

**The Impact of Information Communication Technologies
on the Performance of International Joint Ventures in Relation to
the Communication and Culture Dynamics**

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**Submitted in Partial Fulfilment of the Requirements of the
Degree of Doctor of Philosophy, 2002.**

**Dedicated with love to the memory of
my Mother, *Ruqiya***

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Acknowledgements

All my thanks to my family for their unfailing support during my studies. I am especially grateful to my father for his love and patience.

I would like to thank my brother Nadeem for his kindness and generosity and my sister Umber for her humour and encouragement.

Finally, thank you to my youngest sister, Noreen, to whom I owe a special debt of gratitude for her constant support and help which allowed me to continue and complete this work.

Abbreviations

BRITE	Basic Research in Industrial Technologies for Europe
CAD	Computer Aided Design
CEO	Chief Executive Officer
EC	European Community
EDI	Electronic Data Interchange
EEC	European Economic Community
ESPRIT	European Strategic Programme in Information Technologies
ESS	Electronic Support Systems
EU	European Union
FDI	Foreign Direct Investment
G.D.P	Gross Domestic Product
JV	Joint Venture
IBM	International Business Machines
ICTs	Information Communication Technologies
IJVs	International Joint Ventures
IP	Internet Protocol
IRC	Internet Relay Chat
IT	Information Technology
LANs	Local Area Networks
MNC	Multi-National Corporation
ONP	Open Network Provision
PTT	Postal, Telegraph and Telephone
RACE	Research and Development in Advanced Communication Technologies in Europe
R&D	Research & Development
SEM	Single European Market
SMEs	Small and Medium Enterprises
TCP	Transmission Control Protocol
TO	Telecom Operator
WWW	World Wide Web

Abstract

This study endeavoured to investigate the effects of Information Communication Technologies (ICTs) on the performance of International Joint Ventures (IJVs) by focusing on specific variables known to affect performance i.e. culture (national and corporate) and communication.

Given the increasing use of ICTs in business processes this thesis focused on whether the utilisation of ICTs affected the communication and cultural dynamics within IJVs and whether any correlating effect on IJV performance occurred. Three research questions were developed, firstly, how ICTs impacted on communication between IJV partners, secondly, how ICTs affected the cultural diversity that exists between partners and thirdly, if the use of ICTs in communication channels had any subsequent effect on IJV performance.

Research was undertaken using the multiple embedded case study approach allowing data to be linked to theory in an inductive and deductive process. The contextual setting was the European Telecommunications sector since it is a geographical area with an inherent cultural diversity and an industry with a significant number of IJVs.

The sample selected focused on five IJVs created between UK and other EU partners during the time period 1995 to 1997. Data was collected primarily through the use of semi-structured interviews with directors of each parent company.

Within and cross case analysis of the results enabled common themes and new ideas to emerge, indicating that the use of ICTs does affect communication channels and is dependent upon the importance of the interaction. Cultural diversity that exists between IJV partners is also affected but at a superficial level, however, results revealed that the use of ICTs does not enhance the performance of IJVs.

Results also highlight unexpected findings, that of, two new variables affecting IJV performance which are a unique corporate culture and a common vision for the IJV.

CHAPTER 1

INTRODUCTION

1.1 Introduction

This thesis is concerned with the study of international joint ventures (IJVs) and the relationship between the performance of such alliances and specific variables known to exert an influence on their success. The variables selected for study in this thesis focus in particular on the communication and culture dynamic. Communication and cultural diversity are variables that have been found to have significant effects on IJV performance (Geringer & Hebert, 1989; Lane & Beamish, 1990; Parkhe, 1991; Kanter, 1994; Littler & Leverick, 1995; Beamish & Inkpen, 1995). The communication dynamic expresses itself in a variety of areas, for example, in terms of the relationship between the partners of the IJV, in the cultural issues that are inherent in a cross border alliance, and even in organisational matters by the communication of goals, ideas and expectations throughout an organisation. Communication between IJV partners represents the underlying “soft” infrastructure of social relations among the partners of an IJV. Communication helps to develop the key social processes that contribute to the construction of trust, social relationships, mutual goals and objectives in an alliance (Harvey, Griffith & Novicevic, 2000). Dodgson (1993[a]) argues that effective communication channels are crucial for IJV success. The development of

strong relations depends on effective communication between partners. Cultural diversity (national and corporate) is another variable cited as having an influence on IJV performance (Harrigan, 1988; Geringer & Hebert, 1989; Parkhe, 1991; Kanter, 1994; Littler & Leverick, 1995, Brown, Rugman & Verbeke, 1989; Shenkar & Zeira, 1992; Meschi & Roger, 1994; Beamish & Inkpen, 1995; Barkema & Vermeulen, 1977; Park & Ungson, 1997; Lin & Germain, 1998). The dynamics and development of an IJV relationship is further complicated in a cross cultural setting where cultural and psychic distance exists (Hallen & Wiedersheim-Paul, 1984; Kogut & Singh, 1988; Johanson & Vahlne, 1977) and where IJV partners are geographically dispersed. The presence of a high cultural distance between partners affects the establishment of personal relations (Kogut & Singh, 1988). Communication is paramount in the development of business relationships (Anderson & Weitz, 1989) and where cultural distance prevails, the development of the relationship is affected by the degree of cultural distance between the partners. The greater the cultural distance between the IJV partners the more difficult it is for the relationship to develop (Lin & Germain, 1998). Therefore, the ability to communicate effectively between culturally distant partners can affect the outcome of an IJV (Geringer & Hebert, 1989; Kanter, 1994; Parkhe, 1991). Indeed, Parkhe (1991) argues that the cultural gap between IJV partners may be bridged by effective communication.

This study pays particular attention to the relationship between IJV performance, cultural diversity and communication through the utilisation of Information Communication Technologies (ICTs). The use of ICTs such as the Internet and Intranet in the business environment has increased at an exceptional rate in recent years and thus has become a technology that may have significant effects on business

relationships. ICTs such as the Internet have the ability to support business relationships such as IJVs by improving and supporting communications between IJV partners (Hamill, 1997). ICTs are an element of new technologies which have revolutionised business operations and have facilitated expansion in the scope and reach of organisations wishing to participate in new global opportunities such as IJVs. The primary aim of this thesis, is to establish the impact of the use of ICTs on IJV performance. It is concerned with the impact of two distinct but interrelated variables i.e. cultural diversity and communication upon the performance of IJVs through the utilisation of ICTs in communication channels.

The impact of ICTs on the relationship between IJV partners is examined in three different domains i.e. the impact of ICTs on the communication channels between IJV partners is examined, as is the impact of ICTs on bridging cultural diversity between IJV partners and the impact of ICTs on the performance of IJVs.

The aim of this chapter is to present the foundations from which the study stems. It provides a background to the research followed by the scope of the study. The research objectives are presented. Finally, the thesis structure describes the content of each of the consecutive chapters.

