _ _ _ | Willingness to subordinate oneself for a purpose                    |
| 20. Concern with possessing the Truth                            | _ _ _ _ _ _ _ _ _ _ _ _ _ _ _ | Concern with respecting the demands of Virtue                       |

Many thanks for your time. Would you like to receive a copy of summary report for these research findings?

Yes

No

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