International Joint Venture Negotiation Behaviour and Outcome: The Role of Bargaining Power, Culture and Trust (Qualitative Case Studies)

by

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To my parents

and

In the memory of my grandmother "Jai Kusuwan"

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Abstract

Most of the literature on joint ventures (JVs) in developing countries has been viewed from the perspective of the foreign partners, ignoring the strategic imperatives and goals of the host country partners. Additionally, there has been very little research on international joint ventures (IJVs) in Thailand. Therefore, a study of the relationships between bargaining power, trust and culture affecting negotiation behaviour and outcomes (JV performance) could clarify and complement the results of past studies. It could lead foreign and Thai investors to better understand what they should do before and after entering into JVs, so as to achieve an effective performance (outcome), the success of IJV, cost minimization and profit maximization.

This study examines the variables mentioned above in the context of service industries (e.g. construction, leasing, gas distribution), within the confines of joint venture theory and negotiation theory. The data was gathered using both questionnaires and in-depth interviews with a number of MDs and senior managers of JV firms. Both Thai and foreign parents were interviewed where possible. The result of the study shows that relationships between bargaining power, trust, culture, negotiation behaviour and performance (outcome) exist. A significant external factor affecting JV performance was also identified. Case studies were used as a research strategy for this study. 'Pattern matching logic' and 'explanation building' techniques were used for the analysis of data. In addition, data display technique was added to offer a clear understanding and picture of the results of the study.

Regarding JV management and negotiation, this study demonstrated that each JV partner should pay attention and time to support the development of mutual trust and cultural understanding in order to avoid conflict and enhance a successful JV performance. This study also revealed the effect of bargaining power, trust and culture on JV performance mediated by negotiation tactics. This has received little attention in previous studies.

List of Abbreviations

approx.	Approximately
ATN	Company name
ATT	Airport Authority Thailand (Government)
BCG	Boston Consulting Group
BOI	(Thai) Board of Investment
CEO	Chief Executive Officer
CP	Charean Pokaphan
DC(s)	Developing Country(ies)
ECI	Entry Concentration Index
EJV(s)	Equity Joint Venture(s)
EU	European Union
EVP	Executive Vice President
FDI	Foreign Direct Investment
GM	General Manager
GNP	Gross National Product
IFC	Industrial Finance Corporation
IJV(s)	International Joint Venture(s)
JV(s)	Joint Venture(s)
LDC(s)	Less Developed Country(ies)
MD(s)	Managing Director(s)
MNC(s)	Multinational Company(ies)
MNEs	Multinational Enterprises
MP	Member of Parliament
n.a.	Not available
NEJV(s)	Non-equity Joint Venture(s)
OECF	Oversee Economy Corporation Fund
PTA	Perspective Taking Ability
R&D	Research and Development
SRC	Self-Reference Criterion
TCT	Transaction Cost Theory
UK	United Kingdom
US	United States
WOSs	Wholly Owned Subsidiary(ies)

Chapter 1

Introduction

1.1 An overview

In today's global business environment and dynamic markets, competitors are moving to increase their profits and expand markets outside their home. They also seek to locate their plant in developing countries to reduce their production costs (e.g. by employing cheap labour) and thus gain competitive advantage. With this strong driving force, a new competitive strategy should be implemented, if firms aim to become successful. As a result, the focus of firms, with regard to strategies, has constantly changed and shifted from an emphasis on competition to greater emphasis on strategic collaboration. Western firms would like to increase their outcomes and their performance. In recent years, a large number of firms have chosen to enter joint venture with Asian companies in countries like Thailand. They hope that, at the end of the day, their benefits from implementing this new strategy will be greater than by any alternative operating strategy, such as take over, acquisition or green field investment.

One important reason for firms preferring to enter joint venture, rather than going alone, is that there is an unclear picture of the problems attached to the formation of relationships in respect to politics, culture, society and the environment. Another significant reason for foreign companies tending to choose to enter joint business venture in developing countries is because of the huge advantage from host governments who give promotional privileges to foreign firms who decide to make such an investment. For example, in Thailand, the larger the investment and the more valuable the technology transfer and training management made, the higher the benefits to Thailand, then the greater the bargaining power foreign firms have to negotiate against the Thai government. In addition, according to Thai regulation regarding the service sector, Thai nationals must hold at least 51% of the registered capital but where large amounts of investment capital (over 1,000 million baht) are paid, foreign investors may initially hold a majority of the equity (The Board of Investment Announcement No. 1/1993).

Some other reasons that firms establish JVs in host countries are discussed as follows:-
The need for local markets and knowledge of the economy. According to Janger (1980), nearly half of the companies in his sample formed JVs as a result of government requirement. Also, Gullander (1976) found that the primary reason for MNCs to establish JV was because of the inward investor's need for knowledge of politics. Tomlinson's (1970) results supported Janger in that the MNCs' major reason for entering JV was government pressure. Accordingly, joint ventures with local firms have increased strategic importance and have become an important element of foreign firms' international strategies (Geringer and Hebert, 1989). Porter and Fuller (1986) and Harrigan (1987) view joint ventures as critical components of an organization's business unit network and a strategic weapon for competing within their core markets and technologies. Additionally, past studies have suggested that these trends towards the increasing frequency and the strategic significance of joint ventures, especially international joint venture, seem to continue in this decade (Anderson, 1990).

However, the formation and operation of joint ventures do not arise without problems. As firms desire to enter joint ventures, prospective partnering firms must enter into negotiations. To reduce problems (e.g. psychic distance and cultural clash), it is important for both negotiating parties to study and understand each other's needs. The negotiation process has a significant influence on outcomes. To reach agreement, partnering firms should place more emphasis on flexibility in their negotiation process. A large number of factors have an impact on the negotiation process, but a few have a major influence. This research aims to study the influence of culture, bargaining power, trust on negotiation behaviour and negotiation outcomes. For example, the nature of Western firms tends to place more emphasis on competitiveness, while Thai and Chinese styles promote the importance of relationship building before negotiating any business. Therefore, it is necessary for negotiating firms to try to bridge their psychic gap in terms of cultural clash in order to get rid of any differences which might cause misunderstandings in negotiating so that they can reach agreement easily, even when facing time constraints.

A clear understanding of culture, bargaining power and negotiation tactics in Thailand is of the utmost significance to foreign negotiating counterparts. A number of articles of literature on the subject have evolved with little overview on the understanding of the cultural impact on the negotiation process. This has never been examined in relation to its influence on joint venture negotiation in Thailand. Most empirical studies have generally tended to use quantitative research methods, based on statistical analysis rather than examining and exploring in-depth details, using case studies which can produce very valid results. Qualitative research (such as case study or participant observation) tends to precede the discovery of natural laws, theory development and a field's evolution toward maturity (Dubin, 1969; Parkhe, 1993). According to Bedeian (1989) in (Parkhe, 1993), 82% of papers used research approaches characterized as "theory-thin and method-driven."

This research reviews the literature on negotiations between Asian and Western countries as well as developing and applying these ideas into Thai markets. Particular emphasis was given to the service industry (e.g. leasing, construction and oil storage firms) where Thai firms have entered joint venture negotiation with foreign firms. The results should lead both Thai and foreign firms to greater understanding of development of skill and negotiating style and behaviour. They can experience the mystery of cultural differences and misunderstanding and learn how bargaining power and trust are implemented and taken into account accordingly, both before entering negotiations and after an agreement has been reached. As a result, it is expected that both negotiating parties should be able to improve the effectiveness of negotiation outcome.

1.2 Research problems and research questions

Joint ventures have received a lot of attention from researchers and academics over the last few years, primarily because of their significance as a strategic alternative in coping with the increasingly competitive challenge of the globalization of the world's economies. There has been very little examination of the issues of international joint venture business negotiation where its influence could lead to joint venture success or failure. As negotiation has become one of the significant factors influencing joint venture business, one should place particular emphasis on some factors that might have an impact on the negotiation outcomes. Nevertheless, despite their increasing importance and popularity, IJVs are not without drawbacks and shortcomings. Some problems might arise as business negotiation is underway. The presence of two or more negotiators representing each parent creates a potentially significant source of complexity with regards to the differences in both national and corporate culture; value; belief in strategic goals; negotiating style; business system; resource contribution expected; emotional behaviour; and in the degree of bargaining power and trust. These different factors could lead negotiators or JV partners to diverging ideas and conflict, thus resulting in negotiating difficulty and the eventual failure of business negotiation. Within this perspective, an important determinant of joint venture negotiation outcomes appears to be the level of understanding of each other's culture and values (such as cultural negotiating style and business system) as well as the degree of bargaining power that the negotiating parties have over one another and the level of trust between the parties.

In this study, bargaining power refers to the capability of the negotiating party to favourably change the bargaining set (Lax and Sebenius, 1985) and to influence the negotiation behaviour and outcome (Schelling, 1956). National culture refers to the values, belief, and assumptions learned in early childhood that distinguish one group of people from another (Hofstede, 1994). Trust is the negotiator's belief that his negotiating partner is ready to perform actions, such as benefitting mutual relationships, that will result in cooperative behaviour and successful outcomes. Rotter et al. (1972) argue that a generalized expectancy of trust or distrust can be an important determinant of negotiating behaviour. Negotiation behaviour is a mixture of socio-cultural negotiating style and belief. The business system affects negotiators in their performance of verbal and nonverbal behaviours in the joint venture negotiating process. Negotiation outcome refers to JV performance in the perspective of the achievement of partners' objectives (e.g. profitability, market share, sale, technology and know-how transfer, learning, business growth and creditability); IJV partners' satisfaction regarding overall JV performance, JV agreement, JV relationships and JV partner's relationships. The importance of negotiation behaviour and outcomes influenced by national, social, and corporate culture and values; and the degree of bargaining power and trust, leads researchers to expect that international joint venture commercial negotiation would be a rich source of research.

Although there is considerable literature on international negotiation, those studies tend to place emphasis on the issues of political negotiation rather than on business negotiation. A few studies have examined business negotiation, such as Tung (1982); Pye (1982); Eiteman (1990); Graham (1983); and Weiss (1990). Few have paid attention to joint venture business negotiation, apart from the studies by Wagner (1990), Lin (1996), Brouthers and Bamossy (1997), and Lin and Germain (1998). Studies have touched on negotiations with companies from Asian developing countries. There has never been any study into Thai-foreign joint venture business negotiation in Thailand. The results of past research often conflict or are not significant. Furthermore, previous research on business negotiation has lacked comparability and generality of results and ignores the importance of the strategic behaviour of host country negotiating parties, especially in terms of cultural differences.

Western negotiators seem to negotiate on the basis of competitiveness rather than mutual relationship building. Therefore, to improve and ease the outcome of international business negotiations, emphasis should be placed on the role of trust which may have a significant influence on negotiation behaviour and, thus, on outcome. This, in turn, might lead to both negotiating parties' ability to reduce their transaction costs and negotiating time. In comparison to Western negotiators always emphasizing short-term gain, Thais tend to stress the long term in relationship building. Therefore, to negotiate successfully with Thais, Westerners should adjust their negotiation behaviour and competitive strategy, where possible. This does not mean to suggest that Western negotiators should begin to use Thai negotiating style, but rather they should try to understand the logic of Thai negotiation, in order to ease the negotiation process and improve the outcome. Due to the scant evidence and conflicting results on the relationships between the above factors, this research intends to study the relationships between negotiation behaviour, culture, bargaining power and trust, and how these factors influence successful negotiation outcomes by addressing the following research questions:-

1. How does bargaining power affect international joint venture negotiation behaviour and outcome ?
2. How does mutual trust influence JV negotiation behaviour and outcome ?

3. How does cultural difference and misunderstanding affect the negotiator's behaviour and the JV outcome ?

1.3 The importance and benefits of studying IJV negotiation in Thailand

Thailand has had a distinguished economic performance during the past three decades, with an average growth rate of 7 percent (BOI, 1993). In the late 1980s, it was the fastest growing economy in the world, with a growth rate of 13%. By the end of 1995, 2,177 JVs, with total investment values of Baht 206,283 million had taken place. However, in last a few years an unpredictable fluctuation in currency exchange has shaken Thai economic stability and performance, resulting in an economic downturn. It should be understood that business has not always succeeded without any difficulties. Now, Thailand is facing economic and business difficulties and no one knows precisely which direction changes will take. It is important to find out the implications of this disaster in terms of joint venture business negotiation. When a good opportunity for investment presents itself and international business negotiation begins again, negotiating partners will better know how they should negotiate to reach a successful outcome at the right time with minimum resource contribution.

Researchers, whose studies cover different countries, seem to face difficulties regarding communication during the interview process and the formation of the questionnaires. Much of the existing research seems to focus on Triad countries (U.S., Europe, and Japan), where a large amount of literature exists. This can help researchers to understand the myths and perceived differences in each business characteristic, culture and practice.

Therefore, choosing Thailand as a target of study could benefit the business world's academics and potential foreign investors investing in Thailand, as well as Thai businessmen, to understand the unforseeable problems which could potentially obstruct their business ventures. This study will assist both Thai and foreign partners to understand how and when to improve the effective negotiation outcome within the constraints of negotiating time and available resources.

Secondly, it will increase awareness of the impact of cultural difference and misunderstanding on the negotiation process and behaviour. These are factors which could potentially lead negotiating firms or the JV partners to negotiation failure.

Thirdly, it could enable negotiators or JV partners to cope with ambiguity and complexity that might occur during business negotiation. This, in turn, may lead negotiating partners to effectively use strategic negotiation in order to achieve their corporate goals and objectives.

Finally, this research could serve as a spring board and foundation for future research into successful joint venture business negotiation outcomes.

1.4 The purposes and objectives of the research study

The primary purpose of this study is to investigate how cultural difference and misunderstanding influence joint venture negotiation behaviour which in turn influences outcomes. According to Hawrysh and Zaichkowsky (1989), "culture's casual significance to negotiations is not in defining ends or outcomes of action but in the process or strategy of bargaining." Swidler (1986) suggests that culture influences behaviour by shaping a "tool kit" of habits, skills and styles from which people construct "strategies of action" or persistent ways of ordering behaviour through time. Tung (1982) concludes that as a determinant of the success or failure of negotiations, culture played a significant role. She found out that 80% of the survey respondents agreed with the statement that the negotiating styles of Chinese and US executives were different. However, she concluded that an awareness of cultural differences in bargaining styles was necessary, but not a sufficient condition on its own, because executives perceive negotiation style as a major cause of negotiation failure, rather than success. In contrast, some empirical studies, such as Harnett and Cummings (1980), have failed to discover major differences between cultural negotiating styles. Therefore, this study has tried to prove whether the results from past studies with regard to negotiation between different cultures are similar or different when applied to negotiation between Thais and their Foreign partners. Additionally, study into the role of culture, as it affects behaviour during negotiation could help Thai and foreign negotiators to be more aware, to understand and to pursue negotiating style, tactics and strategy accordingly.

The second purpose is to examine the role of bargaining power as it affects negotiation outcomes. Lusch (1976) defined two major sources of power: coercive and noncoercive. Coercive power involves a potential punishment, as a result of which one partner reluctantly yields power to another, while noncoercive power (expert, legitimate, reward and referent) tends to lead to one partner willingly yielding power to another. When power is used in a negotiation relationship, it becomes bargaining power (Rojot, 1991). The outcome of business and/or government negotiation is influenced by the bargaining power of negotiating parties towards their strategic goals (Fagre and Wells, 1982; Schelling, 1956; Rojot, 1991). Robinson (1969) points out that the outcome of negotiation in the bargaining situation among joint business partners will be positively favourable if there is a balance of resource contributions and expected benefits for each of the joint venture partners. Bargaining power between negotiating parties is based on the relatively urgent need for co-operation, available resources and commitment (Inkpen and Beamish, 1997); the ability to secure another party's agreement on one's own terms (Rojot, 1991) and the strengths and weaknesses between negotiating partners (Schelling, 1956). The result of Fagre and Wells' (1982) study shows that the MNC's percentage ownership of foreign subsidiaries correlated with its level of technology, product differentiation, product diversity and access to foreign markets. This, in turn, influences the outcome of negotiations. Lecraw (1984) found that the bargaining power of MNCs, over the host government, increases if they possess a proprietary product or technology, and are able to provide output channels for the joint venture products.

The third objective is to explore the role of trust as it influences negotiation behaviour and outcomes. As partners develop a positive collaborative relationship and trust over time, this could block a shift in partner bargaining power which in turn eases negotiation outcomes. Trust and relationship play important roles in Thai business venture and negotiation while Western negotiators often think in terms of contract and/or short-term gain. This mismatch should be unlocked in order to improve successful negotiation outcomes (e.g. profits, satisfaction, JV agreement). Trust could happen at many levels, such as personal, corporate and organization. Inter-personal trust is quite significant to joint business negotiation because if a trusted person leaves a firm, problems may start to occur in the joint venture business or business renegotiation. Therefore, firms should try to advocate business interaction on as many different levels of organization as possible so that when someone leaves the organization, the level of trust that negotiating parties have built between each other can be maintained. Larson (1992) observed that firms not only rely on mechanisms of social control in the formation and maintenance of joint venture businesses, but that such relational factors become increasingly important as the relationships between joint venture firms develop over time. The frequency of similar transactions or past business experience may affect the level of trust between negotiating partners which, in turn, influences JV performance and agreement. Assuming a management based on trust, JV firms could reduce risk and behavioural uncertainty, thus resulting in bounded rationality which is less harmful and less salient (Chiles and McMackin, 1996); and achieve improved behavioural and market performance (Aulakh et al., 1996). Simiar's (1982) result shows that differences in culture and goal lead negotiating partners to experience mistrust and conflict. Further study into the role of trust, as it affects negotiation outcomes, could clarify and complement the past results of Palay (1985) who found that relationships between rail-freight carriers and auto shippers were overlaid with close interpersonal relations among members in organizations. Inkpen (1992) found that trust was correlated with openness within the relationship and with (negotiation) outcomes. Hebert (1994) found a positive correlation between mutual trust and JV performance outcome, as well as low opportunism in their exchange relationships. Lin (1996) found a positive relationship between trust and problem-solving.

The fourth objective is to develop a theoretical framework combining elements of joint venture theory and negotiation theory and applying this to the study of relationships between bargaining power, negotiation behaviour, culture, trust, and negotiation outcomes.

1.5 Organisation of the study

This thesis consists of nine chapters. This chapter starts with the overview followed by an outline of the problems and research questions. Then the reasons for and importance of studying IJV in Thailand will be explained. Finally, the objectives of the study will be discussed in order to give direction and to describe the specific areas on which to focus and the chosen methods of conducting this research.

The second chapter presents a review of literature. JV background will be explored- first the conceptualization of international joint ventures, then common problems in joint ventures, the instability of IJVs, strategic behaviour and joint venture motivations and finally organization learning.

The third chapter provides the theories and conceptual framework of this study. The study's theoretical framework, which draws from the following concepts, is developed and discussed. First a review of prior research regarding the concept of bargaining power will be examined. Then, the concepts of trust, culture and negotiation, determinants of negotiation behaviour, negotiation outcomes and determinants of JV performance outcome will be discussed. Next, guidelines for achieving effective performance and success will be set out. The chapter will end with a conclusion to chapters 1-3. Four propositions developed from JV theory (chapter 2) and concepts discussed in chapter 1 will be presented.

The fourth chapter outlines the research methodology. However, before discussing research methodology, the construction of the research models of bargaining power, culture, trust, negotiation behaviour and outcomes (performance) are presented. In addition, adaptation of the conceptual model on negotiation will be discussed. Then, the research design used in this research, which will involve case studies method approach, will be explored. Next, the unit and sampling frame employed in this study, data collection planned, pilot study, the selected case samples, conducting case study interviews, data coding, case analysis technique will be presented. The chapter ends with a discussion of research reliability and validity which will be addressed in this study.

The fifth chapter presents the aggregate case studies of JV companies B, C, D and F. First, the background of each company will be discussed. Then JV strategic objectives, the Thai and foreign partners' reasons for entering JV, bargaining power of partners, trust between partners, culture, negotiation behaviour, JV performance and finally factors affecting JV performance.

The sixth chapter presents a case study of JV company E. First the bargaining power between JV partners will be explored. Then trust, culture and negotiation behaviour of JV partners will be discussed. Next, factors affecting negotiation behaviour, JV performance and finally factors affecting JV performance will be identified.

The seventh chapter presents a case study of JV company A. First the bargaining power of the four JV partners will be examined. Then trust, culture and negotiation behaviour of JV partners will be discussed. Next, factors affecting negotiation behaviour and JV performance will be given. The chapter ends with an examination of factors affecting JV performance (outcome).

The eighth chapter reports the results of the cross-case comparison of similarities and differences between JV companies A and E. Then the four propositions will be tested, company by company, regarding the relationships linking relative bargaining power, trust, culture, negotiation behaviour and JV performance. Next, a summary of the results of each proposition for all six case studies and an explanation of self-reference criterion (SRC) - free approach will be included and, finally, an overview of the data coding and coding scheme will be provided. The chapter will end with conclusions to chapters 4-8. A revised conceptual model will also be included.

The ninth chapter provides insight into the research contribution. Then, limitations of the study and directions for future research will be discussed. The chapter will end with a discussion of the conclusions of this study, including comparison of the research results with those highlighted in the literature review.

Chapter 2

Literature Review: Joint Venture Background

This chapter reviews existing literature on joint venture. First the conceptualization of IJVs will be explored. This will be followed by an examination of the common problems in joint ventures, the instability of IJVs, strategic behaviour and joint venture motivations. The chapter will end with the discussion of organisation learning.

2.1 Defining joint ventures and their benefits

There are many kinds of cooperative arrangements between firms of different nationalities, serving many purposes and encompassing joint ventures, licensing agreements, supply agreements, marketing agreements and a variety of other arrangements (Glaister et al., 1994; Contractor and Lorange, 1988b). Accordingly, joint venture is only a subset of total cooperative activity. Kogut (1988) narrowly defines joint venture as when two or more firms pool a portion of their resources within a common legal organization. According to Harrigan (1984), joint ventures are separate entities with two or more active firms as parents, where the emphasis is on the child. Geringer (1988) states that JVs involve two or more legally distinct organizations (the parents), each of which share in the decision-making activities of the jointly owned entity. Pfeffer and Nowak (1976) states that JVs are legally and ecomomically separate organizational entities created by two or more parent organizations that collectively invest capital and other resources to pursue certain strategic goals. Inkpen and Crossan (1995) define JVs as "a means of performing activities in combination with one or more firms instead of autonomously." Beamish (1994) also define joint ventures as shared-equity undertakings between two or more parties, each of whom holds at least five percent of the equity. Some differences between equity joint ventures (EJVs) and non-equity joint ventures (NEJVs) are as follows:- Killing (1988) views EJVs as traditional joint ventures which are created when two or more partners join forces to create a newly incorporated company in which each has an equity position. In contrast, NEJVs comprise an (contractual or non-contractual) agreement (e.g. to provide technical assistance, distribution and supply agreements) between partners to cooperate in some way, without the creation of new firms (Tsang, 2000). It is considered to be an IJV when business partnerships are jointly owned by two or more firms from different countries, foreign multinational firms and local governments, or foreign multinational firms and local business people (Kahal, 1994). Yan (1998) contends that IJVs are "ventures in which the sponsoring partners cooperate across national as well as cultural boundaries." Johnson (1996) refers to an IJV as "a legal entity created by two or more organizations (the 'parents'), at least one of which is headquartered in another country." In general, each party entering international joint venture contributes capital, assets or equity ownership. This does not have to be on a 50/50 basis.

Joint venture is one of the significant strategies for foreign investors whilst conducting business abroad. (Other examples of FDI include licensing, wholly-owned subsidiaries and cooperative agreements.) Firstly, JV strategy reduces the time spent by an investor in understanding culture, behaviour, values, religion, management style, politics, economy and society in the host country and particularly it allows the company to enter the market quickly. Secondly, such a strategy strengthens the competitiveness of both partners through cost reduction which can be achieved by pooling resources in order to gain scale effect or by shifting manufacturing to the lowest cost producer. Thirdly, risk is reduced, through sharing the development costs for a new product, and also revenues are increased. Next, it allows the partners to gain an understanding of each other ways of doing business. Finally, it allows continuity of access to the parents' assets, brand equity, systems, know-how, technology and services.

Joint ventures are often used by managers to build strengths for their firms' business units. They can change industry structures to the disadvantage of competitors. Moreover, joint ventures are assuming greater importance in global strategies because technology changes rapidly (e.g. semi-conductors and computers), cost advantages are becoming more pronounced, product lives are shorter, deregulation and trade agreements open formerly closed markets to new competitors, they can influence firms to find allies and so avoid being left behind, greater numbers of companies who formerly operated only in domestic markets are becoming international competitors, industry boundaries are blurring, and finally, parent firms must maintain a competitive advantage. Some other reasons include larger capital requirements, market access, industry and economic maturation in the Triad (USA, EU, and Japan) and improved communications and computational power.

Nevertheless, some expatriate managers dislike joint venture because many problems can occur between the expatriate manager and the local manager. Also, these problems happen because joint ventures involve a contract which reflects an understanding of costs and markets and technologies at the time companies sign them. As situations change, partners do not always want to compromise and renegotiate with each other. Parent companies rarely give enough time for the new joint venture companies to grow and they do not allow them to expand business into areas the parents would like to keep for themselves (Ohmae, 1994). Moreover, some conflict with culture, style, religion, politics and language can arise.

These difficulties can often end up in the termination of the venture for partnerships which do not put enough effort into learning each other's culture and management styles. Accordingly, achieving a successful fit in (international) joint venture in Thailand requires constant energy and attention from both partners, as well as an unusually high degree of flexibility from the foreign firms accustomed to signing a contract and then fulfilling it to the letter. Thai sense of flexibility focuses on finding the right partner rather than putting the right words on paper.

Some companies use joint ventures to relieve the pain of restructuring. They use each other's experience and competency to develop their own companies. For example, one might be good at R&D, another might be excellent at sales, then when their needs match each other, they will join together. Normally they will not both participate their core business activities. Some business issues need to be considered before they try to run a business together. Firstly, when negotiating the transfer of an existing business into a joint venture, the restructuring partner needs to inform the prospective partner about the causes of the business' underperformance. Secondly, financial stakeholders need to ensure joint commitment. They can give the buying partner management control by allowing that partner to bring his own capabilities and skills to bear on the business quickly and efficiently. Lastly, when entering a traditional joint venture, talking about planning for the termination of the venture is as unthinkable as planning a divorce. However termination is a natural step in the evolution of a restructuring joint venture and it really makes sense to plan ahead of time (Nanda and Williamson, 1995).

A study of ownership patterns and trends by Christelow (1987) suggests that joint venture enterprises account for around 20% of the assets of all international direct investment enterprises and 30% or more in manufacturing. It appears that for all industries combined, throughout the world, Dutch and French companies are most likely to form joint ventures. For manufacturing, Japanese and French companies were most inclined to use JV strategies while Canada and the UK were least involved in JVs, followed by the Netherlands and Germany. From 1977 to 1984, the importance of JV in US direct investment abroad has been falling. In 1984, US joint ventures abroad were highest in Japan, the country with the highest level of joint ventures in manufacturing. In the manufacturing sector, where both direct investment and JV are most important, the joint venture share of gross national product ranges from around 2% in the UK to 4 % or more in France and more in developing countries. Glaister and Buckley (1994) analysed the formation of JV in a new set, between UK firms and firms in Western Europe, USA and Japan during the 1980s, and reported as follows:- almost half of the total joint ventures formed were grouped in only four industries, i.e. financial services, other manufacturing, telecommunications and aerospace; the greatest proportion of JVs were formed for the purpose of service provision; the clear majority of JVs involved only one foreign partner; and equity JVs were formed more often than non-equity joint ventures.

2.2 Common mistakes of joint ventures

The tendency towards making mistakes derives from poor management, human behavioural errors, unanticipated events or ineffective organizations. Lyles (1987) remarks that mistakes often had little bearing on the success or failure of the joint venture in meeting its objectives. However, they impact on what the companies have learned from their joint venturing experience. One of the key distinctions of successful companies involves learning from one's mistakes and taking corrective action. The term 'learning' refers to the development of insights, knowledge and associations between past actions, the effectiveness of those actions and application to future actions.

Five common areas for error will now be highlighted. The first is 'future conflicts'. At formation, both partners may have mixed motives and hidden agendas. For example, one partner might form a JV to have its products manufactured and marketed in a specific country. As time passes, parent companies acquire the skills and knowledge to market the product themselves and as they desire to compete with the JVs , this creates a conflict.

Secondly, partner rapport is important. Some issues need to be tackled to improve partner relationship. It is recommended that if you have 51%, you should not try to behave as if you have 100%. You should treat partners as you would like to be treated. The frequency of meetings between the firm's president and top partners should be increased. The meetings should alternate between the offices of each parner firm. Many firms make the mistake of setting the JV up as a direct competitor to the parent company, selling in the same markets and producing the same products. This leads to staff of the parent company withholding information or not cooperating with the JV.

Thirdly, technology transfer is also an issue. Some firms form joint ventures because of technical cooperation agreements (i.e. transferring technology and know-how). Some firms view technology transfer as an area in which they make mistakes. This is why firms try not to transfer technology in their core business areas.

Uncertainty of the future will also be a concern. The inability to predict the future or the making of wrong predictions might create problems. Some firms make mistakes in making decisions which rely on future legislation. The foreign partner could also err in choosing to use its own name in setting up a foreign JV. This can lead to problems, because the local people may perceive a large foreign firm taking profits out of the country.

Lastly, equity issues can cause problems. Some firms found that allowing too much equity to become public was a mistake because the JV management was forced to focus too closely on short term returns.

2.3 The instability of international joint ventures

Generally speaking, instability within an international joint venture represents changes in the division of equity between the joint venture partners or major reorganizations which were unplanned from the perspective of one or both partners. However, instability does not necessarily indicate whether the performance of the JV is good or not. One perspective of joint venture instability considers both a shift in JV control and termination. Yan and Zeng (1999) divide instability into two approaches: outcome-oriented and process-oriented. The former approach considers IJV instability as the termination or change in the sponsors ownership structure. The latter approach perceives IJV instability as major reorganization or contractual renegotiations. Killing (1983) argues that a joint venture, structured with one dominant parent, is more stable and more likely to survive than a joint venture in which management is shared by the partners. However, research by Beamish and Banks (1987) shows a different result. They argue that it will be more stable if partners have a shared-management structure, perception of long-term need and satisfactory performance of the JV. In addition, Reynolds (1979) found that the JV instability rate in LDCs is 45-50%, whilst Killing (1983) and Franko (1971) show results of only 30% in developed countries. Franko (1987) also found higher instability for organizations which had divided departments into world regional areas. Moreover, Kogut's (1986) results do not support Killing's idea and Kogut argues that the unstable character of joint ventures results from both the structure of industrial competition and the relationship between the partners. He also found that concentrated industry structures, ceteris paribus, experience greater instability than fragmented industry structures. Kogut's (1987) results show instability rates for domestic and international joint ventures in the United States to be roughly equivalent to those for LDCs in Beamish's study. Park and Russo (1996) found an overall instability rate of 68% in the study of JVs in the electronics industry. Hennart and Zeng (1997) studied Japanese IJVs in the US and found the high ownership instability rate of 68%. On the other hand, the results of Lee and Beamish's (1995) study into Korean joint ventures and of Beamish's (1993) study into IJVs in China show a low instability rate.

Stuckey (1983) found that the instability rate of joint venture between foreign partners and local government partners in the aluminum industry was 26% higher than those with local private partners (30%). Beamish's result (1985) showed support for Stuckey's. He found that the instability rate is 15% higher in joint ventures involving local government partners than those with local private partners (43%). However, this result seems to exclude the less developed countries from the sample. Additionally, Gomes-Casseres (1987) finds that the instability rate of WOSs (wholly-owned subsidiaries) is lower than that of IJVs. Therefore, one still cannot draw a practical conclusion from the above studies.

Blodgett (1992) discussed that majority-minority joint ventures will experience frequent renegotiation. Also JVs with slightly unequal ownership shares (51%-49% or 49%-51%) will reveal this tendency to a lesser degree. Furthermore, joint ventures with a 50%-50% division of equity will experience the lowest incidence of renegotiation. In the LDC samples of Reynolds (1979), in a majority of cases (70%), the foreign parents were in a minority equity position, with only a small proportion (10-20%) of the JV being equally owned. This gave the opposite result to developed country samples, where half had 50-50 ownership. Therefore, Beamish (1985) concluded that investments in the developing world are less stable than investments in industrialized countries. An important factor which might influence this result is the political uncertainties which coexist within economies in the early stages of development.

In contrast, an open economy allows companies greater freedom to alter the terms of their agreement. Therefore, JVs in open economies will be more unstable (as measured by the shifting proportions of equity ownership) than joint ventures in restrictive economies (Blodgett, 1992). Some factors which bear on the instability of international joint ventures are as follows:- firstly, a joint venture partner is more likely to assume control of the joint venture, over time, when the equity is divided unequally at the start. Secondly, restructuring is more likely to occur if the joint venture contract has been renegotiated before. Next, one partner is more likely to make efforts to gain control, if the joint venture operates in a country that does not restrict incoming foreign investment. Accordingly, restrictive regulations can be seen as a stabilizing factor. Other factors include changes in partners' strategic mission, changes in the importance of the joint venture to the parents, changes in the partners' relative bargaining power and an increase in the competitive rivalry between partners (Blodgett, 1992; Beamish and Inkpen, 1995). Yan and Zeng (1999) list five factors which contribute to instability: conflicts in shared management; cross-cultural differences; ownership structures; characteristics of the sponsors; and external environmental forces.

Beamish and Inkpen (1995) conclude that instability should be linked with unplanned equity changes or major reorganizations, which result in premature joint venture termination. Kogut (1989) examined IJV termination by concentrating on either dissolution or acquisition. Of the 92 IJVs in his sample, 27 were terminated through dissolutions and 37 through acquisitions. A study by Barkema and Vermeulen (1997) on a longitudinal database of 228 IJVs set up between 1966 and 1994 shows 49% of ventures terminated before 1994. The result of Park and Russo's (1996) research into 204 JVs in the electronics industry shows 27% of JVs terminating through liquidation and 40% of JVs terminating through acquisition. In most international joint ventures, the partners do not have a particular plan for the termination of their ventures. However, the ventures always become unstable when, after venture formation, partners' objectives diverge. Furthermore, as the foreign partner increases its knowledge of the local market and political and cultural conditions, instability in the JV will become more of a problem because of a shift in the foreign partner's bargaining power. Yan (1998) argues that the 'imprinting effect' (the bargaining power of each partner remains unchanged over time or the forces in organisations which counter change and help retain certain organisational characteristics) of the "initial equilibrium of bargaining power provides a reference point against which the relative power positions of the partners are monitored and, when imbalance occurs, adjustments made to achieve a new state of balance."

Killing (1983) studied instability arising from reorganizations and found that of 35 IJVs, 7 were terminated and 5 underwent a major reconfiguration of the control structure as a result of poor performance. Yan and Zeng (1999) and also Yan (1998) argue that unexpected environmental and organizational contingencies, undesirable joint venture performance, obsolete bargains, and interpartner competitive learning are major sources of IJV instability whereas the initial conditions of the venture i.e. the local political and legal environments at the IJV's founding, partner initial resource contributions, the balance of partner bargaining power and the pre-venture relationship between the partners serve as stabilizing forces for IJVs. They also argue that IJVs evolve under both driving and restraining forces from the structural instability and the structural inertia perspectives. Treating all JV terminations as unstable seems to be conceptually problematic because terminations of JV may signify a successful completion of the joint partnership (Gomes-Casseres, 1987). In addition, assuming all IJVs that have not terminated as stable seems to be equally problematic because JV businesses do not change from stable to unstable the night before their termination (Yan, 1998). As a result Yan (1998) points out that understanding of the above driving and restraining forces for IJV restructuring is extremely important to the study of the stability or instability of IJVs.

2.4 Strategic behaviour and joint venture motivations

Lin et al. (1997) classify the reasons for forming IJVs into three types: efficiency, competition and learning. Kogut (1988) sees strategic behaviour, transaction cost approach and organizational learning as the most significant explanations for the existence of the joint venture and its behaviour. The competitive positioning of the firms has been influenced by their strategic behaviour. Strategic behaviour states that firms transact by the mode which maximizes profits through improving a firm's competitive position as compared with rivals. The distinct difference between strategic behaviour and transaction costs is that strategic behaviour addresses how competitive positioning influences the asset value of the firms whilst transaction costs address the costs specific to a particular economic exchange, independent of the product market strategy (Kogut, 1988). On the other hand, Varian (1984) argued that profit maximization theoretically implies cost minimization. Many researchers have tried to test whether joint ventures increase efficiency or enhance market power. Tallman et al. (1997) noted that "market power considerations treat the IJV as a second-best alternative to whole ownership when the latter is either forbidden or involves high ownership risks". Shaw and Kauser (2000) as well as Parkhe (1993) add one more approach - resource dependency theory, which attempts to explain joint venture formation. No firm is self-sufficient enough with all the necessary resources in order to compete effectively in the market. As a result, they need to create dependencies between different organizations by acquiring the essential resources of each other to reduce uncertainty (Pfeffer and Nowak, 1976; Shaw and Kauser 2000).

Previous industry studies have found some evidence to support the theory that JVs are a form of strategic behaviour to increase market power. Fusfeld (1958) found 70 JVs in the iron and steel industry, 53 of which were supply agreements among firms within the industry (Kogut, 1988). Boyle's (1968) results also support the theory that joint ventures are motivated by market power.

Stuckey (1983) investigated the aluminum and bauxite industry. He found a high number of joint ventures between new entrants and other industry members. He also noted that many of the joint ventures resulted in greater efficiency through achieving optimal scale economies. Therefore, he concluded that transaction cost explanations appear more relevant to aluminum production. In addition, Pfeffer and Nowak (1976a) investigated more directly the motivation of market power by analyzing transaction patterns across industries and the degree of industry concentration. They found that parents from industries which have a high exchange of sales and purchase transactions, and which are technology-intensive, tend to have more JVs. They also found that joint ventures occur more often when both parents are from the same industry of intermediate concentration.

2.5 Organisation learning effects on IJV

In the academic and applied discourse on organisations, the twin concepts of organisational learning and learning organisations are currently vague (Popper and Lipshitz, 2000). Easterby-Smith (1998) views organisational learning as the process and the learning organisation as the outcome of that process. Senge (1992) describes learning organizations as the only survivors of the future. Dodgson (1993) refers to learning organisations as "firms that purposefully adopt structures and strategies to encourage learning." Pedler et al. (in Hawkins, 1991) define a learning organisation as one which facilitates the learning of all its members and continuously transforms itself. Popper and Lipshitz (2000) describe learning organisations as "organizations that embed institutionalized learning mechanisms into a learning culture."

Organisational learning evolves through modifications, additions and deletions of existing routines (Albert, 1992). It (organisational learning) tends to be overoptimistic as regards "the weakness of barriers to learning, so it underemphasizes the difficulties involved in mitigating them (Brown and Starkey, 2000). Organizational learning is one explanation why IJVs exist. It has been recognized as a process associated with IJVs (Kogut, 1988; Tiemessen et al., 1996) and with long-term competitive advantage (Hedlund, 1994). Kogut (1988) and Hamel (1991) view organizational learning of firms as a means to acquire new skills and routines as well as internalizing the skills of their partner. According to Antal et al. (1999), organisational learning tends to require a harmonious combination of structure, culture, leadership and human resource.

Edmondson and Moingeon (1998) define organisational learning as "the process in which an organisation's members actively use data to guide behavior in a way as to promote the ongoing adaptation of the organisation." Crossan et al (1999) view organisational learning as "a principal means of achieving the strategic renewal of an enterprise." Their organisational learning framework contains four related processes- intuiting, interpreting, integrating and institutionalizing which occur through three levels: individual, group and organisation. Inkpen and Crossan (1995) suggest that organisational learning "involves the basic elements and processes of organizational development and growth." Popper and Lipshitz (1998) propose that organisational learning is mediated by the learning of individual organisational members. They also claim that organisational learning is composed of two facets- "a tangible "hardware" facet that consists of learning mechanisms and an intangible "software" facet that consists of shared values and beliefs".