1.2 Background to the Study

International Joint Ventures (IJVs) have frequently been used by companies in order to expand abroad (Franko, 1971; Harrigan, 1985; Beamish and Banks, 1987; Ohmae, 1993). With increasing competition and the necessity to succeed across borders, IJVs present a useful tool for global expansion. Increasingly, they are perceived as strategic

weapons, and also one of the elements of an organisation's business units (Harrigan, 1987[b]). Many firms are now finding that they can no longer act alone, rather they must collaborate with other companies. In their effort to maximise profits companies are being forced to develop new strategies to fit the rapid changes occurring in the global arena.

Some observers argue that JVs are opportunities for the future for reasons such as increased global competition, increased risk, ever larger projects and the fast pace of technological change (Anderson, 1990).

Various changes in the global business arena are influencing firms to utilise IJVs as a form of organisational governance (Contractor & Lorange, 1988[a]; Harrigan, 1987[a]; Ohmae, 1989). The deregulation of many industries has allowed firms to cooperate in ways that were formerly seen as anti-competitive. Technology life cycles are growing increasingly shorter as new sources of technology arise from all corners of the globe. As technology has become more sophisticated, the capital investments required for innovations and ventures has dramatically increased (Ohmae, 1989; Gulger, 1992). The Triad markets of America, Japan, and Europe which are maturing both economically and industrially are reaching points of market saturation (Murray & Mahon, 1993). The consumers of this Triad region are also developing increasingly similar tastes. Sophisticated computers and communication systems allow for better and quicker exchanges of information and ideas. Finally, industries that were previously bounded geographically have become global (Ohmae, 1989).

According to Gulger (1992) three factors have been the major forces behind the growth of alliances such as IJVs.

- i) Technological advances which involve major changes in the traditional competitive advantages of the firms, the problems of rising costs and uncertainty of R&D, as well as the product life cycle reduction, lead firms to share risks and to find new ways to have a rapid access to markets.
- ii) The convergence of technologies which enable companies to gain access to different technologies they do not themselves possess.
- iii) Market globalisation is changing the dimension of foreign investments and it is also creating a need for more flexible structures and new forms of organisations. These will be required in order to enable firms to compete successfully on a world wide basis.

1.2.1 Motives, Growth and Risks of IJVs

It is the nature of business and the need for exploiting the opportunities in the global market that has given an awareness of the strategic choice of a joint venture.

The potential strategic benefits of forming IJVs can be divided into two categories i.e. strategic and organisational. Strategic benefits have been highlighted by Contractor and Lorange (1988[a]) as being a reduction in risk, economies of scale, technology exchanges, blocking competition, overcoming government or investment barriers, facilitating initial international expansion of inexperienced firms, vertical quasi-integration advantages through the linking of complementary contributions of the partners in a “value chain”.

As well as achieving the strategic benefits of collaboration organisational benefits can also be achieved, for example, firms can gain access to organisational knowledge and learning. IJVs can help firms to build competitive advantage by deepening their knowledge and experience base by extending their existing core competencies and skills into new or unrelated areas. IJVs are also capable of providing an efficient way of transferring tacit information.

Alliances such as IJVs can also be an effective means of achieving insider status around the world (Ohmae, 1989). An IJV with a local firm can permit a multinational corporation to act like an insider locally, while still maintaining a standard global organisation.

Clearly there are many benefits that can be gained through collaboration. However, despite the increase in the popularity of IJVs and their many benefits, there are risks associated with IJVs. Estimates of unsatisfactory performance have ranged from 37% to over 70% (Janger, 1980; Killing, 1983; Stuckey, 1983; Reynolds, 1984; Beamish, 1985; Coopers & Lybrand, and Skelly & White, 1986; Kogut, 1986; Harrigan, 1985; Park & Ungson, 1997). Like in any relationship there is a degree of complexity which is heightened due to the extent to which each parent company must share its resources, skills and experience in order to achieve the mutually beneficial goals set out between the partners. It is this that has the potential to threaten the success of the alliance.

The growth in IJVs and the corresponding high failure rates has led to a significant amount of research being carried out to identify the causes of IJV failure.

A number of variables have been highlighted by various researchers as having a significant effect on IJV performance. These can be divided into structural and social factors.

Structural factors include the industrial sector to which the IJV partners belong, IJV objectives, compatible goals, equity share, the number of partners, the age of the IJV, partner asymmetries e.g. size and complimentary skills, control and stability. Social factors include trust and commitment, cultural diversity (national and corporate) and communication.

JVs are labelled as the most risky form of business because of the rate of failures shown by previous performance. An IJV is an accepted way of doing business, but the performance of an IJV is difficult to evaluate. JVs are not always intended to fulfil standard business objectives e.g. profits but are instead created to learn a new technology, open a market, block a competitor, or “keep a window on opportunity”. Anderson (1990), states that it is difficult to assess the performance of an IJV. Empirical support provided by Chakravarthy (1986) found that traditional accounting figures, including profitability measures are not enough to distinguish “excellent” from “ordinary” firms. Excellent firms are also distinguished by their characteristics and methods, suggesting the need to view performance as a combination of many factors. Financial measures assess only one facet of performance and a number of other factors, many of them qualitative must also be considered (Anderson, 1990).

It is important to note that defining and measuring performance of IJVs is complex. Anderson (1990) suggests that financial measures only evaluate one dimension of performance and that subjective measures like the manager’s satisfaction with the IJV must also be examined in order to assess overall IJV performance.

1.2.2 Information Communication Technologies

The use of information communication technologies (ICTs) such as the Internet and the Intranet within business organisations has grown at an exceptional rate over recent years and as such it has become a technology that may have significant effects on inter-organisational relationships such as IJVs.

The popular press is inundated with reports of the ongoing commercialisation of the Internet, and the surge of firms wanting to establish a presence in this new virtual marketplace. As a result of many years of press coverage and growth, the Internet has become part of everyday reality. "It is currently growing faster than television, radio, or the printing press ever did" (Strangelove, 1995). Reasons for using the Internet are often based on popular views held by the media rather than on any objective analysis of its benefits and risks (McBride & Rogerson, 1995). They suggest that many companies are influenced by the perceived competitive pressures and by the hype surrounding the Internet.

This study examines specifically the use of ICTs such as the Internet and the Intranet encompassing communication tools such as e-mail, video-conferencing and Electronic Data Interchange. The Internet and Intranet represent a subset of telecommunications tools that can connect organisations.

The use of ICTs are helping companies to develop new ways of working and are a support to human thinking and communication rather than just an instrument which attempts to automate tasks. The role of ICTs are enabling organisational boundaries

and relationships to change, therefore, ICTs can create and maintain a flexible business network of inter-organisational arrangements (Venkatraman, 1994).

Information communications technologies like the Internet are changing business processes. It has been suggested by Hamill (1997) that ICTs such as the Internet have the ability to support organisational networks such as IJVs by improving and supporting communications between partners within an organisation's network, providing the ability for the organisation to become virtual in nature.

