Cooperative Strategy to Strategic Competitiveness through International Joint Ventures between ASEAN and EU Companies

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1. Overview

Business in the 21st century will be conducted with shifting borders. Most borders will be removed through the globalisation of economies, technologies and communication. Its focus will also shift as the concern for global issues is turning inward to a concern for organisational development and organisational learning. International partnerships will become standard business practice as the product life cycles shorten and immediate distribution becomes imperative. Adler & Ghadar (1989; 185) noted that "by the 1980s, instead of taking fifteen to twenty years for a product to move through the cycle from development to maturity, it generally took three to five years. For some products, it now takes less than six months". While the development of new approaches in marketing, finance, and research and development (R&D) are going swiftly, development in the conceptualisation of cooperative management within international partnerships is lagging (Adler & Ghadar, 1989; Geringer & Frayne, 1990).

With business increasing its globalisation, alliances between and among multinational firms are becoming popular (Harrigan, 1988; Puck 1988; Hergert & Morris, 1988a). To enhance management effectiveness within international partnerships, firms need to develop their management strategies as well as their competitive strategies. The present study intends to integrate these two major functions. An integrative model is proposed by developing a contingency theory using well-known theories of organisational integration (Lawrence & Lorsch, 1967, Harrigan, 1987a). The proposed integrated model will enable multinational corporations (MNCs) to face critical issues and create a global strategy and a global vision, which will be necessary to compete in highly competitive and rapidly changing industries.

There are many forms of strategic alliances such as cross-licensing, co-production, joint product development programmes and joint ventures. This research focuses on the study of international joint ventures (IJVs), which become an important element of a multinational corporation's strategic alternatives (Lorange & Probst, 1987; Geringer & Herbert 1989). This particular form of joint venture is not only important for its strategic use (in gaining access to strategic markets, acquiring low-cost labour/material, or dodging trade barriers), but also because of its relative low risk and revenue-enhancing functions.

Joint ventures have received a great deal of attention from researchers over the last few years, primarily because of their importance as a strategic alternative in global competition (Killing, 1983; Harrigan, 1985). However, despite of their increased popularity and strategic importance, IJVs have a high record of failure in terms of the strategic objectives of their parent firms. Many of these performance problems are found that to be related to the unique managerial requirements of such ventures. The complexity of the venture is caused by the presence of two or more parent organisations usually of different cultures, which may be competitors as well as collaborators (Janger, 1980; Killing, 1983). It is obvious that to gain a competitive advantage by utilising international joint ventures, parent firms need to identify the linkage and the contribution of each partner and carefully structure the IJV in ways that strengthens the ventures. Then, the IJV's strategic planning needs to be integrated with business strategies in such a way that it can execute its strategy effectively.
The importance of IJVs for the future of the ASEAN-EU economic relationships leads one to expect that IJVs would be a rich source of research. Yet although there is some relatively recent literature on joint ventures (Killing, 1982, 1983; Schaan, 1983; Kogut, 1988a; Pucik, 1988b; Beamish, 1984; Perlmutter and Heeman, 1986; Geringer & Hebert, 1989), few studies have addressed the integrated problems of the IJVs. Past studies of joint ventures have often considered cooperative strategies only from the perspective of firms that are expanding their domain nationally (Beamish 1985). There are some previous studies that expressed concern about the importance of the link between strategic planning and competitive strategies. Unfortunately, these have focused primarily on the domestic dimension or the wholly-owned overseas subsidiary (Alpander & Botter, 1981; Tichy, 1983a; Baird & Meshoulam, 1988; Lengnick-Hall & Lengnick-Hall 1988). Thus, there are major gaps in general theories guiding the development of the integrative framework that would link behavioural science and business strategy to enhance the effectiveness of cooperative alliances across nations. This lack of a strategic paradigm is of critical concern as organisations move from domestic to international joint ventures with partners from different countries.

2. Objectives and scope of research

Based on the literature, one can conclude that there is a demonstrated need for an integrated framework linking business management and competitive strategy. The present research provides such an integrative framework for multinational corporations (MNCs) need to shift towards international collaborative strategies credited as necessary for successful globalization (Buckley, 1992; Hergert & Morris, 1988). This conceptual model will allow multinational corporations (MNCs) to sustain their competitive advantage through IJVs by integrating competitive strategies and strategic business planning.

The model is proposed for the use of executives and researchers in the area of comprehensive strategic management to enable them to design an IJV’s structure by providing a conceptual framework for the management of IJVs. The proposed model attempts to help executives coping with the complexity of the competitive environment in a way that achieves both the ultimate objectives of each parent firm and the IJV as a separate entity.

To accomplish this goal, the present paper moves through areas of international joint ventures, business strategies and management strategies (including planning, organising, leading and controlling) before completing the integrative model. The empirical part involves data gathering in IJVs in Thailand and in Belgium, especially focusing on the ASEAN-EU joint ventures. As a result, we also will be able to provide a better comparatively picture for ASEAN-EU, ASEAN-Japanese, and ASEAN-American joint ventures.

3. Theoretical framework

Although the international joint ventures are accepted to be one, or perhaps the most important strategy of the multinational corporations’ (MNCs) strategic alternatives (Phoocharoon and Chomvilailuk, 1998), there have been many difficulties leading to relatively few successes and many failures in the
international joint venture management. Kogut (1988b) investigated joint venture termination, using the dissolution rate as the joint venture failure measurement, and showed a 20% rate of failure in the fifth year life of the international joint ventures.