Corporate learning strongly influences the ability of JV partners to achieve and sustain competitive advantage internationally in their chosen market (Faulkner, 1995). The benefits to IJVs of increased knowledge through learning include the reduction of costs and uncertainty (Buckley and Casson, 1988). Because of difficulties involved in the transfer of organizationally embedded (tacit) knowledge (e.g. know-how) which is a critical resource and cannot be easily blueprinted or packaged through licensing or transactions, IJVs may be an alternative choice (Kogut, 1988; Tiemessen et al., 1996). IJV firms can gain competitive advantage by learning through the development of unique competencies (Hamel, 1991; Ghoshal, 1987).

Ghoshal (1987) argues that the "one key asset of the MNC (is) the potential for learning from its many environments." Accordingly, the management of learning and the continued acquisition of knowledge are important management processes in IJV (Tiemessen et al., 1996). Although organizational learning is important to IJVs, it lacks consensus about what it is or how it occurs in three dimensions:- learning as a change in cognition/behaviour, the tightness of coupling in learning-performance outcomes and the level of analysis-individual, group, organizational and inter-organizational (Tiemessen et al., 1996).

Organizational learning differs from individual learning which may be rational and intuitional. Individual learning adds to the competencies of the organization, but is easily appropriated as individual employees leave for another firm (Grant, 1993; Faulkner, 1995). The efficiency of learning depends critically upon the quality of coordination between individuals within each routine and between various routines

(Grant, 1993). On the other hand, organizational learning develops beyond that of the individual and becomes embedded in its culture - the rituals, routines and systems of a firm. The abilities of firms to learn depend on the type of learning and the relationship between the nature of the learning and the condition of the would-be learner (Faulkner, 1995).

Organizational learning of IJV is divided into two main streams:- economies of scale and the experience curve. Firstly, the experience curve and increasing accumulated production provides a suitable introduction into the sources of potential cost advantage. For example, as experience increases through the learning process, BCG observed extraordinary reductions in costs and prices, which accompanied increases in cumulative production. Pennings and Harianto (1992) show that a firm's growing volume of interfirm experiences increases its chances of entering strategic alliance, e.g. JVs, in the future. The slope of an experience curve is based on company learning, technological improvements in product redesign, production and operation. To achieve cost advantage through the experience curve, it is not necessary for firms to have a long history of conducting businesses but they will need to have the ability to innovate and the will to improve. For example, Nucor and Chaparral, who are recent entrants can achieve lowest cost steel production against giants like USX (formerly US Steel) (Grant, 1993).

Secondly, economies of scale reflect the natural efficiencies associated with size (Aaker, 1992). They exist "wherever proportionate increases in the amounts of inputs employed in a production process result in a more than proportionate increase in total output. Economies of scale are conventionally associated with manufacturing operations. They are also significant in non-manufacturing operations e.g. purchasing, R&D, distribution and advertising (Grant, 1993). As an example, McDonalds achieves economies of scale through its brand name, reputation, know-how, concentration in use of the same recipe, advertising scheme and promotion throughout the world. However, economies of scale are constrained by several factors, e.g. product differentiation, dynamic factors and problems of motivation and coordination (Grant, 1993).

First-time investors are likely to face high information costs and considerable uncertainty (Li, 1995). Kogut (1983) states that (IJV) firms benefit from increased learning and experiences during their previous operations and build upon the existing network of value-added activities. Newbound et al. (1978) argue that small British MNCs are more successful in foreign investments if the companies precede those investments with other activities that give them familiarity with foreign markets. When foreign partners enter joint venture with Thai firms, the structure might not have been set up to facilitate communications between the international joint venture firm and the foreign parent. In subsequent ventures, the foreign parent is likely to have gained more knowledge and experience during its previous foreign operations.

Some significant IJV past studies are shown in table 2-1 below.

Table 2-1

Selected IJV studies: 1970-2000

Researcher	Type and Form of IJV Study
Tomlinson (1970)	Two partner JVs, examined control issues
Franko (1971)	Two partner JVs, examined control issues
Friedman & Beguin (1971)	Studied Foreign-Local partner JVs. Possible to have more than two partners
Curhan, Davidson & Suri (1977)*	Principally two partner JVs defined as majority, minority or co-owned JVs
Asheghian (1982)	Two partner JVs formed with a local partner
Fagre & Wells (1982)	Principally two partner JVs. Ownership structure was defined in terms of actual, firm-corrected, and country-corrected ownership
Killing (1983)	Developed framework for management of two partner JVs
Lecraw (1984)	Two partner JVs formed with a local partner
Reynolds (1984)	Two partner JVs formed with a local partner
Beamish (1985)	Two partner JVs formed with a local partner
Harrigan (1985 & 1986)	Developed framework for management of two partner JVs
Franko (1987)	Two partner JVs defined as majority, minority or co-owned JVs
Habib (1987)	No indication of number of partners or nationality of partners provided
Lorange & Probst (1987)	Development of two partner JV research framework
Shenkar & Zeira (1987)	Discussed human resource management issues in both two-and multiple-partner JVs
Buckley & Casson (1988)	Developed a theoretical framework of two partner JVs
Hennart (1988)	Theoretical development of transaction cost theory of JVs allows for multiple and non-local partners
Kogut & Singh (1988)	No indication of number of partners or nationality of partners provided
Franko (1989)	Two partner JVs defined as majority, minority or co-owned JVs
Kogut (1989)	Multiple partner JVs (including domestic JVs) formed by at least one American firm
Gomes-Casseres (1989)	Principally two partner JVs formed with a local partner
Contractor (1990)	Two partner JVs defined as 50.50 and minority JVs
Blodgett (1991, 1992)	Two partner JVs defined as majority, 51:49, 50:50, 49:51, and minority
Geringer (1991)	Multiple partner JVs, identifies partner selection determinants
Geringer & Hebert (1991)	Two partner JVs formed with a local partner
Hennart (1991)	Multiple partner JVs in the USA formed by at least one Japanese firm
Shan (1991)	Two partner JVs formed by firms with different countries of origin
Inkpen (1992)	Two partner formed with a local partner
Shenkar & Zeira (1992)	Multiple partner JVs treated as two partner JVs, management oriented study
Parkhe (1993)	Two partner JVs formed with at least one U.S. partner
Lyles & Baird (1994)	Multiple partner JVs formed with a local partner
Yan & Gray (1994)	Two partner JVs formed with a local partner
Cullen, Johnson & Sakano (1995)	Multiple partner JVs treated as two partner JVs with a foreign and local partner
Lee & Beamish (1995)	Two partner JVs formed with a local partner
Madhok (1995)	Developed a theoretical framework of principally two partner JVs
Buckley & Casson (1996)	Developed a theoretical framework of two partner JVs
Lyles & Salk (1996)	Multiple partner JVs and two partner JVs defined as dominant and 50:50 JVs
Makino & Delios (1996)	Multiple partner JVs formed with local and or non-local firms
Pan (1996)	Two partner JVs defined as majority, minority or co-owned JVs
Pan & Tse (1996)	Two partner JVs formed by firms with multiple countries of origin
Barkema & Vermeulen (1997)	JVs formed by at least one Dutch firm. No indication of number of partners
Brouthers & Barnossy (1997)	Multiple partner JVs formed between Western and Central/Eastern European enterprises
Inkpen & Beamish (1997)	Developed a theoretical framework of two partner JVs
Luo (1997)	Two partner JVs formed with a local partner
Mjoen & Tallman (1997)	JVs formed by at least one Norwegian firm. No indication of number of partners
Lin and Germain (1998)	Two partner JVs formed with a local Chinese partner, examined conflict resolution

Researcher	Type and Form of IJV Study
Brannen and Salk (2000)	Two partner JVs, examined cultural negotiation issues
*Note: Other studies that have utilised the Harvard Multinational Database for the study of JVs have used a classification scheme similar to that in Curhan, Davidson and Suri (1977)	

Source: Adapted from Makino and Beamish (1998) "Performance and survival of joint ventures with non-conventional ownership structures." *Journal of International Business Studies*, London, Fourth Quarter

Chapter 3

The Theories and Conceptual Framework

The preceding chapter presents a review of previous studies into JV operations. Building from this review, a model integrating bargaining power, trust, culture, negotiation behaviour and performance has been developed and presented in this chapter. The model involves linking the relationships between a number of variables. The completed model can be seen in figure 4-1. The chapter commences with an examination of the concept of bargaining power, followed by the concepts of trust, culture and negotiation, determinants of negotiation behaviour, negotiation outcomes and determinants of JV performance outcome. Next, a discussion about the guidelines for achieving effective performance and success. The chapter will end with the concluding section covering chapters 1-3. Additionally, the author reviews transaction cost theory to help build an understanding of the existence of JV and its behaviour. This theory has not been taken further in the application of this research study because it is not relevant to the main body of the study. The literature review of transaction cost theory can be seen in *appendix F.*

3.1 The concept of bargaining power

Very little empirical research has been conducted, particularly into the use of power in negotiation (Lewicki et al., 1994). Power is often used to change control and to overcome resistance in order to achieve desired objectives. Lusch (1976) defines two major sources of power: coercive and noncoercive. The coercive source involves a potential punishment, as a result of which one partner reluctantly yields power to another. On the other hand, noncoercive sources, which are expert, legitimate, reward and referent, tend to lead one partner to willingly yield power to another. Lewicki et al. (1994) describe five sources of power: information, expert, resource control, location in the structure and personal power. Williams and Wilson (1997) describe three dimensions of power: perceived power, participation power and position power. Lewicki et al. (1994) suggest power is one of the repertoire of tools available to induce or persuade another party to do something.

When power is used in a negotiation relationship, it becomes bargaining power (Rojot, 1991). Bargaining power refers to the capability of the negotiating/bargaining partner to favourably change the bargaining set (Lax and Sebenius, 1985) and to influence the outcome of negotiations (Schelling, 1956). Argyres et al. (1999) define bargaining power as "the ability of one party to a contract to be able to influence the terms and conditions of that contract, or subsequent contracts, in its own favor." Generally speaking, bargaining power between JV firms is based on the relatively urgent need for cooperation, 'coopetition', available resources, commitments (Inkpen and Beamish 1997; Nalebuff and Brandenburger, 1996), the ability to secure another party's agreement on one's own terms (Rojot, 1991) and the strengths and weaknesses between partners (Schelling, 1956). However, elements of bargaining are lacking in a situation where one party assumes total control over the other one (Rojot, 1991). Robinson (1969) noted that the joint venture relationship cannot be a zero-sum game and each partner must expect to gain from the other. This means the benefits of the contribution ratio must be greater than one.

Scholars have taken different approaches to the study of bargaining power within JV firms. These can be divided into two main streams, i.e. context-based and resource-based power.

In context-based components, the stakes of partners and the availability of alternatives can be used as a source of power by each joint venture partner to improve its bargaining position (Bacharach and Lawler, 1984). A stake is a partner's level of dependence on a negotiating relationship and on its outcomes. Yan and Gray (1994) used the perceived strategic importance of the joint venture to the overall business of a parent as the measure of stakes. Yan and Gray (1994) also found a negative relationship between stakes and bargaining power. Bargaining partners, who have many alternative choices for achieving the same goals, seem to have more power because of their ability to walk away from the current bargaining and exercise their best alternative to a negotiated agreement (Fisher and Ury, 1981). According to Yan and Gray (1994), the power of a partnering firm is a function of the number of alternatives which they can use to form an alliance. Rao and Schmidt (1998) contend that potential partners tend to rely more on the other during alliance negotiation, when they have fewer strategic options and alternatives open to them. Although the sources of context-based bargaining power seem to be important, they are indirectly related to the dynamics of the IJV relationships (Inkpen and Beamish, 1997).

In another stream, resource-based components are of more interest to scholars. Pfeffer and Salancick (1978) contend that the possession or control of critical resources constitutes power to inter-organizational relations. They (the resources) are a significant factor in determining the initial balance of power (Inkpen and Beamish, 1997). According to Robinson (1969), the outcome of negotiation between joint venture partners will be favourable if there is a balance of resource contributions and expected benefits for each of the joint venture partners. These contributions of resources are either clearly identified in the joint venture agreements, e.g. contracts, memorandums, and licenses or verbally recognized between trustworthy partners during negotiations (Yan and Gray, 1994). The joint venture partner who can contribute more critical resources, especially intangible resources such as reputation, information, know-how and technology, will be more powerful and advantageously competitive than its partners who might have contributed greater monetary value (Yan and Gray 1994; Grant 1993). Lecraw (1984) found that the bargaining power of MNCs over the host government increased if they possess a proprietary product or technology and are able to provide markets/channels for the joint venture products.

In general, the relative bargaining power of joint venture partners is determined by who contributes what and how much to the joint venture firm (Harrigan, 1986). Lin (1996) noted that relative power is "the extent to which one party is more powerful than the other, results from the comparative levels of resources brought into the alliance by a partner." The gain in bargaining power to the contributing partner happens whenever the IJV depends significantly on resources that are "costly or impossible for other partners to replace" (Root, 1988). Expertise in the knowledge of the local market, politics, economy and cultural conditions, of which foreign partners are likely to be uncertain, can be seen as a significant resource contribution by the local partners. Resource contributions in the areas of technology (e.g. product design, manufacturing know-how, and special equipment) and global support (e.g. technical, marketing, and maintenance services) are mainly committed by foreign partners (Yan and Gray, 1994). Resource contribution by partners may be equal at the beginning of the joint venture operation. As partners gain experience (i.e. technology, local knowledge, government connection, financial resource, man power-labour force, land, expertise), they may have less need for the other partner's contribution. As a result, the bargaining power might shift towards one or other of the partners over time. This could influence the stability of the IJV.

The case study research of Yan and Gray (1994) into U.S.-China manufacturing joint venture used both analytic and enumeratic induction into seven components of bargaining power: technology, management expertise, global service support, local knowledge, product distribution, material procurement and equity. They found that those components had a favourable impact on the partners' bargaining power. In their study, the relative bargaining power of the partners in two joint ventures (OfficeAid and Daily Product) was unequal. They found that the U.S. parent had greater bargaining power than the local parent at the management level. However, there was a balance in bargaining power at the Board of Director level. In another two joint ventures (IndusCon and BioTech), they found an even bargaining power within the joint venture.

Joint ventures have always changed over time, due to the learning process, growing independence from parents, increased localization and environmental changes (Vernon 1980; Porter 1990). These changes can shift the bargaining power between the partners (Yan and Gray, 1994) and create instability (Inkpen and Beamish 1997). When bargaining power changes, one could expect to see a concomitant change in control. Stinchcombe (1965) and Scott (1987) posit that organizations are "imprinted" at birth, that is, they retain certain features acquired at the time of their founding that give them a unique character. According to this 'imprint' theory, the joint venture's structure tends to remain immutable, resisting change.

Gray and Yan (1997) studied IJVs from the perspectives of both partners in Office Aid and Bio Tech. In Office Aid, they found that the U.S. partner consistently increased its power by increasing knowledge about Chinese operational systems and continuously updating its technology transfer, whilst the Chinese partner expanded additional bargaining power by learning management expertise, operational skills and production know-how. Because these changes in bargaining power offset one another, they found the relative bargaining power of both partners remained unchanged.

At Bio Tech, as a result of the reformation of the Chinese economy 1985-1986, the original distribution channels collapsed, leading the U.S. partner to build a new distribution network and train the venture's marketing staff, thus increasing its relative bargaining power. However, the national bureau responsible for that product sector joined the local bureau as a minority shareholder in the JV. Therefore, the Chinese partner's bargaining power was increased enough to offset the countervailing changes in the bargaining power of its U.S. partner.

Based on the literature above, the author applies the concept of bargaining power to the study by examining the influence of bargaining power on negotiation behaviour and JV (performance) outcomes. Yan's writing (1993; p.82), whose case study model traced the direct relationship between bargaining power (both context-based and resource-based components) and performance as well as the indirect relationship through management control, was especially useful. This study follows Yan (1993; p.92) and Yan and Gray (1994; p.1491) who used both context-based and resource-based components as indicators of (overall) bargaining power.

Table 3-1

Prior research: Bargaining power

Division of equity	Alternative choice	Stake (Strategic important)	Resource-based components
Fagre and Wells (1982) Lecraw (1984) Blodgett (1987,1991) Kogut (1988a) Woodcock and Geringer (1990) Yan and Gray (1994)	Fisher and Ury (1981) Yan and Gray (1994) Rao and Schmidt (1998) Bacharach and Lawler (1984)	Yan and Gray (1994)	Pfeffer and Salancick (1978) Inkpen and Beamish (1997) Robinson (1969) Yan and Gray (1994) Lecraw (1984)

Source: Adapted from Hebert , Louis (1994) Division of control, relationship dynamics and joint venture performance (Ph.D. thesis)

3.2 The concept of trust

Different streams of research investigate trust in different ways, depending upon the relationship under consideration (Ross and Croix, 1996). Volery and Mensik (1998) claim that there is a lack of agreement on a suitable definition of trust; the relationship between trust and alliance; and the confusion between trust, its antecedents and its outcomes. Ring and Van de Ven (1994) noted that the concept of trust has become a more significant issue for the study of inter-organisational relationships. Morgan and Hunt (1994) conceptualize trust in a partnership as the degree of confidence that each partner has on the integrity and reliability of one another. Zand (1972) refers to trust as the willingness of one person to become vulnerable to the actions of another person whose behaviour he or she could not control, thus the party is confident that the other will not exploit the party's vulnerabilities (Ross and Croix, 1996). Blau (1964) sees trust as "essential for stable social relationships." Sabel (1993) defined trust as the mutual confidence that no party to an exchange will exploit another's vulnerabilities. Barney and Hansen (1994) further developed Sabel's definition and claimed that an exchange partner is trustworthy when it is worthy of the trust of others. Madhok (1995) states that "trust is especially important in situations of uncertainty since, in its presence, less stringent contracting can occur in the expectation that the social dimensions of the relationship will occasion mutually desirable behavior." Ross and Croix (1996) treated trust as either a personality trait or as a temporary state and summarized the state of trust in three perspectives; motivational orientation influencing trust, predictable behaviour engendering trust and trust consisting of a problem-solving orientation. They further suggest that the short-term benefits of mutually upholding trust usually outweigh the short-term losses if one party does violate trust. A minimal level of trust appears to be necessary for any negotiated transaction to take place.

Ring and Van de Ven (1992) claim that relational norms (e.g. continuity expectations, flexibility and information exchange), considered equitable by the partner firms, lead to future expectations of trust. Trust may also reduce risk and opportunistic behaviour between JV partners (Hebert , 1994; Chiles and McMackin, 1996; Beamish and Banks, 1987). According to Choi and Lee (1997), risk can be covered by the use of intermediate forms of governance based on interparty trust instead of market or hierarchy modes, whilst industries are in a formative stage or the changing business environments are blurred. Aulakh et al. (1996) suggest that trust, in inter-organisational exchanges, is an important deterrent to opportunistic behaviour, a substitute for hierarchical governance and for the achievement of behavioural and market performance. For transactions involving long-term relations and social embeddedness, the hybrid mode of JV control could be superior to hierarchy in generating trust and discouraging opportunism (Granovetter, 1985), thus favouring efficiency of JVs (Beamish and Banks, 1987). Based on trust, JV firms could reduce information costs and time as well as the relaxation of controls between them.

In contractual relations, trust may reduce behavioural uncertainty, with the resulting bounded rationality less harmful and less salient (Chiles and McMackin, 1996). Additionally, contracts may be impossible to write in the absence of trust (Macaulay, 1963). Barney and Hansen (1994) classify three types of trust: weak form, semi-strong form and strong form. The idea is that as trust emerges from prior contracts, through ongoing interaction, partners will learn and develop trust around norms of equity, or "knowledge-based trust" (Shapiro, Sheppard, and Cheraskin, 1992). Macaulay (1963) observed how close personal ties emerged between individuals as organizations interacted with one another. These relationships, on the basis of trust, in turn exert pressures for conformity to expectations. Similarly, Palay (1985) found that relationships between rail-freight carriers and auto shippers were overlaid with close interpersonal relationships among members in organizations. Then, he suggests that these interpersonal relationships were a significant factor leading JV partners to shift from the use of formal contracts to informal contracts, thus resulting in JV firms experiencing lower transaction costs. Because of the development of these relationships, such as forming an alliance of firms, formal contracts hardly spell out every contingency (Koot, 1988). Parkhe (1993) observed that the presence of a prior history of cooperation between (JV) partners limited their perception of expected opportunistic behaviour in new alliances, thus lowering the need for contractual safeguards. Additionally, Frazier and Summers (1984) suggested the use of legalistic measures may lead to higher conflict and termination of the partnerships eventually. The results of an interview in the study by Frazier and Summers (1984) shows that frequent reference to legal contracts by partners was perceived as a use of coercive force, which in turn shows a lack of trust between the partners. The Chinese perceive a legal approach for resolving conflict, as a relationship's failure and they object to it. As a result they tend to be less trustful of legal documents but, instead, prefer personal contacts (Lin 1996). Relational norms, e.g. flexibility, have been considered as an alternative to "legalistic documents of organizing transactions" (Gundlach and Achrol, 1993).

In a strong relationship, based on trust, partners tend to willingly negotiate to resolve their conflicts or disagreements (Lin 1996; Anderson and Narus 1990). As partners develop a positively collaborative relationship over time, and trust along with it, this could block a shift in one partner's bargaining power. This could also alleviate the dependency as one partner acquires more knowledge and skills. Larson (1992) observed that firms not only rely on mechanisms of social control (as opposed to formal contracts) in the formation and maintenance of JV, but that such relational factors become increasingly important as the relationships between firms develop over time. As firms enter long-term relationships such as joint venture, they tend to make more use of the norms of sharing and commitment based on trust rather than resource-based dependencies in order to exert authority (Lin, (1996). Inkpen's (1992) results in Hebert (1994) showed that trust was correlated with openness in the relationship and outcomes.

A good example of a stable and long-lasting relationship can be found in Toppan Moore, a JV between Toppan Printing of Japan and Moore Corporation (Moore) of Canada. Moore contributed manufacturing and product technologies whilst the Japanese partner was responsible for sales, distribution and local marketing support. Over time, the Japanese partner acquired the knowledge of production and was able to develop the product itself. This resulted in the Japanese company becoming less dependent on its partner. With the intention of developing a long-term relationship on the basis of trust, the joint venture business is still running smoothly, regardless of which party holds power over the other. Granovetter's contention (1985) seems to support the relationship of the above parties. He noted that for transactions involving long-term relations and social embeddedness, the hybrid mode of JV control could be superior to hierarchy in generating trust and discouraging opportunism.

Zand (1972) treated trust as stemming from past experience, mutually-compatible goals and rewards and mutual fate if negotiations failed. Consistently, Zucker (1986) indicates one factor which consistently results in trust, i.e. prior alliances between firms. Saxton (1997) noted that "recent empirical work examining alliance dynamics, links the extent to which firms have a prior relationship, to the trust between partners, the propensity to continue to engage with that firm and the structural mechanisms used to control behavior." Ring and Van de Ven (1989) and Gulati (1995) further support the view that two firms with prior alliances are likely to trust each other more than other firms with whom they have had no alliance. Parkhe (1993) found that a prior history of co-operation limited partners' perception of expected opportunistic behaviour in new alliances. Strong and Weber (1998) noted that trust develops as a positive attitude about partners' behaviour, which will be influenced by positive experience. Glaister and Buckley (1999) discuss that "experience can thus engender trust among partners, which in turn can limit the transaction costs associated with future alliances." Additionally, the frequency of similar transactions may affect the level of trust between JV partners, which in turn influences their performance. Nevertheless, without past business experience, trust between partners early in a joint venture relationship is quite difficult to achieve and not to be expected. Therefore, firms' reputation will be an important consideration in selection of prospective JV partners, as well as an effective check on likely ex-post opportunism and overcoming the temptations to renege or renegotiate (Milgrom and Roberts, 1992). Strong and

Weber (1998) noted that in deciding whether to trust someone, individuals tend to gather information about the reputation, history and values of the person they are judging before making a judgment. This also applies to the methods used by either JV partner to enhance trust between one another at the formation of JV and its ongoing negotiation.

Hosmer (1995) stated that individual trust can aggregate into an organizational variable that influences the social and ethical behaviour of firms. He also developed four behavioural definitions of trust, namely: individual expectation, interpersonal relationships, economic transactions and social structures. Trust, with reciprocal expectation of behaviour, exists between individuals and can be extended to exchanges between organisations, as inter-organisational relationships are managed by individuals in each organization (Hosmer, 1995).

Simiar (1982) studied the causes of failures, problems and mistrust in 29 Iran-based IJVs. His results show that cultural differences and goal incongruence (e.g. the desire of JV partners to assume dominant control) lead partners to experience mistrust and conflicts. Sullivan and Peterson (1982) indicate that Japanese managers perceived greater future trust in Japanese-American JVs when they (the Japanese) were in charge of the venture; when interpersonal relationships between parent-firm managers were good; when the JV was profitable and when they assume a dominant power position and control over partners in strategically important decisions. These findings suggest that the local partner tends to exhibit high levels of trust. Nevertheless, the study ignored perceptions in the perspective of American managers.

This study attempts to place the concept of trust into a comprehensive framework as it relates to negotiation behaviour and outcomes (see the description of the relationships between these variables, under the heading of trust as a determinant of negotiation behaviour and outcomes). Building upon previous models of trust, two significant factors were proposed to create and indicate the levels of trustworthiness between joint venture partners, namely: firm's reputation and past experience.

3.3 The concept of culture

Lin (1996) points out that although a few studies have been undertaken on the subject of cultural negotiation, a consensus on its definition has not yet been reached. He further suggests that past research has not been able to construct a systemic framework of national cultural dimension, as it affects the negotiation process. According to Hawrysh and Zaichkowsky (1989), culture means different things in different contexts. Ajiferuke and Boddewyn (1970) define culture as the "attitudes, beliefs and values of a society" or "customs, laws and traditions of society". Gudykunst (1991) refers to culture as the "system of knowledge". Lewicki et al. (1994) posit culture as "the shared values and beliefs of a group of people." Culture seems to become problematic when business is negotiated across borders. Lewicki et al. (1994) describe culture as a critical factor JV partners face when negotiating across borders. In the past, most literature on cross-cultural studies seems to focus on national culture. National culture refers to the values, beliefs and assumptions, learned in early childhood, that distinguish one group of people from another (Hofstede, 1994). Kozan (1997) notes that culture is not treated as a unique case but belongs to either a broader cultural category or multi-dimensional culture space.

Bleeke and Ernst (1993) find that cross-border joint ventures are not as problematic as joint ventures between companies with strong and weak cultures or with asymmetric financial ownership. Hofstede (1994), whose works significantly influence a pattern of cultural study, represents culture in four derived dimensions: power distance, individualism/collectivism, uncertainty avoidance and masculinity/femininity. He later included a fifth dimension, long-term orientation.

Power distance means the concentration of "authority, influence power and equality in the culture" (Swierczek and Hirsch, 1994). According to Hofstede (1994), cultures with greater power distance tend to have decision making concentrated at the top of the organization. Furthermore, all strategically important decisions will be finally decided by the leader. In organisations, power distance is related to the amount of formal hierarchy or level of the involvement with management decision-making (Swierczek and Hirsch, 1994). The result of Hofstede's (1994) study shows that USA, Great Britain, Germany, Netherlands, New Zealand and Australia are the countries with the lowest power distance whilst Thailand, Belgium and Japan have high power distance values. Therefore, small power distance countries like USA prefer to work with each other, rather than working with larger power distance cultures, like Thailand, where some degree of arbitrariness regarding authority, hierarchy, special privileges and power are accepted as a fact of life and are often personalised (Komin, 1995).

Uncertainty avoidance refers to the tolerance or acceptance of ambiguity and risk, or the reduction of chance factors. It is related to the need for stability, conflict reduction, formalization, standardization and time horizon. People preferring high levels of uncertainty avoidance tend to avoid tense situations. They might set up formal bureaucratic rules or rely on rituals and standards and trust only friends and family. Low uncertainty avoidance people are comfortable with ambiguous situations and accept more risk (Hendon et al., 1998). According to Barkema and Vermeulen (1997) "people from low uncertainty avoidance countries feel more attracted to flexible, ad hoc structures which leave lots of room for improvisation and negotiation."

Individualism/collectivism is related to the individual's own needs, goals, achievements and satisfactions, as opposed to the social group's norms and benefits. More description on individualism and collectivism will be given under the heading of Thai vs. Western culture, below.

Masculinity is related to the basic dichotomy between the rational, achievement, independence, aggressive, success driven task orientation. It represents the degree to which people prefer values of success and competition over modesty and concern for others (Barkema and Vermeulen, 1997). On the other hand, femininity involves the emotional, affiliation, passive, relationship orientation. Long-term oriented culture is associated with a concern for patience, perseverance, thrift, future, having a sense of shame, a sense of obedience and duty towards the larger good and respect for one's elders and ancestors. Barkema and Vermeulen (1997) describe people from a long-term oriented culture as "knowing many truths and having a thrift for investment." Therefore; they tend to be dynamic in their thinking. Alternatively, short-term oriented culture stresses small savings with little for investment, reciprocal favours (Swierczek and Hirsch 1994; Hofstede 1994; Newman and Nollen 1996; Hendon et al 1998.; Ross 1999). Barkema and Vermeulen (1997) found the effect of long-term oriented culture was stronger than any other cultural dimensions. Lewicki et al. (1994) summarize four additional approaches to explain the way that culture influences international negotiation; culture as learned behaviour, as shared values, as dialectic and culture in context.

Barkema and Vermeulen (1997) separate culture into two critical functions. One is to solve the problems of external adaptation, which are influenced by attitudes of uncertainty avoidance and long-term orientation. The other is to solve problems of international integration, influenced by attitudes towards power distance, individualism or masculinity. Morris et al. (1998) claim that members of the same culture tend to share a set of values acquired in the process of socialization. Cultural distance can be defined at national and corporate levels (Makino and Beamish, 1998). At the corporate level, cultural distance has often been investigated in terms of difference in core business, management practices, decision making process, need and learning capabilities between alliance partners (Killing, 1983).

Sawyer and Geutzkow (1965) note that bargainers from different nations have different negotiation styles. Lewicki et al. (1994) argue that people from different cultures negotiate differently and suggest culture as one explanation of differences in cross-border negotiation. According to Robert and Paul (1995) cultural dissimilarity can produce "divergent negotiating styles shaped by each nation's culture, geography, history and political system". They also suggest that no one can negotiate without bringing along cultural assumptions, images, prejudices or other attitudinal baggage. Hendon et al. (1998) argue that negotiations can easily break down because of cultural misunderstanding. They then suggest eight more factors (in addition to Hofstede's (1994) cultural dimension) leading to understanding of the negotiating styles of partners, namely: purpose, issues, protocol, communications, arguments, trust, time and decision making. Tung (1982) argues that culture plays a significant, dual role in the determination of success or failure of commercial negotiation. The results of her survey show that Chinese and Japanese negotiators have a considerable difference in negotiation style and behaviour to that of US executives. Moreover, her survey showed that an awareness of cultural differences was not thought to be an important factor in influencing successful negotiation, even though a number of senior executives perceived that differences in negotiation styles were a major cause of negotiation failure. Therefore, she concluded that an awareness of cultural differences in bargaining styles was necessary, but not a sufficient condition on its own, for a successful commercial negotiation. Similarly, Graham and Sano (1984) found that the Taiwanese and the Americans have similar cultural traits, both quite different from the Japanese. Executives from US and Japan share the same agreement that preparation and planning skill, integrity and the ability to perceive and execute power are important negotiator traits.

Western negotiators have recently paid much more attention to the cultural mystery of Asian countries. Its significant influence on the business negotiation process has existed since trade between East and West began. Naturally, negotiators from East and West tend to stress their own cultural traits and to evaluate and judge the behaviour of other parties by their own value yardsticks and the way they themselves may respond in a similar situation (Gudykunst, 1991). They don't recognize how a difference in culture could affect their joint venture business negotiation. Historically, many joint venture businesses have failed because cultural misunderstanding has blocked their business path. Hall (1959) noted that "culture hides much more than it reveals, and strangely enough what it hides, it hides most effectively from its own participants". A lack of awareness as regards negotiators acting naturally according to the dictates of their own cultural premises can be linked to the Western view of the cultural unconscious (Barnlund 1989; Hall 1976). Accordingly, it would be a significant step forward in reducing a shortfall of successful businesses, if one could be aware and understand the role of culture.

Generally speaking, firms do begin expanding business internationally in countries that are psychically close before venturing to more distant countries (Johanson and Vahlne, 1992). If this description is accurate, then British companies would be expected to begin their negotiation ventures first in European countries, due to similarity in their business culture before moving forward into Asian countries or America. Developed from Hofstede's (1980) study, Swierczek and Hirsch (1994) claim that Japan, USA, UK, Germany and France would be the most likely joint venture partner in Asia due to their cultural compatibility. According to Anderson and Weitz (1989) cultural similarity promotes communication between business partners. Therefore, it tends to be easier for partners who come from the same region or use the same language to better understand the logic and style of strategic negotiation. This may, in turn, lead negotiating firms to be able to reach an agreement more quickly and with lower transaction costs. On the other hand, the presence of dissimilarities between parent firms' national and corporate culture may be more likely to influence the difference in parent firms' objectives and issues for an international joint venture negotiation. Difference also influences their approaches to coordination, conflict resolution, negotiating tactics and strategy implementation (Sullivan and Peterson, 1982; Geringer 1988). Glaister and Buckley (1999) note that similar cultural values can reduce misunderstanding between partners whilst the culturally distant alliance experiences greater difficulty in their interactions and communications. In contrast, Park and Ungson (1997) find that cross border JVs with partners from culturally distant countries last longer and are less likely to be terminated than are domestic joint ventures partnerships. Many researchers have suggested that operating and negotiating business with countries which are psychically close can reduce the level of uncertainty firms face in the new market (Johanson and Vahlne, 1992). This implies that there exists a greater chance of achieving successful outcomes for firms starting their business operation abroad in psychically close countries. Psychic distance or cultural distance has become more and more important in recent years and is one of the major concerns of firms negotiating and operating business abroad. Psychic distance can also include factors preventing or disturbing information exchange between parties at the negotiating table, including differences in the level of education; business language; cultural and local language; negotiating style and skill and business practices (Nordstrom and Vahlne, 1992). For example, because of an understanding of the importance of 'cultural equidistant', top managers of Japanese firms, such as Casio, always gather information directly from each of their primary markets and discuss together monthly to revise and adapt strategies for global product development (Ohmae, 1994).

Later studies by Kogut and Singh (1988) rely on Hofstede's (1980) research and then cultural distance was used as a synonym and proxy for psychic distance. Cultural distance refers to "the extent to which a culture is seen as different from one's own" (Rao and Schmidt, 1998). Later, Nordstrom and Vahlne (1992) view psychic distance as cultural, structural (e.g. legal and administrative systems) and language differences. In contrast to other studies, O'Grady and Lane (1995) suggest that entering a country which is psychically close to home, may result in poor performance, outcome and, possibly, failure. They refer to this as the psychic distance paradox. The results of Kogut and Singh's (1988) study showed that the greater the cultural distance between the home country of the foreign investor and the host country, the more likely it was that the firm would choose a joint venture to reduce its uncertainty in those markets.

As joint venture business becomes a more and more significant and popular strategy choice by partnering firms, it is therefore strategically important for negotiating parties to try to recognize and understand each other's cultural traits as well as accepting them where necessary. Moreover, misunderstanding of culture can lead to negotiation conflict, e.g. U.S. managers err in reading silence, (an indirectly expressed objection) from Asian partners, as an indication of consent (Graham and Sano 1984). As a contrast, Asian partners interpret the direct adversarial argument of the U.S. counterpart as indicating unreasonableness and lack of respect (Morris et al. 1998).

According to Johnson and Scholes (1993), the cultural web is a useful conceptual tool for analysing culture through the separate elements of the web and understanding the way in which core beliefs and assumptions - the paradigm [or ideational culture; a mind set; an interpretative scheme; a recipe], linked to political, symbolic and structural aspects of the organisation, guide and constrain the development of strategy. They separate the cultural web of an organisation into six aspects, namely: rituals and routines, stories, symbols, power structures, control systems and organisational structures. The routines of an organisation are the value activities conducted in delivering the organisation's strategies. Rituals are the special circumstances through which the organisation stresses something important. Symbols are an important means of understanding the types of behaviour which are expected in the organisation. Organisational structures preserve the core beliefs of the organisation and are important to the successful implementation of strategy. Control systems help to understand an organisation's paradigm. Power is a key force which shapes organisatino culture and accrues to those perceived able to reduce uncertainty in the organisation.

However, the cultural web seems to explain links between organizational culture and the development of (new) strategy, managing strategic change, and sustaining the paradigm of organisation, rather than clarifying how cultural differences and misunderstandings could affect JV partners whilst negotiating joint business at formation stage and carrying out day-to-day management. As a result, cultural web is less relevant to the study of the influence of culture on negotiation behaviour and (performance) outcomes and is not taken into consideration on this research study.

Table 3-2

Model of national cultural dimensions

Disciplines	Authors	Dimensions
Sociology	Parsons & Shils (1951)	Affectivity versus affective neutrality Self versus collectivity Universalism versus particularism Ascription versus diffuseness
Anthropology	Kluckhohn & Strodbeck (1961)	Man and nature Man and himself Ralationship between humans Time Human activity
Social psychology	Inkeles & Levinson (1969)	Relation to authority Conception of self Primary dilemmas of conflict
Organization study	Hofstede (1980,1994)	Individualism Power distance Uncertainty avoidance Masculinity long-term orientation (or confucian dynamism)
Cross-cultural psychology	Chinese culture connection (1987)	Moral discipline Integration Human heartedness Confucian work dynamics

Source: Adapted from Lin, Xiaohua (1996) "Joint venture ongoing negotiation: Approaches, relational antecedents, and influence of national culture." Ph.D. thesis

3.3.1 Thai vs. Western culture

To understand how Thai and Western cultures may differ in their outlook and perception, one should start by investigating the family and socialization process of an individual. The fundamental differences in the ways of life and negotiating styles between Thai and Western negotiators could shed some light on inter-cultural communication in the negotiation process. It is common in Thailand for a businessperson to ask a new graduate during a job interview about his or her family background, for example "Who is your father?" or "What is your surname?". If it is ascertained that the father of the new graduate is a senior government officer who works in a powerful department, is a big businessman or celebrity, it is likely that this new graduate will have a better chance to get a job offer than others who have the same qualification. This confirms that the identity and status of the family play a significant role in Thai society. This, in turn, may have an impact on business negotiation at the work place. Whereas in the West a new graduate is of primary importance due to his own capability and ability. A child in the west is normally trained to make his or her own decisions and often does not have to consider other than immediate family whilst a child in Thai and Chinese societies tends to rely on parents and have to consider extended families, religions, communities and social classes when he or she is growing up. Thais and Chinese are protected by the group and are expected to act in the group's best interests.

For Thais and Chinese, homocentric conception, characterized as collectivism, plays an important role, whilst egocentric conception known as individualism dominates Western society. According to Newman and Nollen (1996), individualism-collectivism is "the extent to which identity derives from the self versus the collectivity". Lodge and Vogel (1987) argue that individualism is closely associated with the idea of equal opportunity and the notion of contract, which are used to bind firms together as partnerships. At the organization level, the individual Westerner is manifested as autonomous, with individual responsibility for results, individual job design and individual-level performance rewards (Swierczek and Hirsch, 1994). Collective management practices concentrate on work unit solidarity and team-based rewards. Newman and Nollen's (1996) results show that in individualistic national cultures, performance was higher when managers emphasized individual employee contribution, whereas in collectivistic cultures, performance was higher in work units with less individual employee emphasis. The performance of firms will be more interesting for research when both individualistic and collectivistic partners work together through a joint venture.

Chen (1996) observes that in individualistic culture, initiative is admired, while conformance is expected in collectivistic culture. Kozan (1997) argues that individualistic culture, which is high in uncertainty avoidance, tends to rely on bureaucratic means to reduce disagreement or conflict. According to Gudykunst (1991), "People in individualistic cultures are likely to be universalistic and apply the same value standards to all". Hendon et al. (1998) argue that people in individualistic cultures tend to put tasks before relationships and to value independence highly.