1.3 Scope of the Study

IJVs by their very nature are fragile partnerships and previous literature has stated that communication is a variable that has been highlighted as having a significant effect on the performance of IJVs (Geringer & Hebert, 1989). Effective communication channels in organisational relationships are a feature of successful IJVs (Dodgson, 1993[a]).

While ICTs such as the Internet have an impact on organisational relationships, the potential effect of ICTs on an organisation's collaborative role in terms of international alliances such as IJVs has not really been considered.

Although many companies are using ICTs such as the Internet in the belief that it offers many business advantages, there appears to be insufficient consideration of the impact of ICTs within an IJV. Communication as a variable of performance encompasses several aspects, consequently, the effects that the use of ICTs may exert on this variable are manifold. The impact of ICTs on communication channels within organisations varies from the automation of communication tasks to supporting human

relations, providing mechanisms for the communication of vast amounts of information to supporting organisational structures spread across geographical boundaries.

Limited research has been done regarding the impact of ICTs upon IJVs, the impact on the relationship between the partners of an IJV and the impact on the performance of IJVs.

Communication problems can also occur as a result of differences between national culture as well as differing corporate cultures. Although culture is difficult to define it is widely accepted that culture has a significant effect on organisations (Bhagat & McQuaid, 1982; Dennison, 1990). Cultural difference, which includes both national and corporate aspects, is another variable that has been cited in the literature as having an effect on IJV performance (Harrigan, 1989; Geringer & Hebert, 1989; Parkhe, 1991; Shenkar & Zeira, 1992; Meschi & Roger, 1994; Barkema & Vermeulen, 1997; Lin & Germain, 1998; Beamish and Inkpen, 1995).

IJVs by their very nature are going to exhibit cultural diversity as they are cross-border alliances and bring together people who may have different patterns of behaving and believing (Black & Mendenhall, 1990). The development of the IJV relationship is affected by cultural and psychic distance (Hallen & Wiedersheim-Paul, 1984; Kogut & Singh, 1988; Johanson & Vahlne, 1977). High failure rates amongst IJVs suggest that IJV partners should recognise the cultural factors that exist between partners (Beamish & Inkpen, 1995). The higher the cultural distance between partners the harder it is for the relationship to develop (Lin & Germain, 1998).

Therefore, according to many researchers the ability to communicate effectively with IJV partners can make a significant difference in an IJVs future success (Geringer &

Hebert, 1989; Parkhe, 1991; Kanter, 1994; Littler & Leverick, 1995) as it is crucial to the development of business relationships (Anderson & Weitz, 1989).

Parkhe (1991) argues that the cultural gap between IJV partners may be bridged by effective communication.

The growth of ICTs such as the Internet and Intranet suggests an opportunity to address the communication and cultural difficulties identified within the management of IJVs and to establish whether the use of ICTs can overcome these problems. This may then ultimately lead to ICTs in some way having an affect on the performance of IJVs.

1.3.1 Why the European Telecommunications Sector?

Within the European Union the key driving forces for the creation of IJVs are globalisation, innovation and technological change. Globalisation is particularly evident in industrial sectors such as telecommunications (Commission of the European Communities (CEC, 1999). Convergence i.e. the effect of technology bringing together many markets, is taking place between companies looking to acquire skills that they do not possess or forming alliances with companies in a particular field in order to share knowledge and know how, thereby expanding their position in the market. This combination of technological advances and globalisation is creating a climate in which there are many new alliances being formed between companies in different industrial sectors (Ohmae, 1989).

The liberalisation of the European telecommunications sector in combination with the increasing convergence of telecommunications, information technologies and media,

combined with globalisation are also resulting in a wave of IJVs being established in this sector as firms position themselves to take advantage of the opportunities.

The wide cultural diversity that exists within the European Union (EU) along with the active formation of IJVs in the EU makes a study focusing on Europe feasible. While Europe is becoming a united economy, it will remain a fragmented market with a wide diversity of cultural and national traditions (Lynch, 1990). Inability to merge the corporate cultures of alliance partners is frequently cited as a major factor in alliance failure. These risks are heightened if the alliance is a collaboration between European parent companies and if the country and business culture are not well understood. According to Bentley (1991) significant cultural differences between European firms remain and are likely to persist. Many United Kingdom (UK) firms seeking to expand into Europe have, to their cost, underestimated the difficulties of integrating and managing European alliances (Bentley, 1991).

Another reason why IJV activity has flourished in this region is due to the improved attitude of the European Union towards collaborative activities in a reaction to the widening technological gap between Europe and the United States (US) and Japan. Indeed, the EU initiatives such as ESPRIT (European Strategic Programme in Information Technologies) and RACE (Research and Development in Advanced Communication Technologies in Europe) have encouraged integration between European firms. Finally, most empirical research on IJVs has taken place in the US and Japan (Terpstra & Simonin, 1992) and not in relation to the European context (Katsikeas, 1998).

The combination of these factors, that is, the EU which encompasses a geographical area with a wide cultural diversity and telecommunications as an industrial sector which has a high number of IJVs already formed, allows a relevant and credible study to be formulated.

1.4 Objectives of the Study

The main direction of this study is exploratory in nature. Literature does exist describing communication and cultural diversity as key factors in affecting IJV performance, however, as yet, there have been no studies demonstrating the effect of ICTs on partners in IJV relationships and on IJV performance.

This study focuses on two variables, namely, communication and culture which have been highlighted by researchers as affecting IJV performance. ICTs being communication technologies could exert an influence on the communication dynamic in business organisations, in this case specifically between IJV partners. This may result in a corresponding effect on the performance of the IJVs. Communication is an integral part of culture, therefore, the way in which business organisations communicate, both internally and externally, is also a culturally defined process. With new communication technology infiltrating most aspects of business processes, whether through necessity or hype, this study will focus on whether ICTs affect the communication and cultural dynamics within IJVs and whether any correlating effect on IJV performance occurs.

The study therefore has three main objectives which are:

1. To establish how the use of information communication technology (ICTs) impacts on communication channels in international joint ventures (IJVs).
2. To establish whether the use of ICTs can help to bridge the cultural gap between IJV partners.
3. To determine whether performance of IJVs is affected by the use of ICTs in communication channels.

This research is the first exploratory study to investigate the impact of ICTs on the performance of IJVs within the European Union.