Buchel, Prange, Probst and Ruling (1998) proposed a comprehensive view for joint venture management and suggested to look at the joint venture system, i.e. the entire structure of relationships between the joint venture itself and its partner companies. This point of view allows the investigation of the interactions or inferences either between or among partners such as partners to joint venture, and joint venture to partners. Figure 1 presents the joint venture system and the possible interactions and influences between parent firms of the IJV.

Looking at the joint venture as a system enables us to investigate the interactions, conflicts and other problems, which affect the success or the failure of the international joint venture as a management process (Buchel, et.al., 1998).

Previous studies have articulately shown that the international joint ventures have a high failure record reporting on the dissolution rate but also on the effectiveness and the efficiency of the joint venture management. One might conclude that important sources of the problems are originally starting from the different goals of establishing the joint venture, disparate managerial styles and systems, different national cultures and management cultures, and incompatibility of structure (Beamish, 1988, Harrigan, 1985, 1988, Killing, 1983, and Phoocharoon and Chomvilailuk, 1998).

Beamish (1985) and Baird & Meshoulam (1988) pointed out that avoidance of interest conflicts and prospects of increasing mutual benefits are important instruments to enhance the successful performance of the joint ventures. As other have shown, an increase of the mutual benefits is able to encourage more partner cooperation (Parkhe, 1993; Cable and Shane, 1997). In addition, the perspectives of the joint venture system and the influencing behaviours among the partners need more attention in order to systematically understand what the sources of the cooperation problems are. Thus, this study attempts to examine and provide some understanding to develop and to improve the international joint venture effectiveness by presenting the cooperative strategic models.
4. Conceptual models

To meet the research objectives, especially to create cooperative strategic models for predicting and enhancing the strategic competitiveness of international joint ventures (IJVs) between ASEAN and foreign firms, the present research applies and constructs variables and develops a conceptual model for hypothesis testing as follows.

![Conceptual Model of Cooperative Strategy](image)

**Figure 2. Conceptual model of the cooperative strategy to strategic competitiveness through the international joint venture**

4.1 Conflict resolution strategy

This study examines both direct and indirect conflict-resolution variables proposed by Lin and Germain (1998), especially for the particularly significant variables related to the IJV performance. Lin and Germain (1998) used the LISREL technique to test the hypotheses and showed that the cultural similarity between the partners was significantly associated to IJVs’ success. In addition, cultural similarity was accepted as a key variable that stimulates the problem-solving participation which results in higher IJV performance (i.e., satisfaction, financial performance). Moreover, a significant relationship has been found that when conflict resolution processes are properly managed, IJVs are often energised (Madhok, 1995).

This study focuses on the conflict resolution strategy by constructing variables to capture culture similarity factors (Lin and Germain, 1998), management culture similarity (Campbell, 1988), and similarity of management styles (Beamish, 1984, Killing, 1983). Accordingly, we expected that these constructed variables should positively correlate with the cooperative management between parent firms of the IJVs. Therefore, they should become constructed variables of the conflict resolution strategy particularly in case of resolving decision making, problem solving, compromising, and legalistic force problems.

4.2 Dynamic Learning Capability

Buchel et al. (1998) proposed the IJV’s learning capability as the crucial variable that might be able to increase the IJV’s performance, and also examined it as the tool enhancing the cooperation between and among partners of the IJVs. Convinced that since there are a various stages in the life cycle of the IJVs, dynamic situations may have negative impact on their performance. To cope with these problems, IJVs should enhance its learning capability, especially for learning to cooperate between each
other (Hofer, 1975, Ouchi, 1977, Perlmutter & Heeman, 1886, and Shenkar & Zeira, 1988). This study, therefore, incorporates the learning capability into the cooperative strategic model, especially for testing its importance for the performance development of IJVs.

The present research thus focuses on the IJVs’ dynamic learning capability by constructing various variables of the learning ability of IJVs to serve its and its partners’ goals. It also focuses on how to apply the appropriate strategies including HRM strategies to develop and sustain the competitiveness of the IJVs (Nininger, 1982, Milliman & Von Glinow, 1991). As a consequence, IJVs with a higher degree of dynamic learning ability are more likely to develop competitive advantage successfully. In summary, according to the proposed model, a higher conflict resolution strategy of IJV parent firms will lead to a higher IJV’s dynamic learning capability:

**Hypothesis 1:** A higher conflict resolution strategy will be positively related to the IJVs’ dynamic learning capability

Beamish (1988) and Killing (1983) noted that the cultural similarity of the partners might not be able to explain the satisfaction of the IJVs. Therefore, in this research, we conducted a further investigation on the partner’s international and IJV experiences variables. Lane & Beamish, (1990) found that the international experience of parent firms has effect on the IJVs’ performance. Therefore, we examined the effect of IJV and international experience that might have an effect on the dynamic learning capability. Thus, this research integrated these variables into the cultural similarity variable. Based on the discussion above, the following hypothesis is proposed:

**Hypothesis 1a:** A higher conflict resolution strategy, including international and IJV experience, will be positively related to the IJVs’ dynamic learning capability

### 4.3 Strategic coalignment

In general, alignment refers to the match between (or among) a set of strategies. Therefore, one can conclude that the consistency and congruency between the IJVs’ competitive strategy are aligned. Moreover, Vankatraman (1990) noted that to enhance the performance firms require a better internal consistency between the strategic choices or an alignment among key strategic decisions which Vankatraman (1990) refers to as strategic coalignment. Lorange & Probst (1987) suggest that to enhance strategic coalignment firms need to develop interorganisational coordination. Therefore, one can conclude that there is a relationship between these two variables.