People in collectivistic cultures, in contrast, tend towards a particular type of behaviour (particularistic behaviour) and, therefore, apply different value standards for members of their ingroups and outgroups. Ingroups represent a group whose norms, goals, and values shape the behaviour of its members, whilst outgroups are a group whose goals are unrelated, inconsistent or opposed to those of ingroups (Chen, 1996). Hendon et al. (1998) note that collectivist cultures maintain the integrity of groups and incline to cooperation. Conflict avoidance and conformity dominate the culture. Similarly Chen et al. (1998) state that collectivistic members have a stronger group identity, more group accountability, better communication, work more closely with one another and aim to achieve collective objectives and goals. There seems to be more cooperation among collectivists than individualists.

As each culture develops different value norms, the Thais and Chinese tend to place emphasis on tradition and stability, whereas Westerners cherish creativity and change. Komin (1995) suggests that Americans appear to focus on self-actualization, ambition and achievement. Thais downplay personal values, as self-control and politeness place an emphasis on relationships and 'other-directed' social interaction values. In Japan, people who are collectivistic tend to be highly creative but on the whole are culturally oriented towards group behaviour rather than individual eccentricity (Chen, 1996). The guiding norm for individualistic society is competition, while mutual dependence is emphasized in homocentric society. The social unit of egocentric society is the person, while of homocentric society it is the group, the guild, the tribe, the city and the organization. As the goal of an individual in an egocentric environment is to find true self-creativity in the enhancement of material welfare, therefore, an individual is likely to fight for his own rights in pursuit of justice, not to focus on mutual interests. Because individualism places emphasis on independence and self-reliance, people can be isolated, lonely and alien as well as resisting the formation of inter-personal relationships. Collectivists in homocentric society prefer to be preoccupied with 'high-context communication' (widely shared information dependant on non-verbal communication) while the individualist in egocentric society is more attuned to 'low-context communication' (information communicated verbally) (Gudykunst and Ting-Toomey 1988; Hofstede 1994). This implies that the collectivist is sensitive to situational features and explanations and tends to attribute the behaviour of others to the context, situation or other factors external to the individual whilst the individualist is sensitive to dispositional characteristics internal to the individual (Chen, 1996). In addition, Hubbard (1999) notes that high-context culture negotiators tend to negotiate indirectly, relying on cues in the social context to communicate important messages whilst low-context negotiators find this confusing and tend to negotiate in a direct manner and deal with conflict through direct confrontation.

In short, although the negotiating approach of Thai and Western negotiators is different, communicative processes and behavioural patterns can change in accordance with their goal orientations. This implies that one-off business negotiation of Thais is prone to the transactional approach. Western negotiators will also move towards the relational approach if they appreciate and recognize the value of relationships. However, it is noteworthy that if one party tries to change its behaviour to be like the other party, the process is likely to fail. Cross-cultural negotiators should not aim to reverse role play but rather experience and make allowances for cultural nuances at play (Chen, 1996).

The present study is built on Hofstede's (1994) study of the cultural dimensions which affect negotiation behaviour and outcomes. He emphasized four cultural dimensions which influence negotiation behaviour and outcomes. These are power distance, the cultural differences where individualism and collectivism predominate, uncertainty avoidance and masculinity/femininity. Yeh and Lawrence (1995) propose that a fifth cultural dimension, labelled long-term orientation (or confucian dynamism) by Hofstede (1994), should be included within the descriptive and explanatory power of the original four dimensions above. Yeh and Lawrence (1995) argue that the fifth cultural dimension reflects the same underlying cultural values as individualism and should therefore not be treated as a separate dimension. As a result, the long-term orientation is excluded from this study.

Although each cultural dimension has an impact on negotiation behaviour and outcomes, individualism/collectivism and power distance dimensions are more relational than others. Strong and Weber (1998) argue that uncertainty avoidance tends to be an individualized cognitive attribute and not necessarily related to attitudes about the role of self and group. They also suggest that gender identity is related to the types of rewards but not to distribution of rewards.

3.4 The concept of negotiation

3.4.1 Negotiation definition

Rubin and Brown (1975) claim that negotiation is "a process whereby two or more parties attempt to settle what each shall give and take, or perform and receive in a transaction between them". According to Pruitte (1981), negotiation is a process of moving toward agreement by searching for new alternatives and making concessions.

Pruitt and Carnevale (1993) argue that negotiation is a way of dealing with social conflict. Cohen (1980) contends that negotiation is a process whereby parties try to achieve respective desires through discourse and interaction. Chen (1996) suggests that "negotiation is an aspect of human activity influenced by the cultural behaviour of societies". Hodgetts and Luthams (1994) posit that "negotiation is the process of bargaining with one or more parties for the purpose of arriving at a solution that is acceptable to all". Thompson (1990) states that "negotiation is a pervasive and important form of social interaction". Mintzberg (1973) refers to negotiation as one of the primary decision-making managerial roles. Robert and Paul (1995) refer to negotiation as "the process by which at least two parties try to reach an agreement on matters of mutual interest." Pruitt (1981) also argues that negotiation involves joint actions where negotiating partners need to act on certain social norms that prescribe appropriate behaviour in this social encounter. Negotiations are two-way communications involving exchange of information (Gulliver 1979).

3.4.2 Negotiation process

Basic steps that can be used in managing the negotiation process are planning, interpersonal relationship building, exchanging task-related information, persuasion and agreement. First, planning concerns the identification of objectives and exploration of the possible options by negotiators. Research shows that the more the number of options, the higher the chances of negotiation success. Negotiators should also place emphasis on the setting of limits on single-point objectives, dividing issues into short and long term considerations and determining the sequence in which to discuss the various issues. Secondly, the negotiation process involves getting to know negotiating partners in order to decide who is reasonable or who is not. Third is task-related information. Each negotiating group sets forth its position on the crucial negotiation issues. These positions, however, might change later during the negotiation process. It is important for negotiators to find out what their counterparts want to attain and what they are prepared to give up. Fourth, the persuasion step. Successful persuasion depends on how well negotiators understand each other's position, the ability of each to identify areas of similarity and differences, the ability to create new options and the willingness to work toward a solution. Lastly, the agreement stage is the granting of concessions and the hammering out of a final agreement (Hodgetts and Luthams, 1994).

A number of joint venture negotiations fail during the negotiation process or shortly after an agreement has been reached. Misunderstanding of business culture and unclear communication, as well as the cultural style of negotiation, are some of the reasons for failure. To enhance an effective outcome, each negotiating party is recommended to do their homework by studying each other's ways of doing business, culture, negotiating style and background. Also, during the negotiation process, negotiating parties should aim to compromise and anticipate possible conflict so that progress may be agreed earlier, rather than trying to win every point and achieve their own goals without listening to the other party. Performance outcomes of negotiation are rarely noticeable soon after an agreement has been reached. Accordingly, Western partners should not fully expect that agreements will result in positive outcomes during the early stage of joint venture business. Instead, they should prepare to be more flexible within an agreed contract. Thais believe that dynamic change in business could make an agreed contract out of date. Therefore, trust seems to be an important factor as a means of entering business with Thai firms. Thais belief that once a relationship is built strongly, then conflict between partners can be solved easily. This may in turn result in IJV firms reaching a more successful outcome.

3.4.3 The psychology of Thai negotiation

Chen (1996) point outs that the purpose of negotiating parties is to reach an agreement. Negotiators may be more able to use and adopt methods, negotiating strategy, tactics, behaviour and style, if they share a similar culture. To be able to achieve effective outcomes, they may need to understand how their counterparts negotiate and perceive diverse cultural backgrounds and norms. Thai negotiating style may be an enigma to Western parties who tend to judge and perceive on the basis of their own value norms. The Chinese art of negotiation plays a significant role when Thais negotiate with their Western counterparts. It would be useful and wise for Western negotiators to learn Thai beliefs, thought, ways of doing business, cultural traits and taboos. Chinese and Thai geomancy have a psychological influence on some Thai partners in their business negotiations. Westerners tend to believe in the basis of scientific proof rather than superstition. However, to reach an agreement and effective outcome with the Thai partner, it is recommended that Western negotiators should appreciate and understand Thai cultural traits and beliefs. The Confucian and Buddhist views tend to shape Thai behaviour according to the bases of harmony, honesty and patience in any inter-personal relationships. Accordingly, confrontational behaviour is not likely to be a first option implemented during the negotiation process. These views have also been shared by Japanese and Chinese. Thais and Chinese view business relationships as a means of reciprocity of right and mutuality of obligations rather than trying to gain advantage at the expense of the other. Westerners normally tend to make a deal on the short-term benefits and think about business as competition while Thais believe that inter-personal relationships or connections should be cultivated while dealing with business negotiation. This relational style of negotiation on the long-term basis is opposed to Westerners who prefer the transactional approach. Following the relational approach to negotiation, negotiators tend to form friendships or relationship first and leave the goal of striking or finalization of a deal for the next step. Therefore, it is not uncommon to hear Thai negotiators asking after the other negotiators' health or well-being, children's education, community happenings or general welfare before moving to the issues of negotiation. Negotiating in Thailand can be comparable to getting married. It involves the whole range of relationships, not just transactions. When negotiating on the basis of the long-term business relationship in the Thai or Chinese style, it is not so much the winning and losing which are important, but the giving and taking. According to this Thai view, current loss could be regained and offset in the future when the business transaction/negotiation is repeated.

Thais prefer to compromise rather than dispute in an issue which produces disagreement. Because Thais place great emphasis on the long-term business relationship, mutuality, reciprocity and inter-dependence, they prefer to sacrifice whenever possible for mutual benefit. In other words, preserving a friendship and relationship is more significant than short-term gains. As the Western negotiator is generally trained in terms of winning concessions, with the spirit of competitiveness dictating against compromises or close relationship, it is recommended that both parties should adapt their negotiating strategies to be more rationally flexible, while discussing cross-cultural negotiation. The Thai strong belief in flexibility leads them to prefer changeable terms and conditions in the dynamic and changing environment. There is a similarity between Thais and Chinese styles in contractual matters. They both prefer to agree on the general principles and broad terms rather than on rigid and specific details. Therefore, a "memorandum of understanding" or a "document of intent" seems to be a preferable choice for Thais and Chinese. Western negotiators should also understand that a firm agreement, providing too rigid a contract, could lead to commercial negotiation failure because Thais often view written contracts as a lack of trust. Japanese have a similar perception as Thais in this respect. Thais believe that as long as the relationship and friendship exist, most things could easily be negotiated and adjusted. Thais and Chinese share a similar cultural belief that the contract is only a piece of paper, rather than an important document that can be used to sue their counterparts in the courts for justice, when things go wrong. Western negotiators have suggested that, as long as the regulations and legal system in developing countries like Thailand is not so strong as in Western countries, recourse to law will cost them a lot in terms of time and money if they have to enforce a contract against their Thai counterparts. The Thai view is that they should place greater stress on ethic, morals and a relationship based on trust so that they don't have to resort to enforcing a contract.

There are limitations on human rationality, called "bounded rationality" by Williamson (1975)). As a result, negotiating firms could reach an agreement more easily if they would stop thinking about writing every possible detail into a contractual agreement. This, in turn, could result in lower transaction costs and less negotiating time. This does not mean that negotiators should reach an agreement without signing any contracts but that the negotiator should place more emphasis on the relationship and, in doing so, leave the contract to one side.

The Language that is most often used in international business negotiation tends to be English. Because of the fear of losing face, avoiding offence, trying to please and not rocking the boat, according to the Thai concept of "Krieng Jai", Thais tend to say "yes" even if the communication was not understood or when Thais mean "no" or "uncertain". Therefore, to avoid any misunderstanding between negotiating parties that might lead them to frustration, irritation, bruised feelings and annoyance, Western negotiators should be patient and put greater effort into trying to interpret the real meaning and open more cross-cultural communication at the negotiating table with Thais. It is also important for both negotiating parties, during business conversation, to be mindful of the underlying cultural factors (e.g. language) and nuances lest they distort reality. Chen (1996) suggests that the best guidance to interpret the meaning of ambiguous and indirect behaviour in the communication process is to rely on the negotiators' intuition. Alternatively, the use of a trusted third-party is perceived as one of the best ways.

3.4.4 Negotiation in the Thai network

The role of connections and inter-personal or inter-firm relationships greatly influence joint venture business negotiation through their affect on trust. Western negotiators should understand that people who belong to the same club will be given direct credit and benefit. However, if the relationships breaks down, the loss can have a snowball effect. This can result in cheaters being expelled from the club. As relationships also exist between club members, therefore, it is difficult for cheaters to enter business negotiation with others club members. It also takes a lot more time and effort to try to gain a positive relationship. If this relationship breaks down, it might never be regained. Western negotiators should recognize the importance of these network relationships to Thais in order to understand the hidden dimension with regard to the existence of inter-personal relationships during the negotiation process.

It is difficult to do business with Thai people, using transactional approach. A Western negotiator, who thinks that he can just move to another partner if negotiation with one Thai partner goes wrong, will have to revise his strategy. In Thai business society, school and business ties are cohesive and play a significant role within and between networks. Some of them possess a characteristic of family business. In business networks, looking closely, all the big players may be found to have known and operated business with each other for a long period of time. For example, in one family, parents at the centre of the web, do business with their children and relatives, then extend the business network to include friends. Relationships within webs are a tool for business expansion. Once difficulties occur and negotiations fail, the story spreads within and between the clubs/webs. As a result, having problems with one partner is perceived and deemed to be against them all. Although this does not apply to all networks in Thailand, Western negotiators should take this example into consideration when negotiating or operating business with Thais. For foreign negotiators who have very little experience in relation to the business network in Thailand, it is difficult to know whether or not the party that they negotiate with will have a strong relationship with other potential negotiating parties.

3.4.5 Negotiation behaviour

A significant study of negotiation was carried out early on by economists and game theorists Luce and Raiffa (1957) who developed mathematical models of rational behaviour. However, the models still have limitations. They can be applied and used only to a narrow set of tactics. Some general information and advice on negotiation can be found in well-known books by Fisher and Ury (1981). Schelling (1960) and Raiffa (1982) are widely recognised as having introduced a rational analysis, covering a wide range of tactics, often used by negotiators and third parties. A further area of study into negotiation behaviour and its outcomes has been developed by Pruitt (1981).

Researchers of negotiation behaviour, e.g. sociologists, focus on describing how negotiators or joint venture managers make decisions, how they behave, how they think and how they rationalize choices to themselves. Thompson (1990) affirms that such descriptive approaches explore the influence of individual characteristics and styles, motivations and cognitive processes on negotiation behaviour and outcomes. Researchers in more analytic fields, e.g. economics, advocate prescribing the way in which negotiators or joint venture managers should improve decision making and how they should behave, rather than how they actually do behave (Raiffa, 1982). Neale and Bazerman (1992) suggest that very little interaction has occurred between both the descriptive and the prescriptive approaches and then argue that a useful model of negotiation must include both description and prescription. According to past research into two-party negotiations, negotiators are likely to be inappropriately affected by the positive or negative frame in which risks are viewed (Neale and Bazerman, 1985).

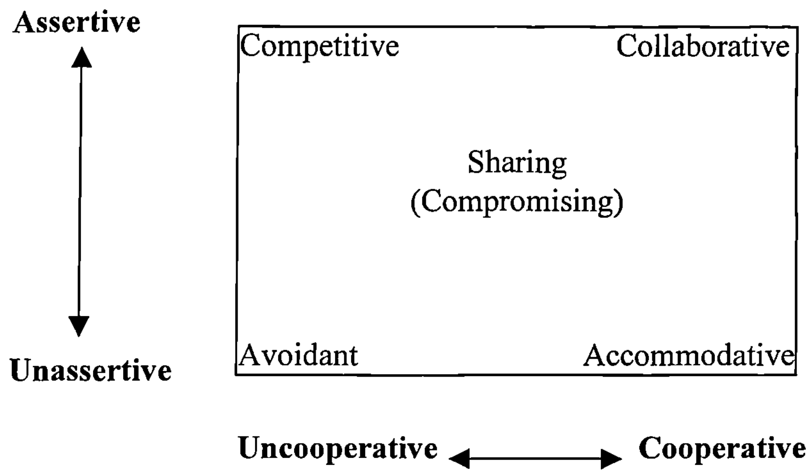
Negotiator behaviour (or conflict management style) is tactical. Partners attempt to achieve objectives by gaining the other's compliance through the use of influencing tactics. There are various tactical and strategic behaviours to handle conflicts of interest or disagreements when negotiation take place. Deutsch (1973) focuses on a single dimensional model ranging from selfishness (concern on self-oriented outcomes) to cooperativeness (concern on the other partner's outcomes). Blake and Mouton (1964) propose a two-dimensional model based on concern for people and concern for production in order to resolve conflicts or disagreements. Partners' behaviour can fall into two categories: cooperativeness and assertiveness (Kozan, 1997). Five distinct negotiation behaviours, or conflict styles, often used by negotiating partners are collaboration, competition, accommodation, avoidance and compromise.

JV partners use collaborative strategy (high in both cooperativeness and assertiveness) to work for an integrated solution, considering the other's needs without compromising one's own. Competing strategy (high in assertiveness) is used when partners aim to dominate and attain their own needs without concern for the other's needs. Catering for the needs of the other party whilst sacrificing one's own is perceived as an accommodating tactic (high in cooperativeness). Avoiding strategy (low in both cooperativeness and assertiveness) is used to refrain from confrontation between partners, thus disregarding the need of both self and other. The two values most important to the Japanese are avoiding strategy and promotion of harmony (Graham and Sano, 1989). Morris et al. (1998) note that Asian managers prefer to avoid explicit discussion of negotiation conflict whilst U.S. managers tend towards assertively competing styles. Partners implement compromising strategy (mid-point) when searching to meet the other halfway (Thomas 1976; Rahim and Bonoma 1979; Ritov and Drory 1996; Rao and Schmidt 1998; Kozan 1997). Kipnis and Schmidt (1985) classify partner influencing tactics into three meta-categories, namely: hard; soft; and rational. Pruitt (1983) suggests that integrative bargaining situations require problem-solving behaviours (cooperation) to gain profit maximisation. Parkhe (1993) claims that a significant behaviour in IJV management is conflict resolution. According to Thompson (1990), cognitive reasoning ability may be necessary for partners to reach integrated outcomes when using problem-solving behaviour. Pruitt and Carnevale (1993) suggest three procedures to deal with the conflict of interest: joint decision making; separate action; and third party decision making.

The following figure 3-1 presents an illustration of negotiation strategies or tactics used during partner's negotiation.

Figure 3-1

Kilmann-Thomas Conflict Orientations



Source: Lewicki et al. (1994) *Negotiation*, IRWIN, Second Edition

Table 3-3

Categorizations of negotiation behaviour

Source	Dimension	Description
March & Simon (1958)	Problem solving	Shared goals; mutual satisfying solution; information exchange
	Persuasion	Attempt to alter other's perspective; moderate information exchange
	Bargaining	Divergent objectives; Zero-sum orientation; gamesmanship
	Politicking	Signal of failure of interpersonal means; third party intervention
Blake & Mouton (1964)	Problem solving	Search alternatives acceptable to both by information exchange
	Smoothing	Attempt to lessen degree of disagreements to prevent confrontation
	Forcing	Use power to make the other party comply
	Withdrawal	Avoid conflict by leaving the relationship
	Sharing	Give and lose by identifying a middle ground

Source	Dimension	Description
Filley (1975)	Win-Lose	Exercise of authority, power, majority rules, etc.
	Lose-Lose	Compromise, arbitration, etc.
	Win-Win	Consensus, integrative decision-making
Thomas (1976)	Competitive	Implicit or explicit use of threats and persuasion arguments
	Collaborative	Develop solutions that integrate requirements of both parties
	Sharing	Develop a middle ground between initial positions of both parties
	Avoidance	Ignore the existence of conflicts
	Accommodating	Make adjustments to the other party's position
Frazier & Summers (1984)	Promise	Certify to extend specified reward contingent on target's compliance
	Threat	Inform target that failure to comply will result in negative sanctions
	Legalistic Plea	Contend that target compliance is required by formal agreement
	Request	Ask target to act without mention of subsequent sanction
	Information exchange	Supply information with no specific action requested
	Recommend	Stress that specific action is needed
Pruitt & Carnevale (1993)	Concession	Reduce one's goals, demands or offers
	Contending	Persuade the other to concede or resist similar efforts by the other
	Problem solving	Try to locate and adopt options that satisfy both parties' goals
	Inaction	Do nothing or as little as possible
	Withdrawal	Drop out of the negotiation

Source: Lin, Xiaohua (1996) "Joint venture ongoing negotiation: Approaches, relational antecedents, and influence of national culutre." Ph.D. thesis

3.5 Determinants of negotiation behaviour

Bazerman and Carroll (1987) suggest three approaches which determine negotiation behaviour, namely: individual differences; motivational and cognitive models. The individual differences approach is an attempt to identify the stable characteristics of partners which reliably affect their negotiation behaviour and performance. He also claims that individual differences directly influence social behaviour. Past negotiation literature considers individual differences in relationship orientation; cooperative and competitive behaviour; and gender role (Thompson, 1990). Staw and Ross (1985) propose that individual differences in relation to negotiation behaviour may yield more reliable relationships. Motivational models are the impact of aspirations and goals on negotiation behaviour and outcomes. The cognitive approach suggests that choices among alternative behavioural courses of action are determined by the partners' judgement of the complex decision-making task (Bazerman and Carroll, 1987).

Thompson (1990) suggests that trait machiavellianism may not directly influence negotiation behaviour but may instead interact with situational and task constraints to influence performance. Neale and Bazerman's results (1983) show that negotiators with high perspective-taking ability can persuade their opponents to settle close to their reservation price and claim most of bargaining benefit for themselves.

In previous studies, many scholars in this field have identified several sets of factors affecting negotiation behaviour that are different from those mentioned above, including the issues of conflict; reciprocity - the reaction of partners to each other's behaviour; nature of relationship; relational norms; relational commitment; relative power; trust; and cultural distance. According to Lin (1996), all variables observed do not equally influence partner's behaviour, as circumstances change. He claims that the relationship, norms, commitment, power, culture and trust are perceivably more critical and have a greater effect on negotiation behaviour and outcomes than psychological factors, such as motivation and cognition. Lin and Germain (1998) identify three determinants of negotiation behaviour to resolve conflict as follows:

cultural similarity; relative power; and relationship age. Rao and Schmidt (1998) also found that trust, cultural distance, time horizon, the absolute power of negotiators and their conflict frames have an impact on or influence the tactics used in alliance formation.

In order to clarify and complement the results of Lin (1996) and Lin and Germain (1998) derived from statistical analysis of negotiation behaviour, as well as the past results of many scholars, the present study has used qualitative case studies as the method to examine the impact of trust, culture and bargaining power on negotiation behaviour.

3.5.1 Bargaining power as a determinant of negotiation behaviour

Studies of negotiation behaviour, in relation to power, examine how two or more parties try to resolve the conflicts of interest, by managing interdependencies or allocating scarce resources among themselves, and how they implement their negotiating tactics (Bacharach and Lawler, 1981). Mayer et al. (1995) argue that there can be cooperation without trust, especially when one partner holds power over the other. In contrast, Ganesan (1993) notes that a retailer (as client) is not likely to implement a problem-solving strategy when s/he holds more power than a vendor (as supplier). According to Friedmann and Beguin (1971), the greater the power JV partners have, the more that lengthy problem-solving processes can be avoided and the less likely partners are to implement compromising behaviour (Schaan, 1988). As the relative power of one partner increases, compromising strategy, as conflict resolution behaviour, becomes less important. Therefore, the partner who holds more power is less likely to propose middle ground or intermediate solutions, to implement give and take strategic behaviour or to select alternatives that offer a fair combination of gains and losses (Lin and Germain, 1998). According to Rubin and Brown (1975), partners who possesses more power tend to implement hard tactics, e.g. sanctions, threats or demands for concessions in negotiations.

Lin (1996) suggests that the restricted use of power may change as the long-term relationship becomes a central concern. Rojot (1991) argues that "a balance of power strongly in favour of one party will generally drive it towards a conflictual attitude". However, the opposite view was given by Lin and Germain (1998), i.e. that an imbalance of power encourages less integrative behaviour between partners when disagreements need to be resolved. Dwyer and Walker (1981) found that an imbalance in power leads the more powerful partner to engage in high demand, coercive behaviour and less forthright communication, whilst a balance in power induces partners to implement coordinative behaviour. Additionally, Frazier and Summers (1986) note the favourable relationship between dealer dependence and noncoercive behaviour, used by the manufacturer. This relationship became negative when coercive strategy was implemented.

3.5.2 Trust as a determinant of negotiation behaviour

Scholars widely recognize the significance of trust, as an immediate antecedent to cooperation (Kramer and Tyler, 1996). Trust is viewed as a determinant of the functionality of conflict between partners (Morgan and Hunt, 1994). Pruitt and Carnevale (1993) argue that trust is an aspect of relationships that constitutes another important antecedent to the negotiation process and behaviour. Rotter, Chance, and Phares (1972) posit that "a generalized expectancy of trust or distrust can be an important determinant of behaviour". Ross and Croix (1996) note that trust, as a personality trait, was shown to be related to negotiation behaviour and should be considered for empirical investigation. They also suggest that risk-taking behaviour in a bargaining context is usually cooperative behaviour. Later, they conclude that trust can become an antecedent for further risk-taking behaviour.

Although there have been numerous empirical researches, investigating the role of trust on negotiation behaviour, little is known of how trust affects negotiation (Ross and Croix, 1996). Unlike the laboratory-based work on negotiation, negotiation in real business is often embedded in ongoing interpersonal and inter-group relationships (Kramer and Messick, 1995). Kimmel et al. (1980) define trust (mistrust) as the belief of involvement of partners in cooperative (not self-centered) behaviour. Madhok (1995) proposes that bilateral adaptation in JVs provides incentive for partners to act for mutual interest rather than self-interest. Cummings and Bromiley (1996) refer to trust as 'self-interested behaviour' and belief in the social good of others. Jones states that trustworthiness was developed as partners tend not to act opportunistically for their own self-interest. Strong and Weber (1998) define trust as "actions and behaviours that do not promote individual interests over the interests of the group, accompanied by a positive attitude about the social behaviour of others." Pruitt (1981) suggests that trust relationships encourage problem-solving and exchange of information. Hofstede (1980) argues that even though trust may form in a variety of ways, whether and how trust is established depends upon the societal norms and values that guide people's behaviour and beliefs. According to Greenhalgh and Chapman (1995), negotiation behaviour is significantly influenced by the characteristics of the relationship between partners. Therefore, a trusting relationship between partners provides a fundamental context, in relation to conflict resolution and negotiation behaviour, which should be treated as one of the focal concepts in understanding negotiation. Past research shows a favourable relationship between trust and the negotiation behaviour of partnering firms in the form of information exchange, self-disclosures and cooperative problem-solving (Zand 1972; Pruitt 1981; Lin 1996).

The concept of trust/distrust as an individual difference factor has a close likeness to the concept of social value orientation (cooperation), defined as a predisposition to be cooperative or competitive (McClintock 1978; Ross and Croix 1996). The trusting partner may use a frame of mutual gain whilst the distrustful partner may use a frame of individualistic losses. This is closely related because partners who view mutual gain from negotiation tend to make more concessions whilst partners who view negotiation in terms of losses will be more competitive (Neale and Bazerman 1985; Ross and Croix 1996). Butler (1999) argues that integrative orientations towards a win-win strategy tend to be stimulated by trust, as opposed to distributive orientations (win-lose strategy) that are likely to be motivated by mistrust. He further suggests that opportunistic behaviour, striving for competitive advantage, is likely to be motivated by mistrust and accompanied by the distributive assumption of zero-sum games; whilst cooperative behaviours tend to be stimulated by trust and the integrative assumption of positive-sum games. Ross and Croix (1996) note that low trusters are highly sensitive to competitive messages from partners but insensitive to cooperative messages.

According to Pruitt (1981), cooperative behaviour by partners tends to be an important source of trust. Kinmel et al. (1980) found that a high incidence of competitive behaviour existed with a combination of high limit and low trust. Partners with highly competitive behaviour tend to devise more effective negotiation tactics when the other is predictable, than when the other uses unpredictable behaviour (Ross and Croix, 1996). This is viewed as a form of trust, grounded in predictability (Shapiro et al., 1992). Ross and Croix (1996) further suggest that less trust between partners results in the uncooperative partner turning to uncooperative behaviour when receiving an uncooperative signal from the other.

Tjosvold and Sasaki (1996) in Ross and Croix (1996), found a positive relationship between trust and the problem-solving approach. Friedman (1993) notes that without trust, the parties tend not to be able to achieve successful integrative bargaining. He also found that trust is correlated with the problem-solving approach which in turn is useful for successful integrative bargaining. Ross and Croix (1996) later suggest that trust is not necessary but is desirable for integrative bargaining to occur and also trust may be necessary to conclude an agreement.

3.5.3 Culture as a determinant of negotiation behaviour

According to Barkema and Vermeulen (1997), "an international joint venture implies that a firm has to cooperate with a partner with a different cultural background."

Moore and Spekman (1994) claim that partners' behaviour is expected to be developed on the basis of high quality communications, joint problem solving, coordination, relational commitment, trust and time. Each element is in turn influenced by the various dimensions of culture. Lin (1996) lists four dimensions of national culture that appear to have a major impact on negotiation behaviour. These dimensions include ambiguity tolerance, humanism, long-term orientation and collectivism. Parkhe (1991) notes that national culture influences managerial behaviour and moderates the relationship between structural variables and JV performance. According to Park and Ungson (1997), the influence of national culture on behaviour and management systems can be rather inconspicuous but can still destabilize joint ventures. Rosenweig and Singh (1991) argue that multinational business strategy research has recognized the importance of national culture as a determinant of management behaviour. Chen et al. (1998) believe that culture may be a behavioural determinant which encourages would-be IJV partners to work together cooperatively.

Lin (1996) suggests that variability in information processing or communication style leads partnering firms to handle the negotiation conflict differently. Rahim (1986) suggests conflicts should be maintained at a moderate level in order to stimulate productivity, creativity and innovation. Conflict from misunderstanding of partners during the negotiation stems not only from ambiguous communication but also from the different conceptualizations of reality. One reason for these varying concepts is cultural differences (Lin 1996; Litmaye and Victor 1991). Lin and Germain (1998) claim that cultural similarity has an impact on the strategy or tactic used to resolve disagreement. They also argue that cultural similarity between partners encourages the use of problem-solving approach to resolve disagreements. According to Campbell et al. (1988), similarity encourages partners to implement a more cooperative and integrative behaviour. In contrast, partners who believe the other side holds dissimilar views, in terms of understanding, signalling and interpreting, may hesitate to openly communicate and exchange information (Geringer, 1988). Lin and Germain (1998) note that lack of cultural similarity is an important factor, explaining why the partners need to rely upon legalistic strategy for their interaction. The lack of common ground, due to cultural dissimilarity, may lead to a high degree of perceived behavioural uncertainty between partners. As a result, partners tend to place their trust on written and legal documents for resolving conflicts (Lin and Germain, 1998).

Chen et al. (1998) argue that culture not only causes individuals to be more or less cooperative but also has an impact on the selection and the effectiveness of intervention mechanisms aimed at increasing cooperation. Fedor and Werther (1996) suggest that partners, whose scores differ significantly on the cultural dimension of individualist-collectivist, require a considerable cultural understanding to build cooperation in culturally responsive international alliances. Morris et al. (1998) note that country difference in conflict style should be mediated by individual differences on measures of Individualism-Collectivism. Thompson (1990) suggests that "it is only reasonable to assume that individual characteristics influence bargaining behaviour." According to Triandis et al. (1988), the cultural dimension of collectivism influences overall conflict during the negotiation process, as well as specific conflict and negotiation style. Kozan (1997) notes that concern with the other party's face, normally found in collectivistic cultures, translates into a high degree of cooperativeness (e.g. accommodation and avoiding) and a lower degree of assertiveness (e.g. competing). Ting-Toomey (1988) argues that partners from collectivist cultures tend to implement a smoothing and avoidance-oriented approach whilst individualistic members prefer to assume a greater degree of control and solution-oriented tactics. Strong and Weber (1998) suggest that individualistic cultures place a high value on individual rewards and the individual ownership of property. This encourages individualistic partners to act in a self-interested manner. However, this manner may decrease as JV partners have a particular concern for long-term relationships and mutual benefits.

Strong and Weber (1998) argue that reliance on the less-structured control system of partners from cultures with small power distances allows for a greater expectation of self-interested behaviour. Whereas, partners from large power distance countries, which have a strong social and bureaucratic control, tend not to be able to exercise autonomy and independent decision making. These differences in power distance of partners tend to affect their negotiation behaviour, the tactics used during JV negotiation and also the JV outcomes.

Lin (1996) states that tolerance or avoidance of ambiguity influences communication and negotiation behaviour. It also seems to be directly related to the preference for compromise strategy in negotiation. According to Lin (1996), the cultural dimension of time orientation influences negotiation behaviour. Americans tend to focus on an immediate consequence of negotiation, whilst Japanese look forward to long-term reciprocity (Graham and Sano, 1989). Ross (1999) suggests that assertive behaviour may be fostered by the masculine dimension of culture but obstructed in the feminine dimension.

Different results found by Brehmer et al. (1970) show that there were no differences in bargaining behaviour between Czechoslovakia, Greece, Japan, Sweden and the US. Harnett and Cummings (1980) found that the influence of the country to bargaining behaviour accounted for a 5% variance and more variance was attributable to factors such as age and sex rather than nationality. On the other hand, Druckman et al. (1976) studied bargaining behaviour in relation to culture in India, Argentina and the United States. The results show that Indian negotiators tend to spend more time in the bargaining process and are more concerned with profit maximization compared with their US and Argentine counterparts. Ting-Toomey et al. (1991) found that partners from collectivistic cultures tend to handle negotiation conflict using accommodating and avoiding behaviour rather than the competing style often used by individualists. Morris et al. (1998) found that U.S. managers tend to use a competing strategy to resolve conflict more than Indian managers. They also found more use of avoiding behaviour from Chinese managers than U.S. managers. Strong and Weber (1998) found that managers from individualist cultures have a higher degree of self-interest than those of collectivist cultures but found an insignificant relationship between low power distance culture and self-interest behaviour. Lewis (1990) discovered that the degree of cultural distance between the host and home countries directly affects the level of confusion or conflict between joint venture partners.

3.6 Negotiation outcomes

There are two measures of negotiation behaviour and outcomes. One is an economic measure, focusing on the outcomes and products of the negotiation. The other is a social-psychological measure, focusing on both process and the outcomes of negotiation (Thompson, 1990). Economic measures represent the most well-formulated specifications of optimal negotiation performance (Thompson, 1990). Nash (1953) suggests three measures of performance in normative bargaining models, namely: mutual agreement; integrative bargaining (i.e. joint profit) and distributive bargaining (individual outcome). Negotiating partners should reach a mutual agreement if the disagreement outcome is worse than what they could achieve through agreement with the other party (Raiffa, 1982). The negotiation of partners involved not only dividing resources but also identifying additional value, benefits and resources. In general the negotiation outcomes are summed to form a measure of joint profit which is used as a measure of integration (Thompson, 1990). Logrolling is one strategy which partnering firms use to reach an integrative agreement. In this strategy, partners make trade-offs between issues but ignore unimportant or little issues (Thompson 1990; Pruitt 1983). Without compatible interests between negotiating partners, all negotiation involves a distributive component reflecting the maximisation of the partners' own gains (Lax and Sebenius 1985; Thompson 1990).

According to Allport (1995), in social-psychological measures, the concepts of social perception are used to measure negotiation performance. Partners actively perceive their social organisation by selecting, categorizing, interpreting and inferring information. They sometimes do not know, but guess, the interests of the other partner. Thompson (1990) describes the three most significant elements of social-psychological perception that can affect partner's negotiation behaviour and outcomes. These are the perceptions of the negotiation situation, the other partner and the partner itself. Perceptions of negotiation situations involve judgements that partners make about the negotiation process and outcomes (Thompson, 1990). The perceptions of partners in the negotiation situation include the views of the structure of the bargaining task regarding competition, cooperation or integration (Thompson and Hastie, 1990). Pinkley (1990) notes that the perceptions of negotiating partners regarding conflict or disagreement are multidimensional and may be characterized into three conflict frames: relationship-task; emotional-intellectual and compromise-win. An important aspect of partner perception is evaluation or liking (Osgood, Suci, and Tannenbaum, 1957). Other aspects include partners' liking and attraction to the other, trustworthiness and fairness of one partner to another, partner's trait inferences regarding intelligence, sociability, expertise, skill, ability, cooperativeness, competitiveness and partners' behavioural intentions e.g. willingness to interact with another partner in the future (Thompson, 1990). Perceptions of partners themselves include partners' judgements of their own interests, values, goals, risk preferences, partners' judgements in relation to the other (partner) in terms of skill, cooperativeness, and fairness (Thompson, 1990).

Outcomes of joint venture business negotiation are difficult to measure. Different studies seem to operationalise the outcomes of joint business negotiation in many different ways. Satisfaction is used as a significant measure of success for interorganisational transactions (Adler, Nancy et al. 1987). Thomas et al. (1978)

include decision quality, resource consumption, effects on individuals and effects on relationships, as the outcomes. Whilst participant satisfaction, efficiency and effectiveness are the outcomes which concern Sheppard (1984). Lin (1996) describes three consequences of interactive negotiation: high likelihood of win-win resolution, significant role of shared rules and norms and critical function of communication and information exchange.

The purpose of the present study is to use performance as a measure of JV negotiation outcome. This study intends to measure performance in the perspective of the achievement of partners' objectives (e.g. profitability, market share, sales (turnover), technology and know-how transfer and learning); partner's satisfaction with the overall JV performance and JV agreement; and JV partners' relationship because of its significant influence on the JV negotiation outcome.

3.6.1 JV performance as a negotiation outcome

Improving business performance is an implicit goal of strategic management research, but considerable ambiguity persists in strategic management literature as to what performance is and how it should be measured (Venkatraman and Grant, 1986; Johnson, 1996). According to Hatfield et al. (1998), there is a shortage of theory of joint venture performance and also a considerable conflict as to the comparability of alternative JV performance measures. Parkhes (1993) also notes that consensus about the appropriate definition and measurement of JV performance is still not available. The limited literature on joint venture suggests that performance problems arise because each partner tends to adopt idiosyncratic criteria (Yan and Gray, 1994).

These problems are more acute in developing rather than in developed countries (Janger, 1980). Also, performance difficulties are costly for the MNE, in terms of time and capital. In Beamish's (1984) sample, managers of MNEs from developed countries assess the performance of their joint ventures in LDCs (Less Developed Countries) as unsatisfactory more frequently than those in DCs. Most studies where the data was collected prior to 1989 found satisfactory JV performance. However, studies since then have found a large increase in performance problems (Beamish, 1993).

Dussauge and Garrette (1998) note that inductive studies have assessed the outcome of strategic alliances from the long-term strategic position of the parent firms rather than the performance of the JV itself. Yan and Gray (1994) point out three major areas used inconsistently in cross-study comparisons and generalizations of JV performance: which is the appropriate perspective (that of one parent, two parents or the JV management); variation in performance measures ranging from subjective judgments (e.g. managerial assessment, goal attainment, satisfaction) to objective judgments (e.g. termination, duration, financial indicators) (Park and Ungson 1997); and variation in the appropriateness of different performance measures as a venture matures. Hatfield et al. (1998) describe three of the most popular measures of JV performance: managerial assessment; JV duration and JV survival. Killing (1983) categorizes JV's as failures when they are liquidated or undergo major reorganization because of poor performance. Beamish (1987) refers to performance as a mutual satisfaction of the partners.

Firms tend to evaluate the venture using the standard operating procedures that corporate headquarters applies to wholly owned divisions with conventional business objectives. However, conflict can occur because of the different or competitive interests between the joint venture and the parents. Early studies by Tomlinson (1970) used a variety of financial indicators, e.g. profitability, growth or cost position, as indexes of performance. For many businesses, profitability seems to be an excellent index of performance. However, joint venture is different. Joint ventures are quite popular in risky, uncertain situations and when risk and uncertainty are high, profitability will be a poor measure of the joint venture's value. In general, an organization's overall performance must be compared and evaluated before decisions can be made. Without explicit ranking and rating, firms cannot decide where to invest and whom to reward.

Beamish's results (1988) show a positive relationship between financial and subjective measures in market economy LDCs, whilst Geringer and Hebert (1991) found similar results in developed countries. Others have used objective measures of performance such as the survival of IJV (Franko 1971; Killing 1983; Geringer 1990; Harrigan 1986), its duration (Kogut 1988; Harrigan 1986) and the instability of its ownership (Franko 1971; Gomes-Casseres 1987). Geringer (1991) found a positive correlation between JV performance, duration and survival.