This study will attempt to contribute to a better understanding of IJVs by the introduction of data through the use of a case study methodology on IJVs between UK and other European partners. Parkhe (1993) claims that many IJV researchers are employing quantitative research methods that are unlikely to yield needed advances in theory and believes that “hard” data sources are not able to capture the “soft” core concepts in IJV relationships such as trust. In contrast, methods using qualitative research such as case studies permit a deeper understanding. Parkhe (1993) argues that many investigations of IJVs have tended to stress the outcome of collaboration (e.g. survival, control and performance) and this has resulted in a neglect of the social processes that underlie the IJV relationship. Parkhe (1993) further argues that this ignores critical issues relevant to the relationship process through concepts such as trust, reciprocity, opportunism and forbearance. These “soft” issues encompass “behavioural variables at the heart of voluntary interfirm co-operation” and have a

significant influence on the dynamics and eventual performance of the IJV. Case studies facilitate a deeper understanding of soft variables and key relationships (Parkhe, 1993) such as communication and cultural diversity. Other researchers Bonoma (1985), Hirschman (1986) and Deshpande (1983) have also called for greater use of qualitative research in marketing research. Johnston, Leach and Liu (1999) state that case study research is particularly relevant in a business to business setting where the number of contextual variables influencing organisational behaviour may prevent the execution of quantitative research. Parkhe (1993) suggests that there is a “connective tissue” around IJVs in the form of “soft” variables such as trust and that this is missing in many IJV studies and deeper insights regarding such core concepts can be gained through qualitative approaches. Using the case study methodology in this study will therefore allow the subjective opinions of both UK and European partners towards the impact of ICTs on communication and culture and subsequently, in relation to IJV performance to be assessed. The case study methodology allows a comparison between all the partners in a single IJV and between each IJV selected for this study. This allows for the identification of the similarities and differences in all the cases to be compared and analysed. This process will allow for the extending of existing theory or the development of new theory.

1.5 Thesis Structure

Chapter Two, encompasses a review of the literature concerning IJVs. The purpose of this chapter is to present IJV definitions and discuss the strategic motives for IJV formation. The chapter will consider the high rates of IJV failure and examine how IJV performance is measured. This chapter will also discuss various structural and

social factors that have been identified as influencing IJV performance. There will also be a discussion of business relationships and whether ICTs are capable of developing trust in the absence of face to face communication.

Chapter Three entitled “Telecommunication Joint Ventures in the European Union” focuses on the Single European Market (SEM) and the effects of the liberalisation of the telecommunications sector on IJV activity. This chapter discusses IJVs and EU competition policy and considers the evolution of telecommunication liberalisation and its framework. The concepts of convergence and globalisation within this sector are also discussed.

Chapter Four, reviews the literature concerning ICTs and examines the business opportunities that ICTs such as the Internet and Intranet offer. It deals with the business use of ICTs such as the Internet and the use of ICTs by business organisations.

In Chapter Five, the research methodology for this study is presented. The research is exploratory in nature and follows both an inductive and deductive research perspective. This chapter discusses the case for studying specifically culture and communication as variables in relation to IJV performance. Research was carried out using the multiple embedded case study approach. This chapter presents the research questions from which the propositions are developed and describes the reasoning behind the research approach selected for the purpose of this study and the data collection techniques. Data was collected from each partner involved in the IJVs that were selected. This

provided an element of consistency and also contributed to the ability to carry out cross case comparisons of all the IJVs available for investigation.

Chapter Six presents the results of the study along with a discussion of the major findings. Each proposition is either supported or rejected in turn by subjecting each case to both within and cross case analysis. This enables common themes and patterns to emerge from the data which then provides the evidence required for a more detailed and in-depth analysis found in the discussion which follows. This allows for extending or aiding theory development.

The final chapter, Chapter Seven, draws conclusions from the study. The chapter presents a summary of the research objectives, the methodology and the major findings of the study. In addition, the chapter provides a discussion of the contributions and limitations of the study. The chapter concludes with some recommendations for future research.

CHAPTER 2

A LITERATURE REVIEW ON IJVs

2.1 Introduction

Research on the topic of international joint ventures (IJVs) is vast and varies in terms of its depth and breadth, and in terms of its theoretical and empirical grounding. The literature on IJVs can be divided into four main groups: **motives and contributions**, (Contractor & Lorange, 1988[a],[b]; Harrigan, 1988; Kogut, 1988) **partner selection and characteristics**, (Harrigan, 1988; Brown, Rugman & Verbeke, 1989; Geringer, 1988[a],[b],[c], 1991), **conflict and control**, (Tomlinson, 1970; Killing, 1983; Beamish, 1988; Schaan, 1988; Geringer & Hebert, 1989; Stafford, 1994; Yan & Gray, 1994; Beamish & Inkpen, 1995; and lastly, **performance and stability**, (Franko, 1971; Stopford & Wells, 1972; Beamish, 1984; Gomes-Casseres, 1987; Beamish & Banks, 1987; Kogut, 1988; Brown, Rugman & Verbeke, 1989; Anderson, 1990; Blodgett, 1992; Parkhe, 1993; Ring & Van de Ven 1994; Kanter, 1994; Meschi & Roger, 1994; Cullen, Johnson & Sakano, 1995; Beamish & Inkpen, 1995; Park & Ungson, 1997; Barkema, Bell & Pennings, 1996; Park & Ungson 1997; Luo, 1995; Lin & Germain, 1998).

The literature surveyed for this study will focus mainly on IJV performance. The first section discusses the various definitions of joint ventures and IJVs found in the literature. The second section discusses the strategic motives behind the formation of IJVs. The third section considers the high rates of IJV failure. The fourth section examines how IJV performance is measured i.e. both subjective and objective measures and the problems that are associated with measuring IJV performance. The fifth section discusses the factors which have been identified to influence IJV performance. These have been divided into structural and social factors. The sixth section discusses business relationships and ICTs.

2.2 JV and IJV Definitions

There are numerous definitions of joint ventures that can be found in the literature, but this is not the case for IJVs. The term joint venture is used to describe a relationship between entities, however, there seems to be a distinct lack of consensus as to what constitutes an international joint venture. In order to highlight commonalities that exist between the given definitions it is important to understand the characteristics of joint ventures and IJVs.

Tomlinson (1970), defines a joint venture (JV) as “the commitment for more than a very short duration of funds, facilities and services by two or more legally separate interests to an enterprise for their mutual benefit.”

Harrigan (1984), defines joint ventures as “partnerships by which two or more firms create an entity to carry out a productive economic activity and take an active role in decision-making”.

Beamish and Banks (1987), define equity joint ventures as “shared equity undertakings between two or more parties”.

Kogut (1988), argues that “a joint venture occurs when two or more firms pool a portion of their resources within a common legal organisation”.

Lyons (1991), defines joint ventures as “co-operative forms of organisation between independent parties who could otherwise engage in competition or have a competitive potential.”

Shenkar and Zeira (1990), define an IJV as a “separate legal organisational entity representing the partial holdings of two or more parent firms in which the headquarters of at least one is located outside the country of operation of the joint venture. This entity is subject to the joint control of its parent firms, each of which is economically and legally independent of the other”.

Beamish and Inkpen (1997), define an equity-based joint venture as “an alliance that combines resources from more than one organisation to create a new organisational entity (the child), which is distinct from its parents and an international joint venture (IJV) is a JV with two or more parents of different nationality”.

According to Geringer (1988[a]), “JVs involve two or more legally distinct organisations (the parents), each of which actively participates in the decision making activities of the jointly owned entity.” A JV is considered to be an IJV if at least one parent organisation is headquartered outside the JV’s country of operation, or if the venture has a significant level of operations in more than one country (Geringer & Hebert, 1989).