Cooperative strategies are based on two crucial strategic variable choices of the competitive strategy and the use of various cooperative arrangements (Lane & Beamish, 1990, Ohmae, 1989). Previous research found that these variables are significantly associated with the strategic alliance performance, regarding management experiences (McGee, Dowling and Megginson, 1995). The competitive strategies include marketing differentiation, technical differentiation, and cost leaderships.
The cooperative arrangements concern marketing, R&D, and manufacturing cooperation. McGee et al. (1985) showed that there were significant relationships between the above two crucial strategic variables and the firm’s performance. According to the above research findings, this study will apply the idea of the consistency of the two strategic variables - the competitive strategies and cooperative arrangements - expecting an association between the improved mutual benefits and the IJV performance.

The particular relationship should come from the more effective and efficient arrangements of the various partners’ competitive strategies, which will lead to the cooperative arrangements in the IJV. This coalition will lead to increased mutual benefits. In summary, according to the proposed model, greater congruence in strategic coalignment will lead to higher IJVs’ performance:

**Hypotheses 2: Higher congruence of the strategic coalignment will be positively related to the IJVs’ dynamic learning capability**

### 4.4 Channel network integration

This study also incorporates a concept of channel network integration to examine the cooperation and the development of the competitive advantage of IJVs. Aulakh and Kotabe (1997) proposed that the degree of channel integration should be significantly associated to the multinational firms’ performance. Aulakh and Kotabe (1997) also found that the contingency model based on the consistency between the transaction-specific, organisational capability and strategic factors, and the actual channel choice was significantly related to performance. On the other hand, there was no direct relationship between the degree of channel integration and performance. Therefore, this research attempts to examine the degree of channel integration and cooperative strategy that will lead to better performance of the IJVs.

The channel integration, either horizontally or vertically, provides a firm a higher level of control. Coordination is required in order to ensure effective control over the operation of the IJVs. Moreover, the previous research also suggests that the strategic perspective on the cooperative management pays more attention to the effectiveness of integration (Kogut, 1988a, 1988b, Beamish, 1988, Geringer & Hebert, 1989).

For the present study we constructed channel network integration variables based on the above contextual factors such as the transaction-specific factors (asset specificity), the strategic factors (market position strategy) and the organisational capability factors (coalignment on strategic objectives), expecting that channel integration will enhance the dynamic learning ability which directly promotes the cooperation of the partners. Finally, the results from cooperation will yield better performance of the IJVs. In summary, according to the proposed model, the following hypothesis is proposed:

**Hypotheses 3: Higher channel network integration will be positively related to the IJVs’ dynamic learning ability**
4.5 Consensus and commitment

Kogut (1985) and Porter (1985) noted that the channel integration concept also refers to the idea of resource allocation arrangement among partners or involvement of the partners' competitive strategies. Businesses are expected to be more committed to achieve operational excellence in order to become a champion. The commitment typically refers to the financial, strategic, and operation concerns (Weaver, Trevino, & Cochran, 1999). In the present research commitment refers to resource allocation.

Therefore, a commitment variable is proposed as a moderator variable to examine the moderator effects of the IJVs' dynamic learning capability (Lorange & Murphy, 1983, Lorange & Probst, 1987). We suggest that commitment is the most important factor of managing and cooperating between each other that results in enhancing the effectiveness of the dynamic learning capability (Buchel et al, 1998). Thus, partners can improve the mutual benefit by creating and developing the commitment. In summary according to the proposed model, greater commitment between partner of IJVs will lead to either a higher or a faster dynamic learning capability:

**Hypothesis 4: Greater commitment between IJV parent firms will have a positive effect on the IJVs’ dynamic learning capability**

4.6 Dynamic learning capability and the performance of the IJVs

As we noted earlier, the purpose of the present research is to focus on the cooperative strategy to strategic competitiveness through the IJV management. That is, by defining the concept of competitiveness, we have constructed the dependent variable for this research. The candidate variable is the overall performance of the IJVs measured by the relative financial and marketing performance of the IJVs in the same industry (Tung, 1984, Sundaram & Black, 1992). Thus, according to the proposed model a higher dynamic learning capability will lead to the development of strategic competitiveness:

**Hypotheses 5: Higher dynamic learning capability of IJVs will be positively related to the performance of the IJVs**

5. Methodology

International Joint Ventures combine the complexity of foreign partnership and a highly competitive structure with their own strategic goals. To overcome the challenge of understanding this complexity we have used both structured interviews and objective data. A compelling reason for this approach is the preparadigmatic stage of the study of international management, particularly in IJVs (Adler, 1983; Black & Mendenhall, 1990). Interviews, combined with data collection about the factual characteristics of firms provide a methodology that can overcome weaknesses in the development of the theoretical framework (Parkhe, 1993). In the present research multiple methods of measurement are also used to address problems of consistency and subjectivity in the data collection process.
5.1 Triangulation method

The methodology of using multiple data sources as a form of research strategy is usually described as convergent methodology, multimethod/multitrait (Campbell & Fiske, 1959), convergent validation, or what has been called "triangulation". Using the term "triangulation", Denzin (1979:291) defined the method as "the combination of methodologies in the study of the same phenomenon". It encompasses the triangulation made possible by multiple sources of data and methods to provide a stronger substantiation of research constructs, explanatory research methods, and hypotheses-testing. In this research, multiple methods or what is sometimes called "joint research" is used as an approach permitting a deeper understanding and sharper delineation of concept domains, particularly, the domains essential for a greater understanding of the structural creation and maintenance of an IJV (Yin, 1981, Parkhe, 1993).