However, these financial and objective measures have limitations in the evaluation of IJV performance (Geringer and Hebert, 1991). Financial data are not always reported and are often unavailable. Moreover, IJV parents commonly distribute financial returns through mechanisms other than dividends, including management fees, technology licensing, transfer pricing, supply contracts and royalties. Many IJVs also operate in contexts where measures of short-term financial performance might suggest that the venture is performing poorly. For example, IJVs formed to develop new technologies or new markets are unlikely to generate a financial profit for many years. In such situations, neither a financial, nor an objective, measure is likely to accurately capture the IJV's relative performance measured against it's own objectives (Geringer and Hebert, 1991). According to Glaister and Buckley (1999), "In high risk or uncertain settings, short-term financial measures would tend to indicate poor performance, although the venture may be making satisfactory progress towards long-term goals, or achieving current non-financial goals." On the other hand, although IJVs are experiencing good financial results and continued stability, it may be viewed as an unsuccessful result because IJVs might look for other goals such as attaining increased sales or market share. Barkema and Vermeulon (1997) suggest that "dissolution may not always imply failure and longevity does not signal success, particularly in the case of IJVs." Additionally, Hatfield et al. (1998) note that financial measures cannot reflect the non-financial goals pursued. Financial data is often unavailable for JVs because partners report JV financial information separately from their consolidated financial statement.

Given these problems, Anderson (1990) summarizes the experts' judgment into the three following aspects: stability versus flexibility; well-being of individuals versus well-being of the organization; process versus outcome. It is difficult to judge the short-term result (outputs) without considering how these results are being achieved (inputs). At the output extreme are the "results", measures that most people use to assess current performance. The input extreme represents variables that should determine measurable results. Poor inputs will show up in poor outputs, therefore, input measures should be considered to assess longer-term effectiveness.

Later, scholars found that even though duration and survival have a significant correlation with the overall partner selection (Geringer and Hebert , 1991), they did not measure the extent of performance (Hatfield et al., 1998). Hatfield et al. (1998) suggest that they appear to be unacceptable measures of performance because JV termination may result from success, failure or an inability to adapt to changes in the environment. Concerned about the ability of financial and objective measures to effectively gauge JV performance, JV researchers have turned their attention on partner satisfaction (Beamish 1987; Killing 1983). According to Parkhe (1993) and Hatfield et al. (1998), JV researchers currently turn their attention to partner objectives and goal achievement as more accurate managerial assessment of JV performance than partner satisfaction. A recent JV study by Lin (1996) included the personal relationship between JV partners, and the overall IJV relationship, as indicators of performance, in addition to the traditional measures of financial performance.

Beamish (1994) investigated the effect on JV performance in LDCs of two variables- (mutual long-term) need and commitment. He divided partner needs into five groups: items readily capitalized; human-resource needs; market access needs; government/political needs and knowledge needs. Furthermore, he classified the groups into 16 partner contribution factors, in order to find out major factors of low and high-performing firms establishing joint ventures. These factors include faster entry into local markets, local political advantages, inexpensive labour, raw material supply, local business knowledge, better market access, satisfaction of expected government requirement for local environment/avoidance of political intervention, general managers, capital, general knowledge of the local economy, politics and customs, to meet existing government requirement for local ownership or import substitution, technology or equipment, functional managers, better access to the local market for goods produced outside, better export opportunities and general knowledge of the foreign economy. Results showed that executives in high-performing ventures required specific partners to attain desired partner contributions, whilst executives in the low-performing ventures were satisfied with any partner as long as he was a national of the local country. These results were similar to Beamish and Banks' (1987) study, which found that greater need between partners resulted in more satisfactory performance.

Beamish (1988) found a strong commitment-performance relationship in JVs, noting that most of the commitment characteristics in the high-performing ventures were related to the MNE's willingness to be involved: adapt products, increase employment of nationals, visit and offer assistance or supply special skills. According to Beamish and Banks (1987), high satisfaction levels in JV performance promotes a long-term joint business operation. In addition, Lee (1989) in Lee and Beamish (1995), found that mutual confidence and close business relationships between Korean investors and local partners significantly influenced the level of satisfaction that Korean management felt about the performance of their ventures. Nevertheless, this contrasts with the results of Lee and Beamish (1995) which show that, in a Korean joint venture, commitment has no correlation with performance. Hatfield et al. (1998) found a positive relationship between partners' goal achievement, JV duration and JV survival. Glaister and Buckley (1999) detected a highly significant relationship between satisfaction and 'depth of analysis', other long-term relationships, partner views and attitudes to the management of the alliance and behaviour/performance of the partners. Lin and Germain (1998) observed a significant correlation between IJV age and JV performance.

Table 3-4

Prior research: JV performance variables

Objective measures	Perceptual/Subjective measures
- Financial indicators	**-Management's assessment/ Satisfaction**
Tomlinson (1970), Good (1972), Dang (1977),	Killing (1982,1983), Schaan (1983),
Renforth (1974), Rafii (1978),	Beamish (1984,1987,1988), Hill (1988),
Beamish (1984,1988)	Geringer and Hebert (1991,1992)
- Survival	Hatfield et al. (1998),
Franko (1971), Raveed (1976), Killing (1982,1983),	Lin and Germain (1998)
Harrigan (1986), Blodgett (1987),	Glaister and Buckley (1999)
Beamish (1984), Kogut (1988a),	**- Composite measures**
Woodcock and Geringer (1990), Geringer (1990,1991),	(including financial, non-financial and industry-oriented measures)
Geringer and Hebert (1991), Hatfield et al. (1998)	Awadzi (1987), Subieta (1991)
-Duration	**- Multidimensional scales**
Blodgett (1987), Harrigan (1986,1988a),	Blumenthal (1988), Hill (1988)
Kogut (1988), Geringer and Hebert (1991),	Roos (1989), Tillman (1990)
Geringer (1991), Subieta (1991),	**-Goal attainment**
Hatfield et al. (1998)	Beamish (1988)

Objective measures	Perceptual/Subjective measures
- Instability Franko (1971), Gomes-Casseres (1987), Beamish (1984,1993), Geringer and Hebert (1991)	**-Partners' relationship** Lin (1996), Lee (1989) Lin and Germain (1998)

Source: Adapted from Hebert, Louis (1994) "Division of control, relationship dynamics and joint venture performance." Ph.D. thesis; Geringer, J. Michael and Louis Hebert (1989) "Control and performance of international joint ventures." *Journal of International Business Studies*, Summer

3.7 Determinants of JV performance outcome

According to Glaister and Buckley (1999), there is no consensus and and there is a lack of clarity between indicators of performance and determinants of performance. Firms engage in JV because of the need to cooperate. However, the opportunities for conflict and disagreement cannot be avoided because of divergent goals and objectives, incompatible management styles and approaches, sharing of power and differences in national and organisational culture. This in turn has an impact on joint venture performance (Killing 1983; Lewis 1990). According to Lin and Germain (1998), successful IJV relationships and the performance of partners rely not only on equity structure, cultural similarity and past relationship but also on managing day-to-day business operations, conflict resolution and formulating long-term strategies. Lewicki et al. (1994) suggest that the culture of the negotiating partners appears to be a critical factor in how negotiation strategies/behaviours affect negotiation outcomes in different cultures. Additionally, Fry (1985) argues that personality may not directly affect negotiation performance but rather interacts in a complex way with situational factors and the characteristics of the particular task. According to Hamner (1980), the correlation between personality and negotiation outcomes is insignificant.

Olson and Singsuwan (1997) found that mutual trust, mutual commitment, quality of communication, mutual information sharing and joint problem solving have a considerable impact on the success and performance of strategic alliances for American executives. Lin and Germain's (1998) result shows a direct relationship between three context variables (culture, relative power and relationship age) and JV satisfaction. Furthermore they found a positive correlation between a problem-solving (cooperative behaviour) and partner's satisfaction and an inverse relationship between legalistic strategy and partner's satisfaction. Their study does not show a relationship between compromising and forcing strategy and JV performance.

3.7.1 Bargaining power as a determinant of performance outcome

Negotiating partners often use an advantage derived from power over the other to secure a greater share of the outcomes or derive the preferred solution (Lewicki et al., 1994). Williams and Wilson (1997) define power as "the ability to influence decision outcomes." According to Dwyer (1980), relative power is often related to performance, especially in marketing channels, where self-control over the management decision-making process associates with the level of partner's satisfaction. Power relationships may be balanced where both partners have the same capability for affecting the outcomes of the other. According to Robinson (1969), the outcome of the bargaining situation among joint venture partners will be favourable if there is a balance of resource contributions and expected benefits for each of the joint venture partners. Littler and Leverick (1995) suggest that equality in power or dependency between partners is a significant factor to successful or less successful ventures. Power asymetry leads one partner to greater control of a range of outcomes than the other (Lin, 1996).

Morgan and Hunt (1994) claim that power should no longer be a central concept if one attempts to understand successful relational exchanges. Lin (1996) suggests that even though power has been focused as a central concept of negotiation research, there are few studies examining the power used in sustaining relationships. Harrigan and Newman (1990) propose that distribution and use of power appears to be a significant factor affecting the ongoing interaction of partners based on a long-term relationship. Because it is inevitable for partners to have their own self-interests, firms need to keep insisting on ongoing negotiation with their partners (Dabholkar et al., 1994). The outcome of negotiations between multinational companies (MNCs), local companies and the host government in developing the JV is influenced by the bargaining power of negotiating parties towards their own goals (Fagre and Wells 1982; Schelling 1956; Rojot 1991). The results of the study (1982) of a U.S.-based MNC in Latin America by Fagre and Wells showed that a MNC's percentage ownership of foreign subsidiaries correlated with the MNC's level of technology, product differentiation, product diversity and access to foreign markets which in turn influenced the outcome of negotiation. Therefore, they recommended MNCs and government should consider joint ventures that do not evenly split ownership. Lin and Germain (1998) found the overall correlation between relative power and performance is not significant.

A shift in the balance of bargaining power which can change the outcome of the negotiating process, during a joint venture negotiation, can be influenced by a key stakeholder. Key stakeholders, e.g. government; negotiators- senior managers; third party or shareholders, can approve or disapprove the previously negotiated agreement. Also, they can demand changes in the resource commitments, equity and control issues, as well as providing or withholding requisite government controlled resources. Shifts in bargaining power and an effective negotiation outcome tends to depend on how much knowledge, skill, experience and understanding of the objectives a key stakeholder has and the importance of these outcomes to the stakeholder during the negotiation process (Raiffa, 1982; Tung, 1982; Brouthers and Bamossy, 1997).

3.7.2 Trust as a determinant of JV performance outcome

Existing literature on trust indicates a wide variety of organizational and social settings and is conceptualized in different ways (Hosmer, 1995; Aulakh, Kotabe, and Sahay, 1996). Few empirical studies have considered the interpersonal relationship dynamics between partners on the issue of trust as it affects JV outcomes (i.e. performance). Butler (1999) argues that the influence of trust on managerial outcomes is not obvious. Trust has been fundamentally developed from norms, where partnering firms expect to share values and beliefs. Norms could not work well if partner firms do not trust each other. Therefore, the role of trust could be given as a critical variable of interpartner relationship dynamics, which is likely to make a positive impact on JV performance and success (Peterson and Schwind, 1977; Hebert, 1994). Saxon (1997) notes that "Research on alliances has focused increasingly on relationship characteristics, and on trust in particular, as an important consideration for explaining alliance behaviour and success."

According to Gulati (1995), trust is a significant component of successful strategic alliances. Powell (1996) contends that trust is neither calculated nor embedded, but rather is learned and reinforced over successive repetitions of business operation. Building on the concept of Blau (1964) and Pruitt (1981), as well as Anderson and Narus (1990), Hebert (1994) defined trust as the parent's belief that its JV partner is ready to perform actions that will result in positive outcomes and will avoid any actions leading to negative outcomes. Hirsch (1978) stated that trust was a "public good, necessary for the success of economic transactions."

Butler (1999) states that "a climate of trust enables negotiators to risk making simple agreements without resorting to complex, expensive, monitoring measures such as contracts and expensive delivery arrangements." Surprisingly, Butler (1999) found that outcome inefficiency (cost) increased as trust increased. Fisher and Ury (1981) noticed that trust is not necessarily beneficial but concluded that an alternative position, between trusting and mistrusting (soft and hard), is likely to result in more positive outcomes for the negotiator than does either extreme trusting or mistrusting. In contrast, Kimmel et al. (1980) recognise that trust or distrust make no significant difference in joint payoff. Therefore, Ross and Croix (1996) suggest that trust tends to influence the process of negotiation rather than the joint venture outcomes. They also argue that efficient agreements result from the presence of trust and the willingness of partners to engage in risktaking.

3.7.3 Culture as a determinant of JV performance outcome

Regarding JV performance, internationalisation theory suggests that the greater the cultural distance or cultural dissimilarity between the home base of the partners, the higher the chance of a failed alliance (Glaister and Buckley, 1999). Johnson et al. (1996) discovered that foreign assignments often fail as a result of expatriate managers' inability to adjust to the local culture. According to Makino and Beamish (1998), evidence suggests cultural distance influences the alliance performance. Tung (1982) found that the attitude (i.e. patience, sincerity, preparation) of Americans towards their Chinese partner has a significant impact on the outcomes of negotiation. Ding (1997) suggests that ignoring the cultural expertise of the local partner could adversely affect the joint venture performance. Dymsza (1988) states that to be able to achieve an effective and viable relationship, a greater effort on management should be made. Parkhe (1991) suggests that diversity in national contexts, as well as in the corporate culture of alliance partners, may obstruct effective inter-partner collaborations and negatively affect the longevity of alliances. Pierre-Xavier (1997) states that, "Just as an individual's personality will influence his behaviour, national and organizational cultures will influence the operational performance of a company."

Lin and Germain (1998) note that the greater the cultural similarity between partners, the higher the expected satisfaction level. Dabholkar et al. (1994) argue that cultural similarity promotes a similar role of partners' expectation as well as a reduced role of ambiguity and disagreement which therefore lead to satisfactory interaction outcomes. Lin and Germain (1998) suggest that "cultural similarity between partners is a critical antecedent for IJV success." Pierre-Xavier (1997) notes that congruence between cultures constitutes a major element in the success of an IJV. The presence of major cultural differences between partners can lead to JV dissolution if such differences are not rapidly assessed and controlled (Pierre-Xavier, 1997). Killing (1983) found cultural dissimilarities/distance had an impact on the success of joint venture. He also found that U.S. and Japanese joint ventures failed as a result of cultural differences. Gugler and Dunning (1993) indicate that cultural differences, disagreements about objectives, poor communications and partner's opportunism are the fundamental causes of outcome failure. Olson and Singsuwan (1997) found that Thai respondents did not believe partners need to have a perfect cultural similarity for the success of business alliances, whilst American respondents perceived the cultural similarity as an extremely significant factor for the success of business alliances. Park and Ungson (1997) remark that larger cultural distances relate to a lower JV dissolution rate. Makino and Beamish's (1998) results suggest that local access and management complexity stemming from inter-partner cultural distance may have a significant impact on both JV performance and survival. Kogut and Singh (1988) argue that cultural distance or the extent to which cultural norms in one country differ from another country may influence the success of the business. Pierre-Xavier (1997) found a correlation between longevity and cultural difference in IJVs and suggests that national distance will vary more over time than organizational distance. Barkema and Vermeulen (1997) noticed that cultural distance has a negative impact on IJV survival. They also found that the 'incidents' within IJVs increase with cultural distance.

According to Ross (1999), partners from highly collectivistic cultures tend to rely on connections to establish and maintain relationships. He further contends that performance and success may be important goals in masculine cultures whilst feminine cultures place greater emphasis on welfare and happiness. Pierre-Xavier (1997) notes that IJVs tend to generate individual and collective conflicts that can ultimately jeopardize the JV's durability.

Likewise, Asian firms that first invested in Thailand found the cultural environment, traditions and behaviour patterns to be similar to their own. Asian firms entering joint venture with Thai partners do not have to face as large a foreign knowledge gap in relation to the economic situation. They may not have the same level of hesitancy in entering joint venture as has been observed elsewhere (Agarwal and Ramaswami, 1992), and they do not perceive as much risk as other foreign investors (Lee and Beamish, 1995). Therefore, the similar cultural systems might lead Asian firms to perform better than Western firms with Thai partners.

3.7.4 Negotiation behaviour as a determinant of JV performance outcome

The outcome of negotiation is rarely achieved without any disputes or conflict between international joint venture partners, e.g. government and foreign partner, foreign partner and local partner. Disputes or conflict could be more efficiently reconciled if the negotiators are skilled and knowledgeable (Raiffa, 1982). The effect of disagreement or conflict over the performance of business alliances was recently studied by Olson and Singsuwan (1997). They claim that more successful outcomes are expected to be characterized by higher levels of constructive negotiation tactics.

Friedmann and Beguin (1971) suggests that open problem-solving and compromising strategies enable negotiating partners to get away with deadlock or conflict situations which, in turn, lead to successful a JV operation. Similarly, Campbell et al. (1988) suggest that problem-solving behaviour e.g. cooperative strategy, tends to lead JV partners to achieve successful relationships and outcomes. Neale and Bazerman (1983) indicate that perspective taking ability (PTA) is a useful component for the problem-solving approach towards conflict resolution. This is also related to concession making tendencies, probability of agreement and outcomes. According to Ross and Croix (1996), one partner engaging in cooperative behaviour may lead to an enhanced relationship with the other. According to Pruitt and Carnevale (1993), negotiators aim to achieve a win-win solution by escaping social conflict and locating an acceptable outcome. According to Ganesan (1993), positive evaluations of overall performance are more likely to ensue as partners strive to balance the needs and concerns of both parties. Butler (1999) contends that "purely competitive behaviours can lead to isolation and further mistrust, which in turn can undermine long-term performance." Perlumutter and Heenan (1986) propose that competitive/forcing behaviour signals an inherently weak ongoing relationship.

Ding (1997) found that conflict between partners was consistently negatively correlated to joint venture performance. According to Killing (1983) and Lewis (1990), severe conflict between partners is more likely to result in misunderstanding, distrust, anxiety, reduction in cooperation and less efficient integration of activities, which in turn lead to deteriorating joint venture performance. If one partner tends to dominate the conflict resolution process, the other may be confused and more rigid.

This reduces the chances of resolving JV conflict or disagreement and may also enhance the likelihood of future conflict (Cadotte and Stern, 1979).

Constructive communications and regular information exchanges, as regards day-to-day management operations promote highly successful international alliances (Olson and Singsuwan, 1997). Boyle and Dwyer (1995) note that open information exchange leads partners to make internal attributions of positive outcomes.

3.8 Guidelines for achieving effective performance and success

The following are some guidelines for MNEs establishing JV with local partners. These must be considered in order to achieve high performance and success:-

Firstly, selecting a partner. Harrigan (1984) said that similarity of experience of collaboration has a favourable impact on collaboration outcome. This was also supported by Littler and Leverick (1995). The results of their study show the importance of collaborating with an organization which has both compatible culture and mode of operation, with complimentary areas of strength and expertise and with mutual understanding existing between partners. For example, Comtel faced difficulties in doing business with ATN. Comtel considers itself as marketing led and flexible, whilst ATN is seen as engineering orientated, rigid and inflexible, and excessively formal. Comtel always found that it was quite difficult to negotiate with ATN staff as they tended to adhere rigidly to formal procedures. Therefore, differences in culture and operating styles between the two organizations, resulted in slow progress in their collaboration.

Secondly, establish the ground rules. Partners should make sure that there are clearly defined goals, objectives and responsibilities for the collaboration. Also, limits to the collaboration needs to be establishing in order to avoid leakage of the firm's skills and experience. Shaughnessy (1995) shows that a shared external goal is not necessarily the same as shared objectives. It is easy to identify and share a goal but quite difficult to match the objectives of two or more firms. Shared ground should be utilized in a way that guarantees a profitable outcome. Sometimes when objectives appear to be matched, errors can still be made, as in the example of CC Bank Belgie. The Royal Bank of Scotland and the Spanish Banco Santander have been collaborating for a number of years. Both share an innovative approach to product and service development. One of their interesting strategies is entering third markets by focusing on the need for a new bank, offering services to members of the international business community - people who work in two separate geographical locations, where he or she would wish to conduct financial transactions (their home base and their new temporary place of work).

However, some errors arose because CC Bank Belgie employed mostly French speaking Belgians in its front of house positions. Consequently, there was a low level of competence in the respective languages required to target British and Spanish expatriates. Also, neither bank thought through the strategy of targeting a specific niche market. Customers were confused because by its name, it identified as a Belgian Bank, whilst the company tried to position itself for the wider international customer base. As is clearly seen from the example above, lack of effective strategic planning by both partners, resulted in an unsuccessful joint venture. However, Lorange and Probst (1987) advocate that the use of strategic planning and other management processes will result in success if the joint venture possesses four self-organizing properties. These include self-reference, autonomy, complexity and redundancy. Self-reference refers to the ability of its management to develop its own plans and processes, the ability to monitor progress and take the necessary corrective and innovative action. Autonomy refers to the ability of the joint venture to have control of its destiny. Complexity refers to a matter of understanding the nature of the relatedness between parents when putting together a highly interrelated network. Lastly, redundancy refers to the ability of the joint venture to have alternative ways of carrying out its functions (Kukalis and Jungemann, 1995).

Moreover, Lorange and Probst (1987) emphasize that a management process (strategic planning) is important to strengthening self-organization. They view strategic planning as differing from one joint venture to another, depending on the type of relationship existing between the joint venture and its parents. The first type refers to a JV in which both parents are actively engaged in the same business. In this situation, the strategic planning process seems to be complex and very difficult to work out. The second type refers to a JV in which one parent is highly active in the same business. Here, the strategic planning process seems to be less complex. This type of relationship was particularly supported by Killing (1983). The last type refers to a joint venture in which none of the parents is active in the same business. In this situation, the strategic planning process is simple as it reflects an autonomous company. The pressures to change and demands imposed by the parent companies and other involved organizations make planning a difficult task. However, some factors can relieve these pressures as follows: delegating more responsibilities; correcting structural inconsistencies as measured against counterparts in the industry; providing on-the-job training opportunities; improving communications between top management and the work force; meeting the demands of parent companies; recognizing and rewarding those whose good work enable the company to stay on top of the situation.

Thirdly, setting up a task force. The success of a collaborative venture is dependent on the individuals involved in the project. Accordingly, there must be considerable attention to the selection and roles of personnel.

Fourthly, managing the process. Many factors need to be identified to achieve collaboration success, e.g. regular monitoring of progress, the need for frequent and open communication, degree of trust between partners, ensuring collaborators deliver as promised and flexibility must be maintained (the danger of sticking rigidly to initial aims and objectives is that profitable opportunities could be lost).

Next, ensuring equality. Inequalities seem to lead to dissatisfaction, resentment, and dissolution. Therefore, partners should be concerned more about equality in their benefits, contributions and power if they want to be successful.

Lastly, maintaining an external focus. External factors also influence the outcome of collaborations e.g. market preferences, economic factors, the role of government agencies, the availability of alternative technologies and changes in the competitive field.

3.9 Conclusion to chapters 1-3

The number of joint venture businesses has increased dramatically over last decade. As competition in the domestic market has become more fierce, firms look for more opportunities to increase their profit and international market. One competitive strategy is to enter joint venture with local firms in order to shorten learning time with regards to the knowledge of politics, culture and economy. However, managerial problems seem to arise in the operation of joint ventures, where the administrators normally come from both parent firms and are likely to bring different culture, style and mindset. To reduce problems, i.e. cultural clash, it is important for both joint venture partners to recognise and understand their differences and each other's needs. This research aims to study the impact of culture, bargaining power and trust on negotiation behaviour and outcomes of international joint venture in Thailand, where study into this issue does not currently exist. The research strategy of this study uses qualitative case studies. To address the research problems of international joint venture, as regards the specific issues targetted in the study above, the research questions are drawn as follows.

1. How does bargaining power affect international joint venture negotiation behaviour and outcome?

2. How does mutual trust influence JV negotiation behaviour and outcome?

3. How does cultural difference and misunderstanding affect the negotiator's behaviour and the JV outcome?

The literature review in chapter 2 provides a guideline for understanding the importance and benefit, to both foreign and local partners, of establishing joint venture business. The review also explains the existence of IJVs through strategic behaviour and organizational learning. An example of the benefit of entering JV is that foreign partners could access the local market faster than if they operate alone. The local partner could also learn new and up to date skills from the foreign partner, such as provision of marketing service and management of finance. Both partners could also reduce their risk and strengthen their competitiveness through cost reduction. The theory building draws largely from bargaining power, trust, culture, negotiation behaviour and (performance) outcomes given in chapter 3. These concepts generate and support four propositions which could answer the research questions above. The relationships between the variables studied are depicted in the conceptual model in figure 4-1. The development of propositions to the present study on JV is given as follows. The propositions will be examined later in the data analysis section of this study.

Lusch (1976) defines two major sources of power: coercive and noncoercive. The coercive source involves a potential punishment whilst noncoercive sources are expert, legitimate, reward and referent. When the power is used in a negotiation relationship, it becomes bargaining power (Rojot, 1991). Bargaining power refers to a capabilty of the negotiating partner to favourably change the bargaining set (Lax and

Sebenius, 1985) and to influence the (performance) outcome of negotiation (Schelling, 1956).

The past study of bargaining power can be divided into two streams: context-based and resourced power. Bacharach and Lawler (1984) divide context-based power into two components: stakes and the availability of alternative choices of entering JV. Yan and Gray (1994) used the perceived strategic importance of the joint venture to the overall business of a parent as the measure of stakes. Bargaining partners who have more alternative choices (the availability of alternative partners and/or arrangments) seem to have more power because of their ability to walk away from the current bargaining and exercise their best alternatives to the formation and operation of JV (Fisher and Ury 1981; Yan 1993). Resource-based components have been widely used by scholars, i.e. Inkpen and Beamish, 1997; Lin (1996) and Lin and Germain (1998); Mjoen (1993) as only a measure of relative bargaining power. These resources include both tangible resources (i.e. expertise and equity share) and intangible resources (i.e. information, know-how, technology). The relative bargaining power of JV partners and the extent to which one partner is more powerful than the other, result from the comparative levels of resource contribution to JV firm (Harrigan 1986; Lin 1996).

However, it would be more valid to the research study if both context-based and resource-based components are used as measures of relative bargaining power. Yan (1993) and Yan and Gray (1994) use two context-based and seven resource-based components as indicators of overall (relative) bargaining power for their case studies examining the manufacturing industry. The two context-based components are stake and alternative choice. The seven resource-based components include technology, management expertise, global service support (i.e. technical and marketing services), local knowledge, product distribution, material procurement and equity.

This study follows Yan (1993) and Yan and Gray (1994) in the use of both context-based and resource-based components to measure the overall (relative) bargaining power. Context-based components include alternative choice and strategic importance (stakes). Resource-based components, however, need to be applied further from Yan (1993) and Yan and Gray (1994) to the study of firms in the service industry. They include know-how, information, technology, trademark, management expertise, technical personnel, non-technical personnel, marketing skill, marketing service, local knowledge, government connection and market access.

Hatfield et al. (1998) noted that there is a shortage of theory of JV performance and also a considerable conflict as to the comparability of alternative JV performance measures. The early studies by Tomlinson (1970) used financial indicators such as profitability, growth and cost position as an index of performance. Then, objective measures of performance such as survival, duration and instability are now more commonly used. However, due to some limitations in the evaluation of IJV performance (Geringer and Hebert, 1991), JV researchers have turned their attention towards partner satisfaction (Beamish 1987; Killing 1983). Currently, JV researchers consider that partner objectives and goal achievement are a more accurate managerial assessment of JV performance. In addition, a recent JV study by Lin (1996) included the personal relationship between JV partners and the overall IJV relationship as indicators of performance. This study intends to measure performance from the perspective of the achievement of partners' objectives (e.g. profitability, market share, sales (turnover), technology and know-how transfer and learning); partner's satisfaction with the overall JV performance and JV agreement; and JV partners' relationship because of its significant influence on the JV negotiation outcome.

Dwyer (1980) notes that relative bargaining power is often related to performance, especially in marketing channels, where the control over the management decision-making process associates with the level of partner's satisfaction. Robinson (1969) notes that the (performance) outcome of negotiation, in the bargaining situation between JV partners, will be favourable if there is an equal balance of resource contributions and expected benefits for each of the JV partners. Littler and Leverick (1995) suggest that equality in power or dependency between partners is a significant factor to the level of success of ventures. The (performance) outcome of negotiations between multinational companies, local companies and the host government in developing the JV is influenced by the bargaining power of negotiating parties towards their own goals (Fagre and Wells 1982; Schelling 1956; Rojot 1991). According to Mjoen (1993), the relative bargaining positions of the partners can influence the final outcome of the negotiations. Lee and Beamish (1995) argue that IJV partners may be more satisfied with an IJV's performance when they perceives themselves to be in possession of the greater ability to influence the manner in which the IJV is coordinated. Lin and Germain (1998) set out the overall relationship between relative bargaining power and performance but found that it is not significant. Based on the discussion above, the following proposition relates relative bargaining power to IJV performance.

Proposition 1: *JV performance is positively related to symmetric bargaining power.*

Volery and Mensik (1998) claim that there is a lack of agreement on a suitable definition of trust and confusion between trust, its antecedents and its outcomes. According to Zand, trust can be defined as the willingness of one person to become vulnerable to the actions of another person whose behaviour he or she could not control (Zand, 1972), thus that party is confident that the other will not exploit the party's vulnerabilities (Ross and Croix, 1996). In a strong relationship, based on trust, partners tend to willingly negotiate to resolve their conflicts or disagreement (Lin 1996; Anderson and Narus 1990). Zand (1972) treats trust as stemming from past experience. Zucker (1986) indicates one factor which consistently results in trust, i.e. prior alliances between firms. Ring and Van de Ven (1989) and Gulati (1995) agree that two firms with prior alliances are likely to trust each other more than other firms with whom they have had no alliance. Strong and Weber (1998) note that trust leads to development of a positive attitude regarding partners' behaviour, which will be influenced by positive experience. Glaister and Buckley (1999) suggest that "experience can thus engender trust among partners." Milgrom and Roberts (1992) argue that firms' reputations will be an important consideration in the selection of prospective JV partners. Strong and Weber (1998) note that in deciding whether to trust a business, individuals tend to gather information about the reputation of that business. Building upon previous models of trust, two significant factors were then proposed to indicate trustworthiness between JV partners, namely: firm's reputation and past experience.

Hebert (1994) defines trust as "the parent's belief that its partner is ready to perform actions that will result in positive outcomes for the JV." Hebert (1994) notes that "it is expected that the presence of high levels of trust in a JV will be a factor of higher performance for that venture." He further suggests that high levels of trust will ensure that the JV is managed in ways consistent with the parents' goals, which in turn results in higher mutual satisfaction. Beamish and Banks (1987) claim that mutual trust will be more likely to lead partners to work together for the successful achievement of the JV's performance objectives. Inkpen's (1992) results in Hebert (1994) show that trust is correlated with openness in the relationship and (performance) outcomes. Williamson (1975) states that trust is expected to have a positive consequence for performance and satisfaction outcomes in JVs. According to Peterson and Schwind (1977), the role of trust could be given as a critical variable of interpartner relationship dynamics, which is likely to make a positive impact on JV performance and success. Therefore, based on the discussion above, the following proposition is formulated.

Proposition 2: *JV performance is positively related to trust.*

Lewicki et al. (1994) posit that culture is defined as "the shared values and beliefs of a group of people." Culture seems to become problematic when partners negotiate and manage JV business across borders. Hofstede (1994) claims that national culture refers to the values, beliefs and assumptions, learned in early childhood, that distinguish one group of people from another. Scholars define the dimensions of national culture differently. Some dimensions appear to be similar to others' classifications, i.e. individualism and collectivism. The present study is built on Hofstede's (1994) study of the cultural dimensions which affect negotiation behaviour and outcomes. His concept of cultural dimensions is one of the most comprehensive treatments of cultural research which addresses not only the extent to which cultures are different but also in which respects they differ. He emphasizes four cultural dimensions which influence negotiation behaviour and outcomes. These include power distance, individualism and collectivism, uncertainty avoidance and masculinity/femininity. Hofstede (1994) proposed a fifth cultural dimension, labelled long-term orientation (or confucian dynamism). Yeh and Lawrence (1995) suggests that this should be included within the descriptive and explanatory power of the original four dimensions above. They argue that the fifth cultural dimension reflects the same underlying cultural values as individualism and should therefore not be treated as a separate dimension. As a result, long-term orientation is excluded from this study.

Morris et al. (1998) claim that members of the same culture tend to share a set of values acquired in the process of socialization. Foreign firms seem to enter JV with local partners where there are significant differences between the national cultural characteristics or cultural norms of the home and the host countries (Hennart 1998; Kogut and Singh 1988). Kogut and Singh (1998) were the first combine Hofstede's four cultural dimensions into one aggregate measure of cultural distance between countries. These differences are termed cultural distance. Cultural distance has often been investigated in terms of difference in core business, management practices and decision making processes (Killing, 1983). Differences in culture between JV partners may create ambiguities in the relationship which may, in turn, lead to JV conflict and result in JV termination (Barkema, Bell and Pennings, 1996). JV Partners from different nations have different negotiation styles (Sawyer and Geutzkow, 1965). Negotiations can easily break down because of cultural misunderstanding (Hendon et al., 1998). Graham and Sano (1989) note that cultural misunderstanding can lead to negotiation conflict. Naturally, each partner tends to stress their own cultural traits and to evaluate the behaviour of other parties by their own value yardsticks (Gudykunst, 1991).

Makino and Beamish (1998) suggest that cultural distance influences the alliance performance. Pierre-Xavier (1997) suggests that national culture will influence the operational performance of a company. Lin and Germain (1998) note that the greater the cultural similarity between partners, the higher the expected satisfaction level. Dabholkar et al. (1994) argue that cultural similarity promotes a similar role of partners' expectation as well as reducing ambiguity and disagreement which therefore lead to satisfactory outcomes. Tung (1982) found that the attitude and trait of American partners towards their Chinese partners influenced the (performance) outcomes of JV negotiation and operation. Ding (1997) suggests that ignoring the cultural expertise of the local partner could adversely affect the JV performance. JV partners who manage their business and make decisions based on their own cultural values could end up in misunderstanding if they do not understand and accept the differences of their partner's culture. This, in turn, may lead the JV to achieve a lower performance than it would if the JV partners understand and are able to accept these cultural differences. The above discussion suggests the following proposition.

Proposition 3: *The understanding and acceptance of each other's cultures will lead JV partners to achieve a successful JV performance.*

The five distinct negotiation strategies used by negotiating partners are collaborating, competing, accommodating, avoiding and compromising. Bazerman and Carroll (1987) suggest three approaches which determine negotiation behaviour, namely: individual differences, motivational and cognitive models. Thompson (1990) suggests that trait machiavellianism may not directly influence negotiation behaviour but may instead interact with situational and task constraints to influence performance. Lin (1996) claims that the relationship, norms, commitment, relative power, culture and trust are perceived as being more critical and have a greater effect on negotiation behaviour and outcomes than psychological factors, i.e. motivation and cognition. Lin and Germain (1998) used cultural similarity, relative power and relationship age as determinants of negotiation behaviour. Rao and Schmidt (1998) also found that trust, cultural distance, time horizon, absolute power of negotiators and their conflict frames have an impact on the tactics used in alliance formation. The present study uses trust, culture and relative bargaining power as determinants of negotiation behaviour. These seem to be the critical factors used in most previous research on negotiation behaviour.

Lin and Germain (1998) suggest that the partner who holds more power is less likely to propose middle ground or intermediate solutions. Rojot (1991) argues that "a balance of power strongly in favour of one party will generally drive it towards a conflictual attitude". However, the opposite view was given by Lin and Germain (1998), i.e. that an imbalance of power encourages less integrative behaviour between partners when disagreements need to be resolved. Dwyer and Walker (1981) found that an imbalance in power leads the more powerful partner to engage in high demand, coercive behaviour and less forthright communication, whilst a balance in power induces partners to implement coordinative behaviour.

Pruitt and Carnevale (1993) argue that trust is an aspect of relationships that constitutes another important antecedent to the negotiation process and behaviour. Rotter, Chance and Phares (1972) posit that "a generalized expectancy of trust or distrust can be an important determinant of behaviour". Ross and Croix (1996) note that trust, as a personality trait, was shown to be related to negotiation behaviour and should be considered for empirical investigation. Kimmel et al. (1980) define trust as the belief of involvement of partners in cooperative behaviour. Pruitt (1981) suggests trust relationships encourage problem-solving. Past research shows a favourable relationship between trust and the negotiation behaviour of partnering firms in the form of cooperative problem-solving (Zand 1972; Pruitt 1981; Lin 1996). Butler (1999) argues that cooperative behaviour tends to be stimulated by trust. Ross and Croix (1996) note that low trusters are highly sensitive to competitive messages from partners but insensitive to cooperative messages. Pruitt (1981) states that cooperative behaviour by partners tends to be an important source of trust. According to Kinmel et al. (1980), a high incidence of competitive behaviour was found with a combination of low trust. Ross and Croix (1996) suggest that less trust between partners results in the noncooperative partner turning to noncooperative behaviour when receiving an uncooperative signal from the other.

Lin (1996) proposes that four dimensions of national culture appear to have a major impact on negotiation behaviour. These dimensions include ambiguity tolerance, humanism, long-term orientation and collectivism. Rosenweig and Singh (1991) argue that multinational business strategy research has recognized the importance of national culture as a determinant of management behaviour. Chen et al. (1998) believe that culture may be a behavioural determinant which encourages would-be IJV partners to work together cooperatively. Lin (1996) suggests that variability in information processing or communication style leads partnering firms to handle the negotiation conflict differently. Conflict arising from misunderstanding of partners during the negotiation stems not only from ambiguous communication but also the different conceptualizations of reality. Lin and Germain (1998) claim that cultural similarity has an impact on the strategy used to resolve disagreement. Cultural similarity seems to assist partners to understand the way and mindset of the other side in managing and negotiating JV business. Campbell et al. (1988) suggest that similarity encourages partners to implement more cooperative behaviour. In contrast, partners who believe the other side is very dissimilar, in terms of understanding, may hesitate to openly communicate and exchange information (Geringer, 1988). Chen et al. (1998) argue that culture not only causes individuals to be more or less cooperative but also has an impact on the selection and the effectivness of intervention mechanisms aimed at increasing cooperation. Fedor and Werther (1996) suggest that partners, whose scores differ significantly on the cultural dimension of individualist-collectivist, require a considerable cultural understanding to build cooperation in culturally responsive international alliances. Morris et al. (1998) found that U.S. managers tend to use a competing strategy to resolve conflict more than Indian managers.

Olson and Singsuwan (1997) claim that more successful outcomes were expected to be characterized by higher levels of constructive negotiation strategies. Friedmann and Beguin (1971) suggest that open problem-solving and compromising strategies enable negotiating partners to get away with deadlock or conflict situations which, in turn, lead to successful JV operations. Similarly, Campbell et al. (1988) suggest that problem-solving behaviour, e.g. cooperative strategy, tends to lead JV partners to achieve successful relationships and outcomes. According to Ganesan (1993), positive evaluations of overall performance are more likely to ensue as partners strive to balance the needs and concerns of both parties. Butler (1999) contends that "purely competitive behaviours can lead to isolation and further mistrust, which in turn can undermine long-term performance." According to Killing (1983) and Lewis (1990), severe conflict between partners is more likely to result in misunderstanding, distrust, anxiety, reduction in cooperation and less efficient integration of activities, which in turn lead to deteriorating joint venture performance. The above arguments lead to the following proposition.