In their study of joint ventures between UK and EU manufacturing companies Millington and Bayliss (1995), used the definition of joint ventures used by the European Commission. According to the EC (CEC, 1994[a]), a JV is defined as “comprising those operations where at least two undertakings create a new entity which is jointly controlled; this new entity can have industrial or commercial aims, and may even be constructed for a limited period”.

To be included in their study a joint venture had to be owned and controlled by two or more legally distinct organisations and one parent had to be in the UK and at least one of the other parent companies had to be headquartered in an EU country other than the UK. Since this study focuses on European IJVs, it is proposed that this definition will be used in this research.

2.3 Strategic Motives for Forming IJVs

IJVs are used as an alternative to wholly-owned subsidiaries, commonly as a means of competing within multidomestic or global competitive arenas (Porter & Fuller, 1986; Harrigan, 1988).

IJVs have been a common means of doing business for many years, and have been seen as a second best strategy used to access foreign markets. Today, however, IJVs are

being seen as a first best strategy and are occurring at all levels of the value added chain (Contractor & Lorange, 1988[a]).

IJVs have commonly been used by firms in order to expand abroad (Franko, 1971; Harrigan, 1985; Beamish & Banks, 1987; Hennart, 1989; Agarwal & Ramaswami, 1992; Ohmae, 1993). With growing international competition and the need to succeed across borders, IJVs present a useful sometimes necessary tool for global expansion.

Various changes in the global business environment are influencing firms to utilise IJVs as a form of organisational governance (Contractor and Lorange, 1988[a], Harrigan, 1987[a]).

Increasingly IJVs are perceived as strategic weapons and as one of the elements of an organisations business units (Harrigan, 1987[b]). IJV activity has been increasing in recent years, both in terms of frequency and in terms of strategic importance (Harbison & Pekar, 1998).

Increased global competition and the associated shorter product life cycles of technology have forced firms to reconsider their costs (Root, 1982). Firms are becoming more and more aware that internalising activities often leads to high fixed costs, and that it is becoming necessary to share costs or externalise through long term agreements with other companies. Firms are of the opinion that the benefits that accrue through a IJV can often outweigh the costs of operating a more complex organisation (Geringer , 1991).

Many firms are now finding that they can no longer afford to act alone, rather they must collaborate with other companies. In this way, strategic strengths can be maximised, and weaknesses can be minimised. IJVs are becoming an essential feature of companies overall structure, and competitive advantage increasingly depends not

only on a company's internal capabilities, but also on the type of its alliances and the scope of its relationships with other companies.

A seven point rationale for forming IJVs has been identified by Contractor and Lorange (1988[a]).

- According to Contractor and Lorange (1988[a]), a primary motivation for forming IJVs is risk reduction. By collaborating with another company firms can share the costs and the risks of investment in a project as well as accelerating the return on investment through a more rapid turnover of the firm's assets (Gulger, 1992).
- A second motivation for forming IJVs is that of product rationalisation and the achievement of economies of scale (Contractor & Lorange, 1988[a]). The creation of a joint venture allows a firm to achieve greater efficiency in the performance of certain tasks. This efficiency may derive from economies of scale and scope which are difficult to obtain by a single firm, from the spreading of risks among partners, as well as from synergies which come from the complementarity of the resources provided by the partners (Harrigan, 1985; Contractor & Lorange, 1988[a]).
- Technology exchanges represents a third motivation for forming IJVs (Contractor & Lorange, 1988[a]). As technology life cycles become shorter, it is becoming increasingly difficult for companies to maintain strength in all product lines (Ohmae, 1989). By pooling complementary technologies, firms can gain the necessary technologies that will allow them to produce increasingly sophisticated products at a much faster rate than could be achieved by "going it alone".

According to Harrigan (1984), IJVs enable firms to gain the complementary resources needed, while avoiding the costs of direct acquisition. However, Teece (1987), cautions firms about sharing technology. He argues that innovating firms should only enter into an alliance to share technology when the innovator has a tight appropriability regime and when there is a large supply of complementary assets. Lei (1992) argues that alliances can be used as an indirect strategic weapon to slowly “de-skill” a partner who does not understand the apparent risks in such arrangements. He claims collaboration within alliances leads to a competition both in learning new skills and in refining firm capabilities in other products and processes. Badaracco (1991) claims that by their very nature, IJVs create direct and indirect windows of opportunity enabling access to a partners’ skills, technologies, core competencies, and even strategic direction.

- Defensive strategic actions can be accomplished through the use of IJVs. This is the fourth motive for forming IJVs. According to Contractor and Lorange (1988[a]), a firm can effectively minimise the risk of competition by forming an IJV with a potential competitor. The resulting co-operation may represent a form of monopoly power, as a result competition can be blocked. Harrigan (1984) notes that joint ventures in particular are frequently used to limit competitors’ moves. Hamel and Prahalad (1989), suggest that deals should not be thought of as alliances but as “competitive collaboration” and in that way alert the organisation to what they should protect.
- The fifth rationale behind IJV formation is the overcoming of a country’s protectionist measures (Contractor & Lorange, 1988[a]). The utilisation of IJVs is

a particularly common means of operating in lesser developed countries where governments often try to increase their gains from foreign investment (Gomes-Casseres, 1987; Hennart, 1989). The presence of political factors which require or make it advisable to cooperate with local firms is a common reason for the creation of IJVs (Tomlinson, 1970; Killing, 1983). This is often the case when a foreign firm wants to enter countries with hostile governments and/or restrictive legislations.

- Small and medium-sized firms have traditionally ventured into international markets very cautiously. IJVs enable a firm to move towards internationalisation without incurring all the risks of foreign investment. Harrigan (1984), argues that through a joint venture, a firm can capitalise on its strengths while at the same time gaining knowledge of unfamiliar business areas. So, the facilitation of global expansion is the sixth rationale for forming IJVs identified by Contractor and Lorange (1988[a]). Through the use of IJVs firms can gain entry into markets without investing capital in plants and equipment. It allows an organisation to move quickly into a market without the time lag and investment of funds in building new plants and obtaining equipment (Murray & Mahon, 1993).
- Contractor and Lorange (1988[a]) argued that the accomplishment of quasi vertical integration is the seventh rationale for forming IJVs. Quasi vertical integration may represent the most desirable strategy as opposed to complete integration or complete non-integration. This form of organisation can allow firms to have the benefits of internationalisation, without incurring the costs of integration or the

strategic inflexibility it implies. A firm can reduce its fixed costs by sharing through an alliance (Ohmae, 1989).

Transactions Cost Theory

Transaction costs theory is used widely in the study of IJVs and argues that firms will be committed to cooperation as long as the cooperation reduces the transaction costs of firms (Williamson, 1985; 1991; Hennart, 1988; Kogut, 1988; Gomes-Casseres, 1989; Barringer & Harrison, 2000). Transaction cost theory focuses on how an organisation should organise its boundary spanning activities so as to minimise the sum of its production and transaction costs. The production costs of organisations vary as a result of the scale of their operations, learning/experience effects, location advantages, and influences such as patents. Transaction costs also vary and include expenses associated with arranging, managing and monitoring transactions across markets (Child & Faulkner, 1998; Kogut, 1988). The theory also argues that the costs of inter-firm collaboration are determined by cooperation uncertainties. These uncertainties arise as a result of opportunistic behaviour and non-transferable investments which are valuable only to the cooperative venture. Controlling these uncertainties requires high costs. For e.g., firms may pay high costs to develop and monitor formal contracts. In addition, firms may also pay high costs to develop and monitor organisational procedures to reduce cooperative uncertainties and partners' opportunistic behaviours.