5.2 Research measures

Joint research uses two measures, one for quantitative data by using Likert scales, and another one for qualitative data by using cross-case analysis, as a method to focus on both hypothesis-testing and theory building. The process develops single construct measures from multiple indicators for hypothesis-testing and uses multiple sources of evidence to build construct measures for qualitative data (e.g. Eisenhardt, 1989). This effort not only attempts to establish construct validity, but also to access convergent validity. For example, the structured interview data on performance uses both non-financial data and financial data as a cross-reference against secondary data sources.

5.3 Multiple measure methods in this study

Multiple measures for each variable were implemented to establish both internal construct validity (within-case analysis) and external construct validity (across-case analysis) (Yin, 1981). Relying on single methods, the use of scales and measures alone can make it difficult to uncover complexity (Converse & Presser, 1986). Using multiple indicators in complex and emerging fields such as IJV research makes it easier to discover how and where our understanding can be increased. Such measures also allow a more effective assessment of the validity of self-reported data.

Using multiple measures, it is important to assess convergent validity for all tested variables. Questionnaire data provided by senior managers were cross-referenced against the raters coding. In all case where scales and perceptions could be examined for convergence there was close agreement between the two. This approach overcomes any possible problems of common method variance due to instrument reactivity.

The goal of using multiple methods in this research is not only to test a model, but also to build a clear conceptual framework for future research in this area. Exploring and understanding the relationship between an integrated model and IJV performance by using both a cross-case method and the systematic use of multiple methods of measurement brings research validity and demonstrates that an acceptable methodology for research has emerged in this complex field.
5.4 Data
The unit of analysis in this study is the organisation. The number of organisations studied was forty-three. The sample constructed for this research consists of international joint ventures (IJV) in Thailand and in Belgium. Since the unit of analysis is the organisation, the information needed to test the hypotheses, was provided only by senior managers who had both strategic decision-making responsibilities and possessed information about the business strategies, operation planning, HRM, and business policies used by the company.

Senior manager titles such as president, managing director, director, executive vice president, vice president, and general manager of a Strategic Business Unit (SBU) were regarded as belonging to this group. For case analyses, members of the research team interviewed 7 organisations consisting of 4 companies operating in Thailand and 3 companies operating in Belgium. The quantitative data were collected from 17 international joint venture between Thai and EU companies, 3 from Thai-USA companies, 16 from Thai-Japanese companies, and 7 from Thai-Taiwan, Korean, Hong Kong and Singapore IJVs.

5.5 Data collection
Multiple data collection methods were used including both structured interviews and a self-administered questionnaire. These combined collection methods provide a stronger substantiation of constructs used in our study, a method that was typically used by researchers interested in theory-building (e.g. Gersick, 1988).

All information was recorded, and after each interview, notes were transcribed and a narrative summary on each question was completed for each organisation. To help ensure accurate and valid classifications several precautionary steps were taken into consideration (Huber & Power, 1985).

First, each respondent was asked to describe their firm’s strategic decision process and the IJV’s policy. Next, the interviewer provided the respondent with a clear definition for each variable. Then, questions were asked based on the test variables. In some questions, the respondents were asked to indicate to what extent that situation occurred. If any discrepancies occurred across answers for different questions, the interviewer probed to resolve apparent differences in these sets of questions and to check the data.

6. Results
6.1 Quantitative Data
Descriptive statistics and correlation coefficients are presented in Table 1. The results show that the cooperative management variable show a statistically significant correlation coefficient with the key variables. The correlation of the overall IJVs performance is highly positive with the dynamic learning capability, commitment, and channel network integration and cooperative management respectively (.72, .62,
and .58 p<.01). The dynamic learning capability presented the highest mean (Mean=3.59), while the overall performance of the IJVs showed the highest standard deviation (s.d.=0.81).

Table 1: Descriptive statistics and correlations

<table>
<thead>
<tr>
<th>Variable</th>
<th>Mean</th>
<th>s.d.</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>6</th>
<th>7</th>
<th>8</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Conflict resolution strategy I</td>
<td>3.43</td>
<td>0.60</td>
<td>1.00</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2. Conflict resolution strategy II</td>
<td>3.50</td>
<td>0.58</td>
<td>0.88**</td>
<td>1.00</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3. Strategic coalignment</td>
<td>3.46</td>
<td>0.58</td>
<td>0.67**</td>
<td>0.75**</td>
<td>1.00</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4. Channel network integration</td>
<td>3.49</td>
<td>0.51</td>
<td>0.36</td>
<td>0.54**</td>
<td>0.50**</td>
<td>1.00</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>5. Commitment</td>
<td>3.49</td>
<td>0.62</td>
<td>0.34*</td>
<td>0.54**</td>
<td>0.55**</td>
<td>0.72**</td>
<td>1.00</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>6. Dynamic learning capability</td>
<td>3.59</td>
<td>0.58</td>
<td>0.29</td>
<td>0.52**</td>
<td>0.56**</td>
<td>0.69**</td>
<td>0.75**</td>
<td>1.00</td>
<td></td>
<td></td>
</tr>
<tr>
<td>7. Cooperative Management</td>
<td>3.54</td>
<td>0.66</td>
<td>0.17</td>
<td>0.37**</td>
<td>0.47**</td>
<td>0.71**</td>
<td>0.73**</td>
<td>0.88**</td>
<td>1.00</td>
<td></td>
</tr>
<tr>
<td>8. IJV performance</td>
<td>3.50</td>
<td>0.81</td>
<td>0.29</td>
<td>0.50**</td>
<td>0.37*</td>
<td>0.58**</td>
<td>0.62**</td>
<td>0.72**</td>
<td>0.58**</td>
<td>1.00</td>
</tr>
</tbody>
</table>

N = 43
* p< .05
** p < .01

Table 2 presents the results of the simple regression of the key variables that constructed the cooperative management. Conflict resolution I is not significant which rejects Hypothesis 1. Conflict resolution II is positively related to the dynamic learning capability (Variance explained=27%, Beta=0.52, F=12.558, p<.01). Hence, Hypothesis 1a. is accepted.