Proposition 4: *When symmetric bargaining power exists, along with mutual trust and cultural understanding, JV partners tend to cooperate rather than compete against each other. This in turn will result in a favourable performance (outcome).*

Chapter 4

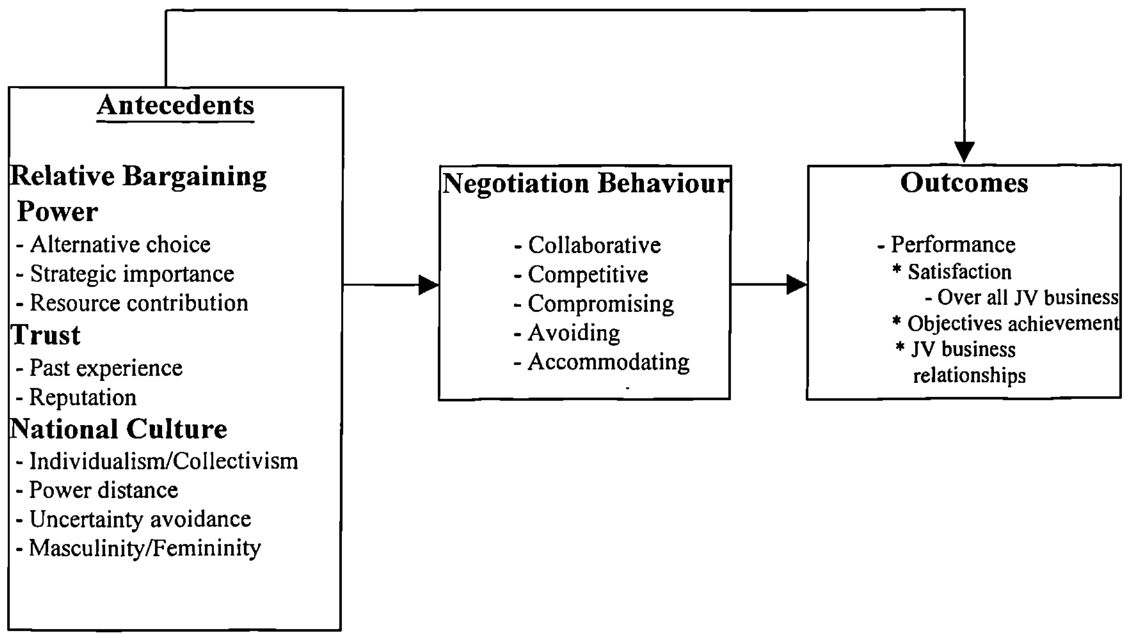
Research Methodology and Propositions

In this chapter, firstly, a conceptual model of JV negotiation is presented in Figure 4-1. It depicts the relationships between relative bargaining power, trust, national culture, negotiation behaviour and (performance) outcomes. This will be followed by discussions of the following spheres of research methodology:- research design and general approach, unit of analysis and sampling frame, planned data collection, pilot study, case selection, conduct of case study interviews, data coding, case analysis technique and reliability and validity of research.

A conceptual model on negotiation was given in Figure 4-1 as follows.

Figure 4-1

A conceptual model



The above conceptual model has been adapted from Yan (1993); Lin (1996); Lin and Germain (1998).

The relationships between bargaining power, control and performance were depicted in Yan's (1993; p.2 and p.82) model. Yan's (1993) model shows a direct relationship between bargaining power and performance and an indirect relationships between bargaining power and performance mediated by the control variable. Yan (1993) used both context-based components (alternative choice and strategic importance) and resource-based components (technology, management expertise, global service support, local knowledge, product distribution, material procurement and equity) as measures of relative bargaining power. The performance measure used in his study is the extent to which the JV partners have achieved strategic objectives. The indicators of strategic objectives are profit, market share, growth, local sourcing, learning, credibility, technology, export, management, import substitution and up-stream technology.

In Lin's (1996) model. The negotiation strategies and behaviours are predicted by relational context variables. This relationship is moderated by national culture. Relationship commitment, trust and relative power were used to represent the relational context. The negotiation behaviours were characterized by multiple strategies. They include problem-solving, compromising, forcing and legal course. Lin and Germain's (1998) model was developed further from Lin's (1996) model by expanding to the interaction effects (performance outcome) of various relational variables on negotiation strategies. Lin and Germain's (1998) study used cultural similarity, relative power and relationship age to represent relational context variables in predicting performance. Performance was measured using financial performance, market performance, objective achievement, personal relationship and the overall IJV relationship. Relative power was measured by the resource contribution of each partner.

The models of Yan (1993); Lin (1996) and Lin and Germain (1998) were adapted in the present study, which aims to examine the relationships between relative bargaining power, trust, culture, negotiation behaviour and performance outcome. Strategic importance, alternative choice and resource contribution represent measures of relative bargaining power in the study of Yan (1993). These seem to be more valid than the measurement of resource contribution alone, used in past studies such as Inkpen and Beamish (1997); Lin (1996) and Lin and Germain (1998); Mjoen (1993). Reputation and past experience are used as indicators of trust. Negotiation strategies (i.e. competing, collaborating, sharing, avoiding and accomodating) developed by Thomas (1976) is applied to the present study. To achieve a more valid and accurate assessment of JV performance, both objective and subjective measures are used in this study. They include the achievement of partners' objectives, IJV partner's satisfaction and JV partners' business relationship. Four cultural dimensions of Hofstede (1994) are examined as national culture variables.

4.1 Research design

Quantitative methods of research are the collection and analysis of data using positivist assumptions on a subject already understood and categories which are isolated and well defined prior to survey. This method is used when questions can be uncomplicated and unambiguous and answers can be provided without explanation. Questions are likely to be closed or having a limited choice of answers. The sampling frame tends to be large e.g. a representative sample of a large population. The most common methods are formal questionnaires, standardised or structured interviews, controlled observation and statistical analysis of secondary data. Data is collected from a large sample and is easily recorded and analysed but it can be costly and omission of any detail may lead to failure of the survey. The restricted definition of the questionnaire may lead to omission of relevant data and analysis may not indicate anomalies within the averages or generalisations.

According to Van Maanen (1983), qualitative methods are "an array of interpretive techniques which seek to describe, decode, translate and otherwise come to terms with the meaning, not the frequency, of certain more or less naturally occurring phenomena in the social world." Qualitative methods are more exploratory and without precise definition. Data is not generally organised, as categories may be expected to change during the study. The sample is usually small. The method is best used in the following situations:-

- when answers to questions are likely to require explanation and where they cannot be easily predicted
- when carried out before a quantitative study in order to form conceptual frameworks, provide background information, verify assumptions and provide a guide as to the type of responses to be expected

- after a qualitative survey to probe further an issue of particular interest and allow serendipity
- where research is furthered by interviews with groups.

Methods include participant observation, case studies, oral and life histories, interviews and group discussions. There is greater potential depth, flexibility and collectable information and this method can be used to augment existing information. However it is more difficult to record data, interviewing requires greater skill and results are more subjective, relying on the researcher's interpretation. Field notes are very important and if the field diary is not written up immediately and regularly, important observations may be forgotten and left out of findings.

Qualitative case study strategy was considered the most appropriate and was therefore used in this study. It was considered appropriate because it could enrich and clarify research on JV negotiation in greater detail as well as capturing the complexity of the concept. Most researchers tend to focus on statistical based analysis dealing with the broad range of concept and data, without examining the concept in depth. Also, there was insufficient population to conduct a quantitative study of the JV service industry in Thailand and the response rate was very low. Parkhe (1993) suggested that "a case study would permit researchers to get close to the action of the formation, structuring, and stability of IJVs." Glaser and Strauss (1967) support the use of the qualitative approach, especially the case study, rather than the use of the quantitative approach where

> "Because of the changing conditions of everyday situations, it is not necessary to use rigorous research to discover precise, quantitatively validated, factual knowledge upon which to base the theory. "Facts" change quickly, and precise quantitative appproaches (even large-scale surveys) typically yield too few general concepts, and relations between concepts, to be of broad practical use in coping with the complex interplay of forces characteristic of a substantive area..., the person who applies a quantitatively derived theory frequently finds himself either guideless or trying to apply the inapplicable - with potentially unfortunate human and organizational consequences."

According to Yin (1984), case study is an empirical inquiry that "investigates a contemporary phenomenon within its real-life context." It is particularly useful when the boundaries between phenomenon and context are not clearly evident (Heureux et al., 1997). Porter (1991) reflects in his study that, because of the complexity of his frameworks, a large number of in-depth case studies help him to be able to identify variables and explore the relationship among them better than cross-sectional studies. Parkhe (1993) suggested that the use of the qualitative method, especially case study, regarding interorganisational relations in alliance, would yield a valuable contribution to research.

Use of the case study method provides an opportunity to examine in-depth the roles of trust, culture and bargaining power as they influence negotiation behaviour and outcome (performance). In this study these factors are difficult to measure quantitatively. In recent years, the case study has become one of the most popular methods of business research. It is "an extensive examination of a single instance of a phenomenon of interest and is an example of a phenological methodology" (Hussey and Hussey, 1997). Case studies can be recorded on single or multiple cases. The challenge of theoretical sampling is to choose cases that are likely to replicate or extend the emergent theory. Focusing on one or two cases might draw an invalid and premature conclusion. Therefore, to reduce this risk, six cases studies were chosen for this research. Yin (1984) suggested that case surveys or case comparisons are appropriate, when applying cross-case evidence, to generalize patterns.

Yin (1994) noted that case studies are effectively used when dealing with "how" and "why" questions, when events are difficult to control and when the study involves some real-life context. The qualitative case study has been perceived as an approach that yields a rich detail of activities not available through questionnaires (Yin, 1992; Eisenhardt, 1989). Case study research may be characterized as seeking to define specific questions of study ahead of time; to emulate logical positivism in developing rival hypotheses and collecting external evidence bearing on these questions; to carry out fieldwork in a targeted fashion (Yin, 1993).

Case studies can involve either single or multiple cases, and numerous levels of analysis (Yin, 1984). According to Stake (1994), some case studies are qualitative studies and some are not. Yin (1994) identifies that collecting data in multiple case study methods may be both qualitative and quantitative. Gummesson (1991) places an emphasis of case study on two areas of particular interest: general conclusions from a limited number of cases and specific conclusions regarding a single case. Yin

(1994) distinguishes three types of uses of case study research: exploratory, descriptive, and explanatory.

On the downside, case study is inferior to methods that are based on random statistical samples of a large number of observations (Gummesson, 1991). In addition, access to a suitable organisation is often difficult to negotiate and the process of the research may be time consuming. It is also difficult to decide on the boundaries of case study research (Hussey and Hussey, 1997). Case study research can lead to overly complex theories and sacrificing parsimony. It could also be pragmatic and derives not from the method but from the institutional biases against it (Parkhe, 1993). There is also a risk in case study interviews where interviewees may have forgotton important facts happening at the beginning of the JV if the JV has been operating for a long period of time. Furthermore, interviewees may reinterpret their experience according to recent events. The evaluations of individuals are seldom made explicit in case studies (Gummesson, 1991).

Therefore, interviewing with many individuals in the same JV firm as well as gathering additional data from reports, news clippings, documents, memos and printed material could also reinforce and/or validate any inconsistent data received. Parkhe (1993) argues that

> "no single approach to theory development, including case studies, is self-sufficient and capable of producing a well-rounded theory that simultaneously

maximizes the research quality criteria of construct validity, internal validity, external validity, and reliability."

According to Denzin (1970), the use of different methods by a number of researchers studying the same phenomenon should, if their conclusions are the same, lead to greater validity and reliability than a single methodological approach. Chetty (1996) argued that "the strengths of the case study method outweigh its weaknesses." Other methods used in the present study include questionnaire surveys and histories.

Senior executive officers (e.g. senior managers, CEOs, or MD) representing parent firms and/or JV firms were targeted for interview. Developing Hebert's (1994) approach, this study gathered data from JV firms whose top management staff represent both Thai and foreign partners. Pfeffer (1993) suggests that the ability of a field to make progress and to attract resources requires some convergence among the scholars in the area. For this reason, he states that "without some minimal level of consensus about research questions and methods, fields can scarcely expect to produce knowledge in a cumulative, developmental process." Beamish (1984) in Hebert (1994) also argues that the use of multiple source approaches contributes to more reliable and valid data. Furthermore, these approaches permit researchers to handle missing data. Although multiple sources are considered to involve substantial extra cost and resource requirements, they are believed to control and reduce potential informant biases and threats to validity (Hebert ; 1994).

Informants might base their answers on their own perception. They may not be able to report accurately about the phenomena or processes they observed (Nisbett and Wilson, 1977). Also in complex phenomena and large organizations, the data received from informants might not be adequate (Seidler, 1974). However in support of this method, it has been tried and tested in previous studies by Campbell (1955) and Hebert (1994). Data received from informants could be considered as a reliable and valid method for business policy research (Pearce, Robbins and Robinson, 1987). Geringer (1986) in Hebert (1994) suggested that prior research on JVs and pre-tests with these key informants showed that they have been more involved in the formation of the JV firms, and management processes, and have access to requisite data. Moreover, additional information from secondary sources was gathered from JV firms as much as possible to minimize risks of biases from the above key informants.

4.2 Study's unit and sampling frame

The selection of the study's unit and sampling frame must be considered alongside proposition testing. To reduce any detrimental effect on the relationships explored in this research, variables will be controlled and the scope will be limited as follows:

Firstly, this study is limited to negotiating partnerships of at least two members. Of the two partners who are negotiating and operating a JV business in Thailand, at least one should be of Thai nationality and one of foreign nationality. In addition, all nationalities of foreign parents conducting their JV businesses in Thailand are included as long as their headquarters lie outside Thailand.

Secondly, the respective equity positions of either partner, whether Thai or foreign, should range between 25 and 75 percent. Ventures where one of the parents hold either more than 75 percent or less than 25 percent of the equity are considered minority equity investments rather than genuine JVs (Hebert , 1994). Kogut (1988a) and Killing (1988) also claim that minority equity investments are both legally and conceptually distinct from joint ventures. Therefore, they will be excluded for the purpose of this study. According to Geringer (1986) and Inkpen (1992) in Hebert (1994) an ownership position inferior to 25 percent is also interpreted as a sign of limited involvement and interest in the management of the JVs.

Thirdly, the study will be limited to the service sector to minimise any extraneous influence (Eisenhardt, 1989) that might be derived from differences between the service and manufacturing sectors (Chowdhury, 1988) in Yan (1993).

Fourthly, joint venture business negotiation must have taken place for a minimum period of two years so that the company's data on performance and outcome will already be available. Geringer and Hebert (1991) noted that the survival and duration of JVs had been found to be correlated with subjective measures of performance, such as satisfaction and business performance. Accordingly, non-surviving and recently agreed joint venture negotiation (whose satisfaction is difficult to guage) have been excluded to minimise bias. Hebert (1994) suggests that a mix of established and recently negotiated JVs may reduce the observed variance of performance and outcome constructs.

Lastly, the nature of the participants has been restricted to inter-firm for profit joint venture negotiation only.

4.3 Data collection planned

This study employed the data collection methods of document and printed material review, observation, questionnaire and in-depth interviews with MD, GM, president, senior managers, JV project manager and key members of staff of JV firms and JV parent firms where possible. Chetty (1996) argues that multiple sources of data collection help to prevent subjective bias and 'allow a more thorough examination of each firm than a narrowly-defined quantitative study'. Gummesson (1991) suggests that to understand the nature of action science, one needs to examine closely related methods of access where qualitative, in-depth interviews and observation are important and quantitative methods such as questionnaires or structured personal interviews would be very useful.

The first part of the questionnaire, used in this study, contained general questions on the JV firm's background, e.g. JV formation, turnover, percentage of ownership and total capital investment. Also, the responders were requested to indicate their level of involvement with the general JV background, i.e. competition, strategic importance of establishing JV, authority and decision-making power. The respondents were also asked to rate/indicate their level of agreement with statements about JV negotiation and outcomes by circling a response in the second part of the questionnaire. The third part of the questionnaire uses open-ended interview questions. The questionnaire and interview protocol for this case study research were written in two languages: Thai and English. The English format was sent to foreigners representing foreign partners whilst the person representing the Thai partner was given the format which contains a choice of either Thai or English. The questionnaire and interview protocol were designed and tested in English, and then translated into Thai by the author whose first language is Thai. Afterwards, the double checking process (transfer back again to English) was implemented by a skillful translator in order to enhance the quality of the translation.

The questionnaire and interview protocol for this case study research was taken and adapted from the format of the questionnaire survey on United States-Japan business negotiation practices, procedures and outcomes used by Tung (1984); the format of interview protocol for the case studies by Yan (1993); the format of management of joint ventures research questionnaire by Hebert (1994); and the format of survey instrument of Lin (1996).

Yin (1994) noted that the protocol is "an especially effective way of dealing with the overall problems of increasing the reliability of case studies" and "a major tactic in increasing the reliability of case study research". Some important reasons for the need to develop protocol are as follows:-

- reminding the researchers what the case study is about
- anticipating several problems, including that of how the case study reports might be completed.

In the next stage a pilot case study was carried out. Pilot case studies help researchers to refine data collection plans with regard to the content of the data and the procedures to be followed, as well as to correct any weakness and defects in the initial protocol; and to develop and enhance the quality of the interview questions. Yin (1994) suggested preparation of desired skills and training for a specific case study are also needed (in addition to the development of a protocol and the conduct of a pilot case study) to achieve a high quality of case study. It seems that only a few case studies will end up as planned, therefore, adaptability and flexibility need to be taken into account. The maintenance of unbiased perspective is stressed when a shift in plan is made. The pilot study also targeted firms in the service sector. The specific firms for pilot study were chosen according to the convenience, access and geographic proximity of researchers, i.e. around Bangkok. This allowed for a less structured and more prolonged relationship to develop between the researchers conducting interviews and interviewees, than might happen in the "real" case study situation (Yin, 1994).

Before conducting the real case study and collecting the evidence, the first introductory letter requesting permission to conduct interviews, as well as the letter identifying the significance and objective of this study, was sent to targeted firms in service sector. Afterwards, the firms who agreed to participate in this case study research were then given a registered letter promising to share the results and providing a summary of comparative results. These letters will also include major, open-ended interview questions which will be used during the interview processes as well as questionnaire questions. From here on, the data collection process begins.

This study used in-depth interviews as the major source of data collection. Other methods used include observation, a questionnaire survey and gathering data from secondary sources to provide supplementary data in order to enhance the reliability and validity of results. The questionnaire response was received back from the interviewee /respondent at the end of the interview or posted after the interview was conducted.

According to Hussey and Hussey (1997), interviews make it easy to compare answers and may be face-to-face, voice-to-voice or screen-to-screen. Interviews also permit researchers to ask more complex questions and ask follow-up questions, which are not possible in a questionnaire. Further, an interview may permit a higher degree of confidence in the replies than questionnaire responses and can take account of non-verbal communications such as the attitude and behaviour of the interviewees (Hussey and Hussey, 1997). Qualitative in-depth interviews and methods of observation and participation are a significant part of case study. However, quantitative survey methods, e.g. questionnaires or structured personal interviews, may also be useful (Gummesson, 1991). The interviewees or respondents don't have to answer some of the questions if they prefer not to. They can also expand or add to the areas of inquiry during a sequence of interviews.

The face-to-face in-depth interview was documented using rapid notes or shorthand. This method is used in order that researchers can preserve the interview in its original form without any form of editing or comment. Simultaneously, the conversation was recorded on tape, if the interviewees agreed. The recorder was switched off whenever the interviewee wished to discuss confidential or sensitive information. This method preserves the verbal part of the interview but the symbolic language (e.g. body language) cannot be captured by this method. The researcher/author also wrote down all the obvious data and then supplemented his own notes with reference to the available documents. The participants/interviewees were informed that the information and data received would be treated as confidential and would remain anonymous if preferred. Therefore, a coding system was applied to individuals and JV companies who were involved in this study and wished to remain anonymous.

4.4 Pilot study

After the initial questionnaire and interview questions were designed, a random sample of twenty-five JV service firms was drawn from The British Chamber of Commerce Book 1997, The American Chamber of Commerce Book 1998, The German-Thai Chamber of Commerce Handbook & Directory 1997 and The Foreign Companies in Thailand Yearbook 1998. Only one JV firm volunteered to participate in this pilot study. Therefore personal connections were used to address the targeted JV firms again. This time three more JV firms agreed to take part in the pilot study. In the next stage, eight interviewees from the four JV service firms in Bangkok participated in a pretest of these questions, aiming to assess data collection and procedures as well as the development of the conceptual framework. The participating JV firms operate in the shipping, construction, office rental and retailing sectors. Yin (1994) suggested that "pilot case studies may reveal inadequacies in the initial design or may help to articulate it."

The interviewees were sent a questionnaire together with the interview questions and asked to complete the questionnaire before the interview process took place. After the follow-up telephone call to confirm that the questionnaire was completed and to arrange an appointment time, the open-ended interview and questionnaire questions began. The length of each interview varied from one to two and a half hours. Interviewees were asked to comment on the appropriateness of the interview protocol and questionnaire structure, format and content. Interviewees also suggested a few changes to the questionnaire and interview questions. The ambiguous and irrelevant questions found during the pilot test were deleted and revised.

These minor changes did not affect the results derived from the variables at the beginning of the questionnaire and interview protocol design process. Tape recording and rapid notes were also used during the interview. The pilot study allowed for exploring the variables and enhancing the reliability of the interview and questionnaire questions. The pilot study took place over seven weeks during August and September 1998. This resulted in the redesigning and adjusting of the interview and questionnaire questions so that they would effectively fit into this research study. Taking into account minor adjustments in the questionnaire and interview questions, the pattern emerging from comparison of responses showed the overall reliability and efficiency of these questions. The findings from the pilot study contribute greatly to the in-depth case study interview with regards to the role of trust and culture as they influence negotiation behaviour and outcomes. Trust was found to be a significant factor in determining the success or failure of IJV business operation in Thailand from this pilot study.

4.5 The selected case samples

The joint venture samples based on the service sector were selected because of the scanty amount of research carried out in Thailand on joint venture negotiation in this sector. The joint venture firms data was built from The British Chamber of Commerce Book 1997, The American Chamber of Commerce Book 1998, The German-Thai Chamber of Commerce Handbook & Directory 1997 and The Foreign Companies in Thailand Yearbook 1998. The exact number of JV service firms in Thailand is unknown. While many books show the data about JV firms in the manufacturing industry, there was no complete book obtainable in Thailand, which could specify the information of JV firms in the service sector.

Therefore, the only method available was to search for the firms in the service sector whose stake included both Thai and foreign firms. Although firms which indicate an ownership split between Thai and foreign firms could be joint venture firms, many of them seem to share ownership but leave all the management operation to one partnering firm. According to Thai regulations, foreign firms operating JV business in the service sector must enter into business with a Thai firm who must hold at least 51% of stake. This results in some foreign firms looking for a Thai partner just to satisfy the law. In some of these JV firms, the foreign firm has total management control and they don't consider themselves as JV firms.

A list of about 270 potential JV service firms was identified from the books mentioned above. The author then randomly chose 120 firms from the variety of businesses whose stake includes both Thai and foreign firms. Telephone inquiry was used to confirm the equity structure and the status of the JV firms. Twenty-nine firms considered themselves to be true JV firms. A participation request letter, which included identification of the importance and objectives of the research, was sent to twenty-nine firms shortly after the telephone inquiry. Only two firms agreed to participate in this study. One JV firm was selected for this study. The other did not meet the requirements of this research regarding the management and equity structure. The main reasons, provided by JV firms, who did not participate in this research, include an obligation not to participate in research study; the information is too sensitive to provide for research; the pressure of work; time constraints; the length of the questionnaire; busy at work; going abroad; too much demand for research.

Yin (1993) suggests three selection criteria for both single and multiple case studies as follows:- feasibility and access, topical relevance and criticality for the theory being tested. This study followed a selection criterion of feasibility and access. Because the response to requests for participation in this research of the JV service firm was so small, it was necessary to use personal connections. The owner of a high reputation private Thai firm, high ranking executive officers from both private and government bodies and a Thai MP all contacted their connections in the JV service firms known to them, requesting that the companies contribute and participate, allowing the author to conduct the interview and questionnaire research. More firms then agreed to contribute to the research. Firms who agreed to participate in the interview process at this time received a letter identifying the importance and objectives of the study and also questionnaire and interview questions by either mail or fax according to their choice.

The results of Butler's study of JVs in the UK and Malaysia showed that there is not a problem in practice in examining different sectors. He also argued that "other factors were more crucial determinants of partner selection and joint venture performance." Finally, six JV service firms from the construction, construction & engineering, leasing, gas distribution, exporting and oil storage were selected and participated in this research study. One joint venture has four partners and another has three partners. The rest have two partners. The partner's nationalities were 6 Thais, 3 Japanese, 1 German, 1 Dutch, 1 British, 1 New Zealander, 1Belgian and 1 Australian. The total number of all partners is 15. The selection of cases was also dominated by considerations of access. This research has tried to highlight a range of business types within the service industries. Accordingly, the use of a wide range of cases could offer diversity and considerably enhance the chances that the effect of trust, culture and bargaining on negotiation behaviour and outcomes observed would be representative of the phenomenon.

Hussey and Hussey (1997) suggested that it is unnecessary to find a representative case or set of cases because one would not be attempting statistical but rather theoretical generalisations. According to Chetty (1996) "the case study data is matched to theory and not analysed to make statistical generalisations." Similar cases would help to show whether theory can be generalised, whilst dissimilar cases help to extend or modify theory. Eisenhardt (1989) posits that there is no ideal number of cases in the use of the multiple-case approach and suggests that the study works well using between four and ten cases. She also commented that the theory is difficult to generate where the study looks at fewer than four cases and that the volume of data is difficult to handle where the study looks at more than ten cases. According to Yin (1994) and Eisenhardt (1989), replication logic helps researchers to point out the subtle similarities and differences within a group of cases and also inter-group similarities and differences. Chetty (1996) contends that the use of the multiple-case approach helps him to "better understand a firm's export decision-making process and export performance." However, the multi-case approach was criticised by Dyer and Wilkins (1991). They argue that the single-case method is a better way to form theories whilst the multiple-case approach is a hybrid form which claims to generate theory but actually includes many characteristics of hypothesis-testing research. Eisenhardt (1991) responded to this argument by stating that the similarities of single and multiple cases far outweigh the differences.

4.6 The conduct of case study interviews

Face-to-face, open-ended interviews averaging two hours were carried out during the interview process. According to Gummesson (1991), most case study research in management is based on interviews of one or two hours' length with each informant. A total number of 22 interviewees were involved in this study. The JV firms and interviewees in each case study are disguised to maintain confidentiality. The interviews took place on a one to one basis. Almost half of the interviewees had joined the JV company and been involved at the beginning of JV negotiation. One interviewee of company F firstly joined the foreign side and then later moved to work for the Thai partner. Most top management executive officers, i.e. MD and board of directors, who were involved in the JV firms since the start of JV formation, were interviewed firstly for the general background such as motive of entering joint venture negotiation, personal experience and involvement with JV, the issues of negotiation, JV strategic objectives and goals, JV problems and JV agreement. Then, specific questions were asked regarding the issues of bargaining power, negotiation behaviour, trust, cultural traits and negotiation outcomes (e.g. profitability and satisfaction).

The interviews with senior managers who joined the JV after the agreement was signed, were designed to contribute general information about the JV, ongoing negotiation problems and the methods used to resolve those problems, i.e. management responsibility and decision-making, as well as their opinion with regards to performance outcomes, i.e. profitability, overall satisfaction and the achievement of partner's objectives. The international business experience of interviewees prior to joining the IJV firm was an average of 10 years.

Table 4-1 summarises the title of the interviewees of each JV firm participating in the research.

Table 4-1

Members of IJV firms interviewed

JV Company	Thai partner	Foreign partner
Company A	1 project manager 1 construction coordination manager 1 construction manager	1 co-project manager (Japanese Y) 1 commercial manager (German) 1 quantity surveyor manager (Japanese Z) 1 finance and accounting manager (Japanese Z)
Company B	1 managing director	1 executive director (Japanese)
Company C	1 managing director	1 deputy managing director (Dutch) 1 former managing director (Dutch)
Company D	1 assistant managing director 1 quality assurance manager	1 managing director (New Zealander)
Company E	1sales and marketing manager 1 deputy president (employed by Thai parent firm)	1 business and development manager (Belgian) 1 engineering department manager (British)

JV Company	Thai partner	Foreign partner
	1 construction manager	
Company F	1 senior manager	1 construction manager (Australian)

Generally, early interviews were arranged with the top executive officers, i.e. MD, president and vice president of each IJV. Then these executive officers introduced and arranged further meetings and interviews for the researcher/author with their partners and subordinates, i.e. senior manager. After the first round of interviews, a gap was discovered in the information and data collected. Then a second round of interviews took place with the same interviewees to fill in the missing information. Also, some additional interviews were conducted with new interviewees at this time to fulfil and validate the information required. In addition, one telephone interview was conducted with the former managing director of the Netherlands partner of company C.

The questionnaire and interview questions were passed on to potential interviewees during the early interview with executive officers. Most completed questionnaires were received by the end of interview process. Some questionnaire answers were mailed back shortly after the interview was conducted. In addition, at the end of interview session the interviewees were requested to provide the company's annual report, JV background and history notes, newsletters and other relevant printed material where possible. Almost all of the interviews were conducted at the JV head office. Some were conducted at the site of the operation. When the interviewer is allowed the opportunity to visit the JV operation, it may be possible to observe and note further background information. The use of tape recording was implemented during the interview, if allowed, in order to preserve the interview in its original form without any form of editing or comment. Where tape recording is impossible, rapid note-taking was used. About three quarters of the interviewees allowed tape recording. One example of the reason for objection to tape recording was given by one Thai MD. He claimed that he wanted to relax during the interview process. The total time spent contacting JV firms, requesting participation until the interview process was completed was 7 months between October 1998 and April 1999.

All interviews with the foreign partners were conducted in English. The author, whose first language is Thai, used Thai language during interviews with Thai partners. The interview dialogue was translated to English by the author who has studied in Britain for about five years. The author also asked for comment from a Thai translator in relation to this translation and made some minor changes. Then the content of this transcript was explained again to a friend of the author whose mother language is English. Then the final corrections were made to this transcript.

4.7 Data coding

In this study, open and axial coding techniques, prescribed by Galser and Strauss (1967), Yin (1984), Miles and Huberman (1994) and Hussey and Hussey (1997), were used to analyse the verbal data. The reason for using coding techniques rather than using other technical analyses that deal with numbers (e.g. repertory grid technique) is that it enriches the notion of qualities and essential characteristics and renders more meaning than do numbers (Miles and Huberman, 1994). According to Hussey and Hussey (1997), open coding refers to "the process of identifying, analysing and categorising the raw data." It starts from "repeatedly going through the verbal data and assigning labels to identifiable themes and recurrent patterns of responses (Williams and Wilson, 1997). Similarly, Miles and Huberman (1994) observe that the coding process begins with a line by line review of the data. Axial coding is a more extended process of connecting categories and sub-categories together with the intention of revealing links and relationships (Hussey and Hussey, 1997). Williams and Wilson (1997) noted that these techniques combine the data from multiple interviewees "to be continuously contextualized within the broader setting of the organization, as well as within the theoretical framework of the study."

The verbal data from the interviewees was coded separately. It was coded on a set of coding schemes identified in past literature and developed by the author. The coding schemes were modified as each subsequent set of verbal data was analyzed and new insights emerged (Williams and Wilson, 1997). The coding schemes were expanded and refined throughout the process. Then the final set of codes was derived from a long iterative refinement process. The actual data was firstly coded into the categories specified as follows: partner's reason for entering JV; partner's strategic objective of participating in the JV; negotiation contextual variables (bargaining power, trust, culture, negotiation behaviour and performance); negotiation relationship between the contextual variables; and JV management structure. Then, sub-categories were coded using a classification derived from a previous study which was again further developed by the author. They include equity structure of the JV, partner's alternative choice in establishing the JV, partner's resource contribution to the JV, reputation and past relationship and experience of JV partner, individualism VS. collectivism (e.g.

staff promotion, management system, perception of contractual agreement), cultural difference in negotiation style, negotiation tactics (e.g. compromising, collaborating), partner's satisfaction in the JV performance, the extent to which each partner achieved their strategic objectives, partner's business relationships. The use of multiple data sources (data triangulation) yield a higher level of validity and consistency in analysing the interview data.

4.8 Case analysis technique

There are very few complete explanations of how to analyse qualitative data (Hussey and Hussey, 1997). The present study combines two analytic strategies for case studies, suggested by Yin (1994). The data analysis in this study consists of examining, categorising and combining the interview data to address the theoretical propositions. The analytic techniques rely on initial theoretical propositions which in turn reflect the research questions and research design. The first technique is "pattern matching logic." Pattern matching is used to compare the actual pattern with the expected pattern (Yin 1994; Chetty 1996). According to Yin (1994), if the patterns coincide, the results can strengthen the internal validity of the cases. In the present study, pattern matching was used to confirm the content of the JV negotiation model adapted from Yan and Gray (1994); Yan (1993); Lin (1996); Lin and Germain (1998). The main elements of content included a set of three variables (bargaining power, trust, culture), one mediate variable (negotiation behaviour) and one dependent variable (performance). Similar results were expected from the two main cases (case studies A and E) and three mini-cases (case studies B, C, D) whereas contrasting results but for predictable reasons were expected from one mini-case (case study F).

Chetty (1996) claims that these cross-case comparisons could lead researchers to "go beyond initial impressions and take a more in-depth, structured approach with the data." Brian (1994) discusses that "cross-case comparisons are a less risky approach of theory development, particularly for the inexperienced researcher." He also suggests that without an analysis across cases, it is difficult to generalise theory. Eisenhardt (1989) suggests three different tactics of cross-case comparison. The first tactic is to "select categories or dimensions, and then to look for within-group similarities coupled with intergroup differences." The second strategy is to "select pairs of cases and then to list the similarities and differences between each pair." The third tactic can be done by dividing the data by data source and analysing the data individually. Then, compare the evidence from one data source with that from another. When the evidence shows collaboration of pattern, "the finding is stronger and better grounded" whereas if conflict of evidence is seen, the researcher can adjust through deeper investigation into the meaning of the differences (Eisenhardt, 1989). Yin (1994) refers to a situation that shows similar results within the same category as literal replication. If the results of one case are different from the second group (different category), he concludes that it is a theoretical replication. The cross-case results could state the conclusion more assertively and more robustly (Yin, 1994).

The second technique is 'explanation building'. Explanation building is used to explain why a set of causal links occur (Yin, 1994). According to Chetty (1996), theoretical propositions about the causal links are developed by asking 'how' and 'why' questions. For example, for the relationship between bargaining power and JV outcome, the question of 'how does bargaining power affect international joint venture negotiation outcome?' was asked. The development of research questions allows the researcher to be more focussed on some specific data, thus overcoming the overload of data that might arise during the data collection process (Chetty, 1996). Eisenhardt (1989) suggests two steps in shaping the hypothesis. One is to refine the definition of the construct as well as building evidence which measures the construct in each case. The other involves "verifying that the emergent relationships between constructs fit with the evidence in each case." These emergent relationships increase the (internal) validity of the relationships (Eisenhardt, 1989). In the current study, the explanation describes the causal link between a dependent variable and one or more dependent variables mentioned above.

In addition, the data display techniques (e.g. matrix, table) of Miles and Huberman (1994) were used in the present study. According to Miles and Huberman (1994) a display is "a visual format that presents information systematically, so that the user can draw valid conclusions and take needed action." The data display includes blocks of text, phrases, abbreviations, symbolic figures, labelled lines, arrows, etc. (Hussey and Hussey, 1997). Hussey and Hussey (1997) also noted that matrix display is useful for helping to understand the flow and possible causality of events.

The results of the interviews and analysis were firstly presented from the aggregate case studies of JV companies B, C, D and F. Then the case studies of JV companies A and E were developed in great depth and used as a cross-case comparison.

4.9 Research reliability and validity

Hussey and Hussey (1997) suggest that "reliability is concerned with the findings of the research and is one aspect of the credibility of the findings." Gummesson (1991) described reliability as when "two or more researchers studying the same phenomenon with similar purposes should reach approximately the same results." Reliability of research was obtained by providing a copy of case study protocol, describing the interview process in order that subsequent investigators can repeat the study. Hussey and Hussey (1997) note that "validity is the extent to which the research findings accurately represent what is really happening in the situation." In the present study, multiple sources of evidence were used (e.g. annual report, JV background and history notes) and a chain of evidence (e.g. citing interview dialogues) was carried out to establish the construct validity. The analytic tools of 'pattern-matching' and 'explanation-building' as well as a specification of the unit of analysis were used to address internal validity. External validity was established using replication logic applied to the six case studies.

Chapter 5

The Aggregate Case Studies of JV Company B, C, D, F

This chapter presents the aggregate results of the case studies of companies B, C, D and F. The chapter will proceed as follows: company background, JV strategic objectives, reasons for establishing JV, bargaining power of partners, trust between partners, culture, negotiation behaviour, JV performance and factors influencing JV performance. As all four companies requested anonymity, a code has been devised to disguise their real names.

5.1 Case background

5.1.1 Company B background

JV company "B" is a service leasing company. After facing fierce competition in Japan, due to the saturation of the leasing market, the Japanese parent sought an opportunity to expand its business abroad. It was the first time that the Japanese partner had entered JV business with a Thai partner in Thailand, although they had participated in JV business in other countries. The partner was identified twenty-one years ago through the recommendation of the IFC (Industrial Finance Corporation). Negotiation to form the JV company took six months. The JV agreement was signed in 1978. The JV operation can last indefinitely. The core business of the Japanese parent is leasing whilst the Thai parent operates in the financial sector. The salaries of the expatriate managers are paid by the JV. The organisation structure of the JV company is flat, top-down and informal. The boss makes a direct order to his/her subordinates. There are 52 employees working in this JV. About 98% of them are Thais. There are no expatriates below management level. There are 7 members of the Board of Directors. Three come from the Japanese side and four come from the Thai side. The term of office for the Board of Directors is ten years. There is no limit to the term of office for the General Manager. The JV has total assets of 4,000 Baht million, up from 100 Baht million at the commencement of the JV operation. The annual revenue is 350 Baht million. The company services the domestic market only.

5.1.2 Company C background

Company C is a service based oil and chemical storage company. The idea for the JV initiated from the Thai government's call for bids for a concession to operate the storage of oil and chemicals. The Dutch parent then approached the Thai parent direct. The Thai parent also wished to diversify their business vertically. They wanted to control and reduce new entrants into the oil and chemical storage business. As a result, they decided to enter JV with the Netherlands partner. Both parent companies are in related businesses. Negotiation to form the JV took one year and nine months. This company spent more time in negotiations to form the JV than any of the other companies studied in this research. The agreement was signed in 1992. The core business of the Dutch parent is storage whilst the Thai parent's business is olefines. There is no limit to the duration of the JV operation. The JV organisational structure is flat, with centralised financial administration but decentralised management in general. One main aspect of the JV contract is that, for the first six years, the managing director must be a representative sent from the Netherlands parent and the deputy MD will be appointed by the Thai partner. After this period, the position of MD will be transferred to the Thais, with no time limit. The JV agreement has not been renegotiated since the JV started operating. There are a total of 109 employees working in this JV. 98% of the employees are Thais. The Thai and Dutch partners had no previous relationship before the JV formation took place. Five members of the Board of Directors come from the Thai partner and another five from the Dutch partner. The JV has a total asset value of 4,047 Baht million, up from 557 Baht million at its inception. The annual revenue is 721 Baht million, up from 3.3 Baht million when the JV operation commenced business.

5.1.3 Company D background

JV company D is involved in both the servicing and manufacturing industry. They produce steel and then market the products both domestically and internationally. They also buy steel from other producers and supply to customers. Recently, due to the economic crisis in Thailand, they began to expand their market abroad. They plan to increase the amount of sales to international markets by about 50% in 1997/8, up 15% from 1996/7. The New Zealand partner approached the Thai partner to form the JV business. They carried out market research in Thailand and discovered that the Thai partner was a good potential partner. The Thai partner at that time was expanding business vertically. After the foreign partner had made the approach, they decided to join because of the good potential business that could support their core businesses. Both parent firms are in the same line of construction and steel business. They had never done business together before the formation of this JV. Both partners also enjoy a good reputation in their own country. It took five months of negotiation to form the JV agreement which was signed in 1994. There is no limited to the JV duration. The salaries of expatriate staff are paid by the JV. According to an interviewee, the JV agreement was very simple. One main point in the JV agreement is that the foreign partner has the right to supply the general manager (GM) whilst the Thai partner has the right to supply the assistant/deputy GM. The JV organisation is more informal, flat and centralised, compared to both parent companies that are quite formal, tall and decentralised. The company has a total of 104 employees. About 95% of the employees are Thais. There are no expatriates below management level. There are three members of the Board of Directors from each side. The company's annual revenue increased 266%, up from 35 Baht million at the first year of JV operation.