An IJV can help firms avoid the costs of opportunism and monitoring that are inherent in market transactions through ownership incentives and increases the likelihood that

the partners will avoid opportunistic behaviour in the interest of maintaining the partnership (Jarillo, 1988; Osborn & Baughn, 1990). At the same time a JV can help avoid the need for a firm to internalise an activity that may not be aligned with its distinctive competencies or may be difficult and costly to manage (Harrigan, 1988).

Firms often enter foreign markets through joint ventures with local partners. JVs are frequently preferable to acquiring component parts through market mechanisms in foreign countries, because the equity stake the local partner has in the JV provides it with an ownership incentive and the local partner knows the subtleties of the market. A JV may also be preferable to acquiring the local company or managing the foreign operation through the firm's own hierarchy, because of the difficulties and costs involved in managing employees in other countries (Hennart, 1988).

Barringer and Harrison (2000) are critical of transaction costs theory and its ability to explain the formation of interorganisational relationships. They argue that transaction costs theory is restricted to the minimisation of costs and efficiency gain rationales for alliances. Alliances may be formed for other reasons, such as learning and access to organisational knowledge. These reasons go beyond the transaction cost rationale because it focuses on cost and efficiency and ignores considering other important criteria for alliance formation, such as the perceived fairness of a potential alliance partner (Ring & Van de Ven, 1994). Furthermore, many organisational and "people issues" are ignored by the transaction costs framework (Barringer & Harrison, 2000). The transaction cost theory makes the assumption that both the people involved in the relationship will "get along" and that the cultures of the partners will integrate. However, in reality people do not always "get along" and the corporate culture of the

alliance partners do often clash. Barringer and Harrison (2000) state that the greatest criticism of the transaction cost framework is that it may not actually matter to decision makers. For example, in a multiple case study investigation of alliances, Faulkner (1995) explained transaction cost theory concepts to executives who had been involved in forming alliances. He found that none of the executives interviewed in his study indicated that transaction costs had even slightly motivated the formation of their alliances.

Therefore, as well as the variety of strategic objectives that have been suggested to explain firms motives for the formation of IJVs, access to organisational knowledge and learning is another rationale behind the formation of IJVs.

Hamel, Doz and Prahalad (1989) emphasise the importance of learning in alliances, and that learning is the mechanism by which competitors learn from each other to either obtain a parity they did not have initially, or to prevent any loss of parity, once it has been achieved. According to Killing (1983), in joint ventures every partner has access to the knowledge and skills of others e.g. when entering foreign markets, a local partner provides the joint venture, among other factors, with a good knowledge of its market, the special needs of customers, channels of distribution available or the political situation of the country.

Kogut (1988) argues that joint ventures offer the most efficient means of transferring tacit information when the information being transferred does not make up a large portion of the firm's value.

Lei (1993) suggests that companies can build competitive advantage by understanding the complex relationship between learning, skills acquisition and alliances. Alliances can help renew competitive advantage when they are implemented in conjunction with other firm based learning and development efforts. Firms can also use alliances to deepen their knowledge and experience base by extending their existing and budding core competencies and skills into new or unrelated areas. Lei and Slocum (1992), suggest that firms must regard their source of sustainable competitive advantage to be their capability for learning and improving their skills. Over time the direction and flow of knowledge and skills across partners is a significant indicator of each partner's strengths, as well as the alliances likely evolution.

2.4 High Rates of IJV Failure

According to a survey by Coopers & Lybrand, 48% more strategic alliances are being used today by America's fastest growing companies than just three years before (Trendsetter Barometer, 1998). Similarly, Booz-Allen and Hamilton recently reported that since 1987 the number of strategic alliances worldwide has grown by 25% annually (Harbison & Pekar, 1998).

In spite of the rising popularity of IJVs and their potential benefits and contributions there is significant dissatisfaction with their performance (Beamish, 1988) i.e. the presence of two or more parents can make IJVs difficult to manage.

Indeed, estimates of unsatisfactory IJV performance, have ranged from 37% to over 70% (Janger, 1980; Killing, 1983; Stuckey, 1983; Reynolds, 1984; Beamish, 1985;

Coopers & Lybrand, and Skelly & White, 1986; Kogut, 1988; Harrigan, 1986; Porter, 1987; Park & Ungson, 1997).

Killing (1983) observed high rates of failure ranging from 30-50% within the first years of operation even before the joint ventures reach their initial objectives and a study by Beamish (1985) showed IJV failure rates approaching 50%. Studies conducted by Coopers & Lybrand and Skelly and White (1986), suggest that IJVs experience a failure rate of around 70%.

Other authors of several empirical studies have found instability rates of close to 50% (Porter, 1987; Harrigan, 1988; Kogut, 1988; Bleeke & Ernst, 1991). Based on the finding that 24 of the 49 international alliances they studied were considered failures by one or both partners, Bleeke and Ernst (1991) suggested that most alliances will terminate, even successful ones. However, some international alliances survive and prosper for many years, and both sides become more competitive through a win-win relationship.

KPMG (Kok & Wildeman, 1999) have set the failure rate for business alliances at between 50% and 60% respectively and state that these figures are similar to those reported in academic studies. Park and Ungson (1997) reported that the dissolution rate for JVs is about 50%, which is almost as high as that for mergers and acquisitions in new industries.

2.5 Measuring IJV Performance

The measurement of IJV performance is not an easy task given the nature of IJVs. The range of firm circumstances, their expectations and experiences of collaboration are so variable that uniform decisions of success and failure are difficult (Dodgson, 1993[a]). For IJVs no simple and comprehensive criteria of success or failure can be used in a satisfactory way, unlike in the case of a single firm (Harrigan, 1985; Geringer & Hebert, 1991; Lorange & Roos, 1992).

According to Anderson (1990), because the interests of the JV and its parents are often in conflict, JVs should not be evaluated using the standard operating procedures that corporate headquarters would apply to wholly owned divisions with conventional business objectives. For example, JVs can obtain excellent market acceptance and provide high return on investment, which from one parent's view point is satisfactory performance, however, the other parent(s) may be unhappy because the venture may refuse to use one of its divisions as a supplier. So, from one parents perspective, the JV is performing poorly. Anderson (1990), claims that parents that evaluate performance only in accordance with their own interests, as they do with subsidiaries, risk alienating their partners. Performance evaluation requires incorporating multiple viewpoints, if only to forecast the partners reactions and future behaviour.