Table 2: Simple regression results

<table>
<thead>
<tr>
<th>Independent Variables</th>
<th>Dependent Variable</th>
<th>b (s.e.)</th>
<th>β</th>
</tr>
</thead>
<tbody>
<tr>
<td>Conflict Resolution I</td>
<td>Dynamic Learning Capability</td>
<td>0.27</td>
<td>0.29</td>
</tr>
<tr>
<td>R² = 0.08</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Adjusted R² = 0.06</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>F = 3.074</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Conflict Resolution II</td>
<td></td>
<td>0.51**</td>
<td>0.52**</td>
</tr>
<tr>
<td>R² = 0.27</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Adjusted R² = 0.25</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>F = 12.558</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Strategic coalignment</td>
<td></td>
<td>0.47**</td>
<td>0.56**</td>
</tr>
<tr>
<td>R² = 0.31</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Adjusted R² = 0.29</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>F = 14.579</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Channel Network Integration</td>
<td></td>
<td>0.79**</td>
<td>0.69**</td>
</tr>
<tr>
<td>R² = 0.48</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Adjusted R² = 0.46</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>F = 24.728</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

* p < 0.05
** p < 0.01

Strategic coalignment is positively related to the dynamic learning capability (Variance explained=31% Beta=0.56, F=14.579, p<.01). Our results also show that channel network integration is positively related to the dynamic learning capability (Variance explained=48%, Beta=0.69, F=24.728, p<.001). Thus, Hypotheses 2 and 3 are not rejected.
Testing the model, Table 3 presents the results of multiple regression analysis which seems to confirm the proposed model. In order to cope with heteroscedasticity, we used blocked variables to test the dependent variable, that is the overall performance of the IJVs. The channel network integration variable predicts the hypothesised positive relationship with the dynamic learning capability in a statistically significant way (Variance explained=51%, Beta=0.54, F=8.323, p<.01).

Table 3: Multiple regression results

<table>
<thead>
<tr>
<th>Independent Variables</th>
<th>Dynamic Learning Capability</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>b (s.e.)</td>
</tr>
<tr>
<td>Model I</td>
<td></td>
</tr>
<tr>
<td>1. Conflict Resolution Strategy</td>
<td>-0.02 (-0.02)</td>
</tr>
<tr>
<td>2. Strategic Coalignment</td>
<td>0.24 (0.29)</td>
</tr>
<tr>
<td>3. Channel Network Integration</td>
<td>0.62** (0.54**)</td>
</tr>
<tr>
<td>$R^2$ = 0.51</td>
<td></td>
</tr>
<tr>
<td>Adjusted $R^2$ = 0.45</td>
<td></td>
</tr>
<tr>
<td>F = 8.323</td>
<td></td>
</tr>
<tr>
<td>Model II</td>
<td></td>
</tr>
<tr>
<td>1. Conflict Resolution Strategy</td>
<td>-0.02 (-0.02)</td>
</tr>
<tr>
<td>2. Strategic Coalignment</td>
<td>0.17 (0.29)</td>
</tr>
<tr>
<td>3. Channel Network Integration</td>
<td>0.30 (0.26)</td>
</tr>
<tr>
<td>4. Commitment Resource allocation</td>
<td>0.44* (0.43*)</td>
</tr>
<tr>
<td>$R^2$ = 0.59</td>
<td></td>
</tr>
<tr>
<td>Adjusted $R^2$ = 0.51</td>
<td></td>
</tr>
<tr>
<td>F = 8.124</td>
<td></td>
</tr>
</tbody>
</table>

In order to further examine the moderator effect, the commitments variable was added to the previously estimated equation to test the moderator effect. In this way more variance could be explained in a statistically significant way. The commitment variable relates positively with the dynamic learning capability. (Variance explained=59%, changing in variance explained=0.08%, F=8.124, Beta=0.43, p<.05). Therefore, Hypothesis 4 was accepted. However, in this second model estimation, the channel network integration variable, however still showing a positive sign, becomes statistically insignificant.

The results of our simple regression analysis of the dynamic learning capability on the overall performance of IJVs are shown in Table 4. The result is consistent with the proposed model. The dynamic learning capability is positively related to the overall performance of IJVs (Variance explained=52%, Beta=0.72, F=34.193, p<.01). Therefore, Hypothesis 5, is accepted.