5.1.4 Company F background

Company F is a service based joint venture whose core business is construction and engineering. The Australian partner had never before done business in Thailand. The Australian parent has a major construction business, whilst the Thai parent has diversified their business into retailing, manufacturing, hotel, fast food, wholesaling, etc. According to the interviewee, the managing directors of both companies initiated the idea of entering JV business. Both the Thai and the Australian companies were able to choose from a number of partners. However the Australian partner preferred to enter JV with the Thai partner. The Thai partner also was looking for a company who could assist them in their construction of a hotel. Then, after seven months of negotiation, the agreement was signed in 1992. There is no limit to the duration of the JV business operation. The JV agreement is a twenty page document. The main issues cover the director's management responsibility, management decision making power and financial support. Expatriate managers get their salaries paid by the JV. Both Thai parent and the JV have a flat organisation whereas the Australian has a tall and formal organisation. There are 310 employees working in this JV. About 97% of them are Thais. The JV has total assets worth 580 Baht million, up from 150 Baht million at the beginning of its operation. The annual revenue is 424 Baht million. There are four members of the Board of Directors - two members from each side.

A comparison of characteristics of JV firms is shown in the following table 5-1.

Table 5-1
Characteristics of IJV firms in the case study

JV Company	Company A	Company B	Company C	Company D	Company E	Company F
Nature of Service	Construction	Leasing and Hire Purchase	Storage of Oil and Chemical	Exporting	Gas Distribution	Construction and Engineering
Length of Negotiation (months)	1/4	6	21	5	6	7
Agreement signed	1996	1978	1992	1994	1996	1992
Total Capital Investment (Baht Million) ***Start up: Now***	2,000:2,000	20:200	600:1,350	10:15	125:500	150:150
Equity (% Thai/Foreign)	25/75 (Foreign: 25:25:25)	51/49	51/49	51/49 (legal contract: 50/50)	51/49 (Foreign: 27:22)	51/49
Duration	10	Infinite	Unlimited	Unlimited	Unlimited	Infinite
Service Market	Domestic	Domestic	Domestic	Combination	Domestic	Combination
Total Assets (Baht Million) ***At founding: Now***	1,671:3,871	100:4,000	557:4,047	10:60	500:543	150:580
Revenues (Baht Million) ***First year: Recent year***	11:5,197	n.a.:350	3.3: 721	35:128	18:200	n.a.:424
No. of Employees	2,282	52	109	104	46	310

5.2 JV strategic objectives

Almost all the partners seem to have one main objective, i.e. profit. However, each partner has their extra objectives which may be different from their partner. The following are the views of some partners who share the same objectives with partners and also additional objectives that each would like to achieve from their JV:

> "Our main objective is business growth." (Quote MD company B, interview 4)

> "The leasing market in Japan has been saturating and competition among leasing companies in Japan becomes more and more severe and in order to get the more business opportunities, we decided to go abroad from Hong Kong, then move to Singapore, and then Thailand. When we pursue more growth or more profit, we need to go abroad to expand the market. In the case of Japanese companies like Panasonic or Sony, their parent companies are expecting an increased market share. But our Thai [JV] company, says is not selling goods or products which are manufactured by the parent company. We are not importing. So, expanding or increasing the market share is not our goal. Profitability is more important than sales or market share. Since the Thai economy has slumped after 1997, this results in a lower or negative profit of almost all firms in Thailand, so we are trying to sustain our joint venture business rather than focusing on profitability and business growth. We now have more time, so I want our salesperson to develop his knowledge of sales techniques in order to increase our future sales." (Quote executive director company B, interview 5)

> "We want to expand and diversify our new line of business so that we can reduce the risk of having new entrants. When our partner approached us directly, we decided to enter joint venture business with them in the hope that we can control the market by ourselves...stopping new entrants. As a result, we are the only company offering oil and chemical storage in this area. Profitability is our second objective. The first one concerns business expansion and control is more important. Our partner seems to have set their objectives on market share expansion and profitability." (Quote managing director company C, interview 6)

> "We set up the JV to target the market - the construction sector over the last five years when it had been very very busy. So, when we set up the joint venture we aimed to really grow the company and use the Thai joint venture as a base for the whole of Southeast Asia. We do a lot of export to Indonesia, Singapore, Myanmar, Laos, Cambodia, Vietnam, Taiwan and the Philippines. We export manufactured products - steel. We buy in some product and sell these along with our own munufactured goods. We provide the service too. The main objective is to grow and make money. Obviously, to expand the

market. Basically, really to bring the technology into Thailand, to develop the whole technology within Thailand and to develop the whole technology side in Thailand." (Quote MD company D, interview 7)

"The foreign partner would like to expand within the Asian market. They have a JV in Thailand and operations in The Philippines, Malaysia and Australia, as well as in any other country. The Thai partner wants to make a profit. They have many JVs [with other companies]. They want to have a building company [the foreign partner] to assist them in the development programme." (Quote senior manager company F, interview 10)

"We would like to make money and grow the business. Our objectives are quite similar to [our New Zealand partner]." (Quote assistant managing director company D, interview 19)

"The most important objective is to make money. The rest of our objectives include management skill, growth and business expansion, credibility, reputation and market access." (Quote former MD company C, interview 20)

Table 5-2 below gives the whole picture of JV partner's goals and objectives.

Table 5-2
JV companies' goals and objectives

JV Firm	**Goals and Objectives**			
	Thai partner's view point	***Foreign partner's view point***		
Company A	Profitability, fulfill the obligation to complete the project with client, gain experience and creditability	**Japanese Y** Profitability, experience of doing business with foreigner and creditability	**Japanese Z** Profitability	**German** Experience, profitability and establishing the relationship on a long-term basis
Company B	Business growth and profitability	Profitability		
Company C	Business expansion, control the market, know-how transfer and profitability	Profitability, credibility and reputation, growth and business expansion, management skill and market access		

JV Firm	Goals and Objectives		
	Thai partner's view point	*Foreign partner's view point*	
Company D	Market share, growth and profitability	Profitability, business growth, experience and market share	
Company E	Sales, profitability, experience to expand to other markets, technology transfer and air pollution reduction	**British** Profitability, sales, business growth and market expansion	**Belgian** Profitability, sales, critical size in the market, opportunity for future business
Company F	Profitability	Expand in the Asian market, profitability	

5.3 Reasons for entering JV

Almost all foreign partner firms have two common reasons for establishing business with Thais. These reasons are "Thai government connection" and "market access". Whilst almost all of the Thai partner firms in this research want to receive know-how from their foreign partners. The following are quotations obtained from interviewees highlighting their reasons for establishing JV in Thailand:

> "The Thai partner wanted to have an association with the international building and construction engineering companies which could assist in the construction of the hotel and other facilities for the [Thai partner family business group]...having a capital construction company and also building on the infrastructure...that was about to take place. While the foreign partner wants to facilitate rapid market entry and obtain expertise and tax, spread the risk and obtain know-how." (Quote senior manager company F, interview 10)

> "According to the Thai regulations we are unable to have a wholly-owned subsidiary in Thailand. So, this is one reason to establish a joint venture with a Thai partner. The second reason ......our policy is OK. [The Japanese partner] will provide the know-how or leasing. We need the cooperation or know-how to do business in certain countries. So, we have been... expanding our networks or joint venture business over the world. Mainly...mostly in the style of the JV. We will provide the leasing know-how and the joint venture partner will provide us...OK...the local knowledge of how to do marketing and how to grow the manpower, or how to administer the company in general as well as easing contacts with the government." (Quote executive director company B, interview 5)

"There will be more opportunity to win concessions if we enter joint business venture with our partner. Therefore, we eventually decided to be a joint venture partner. We also need "know-how" from our partner. Another reason for entering joint venture with our partner is because they are one of the biggest companies operating in the oil storage business. Because this project needs a large amount of investment, we really need a partner who has a strong financial background. Furthermore, our partner chose us because we have a good reputation and the strength to win the bidding and could also be a prospective customer too." (Quote managing director company C, interview 6)

"We are in the same sector of business [as the Thai partner]. We need [the Thai partner] to get into the Thai market quickly. Everything else we have done ourselves. Connection is very important. Also, we need [the Thai partner] to help us to connect with the Thai government and also [provide] finance - very important." (Quote MD company D, interview 7)

"We chose our Thai partner because they possess a good reputation. We can save a lot of time. [The Thai partner] can help use to get into the Thai market quickly. Also we want [the Thai partner] to ease us on taxation and government connection." (Quote former MD company C, interview 20)

The summary of reasons for both Thai and foreign partners entering joint business together is given in the table 5-3 below.

Table 5-3
Reasons for establishing JV

JV Firm	**Reasons for establishing joint venture**			
	Thai partner's view point	***Foreign partner's view point***		
Company A	Government requirement, strengthening competitiveness, know-how, spreading risk, technology, marketing skill	**Japanese Y** Spreading risk, cost reduction, Thai government connection, Taxation	**Japanese Z** Local information, Thai government connection, market access	**German** Obtaining local knowledge, strengthening competitiveness, marketing skill, spreading risk, market access, reputation
Company B	Obtaining know-how and expertise	Thai regulation, Thai government connection, local knowledge		

JV Firm	Reasons for establishing joint venture	
	Thai partner's view point	*Foreign partner's view point*
Company C	Know-how, financial resource, reputation, opportunity to win concession/bidding	Reputation, reducing time, rapid market entry, taxation, Thai government connection
Company D	Know-how, expertise	Government connection, market access, financial resource needed
Company E	Technology, reducing cost and marketing experience	**British and Belgian** Access to Thai markets, government connection
Company F	Know-how	Facilitating rapid market entry, obtaining expertise and tax, spreading risk, obtaining know-how

5.4 Bargaining power

The main indicators which could determine the bargaining power of each partner will now be explored. These include: existence of alternative choices for firms entering into IJV in Thailand; balance of resource contributions and the perceived strategic importance of the JV to the overall business of the parent. These factors can determine the bargaining power of a JV partner which, in turn, can influence their business negotiation and decision-making. The bargaining power of the Thai partner of company B is slightly higher than the foreign partner. The bargaining power of the foreign partners of companies D and F seems to be a little bit more than their Thai counterparts. Some partners' perceptions of the power used in negotiation is shown below.

> "The negotiating outcomes of bargaining power have shifted towards the Thai partner more than towards the farang [foreign] partner. Because the farang is doing business in Thailand, they are reluctant to go to court to take action

under the law. It (the legal process) takes so long, they must negotiate." (Quote senior manager company F, interview 10)

> "We have equal power...and maybe because we both contribute equally to this joint venture, we both respect one another." (Quote managing director company C, interview 6)

> "There is an imbalance in bargaining power between the Thai and New Zealand partners.." (Quote assistant managing director company D, interview 19)

In JV companies B and C, the top management body came from the foreign side to direct the companies. Then, over time, as the Thai partner learned and gained more experience, this top position was replaced by the Thai partner. The two current Thai managing directors of companies B and C used to work as deputy MD before taking the position of MD. However, the top management positions of companies D and F came from the foreign side and have remained unchanged since the start of the JV business operation. The description of management responsibility in the management group is given below.

> "Really, it is a very simple structure. A flat structure! Me as a [general] manager and then I have a finance manager who is Thai. I have [a Thai] production manager and then I have a sales manager. He is farang [expatriate]. I am also [the] marketing manager. So, there are four managers." (Quote MD company D, interview 7)

> "[A Thai] holds the position of managing director. My position is executive director. All important decisions of this company should be decided by two partners. Joint decisions by both parties are necessary. In principle, [the Thai MD] and I share the all kinds of management responsibility. But practically speaking, we are borrowing the money from a Japanese bank. So, it is better for me, [being] Japanese, to negotiate with the Japanese bank. For the personnel control, I do not speak Thai, so it is better for [the Thai] to manage. So, we do not share exactly. All decisions have to be taken jointly, [the Thai MD] and me." (Quote executive director company B, interview 5)

> "The joint venture agreement allows the managing director to have the sole right to make decisions. However, in practice, I pay them some respect by

> informing and asking their opinion before making a decision." (Quote managing director company C, interview 6)

Almost all the JV firms make decisions on the basis of consensus. Only the written contract of company C specifies the use of majority agreement but they never use this in practise. One Japanese partner of company B said that "We will discuss until every body agrees." Some more viewpoints of interviewees on management decision-making power are quoted below.

> "If there is an equal decision, the Chairman might make the decision. We use consensus not majority rule." (Quote MD company D, interview 7)
>
> "The Board normally make decisions by consensus. I have never seen a vote taken on anything." (Quote senior manager company F, interview 10)
>
> "We wrote in our agreement that we use the rule of majority in case we cannot agree on any issue. However, we never use it in practice. Most of time we all agree with each other. We have never had a problem regards making a decision." (Quote managing director company C, interview 6)

5.4.1 Equity structure

All the JV companies consist of one Thai and one foreign partner. The nationality of the foreign partners include Japanese (company B), Dutch (company C), New Zealander (company D), and Australian (company F). The Thai partners hold a 51% majority of shares whilst the foreign partners hold a 49% share. Generally speaking, all partners seem to have equal bargaining power. The percentage of equity held by each partner in the joint venture could be used as a source of power to influence the joint venture business operation. The discussions of some JV firms regarding equity structure are given below.

"We decided that originally the foreign partner wanted a higher percentage holding. At the end, it went fifty-fifty percent. .... The joint venture contract is 50%/50% but our legal contract is ... 51% Thai and 49% foreign. The 1% is held by our Thai lawyer. Basically, it works for us on 50%/50% structure. It is only messy when you get into trouble." (Quote MD company D, interview 7)

"The structure of our joint venture is 51%/49%. 51% Thai and 49% foreign. This is the requirement of the concession's owner." (Quote managing director company C, interview 6)

"Ownership structure was decided by what was allowed by law, 51%:49%." (Quote senior manager company F, interview 10)

"By Thai law, [The Japanese partner] has 49% and the Thai partner will share 51%. So, by the agreement we will not change this portion and we have several directors. Three from Japan and four from [the] Thai [side]. And...Amm...for the first 5 years...say...we will appoint a Japanese MD and after that if the Thai employees run enough [of the business] and they have enough knowledge to operate, then, we will transfer the management to the local Thai." (Quote executive director company B, interview 5)

All the joint venture firms have a Board of Directors arranged in proportion to JV share/equity structure. Normally, the Board of Directors will make the decision on any financial aspect that is outwith the responsibility of the MD/general manager. Any decision that is outwith the responsibility of the JV management team will be sent to the Board of Directors at their meeting. The Board of directors generally plan JV policy and control the JV management team's performance and set the longer term JV objectives.

"The parents are only involved in the Board of Directors. Six directors on the board. Three from Thai parent and three from the New Zealand parent. So, that represents the share structure 50%:50%. Any strategic decision...a big decision like finance and banking, is the responsibility of the Board of Directors. The Chairman of Board has always had a strong [influence]. Each year it changes. One year a Thai chairman. One year a New Zealand chairman." (Quote MD company D, interview 7)

5.4.1a Changes in equity structure

Some of the JVs mention that according to the contractual agreement, if one partner would like to sell their share of the business, they need to offer it to the other partner first.

> "If ...we the partner would like to change the business or sell the business, one partner must offer the other partner the share. That is what we wrote in the joint venture agreement. It has to be that way. You know when you grow a business over a period of time that is successful, you should offer it to your partner first. If the partner has no money...cannot afford - then just sell to others. Last year the amount of sales abroad was 35%. We may have changed to 50% this year." (Quote MD company D, interview 7)

5.4.2 Alternative choice

The existence of a choice of firms with which to enter into joint venture business, could be a source of power to that firm in negotiating the formation of joint venture business and subsequent management with their [prospective] partners. All partners of all the JV companies had alternative partners with which they could have entered JV business. However the foreign partners said that their recent Thai partners were the best choices for them at that time. Here are some comments regarding the choice available to partners when negotiating joint venture business with their partner:

> "We were just looking for one Thai company to do a joint venture business with. So, we had a short list of Thai companies that looked suitable. We approached a couple but we decided it wouldn't work. But when we approached [our Thai partner], we decided it would work." (Quote MD company D, interview 7)

> "The Thai partner had many choices [to enter JV business]. Maybe [they] made a wrong choice with [the Australian partner]. Our foreign partner talked to quite a number of companies. However the current Thai partner seems to be the best." (Quote senior manager company F, interview 10)

"We had quite a few choices to enter business with other Thai and foreign companies. We didn't consider other options e.g. wholly-owned subsidiaries or licensing -only JV." (Quote former MD company C, interview 20)

"Our partner approached us to enter the JV and we thought that it would be possible to make profit. So, we went through the bidding process with our partner and we won the project from the Thai government." (Quote managing director company C, interview 6)

5.4.3 Resource contributions

Resource contributions are another source of power, potentially leading to a better bargaining position. Almost all of the foreign partners have provided a major contribution of know-how, marketing skill and marketing service. All the Thai partners provide non-technical personnel and the local knowledge needed by the foreign partners. Both Thai and foreign partners contribute management expertise and technical personnel to their JV companies. Generally, all Thai and foreign partners seem to contribute the resource needed by their JVs, equally. The following show the resource contribution that each partner provides to their joint venture firm:

"When we set it up, we structured the joint venture so that both parties supply equal amounts of money to the equity. With the equity, we paid for the machinery that we supplied from New Zealand. The foreign partner would provide advice and their trademark - tradename. Know-how and technology were also supplied by the New Zealand side. Management expertise was also supplied from the New Zealand partner. Technical personnel were supplied by the New Zealand partner. Non-technical personnel were obviously supplied by the Thai partner. Marketing became a joint responsibility between the New Zealand and Thai sides. The marketing service was really started off from the New Zealand side. There was perfect growth and the company started using the Thai side more and more to deal with marketing. Marketing in Myanmar - using the foreign side and also some of the contracts in the market place. When we started, the joint venture was probably 90% from the New Zealand side and 10% from Thais for resources. And then as the company grew, the Thai side developed more experience. Therefore, now the New Zealand partner doesn't play an equal role because the joint venture runs itself." (Quote MD company D, interview 7)

"Both partners in the joint venture put up both tangible and intangible resources. Tangible is basically money. Intangible resources from the Thai point of view would be knowledge and access to people and bank. That would be about it. From the Australian viewpoint...management expertise, technology and know-how transfer. That would be about it." (Quote senior manager company F, interview 10)

"We provide funds while the Japanese partner contributes the know-how regarding leasing." (Quote MD company B, interview 4)

"[The Japanese partner] provides the know-how of leasing and knowledge of leasing structure and leasing business, e.g. accounting. Everything about leasing. We are still transferring the know-how up to now. It is our major resource contribution. At the beginning this is a [JV] company that does not have any credit. So, this is just a start-up company and no bank would lend the money because they do not have any credit record - trust record. The new company, new joint venture has to borrow money from [the] parent company or from the bank with the guarantee of the parent company. But after a period of business, if the joint venture is profitable, they have a net worth. Then the joint venture no longer needs any financial support from the parent company." (Quote executive director company B, interview 5)

"We both contribute financial resources and expertise. Financial contribution is our main concern in this joint venture business. We also support the aspects of government connection regards licensing and work permit whilst our partner is responsible for technical construction and insurance. Our partner also contributes know-how for business operation and successfully provides the marketing service. They have been operating the same kind of business for many years so they have lots of experience and knowledge. At the beginning of the joint venture, the managing director, the terminal manager, the project manager, and the construction manager came from the foreign side. Now, we have only one expatriate, the deputy managing director, that comes from the foreign side." (Quote managing director company C, interview 6)

"We contribute money and local knowledge whilst our foreign partner provides technology and marketing skills." (Quote assurance manager company D, interview 18)

"We contribute technology, technical personnel and know-how. Also, we provide a marketing service and knowledge management. Our Thai partner provides local knowledge and information, non-technical personnel, money and management expertise." (Quote former MD company C, interview 20)

The overview of bargaining power, as it relates to respective stakes in the JV company (i.e. the perceived strategic importance of the joint venture to the overall business of a parent), partner's resource contribution, alternative choice of JV partner and overall bargaining power can be seen in table 5-4 below.

Table 5-4
Bargaining power of the JV partners (company B, C, D, F)

	Company B		**Company C**		**Company D**		**Company F**	
Partner's nationality	*Thai*	*Japanese*	*Thai*	*Dutch*	*Thai*	*New Zealander*	*Thai*	*Australian*
Strategic importance (stake)	pretty high	moderate	pretty high	pretty high	pretty high	high	moderate	pretty high
Alternative choice	moderate	moderate	moderate	moderate	high	high	high	high
Resource contribution								
Know-how	low	high	low	high	low	high	low	high
Technology	---	---	---	---	no	high	low	high
Trademark	---	---	---	---	---	yes	---	---
Management expertise	moderate	high	high	high	low	high	moderate	high
Technical personnel	n.a.	n.a.	moderate	high	low	high	low	high
Non-technical personnel	high	low	high	low	high	low	high	low
Marketing skill	low	high	---	---	high	high	---	---
Marketing service	moderate	high	moderate	high	moderate	high	---	---
Local knowledge	high	low	high	low	high	low	high	low
Government connection	high	low	high	low	high	low	high	low
Equity	approx. equal	approx. equal	approx. equal	approx. equal	equal	equal	approx. equal	approx. equal
Overall bargaining power	high	pretty high	high balance	high	moderate/ high	high	pretty high	high

5.5 Trust

Trust seems to be one of the most important characteristics required by all partners in order to successfully operate joint venture business together. Trust between the partners of company D was very low at the beginning of the JV operation. Over time as the relationships developed and the outcome of JV business showed a high performance, trust increased to a higher level. Trust between the partners of companies B and C was moderate at the beginning of their JV business because of the lack of past experience together. However, trust increased dramatically as the business grew and the relationship become well developed. Presently, there is a high level of trust between the partners (company B and C). Trust between the partners of company F was very good at the beginning of the JV. Over time it has developed badly because of cultural misunderstanding and the low performance of the JV. However, both partners still hope to develop trust again because they realise that it would be a good opportunity for their future business performance.

5.5.1 The importance of trust

The concept of trust seems to be a critical factor for the Thai partner of the JV business operation and negotiation. However, some foreign partners seem to put more emphasis on the JV contract rather than operating their business on the basis of trust. The following are some viewpoints regarding the issue of trust:

> "I don't think the contractual [agreement] has much strength at all. That is [the case for] most agreements in Thailand. It depends on people's integrity, honesty and trust. However, the foreign partner may have difficulty accepting this. The Thai partner says *'Mai Phen Rai'* (no problem). The general manager of the joint venture is an expatriate and the finance manager is Thai, appointed by the Thai partner. So, control of the money and the accounting

process is watched firmly by the Thai partner." (Quote senior manager company F, interview 10)

"We had never worked with our partner before forming this joint venture. But they do believe that they could trust us and let Thais sit on the top management position after 6 years of joint venture operation together. This concept was offered by our partner at the beginning of the joint venture formation process." (Quote managing director company C, interview 6)

5.5.2 Developing trust between partners

Trust between partners has been developed over time. It is difficult for partners to trust each other at the beginning if they have never known each other, nor had a business experience together. But once they understand and trust each other without behaving opportunistically, their confrontation seems to disappear. Some companies even trust their partner right from the beginning because of past business experience or relationships. However, trust between partners could develop in both forward and backward directions. The interviewees' comments on the development of trust are given below.

"But I also think that when we negotiated, the management was supplied by the New Zealand [side]. [It] took a long time for [the] Thai partner to trust the New Zealand management. So, there was a lot of negotiation. Once it was finalized, it worked well, because of trust." (Quote MD company D, interview 7)

"It [the level of trust between JV partners] is very good now. When we first set up, there was not much trust at all. But now we have been going six years and it [the company] made a profit every year, so now there is a lot more trust on both sides." (Quote MD company D, interview 7)

"There was a high level of trust originally. I think it is probably OK now but maybe a little bit less. Maybe a little bit because of the economic crisis." (Quote senior manager company F, interview 10)

"The level of trust [is] very high at the moment. If the management in the joint venture don't perform then the trust level changes dramatically. So, if the management underperform the two partners will have problems negotiating trust." (Quote MD company D, interview 7)

"I believe twenty years ago, the bank had not yet been internationalized. So, I believe that [the Thai partner] is the only internationalized company [within leasing sector] and the Thai economy has now become internationalized. This has raised the rating of Thais themselves and [the] IFC has been getting better. So, our trust is increasing." (Quote executive director company B, interview 5)

"We have trusted our partner since we started negotiating joint venture business together due to their reputation and attitude. They never tried to take advantage or trick us when we were forming the joint venture agreement. And we believe we need each other to perform this joint venture successfully. Trust between us has now been increased dramatically." (Quote managing director company C, interview 6)

"As we got to know more about [them], it was a lot easier to negotiate with them. And probably took less time because, if we try to change or negotiate things, we know how they will behave/react. We know what [the Thai partner] wants. It works more easily now. Because of ...the relationships...we have worked together for nearly six years now, trust increases dramatically." (Quote MD company D, interview 7)

"When we set up the JV, there was a strong lack of trust between both parties. We didn't know each other. There was quite a high risk, probably on both sides. But that changed over the years because we realised that both parties contribute to JV firm. It works very well." (Quote MD company D, interview 7)

"Currently, there is a high level of trust between the Thai and New Zealand partners." (Quote assurance manager company D, interview 18)

"Trust between us and the New Zealand partner increases over time. We trust them more after working together for nearly six years. One reason is because both of us try to adapt to each other' way of doing business. Without trust, it seems difficult for our business to grow." (Quote assistant managing director company D, interview 19)

5.5.3 Individual vs. organisational trust

Many interviewees refer to the importance of trust at the individual level. It takes time to build trust if an individual leaves the JV. Some of them even say they cannot trust the organisation, but rather the individual. In Thailand, individual trust relationship seems to play a significant role. However, a few partners interviewed during this research, both Thai and also Westerners, still believe that trust between partners should be applied to the organisation rather than the individual. Here are the observations of interviewees on individual and organisational trust.

> "I think right now there is a lot more trust for the individual. Now just say for instance, I leave...I go somewhere else...and the New Zealand partner brings in a new [general] manager. It will take sometime for that New Zealand manager to develop trust from [the Thai partner]. [the Thai partner] trusts me. Bring in a new manager and they may not trust him. And also we had a problem when I employed the Thai manager. They [The Thai partner] said the Thai employee was not trustworthy. It doesn't matter whether they are farang [foreigner] or Thais. If the top management at [the Thai partner] ...trust the right people, it doesn't matter who he is, then you get a good relationship. If they don't trust you, then that makes it harder. At the moment, I don't negotiate with anyone else ... but [the] managing director or owner of [the Thai partner firm] and another guy, Vithun, who sits on the Board of Directors [representing the Thai partner firm]. Apart from that, we don't work that close to [the Thai partner firm]. We try to keep it very simple for joint venture. And the same with the New Zealand side, I only talk to the director and owner." (Quote MD company D, interview 7)

> "A lot of trust depends on [the] individual. That is there. The farang [foreign partner] has said maybe four or five managers. You can trust only the individual. You cannot trust [the] organization. Because it is made up of individual shareholders and individual managers. Even though the shareholding in the farang company [foreign partner] is owned by the company, it is represented by director and managers. So, you need to trust the individual." (Quote senior manager company F, interview 10)

> "In my viewpoint, the president of [the JV] may be changed in next several years. So, trust is more on the organization." (Quote executive director company B, interview 5)

5.5.4 Past experience

Having past experience of partners before establishing the JV tends to help the partnering firms to understand each other's way of doing business more quickly and also to reinforce trust between them. As a result, they can decide to enter joint business without much problem or disagreement. They also tend to spend less time negotiating their business. The following demonstrates the experiences of partnering firms before they entered joint venture business together:

> "The [foreign partner] company didn't have experience [of doing business with Thai firms before the joint venture firm was created] but I have some experience. The [foreign partner] company has had international joint venture experience in America, Australia and Europe. But the businesses are not in the same line [of business as] we do here. Different line of business." (Quote MD company D, interview 7)

> "The [foreign partner's] staff from Australia and Germany wanted to build a significant business here with assistance from [the Thai partner] but has been unable to do so. This foreign company has never done business with any other Thai company before. It was their first time doing business in Thailand but they have been in Canada, Africa, Australia, [The] Philippines, Malaysia and many other countries. The partner hasn't achieved their objectives and goals in any way at all." (Quote senior manager company F, interview 10)

5.5.5 Reputation

Firms who have never had a past business relationship with one another normally try to choose and trust the prospective partners through business reputation. None of the partners of the JV companies had ever had past business experience with each other before; they relied on the company's reputation to choose and trust their partners.

> "So, if we cannot trust each other, it may be very difficult to discuss. They don't believe us, we don't believe them. So, it is very difficult. So, [the Japanese partner] relies on the IFC (Industrial Finance Corporation). [The Thai partner] relies on the IFC. So, through the IFC, we can rely on each other from the beginning. As long as the IFC introduces us, the [Thai] partner should be good. We have not had past business experience with [a Thai partner]. But we found a company with a good reputation." (Quote executive director company B, interview 5)

5.6 Culture

Many interviewees commented upon the need for understanding ways of doing business with their partners. They reasoned that understanding will help them to solve conflict more easily. Some argued that cultural similarity can help them to reduce negotiating time. However, a few of them said that although culture plays a very important part in JV business operation, it is not a major factor influencing the success or failure of the joint venture. Also, they said that it does not influence their partner's negotiation behaviour. One foreign partner commented that the Thai owner made a decision to complete the deal after he had eyeballed with the foreign partner and could see that he could trust them. Their arguments on the aspect of culture are as follows:

> "They were concerned about negotiation with regards to differences in culture and style. But I think by employing some people who understood the cultural differences, the negotiation was a lot easier to solve." (Quote MD company D, interview 7)

> "I mean it was the culture that was very dissimilar. So, it was important to have someone involved...to understand both sides...have experiences. This is vital." (Quote MD company D, interview 7)

> "There were differences in the way both companies negotiated. A lack of understanding of the Thai way of doing business. It is probably more legalistic to establish a joint venture with a comparable culture. If you have an Australian joint venture with an Australian company, it is just a matter of putting together a document and you hold on to the document to refer to. Here you have a joint venture document and you put it in a drawer and you forget about it and then you progress on personal basis." (Quote senior manager company F, interview 10)

> "Our foreign partner has tried to learn and adapt to the Thai culture quite well." (Quote assurance manager company D, interview 18)

> "In Asia, we [as an] Asian people have been sharing a very similar culture - same religion - and we believe we can better understand their culture and the people - compared with Western people. And when Western people come to the Asian market, there will be some culture barrier." (Quote executive director company B, interview 5)

"The more we understand the partner, the shorter the negotiation time we spend. It is easier for us to make a joint venture with an Asian company who shares the same/similar culture. It may be more difficult, say, to have a joint venture with, for example, Indian people or some Islamic people. Ways of thinking may be different. But our [Japanese] corporation has joint ventures with some Islamic partners like Pakistanis, Indonesian or Egyptian [partners] and also we have a joint venture with India. The managing directors of the Indian and Pakistani [JV] companies are very good. And they are educated in England and they have, say, an international sense of business. So, they are much more capable than us. They have a broad vision." (Quote executive director company B, interview 5)

"I negotiated with...another Thai guy...not Dr.....There was only one guy [from the Thai side] who negotiated and in the end...can't remember the guy's name...Hmm...but in the end the final deal was when our New Zealand managing director met the Thai managing director to agree the deal. Basically, he wanted the eyeball. He is a Chinese-Thai. He wanted to look at the New Zealand partner and see whether he liked him or not. That is Chinese-Thai style. [This style is] good because really a lot of people can read [see through] people in [a face-to-face] meeting. You can read someone's face and you can decide whether you trust them or not. According to the Thai and Chinese style ...you talk...always meeting with someone...really you gonna do business with them. You have to see them yourself to decide whether you can trust them. I means...I suppose...bargaining in this style is really more discussion in our negotiation. So, both partners need to work together. So, when they have problems ahead...they solve together." (Quote MD company D, interview 7)

One foreign parent firm chose a person who has a lot of experience of Thai culture to work as the MD in their joint venture firm, in order to minimize any problems that might arise due to the cultural clash during joint venture negotiation and operation.

"There were some problems when we were negotiating and really it was ... distinct from culture- the owners rather than...Amm...The management was OK. The [Thai] owners set up problems for a while, but they solved them. Often Western management hit back while Asian or Thais don't hit back. [Thais] sort of go around. You [Thais] work to solve it. The New Zealanders management is...this is what we want...take it or leave it. I have a lot of experiences in Thailand so they used me to make sure that they didn't cause problems with the Thai partner. (Quote MD company D, interview 7)

5.6.1 Individualism vs. collectivism: Perception regards JV contractual agreement

A majority of JV partners are satisfied with their JV agreement. Most of the Thai partners commented that an agreement should be flexible. Foreign partners should learn to be more flexible in Thailand. Foreign partners seem to perceive the JV agreement as a rulebook that they should refer to when they have problems. However, one MD of company C suggested that "It is very important for the JV firm to think ahead about future problems that might occur and then write an agreement to cover as much detail as they can." Additional points of view of interviewees regarding their perception of JV agreement are quoted as follows:

> "Oh!! I think the [JV] contract is pretty strong because it [is] done by law. But it was a very simple agreement. So, you know!! The contractual agreement becomes important when the partner disagree with each other. When you don't fight, it is not necessary." (Quote MD company D, interview 7)

> "The foreign partner was satisfied with the negotiation outcome. Yes, initially. Outcomes were generally OK. with negotiation on an ongoing basis." (Quote senior manager company F, interview 10)

> "So, not only in Asian countries, but even in Japan, the written contract does not make sense. Their understanding stays behind the lines - border. So, if an issue occurs which is not written into the agreement, you can support each other. It is different from American or European [in which] the joint venture agreement is fixed. [The] joint venture agreement in this [JV] company is very thin. If the problems arise and the agreement did not [spell out] what to do or how to solve problems, we just sit and talk together and we also allow some more flexibility to renegotiate agreements than [in] the West." (Quote executive director company B, interview 5)

> "We tried to write our agreement fairly. No partner can take advantage over another. To be able to achieve a successful joint venture agreement, one should specify the aspects of written agreement in as much detail as they can. They need to think ahead as regards what major problems could happen in the future, then mention the ways to solve these problems. Our joint venture contract was written in detail. We are satisfied with both the joint venture agreement and the joint venture operation so far. We also feel that this joint

> venture agreement provides lots of benefit to Thai partner." (Quote managing director company C, interview 6)

5.6.2 Individualism vs. collectivism: Staff recruitment and promotion

Most general staff in the JV firm were recruited in Thailand. Expert and technical personnel will come from both sides. Many Thai partners complained that it is so expensive to keep expatriates here. So, they send them back as soon as their work is completed. Regarding the process of promoting employees, there are apparent differences of approach between Thai and Foreign companies. Most Westerners want to promote employees on the basis of performance and capability. However, Thai and Japanese seem to share the same logic. They promote not only on the basis of performance but also seniority. The opinion of interviewees regarding recruitment and promotional strategy is quoted below.

> "Usually both-if I am looking for management people. I will work with Thai staff. We both interview [the] person involved. For general staff, I usually let my Thai people choose. But I obviously have the same remuneration package - how to pay the salary and so on." (Quote MD company D, interview 7)

> "The company has recently downsized. Previously, specialist technical people probably came from Australia; estimators and quality surveyers and commercial people. They taught the local people here." (Quote senior manager company F, interview 10)

> "We promote people on performance and seniority. Mainly on performance. We only promote once in any financial year and then have a discussion between supervisers and managers. We get together and they advise me who they think should be promoted or not promoted. We have a meeting and discuss together." (Quote MD company D, interview 7)

> "Basically promotion is based on performance, performance related. A person should not be promoted because they are more senior than another person. It has to be performance related. Otherwise why should they bother to have a joint venture. The joint venture has to make money, it is not a government organisation." (Quote senior manager company F, interview 10)

"We recruit our staff according to the capability and appropriate qualification for work. In general, we prefer to recruit a person who has an undergraduate degree. We promote employees on performance basis as well as seniority." (Quote executive director company B, interview 5)

"Most Thai firms tend to promote and recruit employees according to their performance, level of education and seniority. However, when we want to promote our employees, we also evaluate their competency and behaviour at the same time." (Quote managing director company C, interview 6)

5.6.3 Cultural difference in negotiation style

Each nation seems to have their own negotiation style. If they only behave and do according to their mind set, without studying their partner's behaviour and style, this could lead to problems by misinterpreting the meaning of behaviour and style of expression during the negotiation process. From the Thai interviewees' viewpoint, generally, Western partners seem to have an aggressive, attacking and confrontational style of negotiation. They also need a quick decision and are very demanding. However, some Western interviewees commented that Thais hardly give a straight answer and work slowly on their decision-making process. The following is the opinion of interviewees on the style of negotiation:

"Like...Hmm...the New Zealand partner's [negotiation style] was very strong, very confrontational. So, when they would demand something, they expect an answer then....where [the] Thai side never gives a straight answer. They would say "yes" or "no". Yes could mean no. I think in the end you have a gut feeling...you know...so, I mean...Amm...the New Zealand's head had to tell the New Zealand side not to be so confrontational. To relax a bit more...be a bit more polite...just be open to a little change that may affect joint venture so. But then in the end...we set up a very simple JV. So, there really weren't many problems." (Quote MD company D, interview 7)

"The negotiating style of the Australians are much more they want to make a decision quickly. They want it now. Here are the facts...make a decision. The Thai way of operating is much slower. They want to know not only what the facts are, but they want to know why, they want to think about it, they don't want to make a decision straight away. This is the Thai way of doing businesses. It is a business that is done by consensus. To get a straight answer, they need a non-confrontational society. This is perhaps difficult for the farang [foreign partner] to understand. They try to adapt to Thai ways of doing business but it is difficult for them because they have a mindset that has a different logic. The joint venture has a foreign general manager and a Thai deputy general manager. So, the Thai and the farang maybe use some cross cultural movement. They expected their partner to adapt to the same negotiating style, but came to realize that it would not happen." (Quote senior manager company F, interview 10)

The table 5-5 below summarises the negotiation style of JV partners.

Table 5-5

The style of negotiation (company B, C, D, F)

Country	The style of negotiation
Thai	Gentle, polite, defensive, no straight answer, work slowly on decision-making
Australian and New Zealander	Strong, confrontational, demanding, need a quick decision
Japanese	Gentle

5.6.4 Cultural difference in managerial style

To better understand the influence of cultural differences in bargaining style, one should learn more about the business management system and managerial style of the partners. In this study, the foreign partners generally need the Thai partners in order to ease the way with the government through their local partner's good connections. Also, Thai and Japanese partners tend to realize the importance of socialization to business management. There are some different ways of thinking regarding profit management. One Thai partner needs to get a dividend whilst the Japanese partner wants joint venture profit for further investment. The following are interviewees descriptions of business management and managerial style:

"So, the bottom line is that the parent company is expecting the Thai company to contribute to the consolidated financial statement of the company. That means they are expecting higher profit - net income from the joint venture. They are expecting a higher profit but they don't expect a higher dividend. That means instead of paying the dividend, say, they want the Thai company to retain the profit in the company." (Quote executive director company B, interview 5)

"The Japanese partner seems not to care much about dividend payment. We hope that we can get a dividend payment every year. We are very happy to put in more of our financial resources to expand the joint venture business whenever our Japanese want to and if it is reasonable. However, we need to get a dividend paid every year. So, we still have a little bit of a problem with them on this issue. However, we have already solved this problem now. We are responsible for the credit marketing and our Japanese partner contributes funding and takes care of our Japanese customers. We have the authority to allow credit to customers but with a limitation of 40 Baht million maximum. If more than this is required, we need to have approval from the board of directors. We need to co-sign/agree together for any of our important business transaction." (Quote MD company B, interview 4)

"Our strategy to operate overseas joint venture is, if we find a good person to manage the company,...Amm...we will appoint him as [the] MD. We are not insisting in keeping the position of the president of the joint venture. But some Japanese companies want control...conservative...the Japanese have to control the subsidiaries. So, we believe the native person in that country knows better than us - better than [the] Japanese. So, if we can rely on them, there is no reason to keep [the] Japanese management. If he could be trusted enough, let him do it. Yes...so, we have already transferred the presidency in Singapore, Pakistan, Sri Lanka, Thailand, Malaysia, Korea, and Brasil. .... We still send a Japanese representative but the MD or president's positions are held by native people." (Quote executive director company B, interview 5)

"The American way, they would like to write down the manual or international regulations. It is written in detail. But in Thai way, they don't like to write down the details. The American or Western people want to write or stipulate the details and say they want to form these regulations into the agreement. But...and...Amm...they have the organisation chart and when we see that organisation chart, it shows who is the boss ...and who is reporting to whom, who has authority, it is very clear. In Thai company, it is vague. I counted down who is reporting to whom or who has what authority in this joint venture at the level lower than me and Thai managing director." (Quote executive director company B, interview 5)

5.7 Nogotiation behaviour

Most partners of companies B, C and D tend to cooperate and help each other, rather than trying to disagree or compete with one another and create problems, because they all have the same objective of a successful JV. Compromising strategy was used at times by all partners when they had conflicts or differences of opinion and decisions could not be reached or agreed by all members.