Anderson (1990) claims that JV performance is further complicated by the fact that joint ventures are likely to be used in risky, uncertain settings and, in such an environment, any business is difficult to evaluate because profit is a long term proposition and because there are no performance baselines for comparison. Also, many joint ventures are not meant to fill standard business objectives such as making

profits, but are created to learn a technology, open a market, “keep a window on an opportunity,” or block a competitor (Hennart, 1988; Kogut, 1988). It is not easy to assess how well a venture meets qualitative objectives such as these.

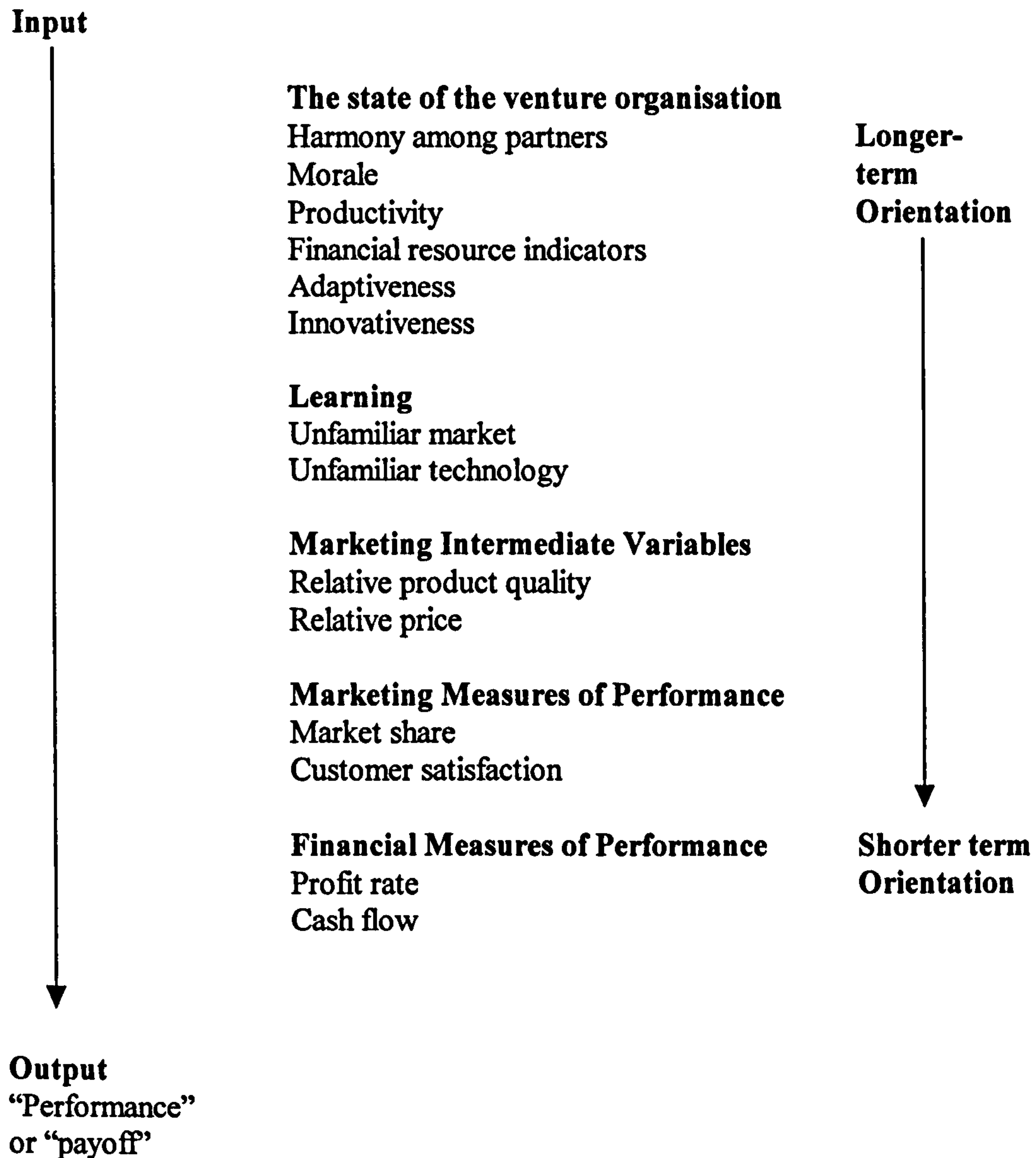
Literature does address the issue of performance assessment, however, “organisational performance” is a controversial term. A major reason for the controversy is due to a lack of clarity about what an “indicator” of performance is (an “output” of an organisations functioning) and what a determinant of performance is (an “input”) (Anderson, 1990). Both researchers and managers tend to mix performance indicators and determinants (inputs and outputs) according to their own theories of what works e.g. employee satisfaction is often used as an indicator of a high performing organisation (an output), but others classify satisfaction as a cause of performance (an input), and still others ignore satisfaction altogether on the grounds that it is neither an indicator or a determinant (Anderson, 1990).

Anderson (1990) argues that financial measures assess only one facet of performance and that a number of other factors, many of them qualitative, must be taken into account.

Anderson (1990) classifies performance measures along a continuum ranging from input to output measures, as indicated in Figure 2.1.

Figure 2.1

The input-output continuum for a joint venture



Source: Anderson, E. (1990), Two Firms, One Frontier: On Assessing Joint Venture Performance.

Towards the output side are the measures usually used to assess current performance i.e. financial measures of which profitability is frequently used. Towards the input side

are indicators of state e.g. harmony among partners. These variables represent what the organisation is doing in order to achieve results (outputs).

The issue of joint venture performance has been raised frequently in previous work (Killing, 1983; Harrigan, 1988; Geringer & Hebert, 1989). However, these researchers claim that defining and measuring the performance of IJVs is complex. Previous studies that have looked at joint venture success have linked levels of performance to particular factors describing given attributes of the joint venture. Prior research shows significant differences in the operationalisation of IJV performance. As yet, no consensus on the appropriate definition and measure of this concept has emerged.

2.5.1 Performance Measures

Efforts to identify variables associated with IJV performance, which might then be managed in order to influence venture outcomes, have been constrained by continued disagreements regarding the comparability and reliability of alternative performance measures, and the methodology for collecting such data.

There are two classes of measurement of performance. The first class is objective measures of performance such as financial indicators, the survival of the joint venture and the stability in the equity structure. The second class is subjective measures, such as the managers evaluation of the performance of the relationship.

Geringer and Hebert (1991), developed and tested several hypotheses regarding the reliability and the comparability of a range of objective and subjective measures of performance, as well as evaluating the relative use of different approaches to data

collection. They found that objective measures were positively correlated with the parents' satisfaction with IJV performance, and that the duration measure (objective) showed strong correlation with subjective IJV performance in IJVs that included at least one U.S partner. In other words IJVs perceived as performing well were more likely to survive than those seen as being less successful. Geringer and Hebert (1991) warn against the use of changes in IJV ownership as an objective measure of performance as it has a weak correlation with subjective measures of performance. They also argue that the use of a single respondent permits researchers to obtain reliable data to evaluate IJV performance.