Table 4: Simple regression results

<table>
<thead>
<tr>
<th>Independent Variable</th>
<th>Overall Performance of IJVs</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>b (s.e.)</td>
</tr>
<tr>
<td>Dynamic Learning Capability</td>
<td>1.01** (0.72**)</td>
</tr>
<tr>
<td>$R^2$ = 0.52</td>
<td></td>
</tr>
<tr>
<td>Adjusted $R^2$ = 0.51</td>
<td></td>
</tr>
<tr>
<td>F = 34.193</td>
<td></td>
</tr>
</tbody>
</table>

* p < 0.05
** p < 0.01
6.2 Qualitative data

6.2.1 Conflict resolution

The qualitative data gathered from in-depth interviews with executives support the results from the quantitative analysis. To understand the reasons behind the cooperation between partners of IJVs, it was found that cultural similarity has played a large role in helping solve conflicts in IJV relationships. We also found that cultural similarity only may not be able to enhance the performance of the IJVs. IJVs’ executives should be concerned about management compatibility and similarity of management styles.

It was also found that international experience and especially IJV experience helps increasing the effectiveness of the IJV management, particularly in case of conflict resolution. One executive stated that “Working with others that have management differences creates more difficulties than cultural differences”. In addition, another executive stated that “Conflicts on decision making and problem-solving in IJVs could be solved through a well-planned process. It would be better if you have a better working environment. Thus, to solve these conflicts, we always solve it through that process. One of our secrets, is that the longer you are working together informally the better you will learn how to compromise”.

6.2.2 Strategic coalignment

The qualitative data yield more information about strategic coalignment on the dynamic learning capability. One executive stated that “Coalignment means we should have developed the central strategy and the direction of strategic choices. No matter how much difference you have in your strategic objectives. One of our solutions is first to build cooperation. Secondly, spending more time to discuss on how we will manage our operation, particularly on the strategic and human issues. Of course, the discussion must be a two-way communication”.

Another executive supports the above statement by saying that “To promote cooperation, a long-term relationship between partners is needed. It is because knowing each other better will help promoting better communication. And better communication will lead us to achieve mutual benefits from the IJV’s operation”.

The research also found that commitment and trust were the key to success of IJVs. One executive recommended that “..To create cooperative management, trust is a critical factor. Secondly, commitment to do business together in the long-term is another factor.” One executive further stated that “Choosing the right partner is the best solution. IJVs, which selected wrong partners, will have a difficult time to create trust. Of course, the performance is relatively lower than others that selected the right partner”.

6.2.3 Channel network integration

The qualitative research found the reasons behind the effects of channel network integration on the dynamic learning capability. From the study, most executives agreed that in order to increase management control and the commitment to the IJV’s operation, firms must focus more on asset specificity, particularly in investment, since the levels of investment give a firm many degrees of controlling.
Therefore, channel network integration is becoming more important to operate IJVs successfully. One said that “Promoting a higher degree of integration for us means we need to develop the highest efficiency and productivity for the IJV’s operation”. One supported that “The success of IJVs needs better control mechanisms to achieve its strategic objectives and to promote the cooperative management within the IJVs”.

In addition, channel network integration becomes a strategic choice to gain access to the strategic market through the network organisational structure. One executive stated that “Channel network integration implies strong internal coordination among partners. Moreover, it also facilitates a cooperative working environment that promotes a closer relationship between each other, that leads us to learn and to develop the competitive advantage of the IJVs effectively”. One stated that “Our firm (Thai-Japanese IJV) utilised this strategy and gained important benefits through its network for more than 20 years”.

7. Cross-case analysis and comparative study

In order to understand cooperative management, a comparative research is conducted by using the cross-case analysis method, i.e. by comparing the cooperative strategy of parent partners of IJVs. The present research distinguishes 3 groups of IJVs as follows: Thai-European IJVs, Thai-US IJVs, and Thai-Japanese IJVs.

7.1 Thai-European IJVs, Thai-US IJVs, and Thai-Japanese IJVs: Cultural similarity and conflict resolution strategy

We have found that cultural similarity has played a major role in the development of the cooperation between the partners, particularly in the decision-making and problem-solving process. The data also support that IJVs, with partners having a long-term relationship before the establishment of the joint venture, tend to perform better than the ones established by partners with a short-term relationship. Most of Thai-European IJVs seem to involve partners with a business relationship before the joint venture creation.

Most of the respondents agree that management compatibility is one of the criteria of the partner selection. Moreover, they all admit that the cultural differences are not a critical problem, as they are all aware of the cultural differences when doing business abroad. One concluded that “In Europe, after a one hour drive you can cross a country and see big differences regarding culture, norms and language. Therefore, we are all alert to that. Doing business in Asia, we found that ASEAN people are very friendly and have a capability to work hard. But, it need some development and commitment.”

In addition, the research found that European companies prefer to decentralise the decision making to the host parent firm. On the other hand, we found huge differences with Thai-Japanese IJVs. The results show that Japanese companies prefer to control operations. Interestingly, the research also found that in more than 90 percent of the IJVs between Thai and Japanese companies, the parent companies knew each other for at least 7 years, which is the longest time in comparison to the other IJV groups.
One can also conclude that there is the highest similarity between IJVs with Japanese and European parent firms respectively, which have a very high international experience and can cope better with cultural differences. This is in contrast with IJV with American firms which are ambiguous on these issues. One American executive admits that “Going abroad, we, normally, bring our management style with us. Sometimes it works well. But in Thailand, we need a lot of adjustment”. Our research also finds that Thai-American IJVs are facing more problems of cultural differences than the other two types. Typically, most Thai-American IJVs manage their business based on the proposed agreement.

Kogut (1983) stated that American MNCs are better on managing wholly-owned enterprises rather than multiple-ownership organisations such as IJVs. Our evidence strongly supports that the capability of American expatriates to adjust themselves to cultural differences, are lower than this of Japanese and European executives.