5.7.1 Problem solving approach

When problems arise, each partner seems willing to help each other to solve those problems from apparently deadlock situations. One Thai partner used his reputation and connection to help the foreign partner to borrow money from the Thai bank. Although it is unavoidable for a partner from a different culture and country to disagree on business management and decision-making, most partners try to talk and discuss openly when conflicts or problems arise. The following are some examples where partners try to help each other and cooperate:

> "And they [JV partners] believe whichever partner has more experience on their side, uses their experience to ease the problems. For example, the New Zealand partner was not able to borrow money from the Thai bank in Thailand but with assistance from the Thai partner they could borrow the money. The Thai partner provided the guarantee and the New Zealand partner need to repay the debt and provide guarantee. That little thing helped us a lot." (Quote MD company D, interview 7)

> "Generally, they try to create harmony during the negotiation process. There isn't any knock-down, drag out. I had one major issue when we negotiated with the [Thai owner] over some outstanding financial matter. It took maybe three months of ongoing negotiation to [reach a] result and in the end we agreed to split it down in the middle; 50%:50%." (Quote senior manager company F, interview 10)

"We tend to be cooperative with our partner. We also try to avoid conflicts that might arise with our partner as much as we can." (Quote assurance manager company D, interview 18)

"We don't have any big problems. Because first, our president is not appointed by our [Thai] partner. He has been working for a long time and he has grown the company. So, he [does] not represent the Thai partner. He represents this company. So, there is not any problem. So, he wants to, and I wants to, reach profitability and we are expecting the growth of this company. So, there is no problem. Our methods of achieving our objectives are similar." (Quote executive director company B, interview 5)

"Our partner tends to be very helpful and cooperative. We have been working very close to each other. When we have a difficult problem which needs to be solved, I will inform to Thai shareholder whilst our foreign partner reports to the foreign share holder. Then we discuss and try to solve it cooperatively. Our partner gives us a lot of respect." (Quote managing director company C, interview 6)

5.7.2 Compromising

Although some partners do have power to exercise, they don't necessarily try to use it and they tend to compromise and learn to understand their partner's needs. One foreign partner tried to signal to their partner when compromising in order to get something in return later. The following is the view of partners who implement the compromising strategy:

"I mean when you [are] negotiating a joint venture, it is really important for both sides to work with each other. Because otherwise it is such a waste of time. Starting a joint venture so, it has to be a win-win situation on both sides. Take and give...has to be take and give...for example, if I say the foreign partner wants a sixty percent share holding. We simply learned that the Thai partner would need to ask for the same. So, it had to be...they realize we only get 50% share holding. So, 50% is better than nothing. Because the New Zealand partner could walk away and say 'no, I would find another Thai partner'. But it wasn't the case. You know...you have to...when two different partners meet each other, they will...they try to find out. So, you must test the partner to see whether they accept it or not. If they don't you need to try another way to negotiate." (Quote MD company D, interview 7)

"At this stage many foreign companies will come to Thailand. So, the Thai partner do not need to compromise because they have a lot of companies coming all the time. Many many. So, in the end the New Zealand partner probably has to compromise." (Quote MD company D, interview 7)

"It might be [a] different [story if the New Zealand partner is the same size or bigger than the Thai partner]. It might be a lot different if the Thai side wants something from the foreign side. Like...for example...McDonalds...the Thai McDonalds partner...would probably...have to compromise with the demands of the foreign owner. McDonalds, which has such a very strong worldwide company. For example, [if] General Motors or Ford [were to] come to Thailand, the Thai partner [would] have to compromise a lot I think. When you are a small company, and you come to Thailand, then you have to work closely with your Thai partner." (Quote MD company D, interview 7)

"We have exchanged our opinion freely in the Board meeting and, of course, there is a point [which] we cannot accept anymore. But in other points we can be open about other points. So, for example, the Thai [side] has a majority in the number of directors, by the number of the share[holding]. So, if there is a conflict between [the] two partners, [then] if the Thai partner says [he] wants to do it, then, [he can] go ahead without Japan. They can do it but they did not. They respect the relationship. So, the style is that if there [are] the differences in the opinion, continue discussing until we understand each other. For example, in 1995 this company has a Thai partner [who] wanted to list the company in the Thai stock exchange but the Japanese did not want it. No need. But finally we compromised. OK. We are prepared to be realistic. Unfortunately, the Thai economy is not good. So we postponed that plan. The strategy we implement is not win-win, not give and take, no. It is cooperative and says discuss until understanding is reached." (Quote executive director company B, interview 5)

"The style of negotiation of our foreign partner tends to be more aggressive and tough than us. We try to compromise where possible. When our partner would like to compromise, they will try to signal to us that this is a difficult thing for them to do, but they will do so that later they can get something in return. It is a take and give strategy they use." (Quote managing director company C, interview 6)

"We prefer to compromise with the New Zealand partner and try to avoid conflict with them as much as we can." (Quote assistant managing director company D, interview 19)

5.8 JV performance (outcome)

The main concern in establishing a joint venture business between Thai and foreign partners is performance. Although there are many aspects involved in JV performance, this research will be limited to the exploration of three aspects, namely; JV satisfaction, JV achievement of objectives set and JV partner's relationships. In general, the interviewees who participated in this research seem to be happy with the results of their joint venture business operation. Only a minority seem to be less than pleased.

5.8.1 Satisfaction

The following quotations highlight the comments of interviewees as regards their satisfaction in joint venture firm performance. A majority of interviewees in this research have been satisfied with their joint venture overall performance. They also understand the implications of the Asian economic crisis where this has resulted in the JVs performing less well than expected. But they still hope that the situation will improve soon and they will be ready to benefit from that profitable opportunity again. However, a few partnering firms feel dissatisfied with their joint venture performance. They commented that the joint venture should have performed better than this. They need a better result.

> "I think in the end it was a good outcome. Both partners satisfied. Initially the Thai partner thought...realized...it would be a bigger investment. But when we finally did the deal, it was quite a small investment for them which...I think they are very happy, at the end, because it was very easy for them. ,They provide us [with] an investment - money - and really as long as there was a profit, they are very happy." (Quote MD company D, interview 7)

> "Oh...Yes, it has been a very good JV. But it [is]...the way we set it up that makes us successful. Very important – [the] initial structure. And the main factor [is that the JV business] should be totally stand alone because then each partner cannot accuse the other one of doing something [wrong]. You know!! It has been very successful." (Quote MD company D, interview 7)

"No, the company has been unable to penetrate the local market and therefore the overall joint venture performance has suffered. It has made losses and run up large debts which are the responsibility of the [foreign] partner." (Quote senior manager company F, interview 10)

"I am satisfied with the overall joint venture performance. However, our Japanese partner is not satisfied with our service marketing. But we cannot expect a lot of profit in the situation of economic crisis like this. We both know. So, we just need to keep our business going and hopefully when the economic situation becomes better, we can regain our position and remain number one in the leasing business as well as making a lot of profit as we used to." (Quote MD company B, interview 4)

"We are satisfied with the overall JV performance." (Quote assurance manager company D, interview 18)

"I think that the JV performs quite well. I am satisfied with the financial performance and also the overall performance." (Quote former MD company C, interview 20)

5.8.2 Achievement of JV objectives

In addition to the comments regarding JV satisfaction, some interviewees also evaluated their JV outcome in connection with the achievement of their objectives. The main concern of the JV partners in terms of objective achievement seems to be profit. Most JV firms are still able to make good profit, although they earn less than they did a few years ago, due to the economic downturn. However, a few partners are not satisfied with the profit the JV firm achieved. They demand more. One of the Thai firms feels disappointed with the profit they achieved, they expected their foreign partner to perform better. Another Thai firm even said that they probably made the wrong choice in establishing JV with their foreign partner.

Other main objectives, apart from profit, seem to be achieved successfully. Know-how has been transferred successfully to the Thai partners of almost all the JV companies. Market access and business growth look promising. However, partners of company E seem not to have achieved any of their objectives, apart from know-how transfer. The following highlights the remarks of interviewees regarding their objective achievement:

> "The economic downturn in Thailand has caused the company to go into decline for the last two and a half years. The company has not made a profit for five years. The foreign partner believed they could make a profit in the early days but they were unable to. Basically, the strategic objective has not been met for either parties. So, the whole joint venture has been rethought at this stage because of the lack of profitability and the lack of [the] foreign partners ability to access the market here. So, I think that has been a problem. Maybe [we] made [the] wrong choice with the [foreign partner]." (Quote senior manager company F, interview 10)

> "Our partner has achieved their objective after our success. The many Thai commercial banks made a leasing joint venture with other foreign companies and the number of the leasing companies has been increasing and the leasing industry in Thailand has been growing. So, [our Thai partner] succeeded [in] develop[ing] the market. We [are] the largest company in Thailand so far and we [were] profitable until 1997. And we have been paying dividends. So, it does seem that [the Thai partner] has achieved their objectives - development of the new industry - and they received the return - dividend. We profited from our operation but we lost from the foreign exchange. So, I am not satisfied with the profit we got... No, I don't think so. We are the fastest leasing company. We have been do[ing] the business [for] more than 16, 17 or 18 years. And [our Japanese parent was] expecting more growth that [they] achieved. So, it should be better." (Quote executive director company B, interview 5)

> "We are satisfied with almost all the results of our objective achievement. Know-how has been transferred successfully from our partner. And now we can manage the joint venture more efficiently. However, we earn less profit than we have planned and owe more to our foreign creditor as a result of the economic crisis and volatility of currency exchange in Thailand. Our foreign partner seems not to be satisfied with this achievement but they understand the effect of this crisis quite well." (Quote managing director company C, interview 6)

> "We are happy with the profit we [have] achieved. We also achieve cost reductions, business growth, creditability, as well as gaining more market share and experience." (Quote assurance manager company D, interview 18)

> "We have [made]a great achievement on business growth and expansion as well as credibility and reputation. Profitability and the management skills we

[have] received so far are quite good. However, market access is just moderate." (Quote former MD company C, interview 20)

5.8.3 Business relationship

Joint venture partners try to develop their relationship through a variety of social activities, i.e. sharing a meal, playing golf. Many of them have recognised the importance of relationship building with respect to their business operation. Almost all of the partners are very happy with their inter-partner relationships. Only company F has a worse business relationship, the result of the JV's low performance, due to the economic debacle in Thailand. However, a few partners don't consider the business relationship as important and don't see that they should develop a relationship with partners. According to their view, only business matters count during their JV business negotiation and operation. Here is the expression of some partners on relationship building:

> "I have a good personal relationship with the New Zealand partner. I probably don't have as strong a relationship as the Thai partner. But then at the firm level, we probably both have an equal relationship." (Quote MD company D, interview 7)
>
> "The relationships [between partners] change completely (100%) because you work with your partner over the years. It's taken time to do that. You can't do that at the beginning. I've been JV with another company before (for a different business) and it was horrible but this one [is] very successful." (Quote MD company D, interview 7)
>
> "Our business relationship with the New Zealand partner is very good at the moment." (Quote assurance manager company D, interview 18)
>
> "We are very happy with the relationship between us and the New Zealand partner." (Quote assistant managing director company D, interview 19)
>
> "Our business relationship with [the Thai partner] has developed quite well. Now, they make a really good partner." (Quote former MD company C, interview 20)

"Relationship building was very very important. Business matters were less important. Now, I think they understand a little more about it and they put relationship building high on the list of priorities. It is a maintenance situation rather than relationship building. The negotiation at the actual partnerships is very fast compared to some existing ones which take much longer. The joint venture relationship with the partner is very cordial. The formation of the joint venture was very cordial but now some of that cordiality has disappeared and has become a more commercial relationship." (Quote senior manager company F, interview 10)

"We knew our partner before entering joint venture together but we never had a business relationship, e.g. buyer-customer relationship. Our relationship has developed over the period of our partnership. We have quite a good relationship with our partner now. During the joint venture negotiation, we normally talk business matters. Then after we have finished, we sometimes have a meal or go somewhere together. I think the relationship between partners is also quite important. We need to know their attitude, knowledge, skill and so on, so that we understand them more." (Quote managing director company C, interview 6)

The table 5-6 below summarises the level of JV partner's satisfaction, objective achievement, business relationship and overall performance.

Table 5-6

JV performance (companies B, C, D, F)

	Company B		**Company C**		**Company D**		**Company F**	
Partner's nationality	*Thai*	*Japanese*	*Thai*	*Dutch*	*Thai*	*New Zealander*	*Thai*	*Australian*
Satisfaction	high	moderate	pretty high	pretty high	high	high	low	low
Objective achievement								
Profitability	moderate	moderate	moderate	moderate/ high	high	high	low	low
Market share	---	---	---	---	moderate	moderate	---	---
Business growth	high	moderate	high	high	high	high	low	low
Manage-ment skill	---	---	---	moderate/ high	---	---	n.a.	n.a.
Credibility and reputation	---	---	---	high	---	---	---	---
Market access	high	moderate	moderate	moderate	pretty high	pretty high	low	low
Know-how	high	high	high	---	moderate	high	moderate	high
Service marketing	moderate	low	---	---	moderate	moderate	---	---
Business relationship	good	good	good	good	good	good	moderate	moderate
Overall performance	pretty high	moderate	pretty high	pretty high	pretty high	high	low	low

5.9 Factors affecting JV performance (outcome)

The most significant factor influencing the JV performance of all the JV companies is trust. Both Thai and foreign partners of some JV companies regard culture as a factor affecting JV performance. However, they do not believe culture is a main factor influencing the performance of the JV. The balance in bargaining power of the JV partners seems also to have an impact on JV performance. But it seems not to be a major factor.

5.9.1 Bargaining power as it affects JV performance

All the JV partners seem to have roughly equal positions in their equity structure. The existnece of a choice of partners with whom to enter JV with seems not to have an effect on the power each partner holds because all of them had plenty of choice to establish JV business with other companies. The resources needed have been contributed approximately equally, even though each partner possesses different resources. One interviewee commented that one reason for achieving a successful performance is because of the balance in the bargaining power of both Thai and foreign partners.

> "Equality in power leads the JV to achieve a successful performance and outcomes. Both parties invested the money and then they bought everything, the land and the building. So, it was a very even JV. Not like some other JVs, where some of the Thai get pretty good bargaining power." (Quote MD company D, interview 7)

5.9.2 Trust affecting JV performance

Trust was considered to be the most important factor influencing the performance of the JV company. All partners try to develop a relationship of trust over time. At the time of interview, trust between the partners of all the JV businesses was quite high. Only company F showed a decrease in the trust relationship between partners. The remarks of interviewees in relation to the impact of trust on JV performance were as follows:

"Trust makes a successful JV performance. When you put two groups of people together, the person managing the company, the JV, has to be able to get on with the staff, the management and Directors." (Quote MD company D, interview 7)

"Trust is the most important factor leading our companies to achieve a successful performance." (Quote former MD company C, interview 20)

"I believe that trust has a significant impact on the JV performance." (Quote managing director company C, interview 6)

"Trust between partners has a great impact on the success or failure of JV performance." (Quote senior manager company F, interview 10)

"Trust is quite an important factor leading our JV to perform successfully." (Quote executive director company B, interview 5)

5.9.3 Culture affecting JV performance and partner's relationship

Misunderstanding in culture seems to incur JV negotiation and management decision making problems. Almost all partners try to understand their JV problems when these are due to cultural differences. One foreign partner even sent the top management staff, who understands Thai culture and had worked in Thailand for a long time, to direct the JV company. They believe that this could reduce the conflict that might arise because of the differences in cultural myth. Although culture has quite a significant impact on JV performance, it was not considered as a main factor by many interviewees. The highlights below quote the comments of interviewees regarding the influence of culture on JV performance.

"I think there were problems with bidding against [the] Thai firm. One is [a] farang [foreign] firm. Since the bidding, they have a bidding philosophy and maybe wanted to put too many costs in. [When it] first started, the company had many farang in it. Maybe 20-25 in it. [There were] very high overheads and [the business] was unable to compete. Some projects are very good but [the] majority of projects have been less satisfactory. And I think this is particularly severe over the last two and a half years when the economic problems in Southeast Asia have come to the fore. However, they still want to keep [the] business running due to the future because soon Thailand will start [to] come out [of] this problem. It is starting now and there [soon] will be opportunity around. " (Quote senior manager company F, interview 10)

"The understanding of culture is important to successful joint venture business. Our ex-managing director understood how to work with us quite well although he never worked with Thais before. He used to work in Europe and Singapore. So, I think the understanding in culture and behaviour of the partner and team work is very important issues leading the joint venture firm to become successful." (Quote managing director company C, interview 6)

"Culture is not the main factor influencing the success or failure of joint venture. However, in my viewpoint, having cultural similarity doesn't help us to increase or reduce the joint venture negotiation problems. It only helps us to understand the way our partner thinks, his approach, and so on." (Quote managing director company C, interview 6)

"I don't think culture is the main issue [influencing JV performance]. Culture is important but really you have to be a team and try to find partners in a similar type of business. I see a lot of joint ventures where...say for example a company is...Amm... a manufacturer and then they get into a business running a restaurant. To go from a steel factory to set up a joint venture to make McDonald, Pizza Hut or a video company. It is very dangerous to do this. And ...Amm...I see a lot of Thai companies diversify. You know! They used to make up plastic and they set up a joint venture to do real estate and they set up a joint venture with finance company and they have been in the restaurant business." (Quote MD company D, interview 7)

"Our partner wants the joint venture firm to be independent and able to run by itself. They don't want the parent firm to dictate/control the joint venture management decision-making when conflicts of interest regarding joint venture objectives or operation occur between the share holders and the joint venture firm. However, the Thai parent needs to be concerned about the effects of the joint venture management decision to the Thai industry, the Thai government body, the Thai parent, and so on. We try to avoid these effects. However, our partner wants to be concerned only about the benefit of the joint venture firm itself. Therefore, they don't want any parent firm to dominate joint venture management decision making. They want the joint venture firm to be autonomous. This is the difference between our perceptions in relation to the joint venture management concept. There is no effect to our relationship." (Quote managing director company C, interview 6)

Chapter 6

A Case Study of JV Company E

This chapter presents the results of the case study of JV company E. First, the bargaining power between JV partners will be explored. Then trust, culture and the negotiation behaviour of JV partners will be examined. Next, the factors affecting negotiation behaviour and JV performance will be discussed. The chapter will end with an examination of factors affecting JV performance.

This case study focusses on company E, a service based joint venture distributing natural gas. JV company "E" is a code devised to disguise the identity of the gas distribution company, as requested by the interviewees, to preserve anonymity. The idea of joint venture was firstly initiated by the foreign partner who foresaw the potential of operating a natural gas distribution business in Thailand after they had conducted a long feasibility study of the natural gas distribution network in and around the Bangkok Metropolitan Area. This research commenced in 1988 with funding from the Belgian government. According to Thai regulation, unless there is a Thai shareholder, companies of foreign nationality are not allowed to operate gas distribution in Thailand. They (Belgian and British) then approached the Thai partner who has a monopoly of the gas business in Thailand. The Thai partner agreed that this proposal offers high potential profit and could help the Thai nation, in terms of preserving the environment, through the reduction of air pollution. Therefore, they decided to form a JV with them. Initially, one Japanese firm was interested in entering JV business with the Thai partner but the technology they possess (i.e. steel, not plastic pipe) would have incurred a high investment cost. As a result of their assessment of that cost, they withdrew from entering JV business with the Thai partner. One British manager commented that:

> "The outcome of [the] feasibility study [on natural gas distribution] was that 'yes, there is some business and yes, [we] could develop into something big. And therefore, [the Belgian partner] said 'we can help you [the Thai partner]'. [the Thai partner] said 'yes', we are OK with this and [the British partner] became involved at the same time." (Quote: engineering department manager company E, interview 11)

In considering whether to enter JV, neither the Thai nor the foreign partners felt that finance was an issue. However, both partners wanted to combine their skills and resources so that the areas which were lacking in each of their individual businesses would be filled and they could offer a more reliable and consistent service. Establishing a joint venture business seemed the best way to go about this. As a result, the JV agreement was signed in 1996 with the service operation initiated the following year. It took six months until agreement was reached. Currently, there are 46 employees working in this JV company, of which almost ninety percent are Thais. There are no expatriates below management level other than advisors on technical issues, who are working on a short-term basis, as required. The JV had annual revenue of 200 Baht million, up from 18 Baht million at the first year of its operation. The JV has total assets of 543 Baht million, up from 500 Baht million at the commencement of the JV business operation. The company only services the domestic market.

The following are the comments from the JV partners regarding the reasons for entering joint venture business:

> "We entered a joint venture with our partners due to the need to develop poly-ethylene and gas pipe technology. If we didn't need this technology, we would not have established a joint venture with them. We were already in this business before joining business with our partners. But because we would like to reduce our operating costs, using plastic pipe instead of steel pipe, we do need the high technology provided by our partners." (Quote sales and marketing manager company E, interview 8)

> "It was not until the result showed the potential to operate this business in the Thai market, that we entered joint venture business with our recent partners. The reason we chose them is because they possess the scarce resources needed, i.e. technology, and also they have good experience in the gas distribution market. Obtaining financial resources does not concern us because this project is quite small. Our partner joined us with the hope that they can use us as a gateway and privilege to access other Thai market areas. To expand to other market areas, we will need to have consent from the Thai government first. Unfortunately, the Thai government policy is trying to liberalize the market. So, it is unlikely that this joint venture can monopolize the whole gas distribution market in the near future." (Quote deputy president company E, interview 9)

> "We have no choice [to work with other Thai firms]. [We] want to have a position in Thailand which involves developing and expanding [the] natural gas distribution market. [We] also have a financial involvement in producing natural gas in Thailand with [another firm in which our Thai parent also has a share]. So, [we] not only distribute gas, we also produce gas in the gulf of Thailand." (Quote engineering department manager company E, interview 11)

A summary of reasons for the Thai and foreign partners entering business jointly are given in the table 6-1 below.

Table 6-1
Reasons for establishing JV

JV Firm	**Reasons for establishing joint venture**	
	Thai partner's view point	***Foreign partner's view point***
Company E	Technology, reducing cost and marketing experience	**British and Belgian** Access to Thai markets, government connection

All the parent firms in this JV case have a background in the same type of industry, i.e. gas. Fundamentally, all partners seem to have common objectives in relation to an increase in sales. However, it seems difficult for JVs to have all objectives met by all partners. These unmet objectives can lead to conflict. Their viewpoints on objective setting are as follows:

> "Sales are our main objective. We also want to reduce the air pollution caused by the use of bunker/fuel oil. Profit is our third objective. Profit is not an important objective, if we could reduce air pollution for our country. Just avoiding a loss would be enough. We have planned to achieve these objectives within four years." (Quote sales and marketing manager company E, interview 8)

> "Our objective is to study and operate in one market area first to find out the proper structure and experience [how] to operate further in other [market] areas. So, we want to gain some more experience and [find out] how we can apply this pilot study, regarding marketing strategy, to use as a format to expand into other market areas. So, we then plan the new strategy, regarding the directions we should go in order to become successful in the market. It is too risky to start many projects at the same time. So, we start from one project area first. Profit is the main objective of our joint venture. There is a conflict

between our joint venture objectives and our parent's objectives." (Quote deputy president company E, interview 9)

"[The] strategic objective is not only [to] become but [to] remain the primary natural gas distributer in Thailand and to continue to expand and develop the use of natural gas into upper markets. Safety and environmental integrity is also important. Profit is not the issue here because we are talking about increasing [the] volume of gas that we sell. We may be looking at an order of magnitude between 50 and 75% growth per annum. It is a large percentage [increase]. It is achievable because we have the ability to grow." (Quote engineering department manager company E, interview 11)

"In the long term, there will be a liberalisation of the energy market. I suppose that, at this time, it will be possible for us to operate a private company to supply natural gas to industry. Our short-term objective is to make profit. The long-term objective is to take a position in the open market. This means to make [the] JV firm become [such a] critical size to be recognised as a gas distribution company. Another main objective is to promote natural gas [as] a beneficial energy in the energy market. We also have our long-term strategy that is different from the British and Thai partner. We try to develop systems (such as developing interconnection between each country) taking different energies, e.g. gas for power-electricity. In the long-term there can be a win-win solution between [the Belgian and Thai partner]." (Quote business and development department manager company E, interview 17)

Table 6-2 below summarises the objectives and goals of the JV partners.

Table 6-2
JV companies' goals and objectives

JV Firm	**Goal and Objective**		
	Thai partner's view point	***Foreign partner's view point***	
Company E	Sales, profitability, experience to expand to other markets, technology transfer and air pollution reduction	**British** Profitability, sales, business growth and market expansion	**Belgian** Profitability, sales, critical size in the market, opportunity for future business

6.1 Bargaining power

JV company E comprises one Thai and two European partners. The two European parents hold Belgian and British nationality. The Thai partner holds a 51% majority shareholding. The Belgian and British partners hold 27% and 22% equity consecutively. The Belgian parent has a very large energy distribution plant in Europe. The British parent has operated the largest integrated natural gas distribution network in the world. One reason that the Thai side decided to have two partners was given by a high ranking officer from the Thai parent. He said that it would be too risky to rely on the technology and know-how transfer from only one foreign partner. The Thai side perceived that it would be better to obtain scarce resources, e.g. technology transfer, from two foreign partners so that they can keep balancing their bargaining power with their foreign partners. The bargaining power of the Thai partner seems to be reinforced as a means of holding the majority of the equity. Some viewpoints were expressed by the JV partners as follows:

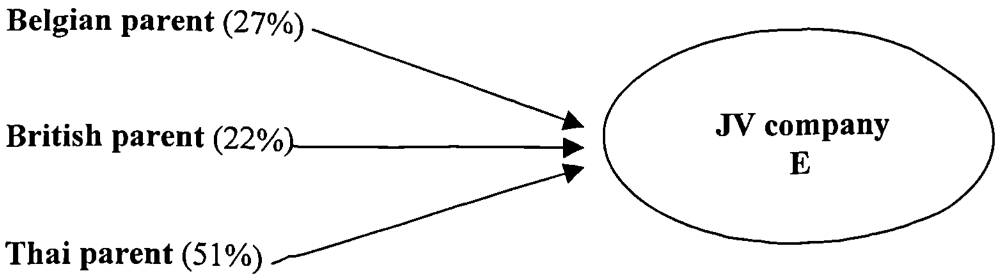
> "The power rests with the Thai partner. They own 51% of the shares in the JV. So, if [the Thai partner] says "sorry, we are no longer committed to the approved master plan, we want now to stop this [JV] project and we want to do something with somebody else", they could develop that line of reasoning. But we would have ways of dealing with this within the JV agreement." (Quote engineering department manager company E, interview 11)

> "One cause of our conflict is because we have an imbalance of power. The Thai partner holds a majority share, 51%. Thus if they want to vote on the board we cannot [change] the result. We have no bargaining power compared with our [Thai partner]. However we can build the relationship with some people [from the Thai parent firm]. That is the only way [we can operate] because we don't have any position to force [our Thai partner] to go in another direction. We just build the future on relationships. That is what I call an imbalance of power. Because if [the Thai partner] wants to vote, we cannot do anything. They hold the majority [of equity]." (Quote business and development department manager company E, interview 17)

> "We hold a high bargaining power position over our partners. We possess a privileged right to operate in the market. Although we want their technology, we can get it from other sources. We don't need to be strict with our partners. So, generally we have quite a high bargaining power. It is just a matter of whether or not we want to exercise it." (Quote deputy president company E, interview 9)

Figure 6-1 below shows the nationality of the parent companies and their equity holdings in JV company E.

Figure 6-1
Key organisations in the JV company E



There are 5 people in the management team of this JV. When the JV operation commenced, the MD was provided by the foreign side. After 2 years of business operation, the top management post (MD) was handed over to the Thai side, as a result of the selection process where the Board of Directors is dominated by the Thai side. There is no deputy MD position in this JV firm. At the department level, the power or authority rests with four management team managers. Two managers from the foreign side are responsible for engineering (British partner) and planning & development (Belgian partner). Another two managers from the Thai side control the marketing and finance & administration. Six board members are from the foreign side (2 British and 4 Belgian) and seven board members are nominated by the Thai parent.

6.1.1 Alternative choice of entering JV

The Thai partner had more choice to enter JV with other foreign firms, whilst the foreign side did not have any choice at all if they wanted to be involved and operate gas distribution in Thailand. One foreign partner would have liked to have had a majority in the JV but they cannot because Thai law prevents this and therefore they also have little bargaining power with the Thai partner. One senior manager concluded that because his company consider that they have lots of experience in the gas business and are renowned worldwide, there was no need to waste too much time thinking about alternative choices. "They also seem to be capable enough. So, we went for this choice" (entering JV business with the foreign partners). The following are the viewpoints regarding the options the foreign partner had when establishing JV:

> "First of all there is the gas supply [from Thai parent]. So, without them, we could not function. We could not have [any] company." (Quote engineering department manager company E, interview 11)

> "We had no choice, no alternatives. The only [way] if we want to do natural gas business in this country. We can only do it with [our Thai partner]. [Our Thai partner] has many options. There are many [foreign] companies like [us] who could offer [a] similar facility and similar support. The one thing that [the British partner] can demonstrate is that we have, for some years now, operated the largest integrated natural gas distribution network in the world. It's a fully integrated high pressure and low pressure natural gas system. [The British partner] has a lot of experience and [the Belgian partner] also in Europe has a very big plant in energy distribution. So, there is natural link between the British and the Belgian partner in the eyes of [our Thai partner] but [the Thai partner] could have gone with other companies who offer similar services. [But they are] not as experienced as [us- the British partner]." (Quote engineering department manager company E, interview 11)

> "We didn't have any choice because [the Thai partner] is the only gas supplier. Currently, if we want to operate gas business, we need to be with [the Thai partner]. At this time, it's not allowed [for a foreign firm to operate the gas business alone] in Thailand yet. It will be in the future when there is liberalisation of the market." (Quote business and development department manager company E, interview 17)

"[The Thai partner] might not want to say to us [that] we can develop only in the supply zone that we have. [If they say,] "you cannot develop on the eastern seaboard because we are going to do that with somebody else." We should understand that. We should accept that." (Quote engineering department manager company E, interview 11)

The Thai partner also perceived a similar viewpoint to the foreign side as regards alternative choices of establishing JV. They expressed their opinion that:

"Unfortunately, the gas distribution business is a monopoly. Foreign partners will not be able to operate gas distribution business alone in Thailand. Therefore, they have no option to choose another Thai partner besides us, even if they had enough financial resource to do it by themselves. Before our partner approached us, there was a Japanese company with steel pipe technology who would like to enter joint venture business with us but later they quit because of the high investment cost." (Quote sales and marketing manager company E, interview 8)

"We have known the companies for some time and we thought both of our partners were qualified enough for this job. We didn't offer choices to other foreign firms. We don't know them. Also, we can save time and this job is a pilot project. It will take too much unnecessary time for the partner selection process if we keep trying to search for partners." (Quote deputy president company E, interview 9)

6.1.2 Resource contribution

Financial resource has been contributed by all partners in relation to their equity structure. At the commencement of the JV, the Thai and foreign partners reciprocated interdependency in terms of the scarce intangible resources each contributed. The lack of scarce resources of the Thai partner has been fulfilled by foreign partners. These include technology and know-know transfer. The Thai partner provides a significant contribution in terms of local market access, brand name and government connections. Over time, it seems that bargaining power through resource contribution has shifted towards the Thai partner as their dependence in terms of resources needed from the foreign partner has reduced. However the foreign side believes that the Thai partner still cannot do the business alone whilst one Thai officer said that he believed they had received most of technology transfer and know-how that they need and that they are capable of doing it all. Without the help of the Thai partner, regarding local market access and government connections, there is no chance for the foreign partner to survive in this gas business at all. Expertise is not an issue to be concerned about in relation to the bargaining power held by each side because all partners contribute this resource as needed. The JV comes up with high barrier costs to exit. However, since there was no requirement for financial support from the foreign partner, it seems that the Thai partner can walk away from their partners easily if they want to because the project is very small. Some viewpoints with regards to resources provided by JV partners were given below:

> "We generally contribute the local market access and the brand name. We also provide the government connections to get a licence to construct the gas pipe in government restricted areas. If we did not do this work, they would not be able to get through this process alone. Management expertise has been provided by both parties. We are responsible for marketing and financial management and their obligation is in the engineering and business development departments. Money has been pooled by both of us. Technology has been contributed by our foreign partner. They provide technical personnel and expertise for us. We provide non-technical personnel. We arrange that our Thai technical personnel and engineers train and understand the knowledge and know-how from our partners during the transfer process. Actually, we control the whole gas distribution market. If we didn't enter into joint venture with them, they would not have been able to access to this market at all. However, this market will be liberalised soon. Additionally, we didn't define how much resource each partner should contribute. We just try to do our best to help each other." (Quote sales and marketing manager company E, interview 8)

> "The second thing we get from [the Thai partner] is local knowledge, local understanding and access to a lot of information and data that exists in Thailand but it remains with [Thai parent company]. We also have to use their name to get access permission. We contribute technology transfer, the

technical transition between building and operating the natural gas distribution system which they don't have. Additionally, we provided expertise." (Quote engineering department manager company E, interview 11)

"We brought the experience (e.g. gas distribution, gas safety at international standards) we had in Europe to [the Thai partner] who doesn't have this experience. We [also] provided money and know-how. Our Thai partner doesn't [have] the know-how to use polyethylene for distribution in Thailand. Another thing [we] need is the local understanding of the market. For example, the relationship with the customer and [the Thai] government. That is why we need a local partner." (Quote business and development department manager company E, interview 17)

A list of resources provided by each JV partner is given in the table 6-3 below.

Table 6-3
Resource contribution

JV Partner	Resource Contribution
Thai	Finance, local market access, brand name, government connection, management expertise, non-technical personnel, local knowledge, local information
British	Technology transfer, know-how, management expertise, money
Belgian	Technology transfer, know-how, management expertise, technical personnel, money

6.2 Trust

Trust was regarded as being important for all JV partners. Trust is likely to be enhanced with low opportunism. It was also seen in both personal and organisational terms. Two Thai officers remark that trust is a crucial factor on both a personal and an organisational basis.

"In my viewpoint, trust on a personal basis tends to be more important than on an organisational basis. We trust them more if they never try to trick us." (Quote sales and marketing manager company E, interview 8)

"Trust should be directed to the organisation first. Trust for the individual is of secondary importance. However, we can still change the individual at the negotiating table if we don't like them." (Quote deputy president company E, interview 9)

The Deputy President of the Thai parent company considers trust, as opposed to opportunism, as the most significant factor in JV formation and operation.

"Trust is the most important aspect of forming a joint venture business with partners. Partners should not try to take advantage of one another. They need to show their intention and sincerity to work for the benefit of the joint venture, not for themselves. However, our partner seems not to follow our JV written agreement. For example, they want us to expand the business to other areas which are not possible due to Thai regulation. Because we are not happy to rely on technology transfer from only one partner, therefore we have entered joint venture business with two foreign partners in order to keep balancing the bargaining power regarding their technology contributions." (Quote deputy president company E, interview 9)

Trust between partners has increased over time as relationships develop. Generally speaking, there was a high level of trust between partners at the beginning of the JV operation and negotiation. Partners also tend to rely and trust each other more as their relationships develop over time. The following two comments showed how trust between partners develops over time:

"We trust them because of their sincerity and integrity. The more we get used to their style of negotiation and the more we trust each other, the less confrontation we have. As trust develops, our partner adapts and implements a more similar kind of negotiation behaviour and style to us." (Quote sales and marketing manager company E, interview 8)

"Our foreign partners seem not to believe in us, regarding a suitable location for the gas piping. However, over time, since we have been talking on the basis of facts and reality, trust between partners has increased over time. It can be seen that they seem to understand and follow our comments and recommendations with regards to piping construction work in this JV." (Quote construction manager company E, interview 12)

"If we misunderstand how they [the Thai partner] manage the JV, then we don't have any trust. Generally speaking, yes, we trust [our Thai partner]. The only problem now is that we understand effectively how [the Thai partner] is working. What is the decision making process inside [the Thai partner's organisation]. So the trust again, [we and the British partner] want [to have] a long-term commitment with a local partner. We don't want to invest for a few weeks or a few months. We want to invest long-term. For us long-term is 15 years or even 20 years. To do that [long-term commitment] we need some trust because we can't go into a JV if we cannot trust our partner." (Quote business and development department manager company E, interview 17)

Since there has been a conflict in terms of long-term goal achievement by the foreign partner, trust between partners is still in doubt. The foreign partner argued that the Thai parent hesitates to supply and accept what has been approved in the JV master plan since the JV formation. On the other hand, the Thai partner reasoned that it was that the foreign side which tried not to understand what had been agreed in the JV agreement, regarding the limitation of the service area in the gas distribution business. The Thai partner also emphasised that their foreign counterpart tends to behave opportunistically to demand that the area of service be expanded beyond the contractual agreement. As a result of this conflict over the long-term objective of the foreign partner which remains unmet, trust between them is considered to have declined dramatically. However, one foreign manager said that it wouldn't affect their JV performance at the moment because they try to understand what is realistic in terms of target achievement. Additionally, that manager also expressed the view that they still intend to continue developing their relationship with the Thai partner and to ensure that the Thai partner understands the issues and unresolved problems. The following give a clearer idea of the problems/conflicts that the Thai and foreign partners are currently debating:

> "To illustrate that point I would say that approximately two years ago, a master plan was developed inside [the JV]. We projected that over the next five years, we [would] take gas into between 9 and 14 new industrial zones. A budget was very broad. Basic budget was discussed and agreed. And the main boards of [the Thai, British and Belgian partners] approved that master plan. It was challenging and [we] have had some very great difficulties now with [The Thai parent] in getting them to accept and continue to supply gas to us within the structure of that approved master plan." (Quote engineering department manager company E, interview 11)

> "The problem is that at this time we have some questions about [the Thai partner]. I think, at this time, we try more to survive - not to live. Then, maybe trust in the partners could change. We could leave or walk away from the JV. But it's too early to confirm that. We don't want to do that because we expect some changes in the long-term." (Quote business and development department manager company E, interview 17)

Although JV conflict seems to reduce trust between partners, both foreign partners still intend to resolve the problems and develop trust further. One foreign interviewee commented:

> "We still have trust in the JV. I believe that, in the short term, in a few months, we need to clarify and try to simplify the discussion." (Quote business and development department manager company E, interview 17)

Key indicators of trust between partners at the beginning of the JV formation derived from both past experience and reputation. The two foreign partners are very well-known worldwide. The Thai partner maintains a high reputation and controls the whole gas market in Thailand. The Thai partner chose to enter JV business with their foreign partners because of their reputation and their unique capability to support the gas business. Whilst reputation reinforces trust when firms have never known or been involved in business with each other before, good past experience and previous relationship lead to fewer ambiguities between partners who consequently trust each other more.

> "We have never done any business with our partners before. However, we knew one of them for nearly 7 years before entering this joint venture business together. They have been selected by the World Bank to do research on the distribution networks of gas nearby the Bangkok metropolitan area. After finishing their job, the result showed good opportunities to operate a gas distribution business in Thailand. Seeing this opportunity, they approached us because we are the only company who controls this market in Thailand. Because they can provide us with the technology needed and also they are from a world class country, with a high reputation as well as being a leader in the gas distribution industry, so we agreed to enter joint venture business with them." (Quote sales and marketing manager company E, interview 8)

> "We have had a long-term relationship with the Belgian partner for the last ten years. They assisted our Thai parent firm, regarding the technique of piping construction and distribution into the gas operation unit in Chonburi. Even though we never worked together as a firm at that time, our relationship has developed since that time." (Quote construction manager company E, interview 12)

6.3 Culture

Both Thai and foreign partners seem to understand the importance of culture associated with JV management and negotiation. The British partner was even prepared to learn the Thai culture before coming to Thailand. The following shows the intention of the British partner in trying to understand the Thai culture:

> "Before going abroad, we spent time talking about cultural differences and understanding what you should do or should not do in that country. There are number of things I remember very clearly about what I should and should not do in Thailand." (Quote engineering department manager company E, interview 11)

However, understanding culture without trying to adapt to the other side would not be very useful. One Thai manager stated that they had been trying to help them (the foreign partner) to understand more about Thai culture. "We even bought some books regarding Thai culture for them. Over time they seem to understand Thai culture more and more." According to one Thai interviewee "But they only understand it. It is difficult for them to change or adjust their way of doing things and their Western mind-set to us." Cultural differences in ways of doing business and negotiation styles tend to incur a JV conflict and may also influence the performance of the JV. National culture, rather than organisational culture, seems to play a significant role in JV. According to one foreign manager, "[The Thai] culture [means] talking, negotiating and developing some compromise where our main culture, I think, [is] more in the form of a nationalistic view." The viewpoints regarding management conflict between partners due to cultural differences are given below.

> "My personal view on the cause of conflicts or differences [in business negotiation and operation] is initially cultural. There are quite large cultural differences. The Thai way of negotiating is very similar to other countries which I have worked in." (Quote engineering department manager company E, interview 11)
>
> "Another cause of conflicts is cultural dissimilarity. Because I think that between European culture and Asian, certainly Thai culture, there are a lot of differences. The first big difference for me is the time notion. When we want to do something in Europe, we try to implement our objectives as soon as possible. I don't believe that, here in Asia, time is also of a concern. I think everybody [the Thai partner] says 'we have a lot of time and so if we are slow that is not a big issue because we have time'. That is the first huge difference. When we make a deal, we like to do it as soon as possible. I don't feel the same will [come] from [the Thai partner].
>
> The second difference is I don't believe that in Asia something is black or white. Everything is grey because when you ask somebody if this is good or bad. They say that's 50% good, that's 50% bad. I think that in Asian culture everything can be good or bad. I suppose that is the influence from Buddhism

and Chinese culture. When you take a decision, there is something good in everything and something wrong. It takes more time to make a decision.

The third difference is that the decision making process is also different, I think. I have been working in a JV with Canadian people. There is a huge difference because to make a decision everybody is there. [They all] agree. A decision is made in a few minutes and the direction the management takes is understood. And here the process is slower. You need to discuss it with different people. You need to understand the sensitivity of the people. Then after that maybe you can try to find some compromise. It's difficult [to make] a decision by voting here. Because, when you vote, in some way the people who won't win will lose face and it is difficult for Asian people to lose face. To [get it accepted], you need to prepare the decision before going to the board. That's my feeling, I don't know if it's right." (Quote business and development department manager company E, interview 17)

"The [multi]national organization or [multi]national spirit accept that working with foreigners naturally is [the] norm. In [the] UK or in Europe generally [or] in the States, many companies, many large corporations are owned by Japanese, by foreigners outside of the company, and there is no concern or no worry about that [cultural differences] at all. There seems to be what I have seen. There is a view that, in Thailand, that is not something that people are happy with generally. That is a general nationalistic view." (Quote engineering department manager company E, interview 11)

"Another difference [in culture] is that within an organisation such as [Thai partner]. Because it's a very large, bureaucratic organization, there is very often a difficulty in getting a change of direction, a change of emphasis implemented - change in the way the organisation works or organisation thinks." (Quote engineering department manager company E, interview 11)

Partners whose cultures are similar tend to understand each other more and have less conflict. The Belgian and British partners seem to agree and have the same opinion regarding business operation and direction whilst the Thai partner often perceives things differently from their foreign partners. The viewpoint of [the] foreign partners regarding the cultural distance is shown below.

"[We] and [our Belgian partner] are very aligned. We have similar views, very similar approaches to what we want this [JV] company to do" (Quote engineering department manager company E, interview 11)

> "We have been involved in a few problems; a dispute with [the Thai partner]. What I feel is that [the Belgian and British partners] are more or less on the same level/view in defining short-term objectives." (Quote business and development department manager company E, interview 17)

As foreign partners get to know each other and work together with the Thai partner over a period of time, they tend to understand and accept more the Thai ways of doing business in Thailand. But this doesn't mean that it is the right way to do business according to their judgement. People from different cultures tend to judge things differently on the definition of right or wrong. According to one Thai manager, "to get the job done, sometimes we need to send a gift to the Thai government. It is our custom. We can also save time." The reason foreign partners cannot operate the Thai way in respect of giving gifts is that in most Western cultures it is considered to be bribery and therefore wrong and can get people into trouble, both with their company and with the law. The foreign partner also seems to understand more about the Thai ways of doing business. The remarks regarding partner's view on the traditional Thai ways of operating business are given below.

> "I am not suggesting for one minute that there is corruption because I've never seen any evidence of it in Thailand. There are business ways in Thailand which would not be acceptable in UK. That [is] not the same...as wrong. It may be that it is very right and very acceptable for Thailand." (Quote engineering department manager company E, interview 11)

> "Our foreign partners don't use personal connections to get the job done. They don't understand that. Over here, [connections] are very important to get the job done. So, we just tell our partner to wait and then, we just do it for them. You can never reach the top of Thai officialdom if you have no connection in Thailand. In the early days, they don't really understand at all in this regard, the Thai custom/etiquette of sending a gift to senior Thai staff. They have now learned and understand more. They did not study the Thai culture before, even though they understand it afterwards. But because of their own cultural habits/behaviour, they do not try to operate the Thai way." (Quote sales and marketing manager company E, interview 8)

6.3.1 Individualism vs. collectivism

There are some cultural differences in the dimension of individualism/collectivism. The Thai partner tends to belong to a collectivistic group whilst the foreign partners in this JV incline to be individualist. The Thai partner prefers flexibility and an informal system. The foreign partner tends to stick to their management style and perceive that the contractual agreement should be rigid. The following are the descriptions by the Thai partner regarding their perception of JV management system:

> "It is not going to work in this joint venture with Thais, with regards to implementing a formal management system all the time as foreign parent firms do in their own countries. In the situation of fierce competition in Thailand, we need to employ an informal management system. The foreign way of doing business will never work in Thailand. Flexibility is also important to make things work here. So, the foreign partner needs to start thinking, and changing their thought, if they want this joint venture business to become successful." (Quote deputy president company E, interview 9)

> "Our organisational structure is flat. We have 4 departments, namely: marketing, finance and administration, planning and development and engineering. Each department has only one division manager. We don't have a head of department. Broadly speaking, we have 3 levels in the organisation: general manager, department manager and division manager. We manage using both top-down and bottom-up styles. We are happy for everybody to express their own opinion. We tend to implement an informal business management system. However, anything regards money management, it must be formal." (Quote sales and marketing manager company E, interview 8)

> "We allow some flexibility to renegotiate our contractual agreement. If we want to make some changes in the joint venture contract, we will raise this issue during the share holding meeting. If all partners agree unanimously to make changes, we will do it. If not, we implement the rule of majority." We also specified that in some aspects of an agreement that there must be a minimum of three quarters of the vote to make changes and some issues only need half of the vote." (Quote sales and marketing manager company E, interview 8)

> "Thais perceive that the joint venture agreement should be flexible while the foreign partner want the agreement to be rigid. We would like the agreement to be written in very broad detail and be able to make some changes if necessary." (Quote sales and marketing manager company E, interview 8)

"I would say the contractual agreement is just a framework or rules for share holders to follow in order to make the joint venture move forward. However, it is no good at all if partners want to follow the agreement strictly and perform everything as the agreement says. There will be a negative/bad result rather than a good one." (Quote deputy president company E, interview 9)

"Our relationship with our foreign partners is fine. Generally, I am happier with the Belgian partner because they are more flexible. Our British partner is rigid and conservative. But this doesn't mean, we don't like to work with the British partner. Our former general manager whose nationality is Belgian was very adaptive. We could understand each other very well. Trust was very good at that time." (Quote sales and marketing manager company E, interview 8)

"There can be a different approach with [the Belgian partner] to resolve conflict. Maybe [the Belgian partner] is more soft, more flexible than [the British partner]. That is my feeling. The only difference in culture between the foreign partner, I think, is that [the Belgian partner] is more straightforward than [the British partner]." (Quote business and development department manager company E, interview 17)

"I also have the feeling that when a contractual agreement was signed, the value, the commitment is not the same as for us. When we sign something it is a long-term commitment. I don't feel here that a commitment is long-term. Every commitment we've had they have tried to change it after a few months. I can accept that [some] things can change but not everything." (Quote business and development department manager company E, interview 17)

Cultural difference regarding Thai ways of promoting employees still cannot be totally agreed by the foreign partners. Foreign partners prefer to promote employees according to their performance. However the Thai partner is concerned not only about performance but also seniority. Differences in the partner's evaluation systems results in both Thai and foreign partners experiencing a bitter feeling. It is difficult for Thais to be promoted to sit in a high position, if they are still young, because there are issues of maturity and morality. The Thais' belief has a close link to Confucian thought about filial piety and respect for elders. This seems to have a significant impact on how young people relate to older people and vice versa and on their ability to hold a more senior position than someone older than them.

Two different viewpoints regarding employee's promotion from both the Thai and the foreign partner are given below.

> "Staff recruitment is based on the level of education and ability. In addition, we consider the family background. We promote staff according to their performance. At the same time, we also consider seniority. We consider that if they have been qualified in terms of performance but still not reaching maturity [too young], we wouldn't promote them yet. So, sometimes we argue with our foreign partner regarding this issue. You know if we promote someone who is younger, the person who has been working here for a long time and has the same kind of performance won't be happy and he may not wish to stay with us. Promoting someone at a younger age might be OK in Western countries but it is not applicable to Thailand in general." (Quote sales and marketing manager company E, interview 8)

> "[We] and [the Belgian partner] have a very [strong] cultural similarity but [have] a big difference with [the Thai partner]. There is a very clear hierarchy, certainly, in [the] Thai parent firm and also in Thai business. There is a clear hierarchy of seniority and in the way that decisions get made. In European companies, and certainly in the British parent now, there are some very young managers, very young people carry a very big responsibility and make very big decisions and it is not [necessarily] a feature or function of age for that matter. The number of years doing their job is function of 'Are you capable?', 'Are you knowledgeable?' That is the relationship that, certainly, [our British parent] would like to see in [this JV company]. The involvement of [the Thai partner] influencing those cultural directions does hold [things] up. It is hard. I have two very young engineers working for me. One who I've been allowed to call 'operation manager' because he is 37or 38 years old.. And there is another engineer who is managing another group. Because he is only 24 years old, I'm not allowed to call him 'manager'. He is called a senior engineer and it was a battle getting [that title for him]. If he was working in [our British parent firm] he would be managing a department and would be called a manager and he would carry a burden of responsibility as a manager. I've no doubt in mind that he could do it. I have faith in him. Unfortunately, I definitely cannot set it up inside this JV. It is stupid I think, because the risk is you'll never perform at full potential. Because you're not given responsibility but come with responsibility, you must also accept that if you don't perform [well] you can be criticised, you can be directed or redirected. But my belief is that certainly I've seen it in my career in the British parent firm, if you give the right person the responsibility at the right time, the organisation is so much better. You'll get fresh ideas, fresh enthusiasm, fresh drive, fresh direction. But getting that to change is difficult." (Quote engineering department manager company E, interview 11)

There was cultural misunderstanding at the beginning of the JV business operation. The foreign partner tried to negotiate with and persuade the Thai partner to accept and do things in the foreign way. They wanted the Thai partner to try their way and expected that experience would show that it should be this way. However, over time, as the result proved, the way things work in Thailand is what the Thai partner recommended. Finally, they (the foreign partners) trusted and agreed with the Thai partner.

> "When we deal with the Thai government, we need to build up relationships and approach them in a friendly manner. Negotiating only on the basis of reasoning and facts won't work well in Thailand, nor will letters. I tried to explain to them but they seemed not to understand. They trust us more now, after events appear to ratify the recommendation of our Thai partner. Accordingly, afterwards they just comment and offer us the idea, and the possible plans, but leave all dealings with the Thai government for us to finally decide on the best approach." (Quote sales and marketing manager company E, interview 8)

6.3.2 Cultural difference in negotiation style

Some interviewees really don't care much about the negotiation style of their partner, they are very open-minded. However, one Thai employee pointed out that their foreign partner tried to take an advantage of them.

> "In my opinion, there is some dissimilarity between our two European partners and the American. Our partners are not so aggressive, compared with the American way of negotiating business. They are quite conservative and open-minded. I had experience of doing business with an American too. The British are very polite, the same as the Thais. Unlike the American style, during our negotiation process, we discuss gently...never raising the voice, scolding, yelling or showing inappropriate behaviour, for example thumping the table loudly. However, we also have some cultural differences with the Europeans. Europeans tend to produce arguments based on reasoning, logic and fact and I think it is good. Regarding Thai culture, most Thai people don't like to argue with anybody. Sometimes they [Thais] argue on a personal basis.

They don't want to lose face. If they are not really open-minded people, they won't let you argue with them. However, at our business negotiating table, we are allowed to express our own opinion freely and make whatever argument we like. After finishing it, nothing is really personal. In practice, it is still difficult for some Thais to accept this thought/principle. Sometimes we have an argument regarding this type of expenditure [e.g. gifts to Government officials]. Our Belgian partner is quite frugal about spending money in this respect. After a few years of experience, they have learned and know more about the Thai style of negotiation. They now know that when Thais smile, it doesn't mean that we agree with them all the time. Also, they perceive that when the Thai partner doesn't make any argument during the negotiation process, this doesn't mean that we agree with them. They have become less aggressive in terms of the wording used. So, now they don't speak straigthforwardly and outspokenly as they did before when they don't agree with our opinion. Additionally, the Japanese style of negotiation is very gentle and smooth. I negotiated with the Japanese when I worked at the Thai parent company. However, I know them only from one side, as being their customers. If the role changes to being joint partner, I don't know whether it would be the same style or not." (Quote sales and marketing manager company E, interview 8)

"I think they (the foreign partner) make a good partners. The British style of negotiation tends to be conservative and inflexible. They follow [procedures]strictly. Whilst I feel that the Belgian partner is more flexible." (Quote sales and marketing manager company E, interview 8)

"There are a lot of differences in culture and style of negotiation between partners. I do believe that Thai negotiation style is quite gentle and smooth, not so aggressive. We try to solve problems and end up with an acceptable agreement. Foreign partners tend to use an attacking negotiation style and try to take advantage where possible. Our Thai partner prefers to use a defensive style of negotiation. (Quote deputy president company E, interview 9)

Table 6-4 below summarises the negotiation style of each JV partner.

Table 6-4

The style of negotiation

Country		**The style of negotiation**
Thai		Gentle, polite, defensive, no straight answer, compromising, slow to make decisions
European	**English**	Polite, less Aggressive
	Belgian	Less aggressive

6.4 Negotiation behaviour

The partners in this JV prefer to use a compromising strategy. Even though there were conflicts between Thai and foreign partners, each partner seems to understand where they stand, how they should behave and what they should implement during both the negotiation of forming the JV and ongoing business negotiations. The foreign partners also understand about the cause of conflicts when partners from different countries come to work together. This is why they (the foreign partners) tend to compromise where possible. They don't believe that there is a win-win situation all the time at the negotiating table. In reality, there must be one side win and one side lose. They thought that it is not too bad to compromise for mutual benefit, even though they don't feel that is the best strategy to implement. Many issues were discussed and compromises were made before the formal negotiation took place. This shows the intention of both partners to work cooperatively for the success of the JV. Fundamentally, the Thai partner tends to be collaborative if they have no doubt about the result of implementing the action. They also value the long-term relationship. Avoiding tactics were used sometimes when both Thai and foreign partners perceived that agreement could not be reached prior to and during the negotiation process. There were only a few times when foreign partners implemented a competing tactic, e.g. when they believed that those issues were very important and should be accepted by the Thai partners. As they (foreign partners) negotiated on the basis of reasoning and facts, these were eventually agreed by the Thai partner. However, one conflict regarding an issue about long-term objectives is still unresolved and both foreign and Thai partners still keep arguing or competing over it. The quotations below are the viewpoints of a Thai interviewee on the use of the avoiding tactic.

> "We never use the rule of majority. We will discuss and ask our partner's opinion as to whether they agree or not. If they disagree, we will postpone this issue to be discussed later." (Quote sales and marketing manager company E, interview 8)

Some more viewpoints from both foreign and Thai partners' about negotiation behaviour regarding the most frequently used compromising strategies are quoted below.

> "I have never yet seen anybody exercising their power by forcing others [to compromise] during Board meetings in this joint venture. We try to compromise and talk cooperatively to one another. Our joint venture can be compared to a married couple. So, sometimes there must be a verbal fight between us but we never think about divorce." (Quote sales and marketing manager company E, interview 8)

> "We try to negotiate until an agreement has been reached between all partners. If we get to the end of negotiation but we still cannot agree on those issues, then we tend to compromise." (Quote deputy president company E, interview 9)

> "We certainly try to debate the issues. We certainly try to reach an understanding where [the Thai partner] has difficulties and we try to reach some compromise. However, there are certain points in those discussions and in those negotiations when it becomes apparent that [the Thai partner] is in great difficulty in giving us access to gas supplies or having difficulties in understanding what our business is." (Quote engineering department manager company E, interview 11)

> "We tend to compromise with our foreign partners as much as we can. They [foreign partners] are very open-minded. They told us when they agree or disagree. Generally, in meetings with them, we often understand and negotiate on the basis of reasoning logic and tend to reach agreement half way." (Quote construction manager company E, interview 12)

> "There are losers within the agreed contract. In any conflict or any dispute, there has got to be compromise to resolve it." (Quote engineering department manager company E, interview 11)

> "The method we use to handle conflict with [the Thai partner] is to find a compromise. We don't want to force the issue. By compromising and also by discussion, I think, that is the best way." (Quote business and development department manager company E, interview 17)

6.5 Factors affecting negotiation behaviour

6.5.1 Bargaining power affecting negotiation behaviour

There was a balance in bargaining power at the beginning of JV formation and operation. However, over time the bargaining power has shifted to the Thai side. There was only one time when it was clearly seen that the Thai partner exercised their dominant power by selecting Thai staff to sit at the top of the management team (MD). It seems that all partners prefer not to bargain on the basis of power they hold. They (Thai and foreign partners) quite understand how the result would worsen if they compete seriously rather than trying to compromise with each other. Even though the bargaining power has already shifted to the Thai side, the Thai partner hardly exercises their power at all. The foreign partners are also competing against the Thai partner on the issue of service area extension. However, they seem to argue on the basis of facts and reasoning. Two expressions of foreign and Thai partners regarding bargaining power in relation to the negotiation tactics used are as follows:

> "The JV company is continuing to develop and continuing to expand natural gas distribution in Thailand but unfortunately this is set against a backdrop of constant arguing with our [Thai] JV partner and having to battle every step of the way. There is no willingness to allow us to proceed. And it might be that the success of our company is an indication that we did not perform before. Or they may feel that now they can do this project totally on their own. Eventually they will be able to [do the project on their own] but at the moment we believe that they cannot." (Quote engineering department manager company E, interview 11)

> "There were only a few times when we said 'we should do this, there is nothing better than this' so that we can end it and start discussing some other issues. Normally we discuss and negotiate business based on fact, reasoning and logic and we always have an unanimous result. We never count the vote using the rule of majority at all." (Quote sales and marketing manager company E, interview 8)

6.5.2 Trust affecting negotiation behaviour

The level of trust between partners seems to decrease as the Thai partner could not agree to an objective the foreign partner wanted to achieve. There was also a problem of the Thai partner losing face when negotiation took place. Foreign partners try to be careful and compromise with them where possible. However, there are some issues on which the foreign partners cannot compromise. The foreign partners were concerned about the issue of safety at the warehouse. They don't trust the Thai partner who allows the use of an inadequate machine like a pallet truck for lifting and moving heavy objects that might catch fire. Although purchasing the electric forklift truck increased the cost by 50%, the foreign partner wouldn't compromise and discussion was very heated. Finally, the Thai partner compromised and agreed.

Below is the quotation given by the foreign partners for the concern about safety in the gas distribution warehouse:

> "I think the problem is not someone to trust in the context of what we say and what we do. It's the level of trust associated with [the Thai partner's losing face]. Trust, for me, is very important for all partners, in both negotiation of the way the work developes and particularly with regards to operations aspects. I think, without an understanding of what we're trying to achieve and of the issues that we're going to face, we could end up in the situation where we were arguing about safety issues without full understanding and safety is a very important feature of natural gas distribution activities." (Quote engineering department manager company E, interview 11)

The following quote is the comment of a Thai interviewee regarding the above issue:

> "We had a long discussion about 3 weeks ago on the conflicting issue of buying a new electric forklift with our foreign partners. They tried not to listen to us. We normally need to use a truck for lifting and moving objects just a few times a month. There was no need to buy a very expensive electric forklift. The maintenance cost is also high. It is only suitable for indoor use. Our foreign partner seems to be concerned only over the environment issue without judging the logic of reasoning about what is the best scenario in this respect. However, as we are a partnership, I try to be as cooperative as I can. If we cannot agree, we tend to compromise." (Quote sales and marketing manager company E, interview 8)

6.5.3 Culture affecting negotiation behaviour

The Thai culture regarding losing face seems to affect the way that the Thai partner negotiates business with the foreign partners. The foreign partners seem to understand the Thai culture regarding losing face quite well. However, they continued to debate with the Thais when they felt that they were right. The remarks of one foreign partner regarding the way Thai national culture influences the Thai partners in their use of compromising strategy are as follows:

"I've never seen any aggression in meetings, which tend to managed by Thai people. There is always a desire to seek compromise and I think that desire for compromise always end up with a weak solution rather than a strong solution. But to seek a strong solution means some people have to withdraw or to change their views. And the Thai problem of losing face affects many people. Very often, I debate the point and, at the end, if the view of the group is that they don't want it, or they're not happy with it, or they want it changed, so, I'll have to accept it. I don't feel that I have lost face. I'm unhappy because what I think was right, others don't think is right. But I also recognise that I live in the democracy and if the democratic view is that they don't want to do something then, fine, we don't have to do it. Then, I obey the instruction. I don't personally feel that I lose face and I certainly would not seek the compromise to avoid me losing face - if it made me have to compromise the better interest of the JV company, or the organisation, or the decision." (Quote engineering department manager company E, interview 11)

The quotation below shows the Thai interviewee's comment regarding the effect of culture on negotiation behaviour:

"At the beginning of our business negotiation we argued and competed against each other every week. I think one reason for the conflict is because of the cultural differences. I and [the British manager] seem to come from different disciplines. Our company is very small. We don't need to spend money unnecessarily. However, we tried to compromise with them more. And they tend to understand and trust us more afterwards." (Quote sales and marketing manager company E, interview 8)

6.6 JV performance

The foreign partners seem to be satisfied with the profit achieved. However, financial performance is not the only indicator of JV outcome. In this JV firm, the foreign partners also want to achieve a long-term objective in addition to objective measures. The foreign partners have an unmet objective regarding the extension of business, which has been monopolised by this JV firm, to other locations. The foreign partners would view this as commitment from the Thai partner. Whilst the Thai partner reasons that the foreign partner seems not to understand what the agreement says.

They (the Thai partner) also added that the Thai government is trying to privatise this gas distribution market. Accordingly, the conflict of the Thai partner's reaction in not trying to understand the issue of sharing the foreign partner's goal must still be resolved between the JV partners in the future. The following shows the quotation of one foreign manager regarding an unmet objective which may lead to a lower performance by the JV in the future:

> "It [JV performance] is less than planned. But it is something that we are not uncomfortable with. We have accepted that. We should be performing better. We could have been performing better but it is not something which is causing us great concern. We are continuing to work to develop and get the performance of the company back on track. If the problem [of delaying and the reaction of the Thai parent regards continuing, and accepting, to supply gas to the JV within the structure of the approved master plan] continues, the performance, the morale and the view in the company would change dramatically. And it is certainly of concerned to [the British and Belgian partners] if that happens." (Quote engineering department manager company E, interview 11)

6.6.1 Satisfaction

Although the *economic crisis and recession in Thailand has affected the JV company* so that it performs less well than it should, all partners were satisfied with the profit which the JV company has made so far. The JV performed quite well, even though the business has only been operating for about 3 years. The Thai partner is satisfied with the overall JV performance. One Thai manager stated that:

> "The gas business is a heavily capital intensive industry. It takes time to reach breakeven point. At the moment, we are nearly there. Hopefully at the end of this year we will reach this point." (Quote sales and marketing manager company E, interview 8)

Both Thai and foreign partners are satisfied with the relationships developed over time. One foreign manager reckons that the JV relationships between partners are still young and still need time for further development. The Thai partner seems to be more satisfied with the JV performance than the foreign partners. Both Thai and foreign viewpoints as regards their evaluation and satisfaction with the JV performance are quoted below.

> "I am satisfied with this joint venture performance outcome. The Board of Directors also expressed their high level of satisfaction with this joint venture performance." (Quote sales and marketing manager company E, interview 8)
>
> "Even though our company's growth is quite slow due to the economic crisis, I am quite satisfied with the overall JV performance." (Quote sales and marketing manager company E, interview 8)
>
> "We are satisfied with our relationship with the foreign partner. Even though we have had some conflict with them [foreign partner], there is nothing personal really. It is good to discuss ideas with them. They are very open-minded." (Quote construction manager company E, interview 12)
>
> "There are some successes [in this JV] but we are not happy with the performance because the progress of the company is too slow." (Quote business and development department manager company E, interview 17)

6.6.2 Objective achievement

The Thai partner has achieved technology and know-how transfer at the level they set but it took them longer than they expected. They are very happy with this success. They (Thai partner) have learned and understood a considerable amount regarding the technique of pipe welding and gas service marketing. According to the Thai partner, the JV has successfully supplied and serviced gas to the area, as set in the master plan. Air pollution has reduced as the level of natural gas, instead of fuel oil, used by the factories for their production has increased. The level of sales, a common objective of both Thai and foreign partner, has also been achieved successfully. There is only one long-term objective, regarding an extension of the service to other areas which have not been reached by either of the foreign partners. The Belgian partner has an additional objective, i.e. gaining a critical size. This is different from the other partners but has not been achieved yet. In short, the overall objective achievement perceived by the foreign partner is moderate. The following are remarks obtained from interviewees highlighting their objective achievement:

> "In terms of technology transfer, I think we have achieved a lot. At the moment, Thais can understand and do pipe welding on their own. The foreign partner needs only to watch and supervise us during that process. The more we can persuade customers to use gas instead of fuel/bunker oil, the better it is for air pollution. So far, we have already accessed 50% of the market. It is looking good. So, we are quite happy with these achievements. Our partners also seem to be satisfied with these results." (Quote sales and marketing manager company E, interview 8)

> "To date, we think we have achieved some of our objectives, if we don't take into account the effect of economic downturn in last two years. I think it is looking good, at a certain level. We learn and experience more from our partner in the way they access the market, approach the customer and offer a marketing service. Our partner is also satisfied with this achievement." (Quote deputy president company E, interview 9)

> "We are now generating profit, considering the investment we had, which is good for a young start-up company." (Quote engineering department manager company E, interview 11)

> "I am happy with the level of the technology transfer and know-how received from our foreign partner so far. However, we still would like to learn as much more from them as we can." (Quote construction manager company E, interview 12)

> "we consider that the objective of providing gas as the energy of our present area has been achieved. But we haven't [achieved] what I call 'critical size', we are still too small." (Quote business and development department manager company E, interview 17)

> "Profitability [is] OK. Market [is] as expected. Sales [are] too low. Service marketing [is] appropriate. Technology transfer [is] good. Know-how transfer

> [is] happening. Costs are reducing. Growth [is] not enough. [It is] too small. Learning and experience, I think, are very good. Creditability [is] too small because we haven't reach what I call 'critical size'...When we discuss about the corporate image of [our JV], [the Thai partner]'s executives don't understand it is a must. We should define [our JV] as one company and not as a small sister of [the Thai parent firm]. In general we can say that it is correct. For me 'correct' means 'could be better' or 'could be worse'. I don't believe, taking into account the economic crisis, it could have been much better. It could be worse because with the crisis we could have reached a lower penetration rate." (Quote business and development department manager company E, interview 17)

6.6.3 Business relationship

Broadly speaking, the relationship between partners has developed at the average level so far. There was only one Thai interviewee who emphasised that the foreign partners tend to behave opportunistically. Therefore, the trust based on the partners' relationships in the eye of this Thai interviwee is still in doubt. Simultaneously, the foreign partners are still questioning the commitment the Thai partner has given them. The interviewee also discussed the view that when both the Thai and foreign partners agree that they do not need each other anymore, e.g. for resource contribution, it is possible that this might be the time to say good-bye. One foreign partner also thought that it would be possible for their firm to operate their own gas business when the market is liberalised. The British partners feel that their relationships with the Thai partner have developed quite well in the past. There was some problem over long-term objectives (e.g. business expansion to a new location, achieving a critical size in the market) that haven't been reached by the foreign partners and this lead the foreign partners to temporarily freeze developing their relationship with the Thai partners. However, they still wish to keep developing it in the future. The positive and negative views regarding partner's relationships are expressed by interviewees below:

"We normally discuss only business matters during our negotiation process. When we have finished, we go to socialise and have dinner together sometimes. We mainly discuss business on very broad terms and general principles. We currently understand each other more. To conclude, they make a very good partner for us even though they are sometimes fussy." (Quote sales and marketing manager company E, interview 8)

"Sometimes we discuss business while having a meal together before the meeting takes place. Then, at the meeting, we already know what issues our partner seems to find difficult to discuss. Normally, I will lobby our partner first, before the board meeting takes place, so that we will know roughly what they think/feel about the agenda we are going to discuss. Then, when the meeting starts, we know what our partner wants and we try to compromise where possible. However, if there seems to be a problem regarding some issues during negotiation, we will have an informal meeting before the real meeting begins. We never experience any use of veto power during our board meeting at all." (Quote sales and marketing manager company E, interview 8)

"Our relationship with the foreign partners, compared with the early days, is not so good. We have had a terrible conflict, recently, regards sharing a common objective and borrowing money. However, I do believe that we can still increase trust and build up our relationships in the future." (Quote sales and marketing manager company E, interview 8)

"I think the relationship is difficult. It could be good if we could agree on the long-term strategy of the company. But if we need to keep fighting for the expansion of the company, if that is the future, I think the relationship will become worse and worse." (Quote business and development department manager company E, interview 17)

"One of our partners seems to be too demanding. They ask our help without considering whether what they ask of us is fair or not. It is such a waste of time to try to do things that are impossible for us to do. However, our foreign partner seems to be presumptuous. They should consider that this joint business is not like buying or selling products, do it once and say goodbye. It is a long-term business." (Quote deputy president company E, interview 9)

"We are satisfied with our business relationship with the British partner, but not satisfied with [the Thai partner]. We would like to have a smoother relationship with them [the Thai partner]." (Quote business and development department manager company E, interview 17)

In short, this JV seems to perform quite well. All partners achieve their main and short-term objective even though some conflict as regards long-term objective, still exists. The relationships between partners are just at the moderate level.

6.7 Factors affecting JV performance (outcome)

Two critical factors that seem to have a significant impact on JV performance are trust and culture. Trust was described by both the Thai and British partners as the most important factor. Trust is perceived to have a considerable impact on JV performance. However the Belgian partner believed that cultural misunderstandings between partners has the greatest impact on the JV performance. They also believed that the imbalance of power of JV partners has had some influence on JV performance but is not a major issue. The Belgian partner did not consider that trust influences JV performance. The following quotations emphasise the factors that were described by an interviewee as important variables to influence the JV performance:

> "I believe the most important one [major cause leading to successful or unsuccessful JV performance] in here, very clearly emphasized, is trust. There has got to be trust between all partners. There has got to be an open, honest, frank discussion of these issues. And in that open, honest and frank discussion, we need to understand why things cannot be done, e.g. they might not be done because of culture." (Quote engineering department manager company E, interview 11)

> "I think trust and understanding cultural issues are the most important factors leading to JV performance." (Quote engineering department manager company E, interview 11)

> "If, we [do not get involved in] any dispute, this can hasten the progress of the company. Because of those factors [culture and an imbalance of power between partners], there are some misunderstandings, some discussion. That will have an impact on the performance of the company." (Quote business and development department manager company E, interview 17)

6.7.1 Bargaining power affecting JV performance

There is an imbalance in bargaining power between the JV partners. The Thai partner has more bargaining power because they hold a majority of shares and could choose other partners. All partners seem to contribute the required resources equally. The JV performance might be different if one foreign partner could successfully negotiate to have a majority of shares. One foreign partner expressed their bitter view on the power they hold and the JV performance they received below:

> "[We] would like to have the majority and we are not happy with this result because progress [of business] is too slow." (Quote business and development department manager company E, interview 17)

6.7.2 Trust affecting JV performance

Trust between partners is still moderate but has become less strong as relationships between them tear apart. The Thai partner couldn't trust the foreign parents' negotiator and requested a change. The foreign partner also commented that trust based on relationships may be reduced dramatically in the future if the Thai partner still tries not to understand their needs and continues to hesitate before negotiating. The descriptions below, regarding the impact of trust on JV performance, were given by both Thai and foreign partners:

> "The performance of the JV has been affected by the delays and the reaction of [the Thai partner]. The staff members, within the company, see that one of the three partners is creating barriers. The morale and the enthusiasm within the company can suffer. I personally don't see examples of that happening. It is very rare problem. We believe it could arise if this relationship continues the way it is at the moment." (Quote engineering department manager company E, interview 11)

> "The time spent on negotiation depends on the person who is coming to negotiate with us. Sometimes, if the person who comes to negotiate with us, has a bad impression of Thais before, then this person may lead to a worsening of the climate of negotiation and the situation will become even worse. Accordingly, we would need to ask for a change in terms of the individual who comes to negotiate with us. Otherwise it would be difficult to achieve a successful negotiation outcome. We found out that some of the foreign negotiators tried to take advantage of us without realizing that we, the Thai partner, knew about this. This is a kind of patronising behaviour. Also, at the

> negotiating table, each party should bring in a person who has the power to make a decision." (Quote deputy president company E, interview 9)

The effect of trust on JV performance has also been mediated by negotiation behaviour. The comment below shows how trust lead the foreign partner to implement a compromising strategy that in turn affected JV performance:

> "Trust has an influence on JV performance. Without understanding, and that relationship inside the JV, it can only [negatively] affect the performance. It can make things worse. It can make things more difficult. There will be less potential for understanding problems. One illustration is that at the training, we as a JV partner put into JV, there was a view by the Thai partner that training has been completed by certain groups. However, it was the view of the European partners that more work was still required. We had to compromise. And [we] understood that meant a change in the level or quantity of training that we would undertake. But the low level of training was not unsafe." (Quote engineering department manager company E, interview 11)

6.7.3 Culture affecting partners' relationships and JV performance

Cultural differences in negotiating style influenced the partners' relationships at the beginning of the JV. Over time, as cultural misunderstanding has been experienced by the Thai and foreign partners, their relationships have improved.

> "According to my personal opinion, it was uncomfortable to negotiate with the foreign partners whose styles are quite different from us. It was very difficult for them to understand and agree the Thai way of doing business. We perceived that some issues were much less important but they still kept discussing with us. After working with them for nearly three years, they understand and accept us more. Our relationships are now much better than at the commencement of the JV operation." (Quote construction manager company E, interview 12)

However, partners' relationships rely not only on cultural aspects but also on bargaining power. As the resource contribution from the partner who is depended on becomes less, their relationship seems to develop more slowly. The discussion below shows the bitter remark of the foreign interviewees regarding the effect of cultural misunderstanding on the JV relationship and performance.

> "The relationship between the two foreign partners has always been good. The relationship with [the Thai partner] at the beginning, I think, was very good, very constructive and very productive. The relationship today has changed to one of misunderstanding and lack of acceptance of the common goals. I think [the Thai partner] relationship needs to be clarified and rethought for the future. So, I think at the beginning it was good. At the moment it's not so good. It requires some clarification." (Quote engineering department manager company E, interview 11)

> "We are not happy with the JV performance because of the difficult relationship with [the Thai partner]. We have inside internal competition. There is competition with [the Thai parent]. They understand differently. What we don't understand and have difficulty accepting is that there is competition [between the Thai parent and the JV firm]. We are losing millioins of Baht due to this competition. [It is] just because strategies inside [the Thai parent] are not clear. We are losing time and money. Even though this problem is theoretically solved, practically, I don't know, because there is still some resistance inside [the Thai parent firm]. It's a huge thing." (Quote business and development department manager company E, interview 17)

> "If we cannot accept and try to understand each other's cultural differences (for example the process of the company is slower than we expect), then it is difficult to live in a JV. I understand it is certainly one of the concerns of [the] British partner [too], because they want to push. [Accepting that], they understand progress could be better, results could be better. We try to understand the culture of the [host] country [and] never try to impose our Belgian culture. We try not to impose but to provide some support. So, it is necessary for us to adapt our culture [and] mingle with the local culture. Otherwise it's impossible to make some business and to have a correct relationship." (Quote business and development department manager company E, interview 17)

The impact of culture on JV outcome can also be mediated by negotiation behaviour. Both the Thai and foreign partners commented on the influence of cultural differences on the tactics used during JV negotiation, which in turn affects the success or failure of JV outcome.

> "I do believe that, during the negotiation process of forming the joint venture, if potential partners don't try to learn the other's culture, it would be difficult for them to achieve successful agreement outcomes. Now we have not had much problem since forming a joint venture with our partners. Thais are very concerned about the issue of dignity and face. So, foreign partners should be a bit more careful in this respect when negotiating with Thais. Trying to take advantage of the Thai partner wouldn't do any good at all for them because, at the end you will not see a successful result. Therefore, the foreign partner should try harder to learn Thai culture and implement a win-win situation rather than showing their opportunistic behaviour during the negotiation process. So, the joint venture partners should try to compromise where possible in order to reach a successful outcome." (Quote deputy president company E, interview 9)

> "There is a lot of compromise being undertaken by foreign companies with a view to avoid Thai people losing face. And it's not something that generally they would like to do. They find [it is] unacceptable but they recognize that culturally they have got to do it. Because if you put somebody into a corner to have to make the decision and then they have to back off with lost face, you have made an enemy and you'll not succeed." (Quote engineering department manager company E, interview 11)

The negotiation tactics used during JV negotiation did have some effect on the performance of JV in the perspective of objective achievement. Although all partners seem to frequently compromise and accommodate each another when conflicts arise, unless both sides genuinely try to understand the real cause of the underlying problems and cooperate fully to resolve those problems, there will always be a barrier to prevent the JV from achieving the objectives set and developing the relationship. However, it is unlikely, especially for firms whose national cultures are different, to perform collaboratively in every possible conflict, as their ways of doing things and perceptions regarding the ideal option to solve those problems are very different. The following shows the root of an unimpressed foreign interviewee's opinions:

> "I put a figure of 50% [on objective achievement]. [The] reason was that (that is very subjective comment) my 50% figure is based on us having full and complete help and cooperation from [the Thai partner], we would be on target

on our plan and we would have more customers and more gas being consumed on our networks. The achievement of our strategic objectives really needs to be monitored over a longer period of time. We could be more successful with strong support from [the Thai partner]." (Quote engineering department manager company E, interview 11)

"I don't think we have solved the problems [of achieving objectives and performance]. What we've done, we have tended, at the moment, to accommodate the problems. But we continue to develop the relationship with [the Thai partner] with a view to both understanding the issues (understanding the problem) and making sure that there are no longer problems with regards to our performances and our objectives. We haven't resolved them yet. They still exist. You must remember that this company is only three and a half years old. It's a very young company and we are still developing our relationships." (Quote engineering department manager company E, interview 11)

6.7.4 Negotiation behaviour affecting JV performance

Negotiation behaviour mediates the context variables; culture, trust and bargaining power in influencing JV performance. The following is the comment of an interviewee regarding the influence of negotiation behaviour on JV performance:

"I don't believe that the [negotiation] approach is a big issue. It doesn't have any direct impact on the result [of the JV]. I also don't think negotiating style has an influence on [JV performance]." (Quote business and development department manager company E, interview 17)