Another finding of our research is that the reasons behind the executive adjustment capability are the assignment period and the international experience. Most Japanese and European executives have a higher international working experience than the American executives. One Japanese states that “I have been overseas since 1972. My assignment has been all over ASEAN. So, I feel like home anywhere in ASEAN, particularly in Thailand. I even plan to live here after retirement”.

Additionally, most Japanese and European executives agree that they are very familiar with the joint venture structure. On the other hand, we found that American executives are more familiar with the wholly-owned structure. Therefore, when it comes to the conflict resolution process, Thai-European and Thai-Japanese IJVs tend to perform more effectively than the Thai-American IJVs. The result from our quantitative analysis supports this conclusion.

One of our findings is that the partner’s experience of IJV management and conflict resolution is a statistically significant factor to the dynamic learning ability of the IJV. One European executive states that “Problems are everywhere, especially when you work overseas. But, what we care for is our partner. Since we are all committed to do business together on the IJV basis, mutual benefit is our business objective. Therefore, conflicts must be solved based on that. It may take time to learn how to work with others. Hence, the experience one has is an advantage”.

Our findings also corroborate the effect of the partner’s operation age and the effect of the IJV operation age. The partner’s operation age shows a statistically significant positive relation with the dynamic learning capability and the overall performance of the IJV. Moreover, the effect of the IJV’s operation age shows a stronger positive relationship with the dynamic learning capability than the partner’s operation age variable.

Another finding of our research is that most European and Japanese firms having established joint ventures with Thai firms, have a longer operation age as well as a longer operation age for their IJVs than American firms. “Japanese and Europeans have been here since World War I. They were doing business using subsidiaries. Now, these all became international joint ventures”, one Thai executive said.
7.2 Strategic coalignment

Strategic coalignment refers to the congruence of strategic choices between partners internally and externally, to develop the competitiveness of the firm. Our research finds that all Thai-European, Thai-Japanese and Thai-American IJVs present a high coalignment of the strategic objectives of the IJVs, and that coalignment helps solving the partner’s different strategic objectives.

Moreover from the indepth-interviews we can conclude that Thai-European IJVs solve differences in the partner’s strategic objectives by using the management practice as a learning process. For example one Thai-European IJV executive stated that “It takes us a while to adjust ourselves to understand our partner”. One executive stated that “Thai partners always agree on almost every issue but when it comes to the implementation stage, they always have arguments. Therefore, we have to make sure that they really agree on the proposed objectives. It works well after we understand each other well”.

Thai-Japanese IJVs prefer to apply control management to reconcile the partner’s different strategic objectives. On the other hand, Thai-American IJVs prefer to apply both learning processes and control management. Furthermore, they might solve the differences between strategic objectives by enforcement by contract. In contrast, Thai-Japanese IJVs and Thai-European IJVs tend to avoid enforcement by contract to solve the different partner’s strategic objectives.

Another research finding is that controlling becomes more important in managing IJVs. Further investigating the management control of Thai-European, Thai-Japanese, and Thai-American IJVs, we found that Thai-European IJVs decentralise the management control to the host parent company to a higher degree and prefer to apply the localisation strategy. Thai-Japanese IJVs prefer to centralise the management control rather than decentralise it.

Moreover, Thai-Japanese IJVs prefer less localisation strategy, particularly in top management positions. But, Thai-Japanese IJVs are focusing more on the localisation of the production, such as e.g., using more local parts in automobile assembling. Thai-American IJVs prefer to allocate management control based on the core competence of the parent company, which turns out to be more effective and helps promoting higher mutual benefits.

7.3 Channel network integration

Our research findings suggest that the higher extent of channel network integration is positively related to the larger IJV dynamic learning capability. The channel integration model by Aulakh and Kotabe (1997) was adapted to improve the effectiveness of the management structure of the IJVs. We find that Thai-European IJVs are directing their strategy by focusing more on strategic factors, such as the market position factor and global integration strategy. The reason is not only to gain access to low cost production, but also to gain access to a strategic market.
Thai-Japanese IJVs focus more on a regional integration strategy and the market position factor. Japanese firms are located all over Asia. Therefore, creating IJVs means creating more networks, which in turn leads to the development of efficiency and productivity at a global scale. One Thai executive who worked with a Thai-Japanese IJV states that “The Japanese are using the regional integration strategy to achieve a global scale to minimize cost. Their businesses are operated on a network basis”.

On the other hand, Thai-American IJVs focus more on a global integration strategy and a differentiation strategy. Most Thai-American IJVs invested in the core industry that required more capital. The data also show that investment in the electronic industry is popular, for reasons related to the need to gain access to low production costs. One might argue that this strategy remains unconvincing as far as the commitment of doing business in the long-term is concerned: in fact there are always places allowing a still lower cost of production.

One area that might draw an interest is that of technology transfer. Our research leads us to conclude that technology transfer by foreign parent firms of IJVs is not significant. This issue might provide an area for further investigation in the future.

Our research on the organisational capability factors is concentrating on the effectiveness of the IJVs’ resource allocation. Japanese firms report the highest scores for the resource allocation variables, which is the result of the fact that Japanese firms have been dominant in ASEAN countries for a long time. Long relationships help promoting a clear understanding between Japanese and host parent firms. These factors also help enhancing the efficiency and the productivity of the IJVs. In terms of resource allocation, Japanese firms use their network organisation to allocate resources more effectively and efficiently.

On the other hand, Thai-European IJVs show a moderate degree in the effectiveness of IJV’s resource allocation relative to Thai-Japanese IJVs. The reason is that European companies tend to decentralise their operations and allow IJVs to be more independent from the parent company. One European executive states that “Decentralisation is good but it might lead to an inefficient operation control”. The same also applies to Thai-American IJVs in term of the resource allocation.

Our analysis of the transaction-specific factor, measured by the IJV investment in the building, transportation, inventory, and human resources management, shows that Thai-American IJVs have significantly the highest degree compared to others. We also can state that Thai-American IJVs are showing a strong commitment related to all functions such as the finance, human resource, product development, production, and marketing functions.

Thai-European IJVs present a strong commitment about the marketing function and human resource management function, but the degree of their IJV investment is lower compared to Thai-American and Thai-Japanese IJVs. Thai-Japanese IJVs report the strongest commitment about the finance and production functions.
8. Conclusion

Our results provide supporting evidence on the relationship between the cooperative management and the dynamic learning capability. Moreover, the channel network integration variable used shows the strongest effect on the dynamic learning capability. However, we also find that the commitment variable is moderating the relationship between the proposed model and the dynamic learning capability. The qualitative results confirm that Thai-EU and Thai-Japanese IJVs show higher cultural similarity and management compatibility than Thai-American IJVs. Moreover, another research finding is that differences in management practices between Thai-EU and Thai-Japanese IJVs are also differences in style.

It seems to us that our findings have an important implication. Although cooperation has been widely researched and scholars have defined cooperation in many ways, our research attempted to link three major variables that are theoretically related to the cooperative management. The research results support our model by showing a statistically significant correlation between conflict resolution, strategic coalignment and channel network integration, and the cooperative management.

We also found that higher conflict resolution is positively related to a higher dynamic learning capability, and that higher dynamic learning capability will lead to a better performance of the IJVs.

In addition, it was found that a higher degree of strategic coalignment was positively related to a higher dynamic learning capability. Similarly, the IJVs that showed a higher channel network integration also had a higher dynamic learning capability, explaining the highest variance compared to the other variables.

The moderator effect on the learning ability was investigated by adding a commitment variable to the estimated equation, which showed a strong statistically significant relationship with the dynamic learning capability. It therefore can be concluded that a higher degree of consensus and commitment about the various management functions will increase the dynamic learning ability of the IJVs. This suggests that greater commitment between partners can help building a long-term business relationship. Consequently, it will enhance cooperation in managing and developing the competitive advantage of the IJVs. More research in this area is badly needed, however.

Finally, our expectations of a relationship between cultural similarity, strategic coalignment and channel network integration, and the cooperative management, and its implications for the dynamic learning capability seem to be strongly supported. In addition, a relationship was established between the availability of each partner's strategic resources and the cooperation.

Our results shows three ways of developing the effective dynamic learning capability of partner companies through cooperative strategy: (i) Improvement of the conflict resolution strategy by utilising cultural similarity, international, and IJVs experiences of the parent firms. (ii) A larger focus on the behavioural factors: we suggest that each parent company should spend more time discussing strategic choices, strategic directions, and strategic human resource management during the formation stage of the IJV in
order to improve the effectiveness of the operation and the performance of the IJV. Actually, on the basis of our qualitative data, we found in conformity with previous research (Killing, 1983), that most IJVs spend less time discussing human issues while spending most time on technical or technology issues. (iii) To increase the degree of the channel network integration, each parent firm needs to develop consensus and commitment on the key functions of the IJVs. Improving the strategic factors is suggested such as developing and sustaining market positioning and promoting the global integration strategy by using the network organisation to increase the managerial effectiveness. Increasing the organisational capability factor is also required.

A larger emphasis should be placed on cross-cultural management in order to manage IJVs effectively. Therefore, cross-cultural training can be recommended. The managerial implications to improve the effectiveness of cross-cultural training are as follows: (i) Awareness of cultural differences is required. Expatriates need to be aware of cultural differences before taking their international assignment. (ii) An understanding of cultural differences is needed. Expatriates need to have a highly adaptive capability to adjust themselves to understand and to fit into a culturally different environment. (iii) The capability to work in a culturally different environment has to be increased. Expatriates are expected to perform effectively even in another cultural environment.

Human resource management is becoming more important to improve the effectiveness of the management of the IJVs. Tung (1984) noted that strategic human resource management of the IJVs requires high attention and commitment from both parent firms. Tung & Miller (1990) also recommended that managing in the 21st century requires the development of a global orientation, particularly in human resource development.

Finally, our results also imply that companies should increase their asset-specific factors by investing more in the IJV’s infrastructure, inventory and human capital. We can conclude that higher IJV performance is present when each firm focuses more on these factors. In particular, the effectiveness of resource allocation and the availability of each partner’s strategic resources become more important to the IJVs’ performance. Therefore, the integration of resource dependence is recommended by developing an effective system of managing the resource allocation that fits both partners’ resources availability.

Our study does, however, show some apparent limitations that suggest future research. The survey was limited to Thai host parent firms. The question is now whether our conclusions also apply to non-Thai host parent firms. Clearly, more research is needed here.

Moreover, although originally the focus was on Thai-European IJVs, we extended the scope of the study to encompass also IJVs between Thai parent firms, and Japanese, American, and also others ASEAN firms respectively. It clearly appears, however that more qualitative research is needed to develop a better and deeper understanding of the management of IJVs, the more so since cross-sectional studies may not be appropriate to explain the relationships behind the management of IJVs. Two avenues for future research seem to be most promising: the identification of comparative management styles in greater detail, and the investigation of how cross-cultural management can contribute to the cooperation and to the development of strategic competitiveness.
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