Glaister and Buckley (1998), replicated Geringer and Hebert's (1991) work in the context of UK company alliances. In their study they also consider the effect of differences in national culture and corporate culture on the relationship between objective and subjective measures of alliance performance. Their findings indicate that survival showed the strongest correlation with subjective performance measures. However, duration and stability were found not to be significant. They also found that when parents believe that no difference in national culture exists then there is no effect on performance i.e. correlation's between objective measures (survival) and subjective measures are stronger than when parents believe that there is no difference in national culture.

2.5.2 Objective Measures of IJV Performance

Early studies have used a variety of financial indicators typically employed in business research, such as profitability, growth and cost position (Tomlinson, 1970; Dang,

1977; Lecraw, 1983). Others have used objective measures of performance such as the survival of the IJV (Franko, 1971; Stopford & Wells, 1972; Killing, 1983; Geringer & Hebert, 1989) its duration (Harrigan, 1986; Kogut, 1988), instability of (significant changes in) its ownership (Franko, 1971; Gomes-Casseres, 1987) and renegotiation of the JV contract (Blodgett, 1992). Luo (1995) measured IJV performance along two dimensions i.e. return on investment, and market growth domestic sales and export growth. Yet, these financial and objective measures embody potential limitations that are critical to evaluation of IJV performance. Indeed, as is the case for private firms and for conglomerates (Dess & Robinson, 1984), these data are not reported, are unavailable or are only included in consolidated corporate data. In addition, IJV parents commonly generate financial returns through means other than dividends, including supply contracts, management fees, technology licensing fees and royalties. If available, these figures are seldom incorporated into calculations of IJV performance. Financial and objective measures also may fail to adequately reflect the extent to which an IJV has achieved its short and long term objectives (Killing, 1983; Artisien & Buckley, 1984; Blodgett, 1992). IJVs may be formed for pursuing a variety of objectives, from technology transfer and joint research to access to materials, new markets or scale economies (Porter & Fuller, 1986; Contractor & Lorange, 1988[b]). Many IJVs operate in contexts where measures of short term financial performance might suggest that the venture is performing poorly. Chakravarthy (1986) showed that traditional accounting measures, including profitability figures, are unable to statistically discriminate between excellent and ordinary firms.

For many businesses, profitability is an excellent index of performance, however, JVs are different because, while they may be used for many purposes, JVs are especially

popular in risky, uncertain situations, and it is there that firms are most likely to concede some control if that will spread risk and increase expertise. Therefore, when risk and uncertainty are high, profitability by itself is a poor measure of the value of a JV.

2.5.3 Subjective Measures of IJV Performance

As Anderson (1990) noted, financial measures evaluate only one dimension of performance. Other factors, including qualitative ones, must also be examined in order to sufficiently assess IJV performance. So, despite poor financial results, or instability, an IJV may have been meeting or exceeding its parent's objectives and thus be considered successful by one or all of the parents. On the other hand, an IJV may be seen as unsuccessful despite good financial results or continued stability.

Killing (1983), Schaan (1983) and Beamish (1984) used a single-item perceptual measure of a parents satisfaction with an IJVs performance i.e. "To what extent has the IJV met the expectations of your firm?". The main advantage of this type of measure is that it provides information regarding the extent to which the IJV has achieved its objectives. Schaan (1983) measured IJV performance by assessing managers' opinions and the venture was considered successful when both partners were satisfied. However, Anderson (1990) claims that JVs should be assessed as a single entity and not as enhancing the performance of the parents. In addition, these three authors, as well as Janger (1980), utilised subjective performance measures for each of a limited number of individual dimensions of the IJV. Subjective measures such as the

managers' evaluation of performance, and satisfaction are those recommended by Anderson, (1990).

However, these types of measures remain subjective and are exposed to serious limitations and biases. Many research methods, such as those based on archival or other secondary data sources, do not generally allow collection of these types of data, but require the use of objective performance measures. Also, the consistency between subjective and objective measures of IJV performance is relatively unknown and, while usually assumed, have been formally tested only rarely.

A joint venture may be making good progress in terms of long-term goals, or meeting current goals that are not subjective in nature. This suggests that performance evaluation should not only concentrate on output measures like financial ratios, but also include more qualitative measures such as a good relationship, satisfaction about the joint venture and learning about a market or technology (Anderson, 1990).

2.6 Factors Influencing IJV Performance

Prior empirical studies of IJVs have shown that certain factors have significant effects on the performance of IJVs. These have been divided into two sections firstly, structural factors and secondly, social factors. Structural factors include complementary skills and size, control, stability, compatible goals, age/past experience, task complexity, stock market reaction, and business strategy. Social factors include trust, commitment, the building of relationships, culture (national and corporate and communication).

This following section will begin with a discussion of the structural factors that influence IJV performance.

2.6.1 Structural Factors

Complementary Skills and Size

Complementarity in an IJV suggests that each firm contributes unique strengths and resources valued by the partners (Dymsza, 1988). For example, one firm may contribute market knowledge, while the other partner firm contributes technical expertise. Firms seek partners that provide contributions that work together to increase the competitive viability of the alliance (Doz, 1988). The right combinations of competencies and resources results in synergy where total alliance results exceed the sum of the individual partner contributions (Dymsza, 1988). In contrast, a lack of strategic symmetry destabilises the relationship. Dymsza (1988) has cited partner perceptions of unequal contribution in alliances as a reason for failure. With complementarity, firms can jointly optimise the unique resources each alliance partner brings.

Harrigan (1985) sees complementarity in terms of strategic symmetry, i.e. where partners each contribute a balanced share of unique strengths, thus, complementarity involves both the uniqueness and symmetry dimensions of partners' resource contributions to the alliance.

Harrigan (1988) examined the influence of partner asymmetries (e.g. size) on joint venture success. She argues that ventures are more likely to succeed when partners

possess complementary missions, resource capabilities, managerial capabilities and other attributes that create a strategic fit in which the bargaining power of the venture's sponsors is evenly matched. Performance was measured on the basis of joint venture duration, survival and managers' assessments. The results of this study showed that ventures between similar firms tend to be more successful than asymmetric partnerships.

i.e. Ventures tend to be more successful where partners are homogeneous, less successful where neither partner is related to its venture and last longer between partners of similar cultures, asset sizes and venturing experience levels.

Complementary skills make an important contribution to the success of an IJV.

Lorange and Roos (1992), state that the goals of the firms involved must be "complementary" for an alliance to be successful. Firms involved in alliances must have goals that support each other, not compete with each other. Goals that are complementary help the firms involved achieve success. Tomlinson and Thompson (1991) also found that common goals were required for joint venture success.

A fundamental assumption is that joint ventures are formed primarily so that participating firms can gain core skills that would be very difficult for them to obtain on their own (Murray & Siehl, 1989). This idea suggests that the stability of any joint venture depends on the complementarity between the partners. Although other goals e.g. political goals, may be operative, a joint venture will remain stable for as long as the partners continue to acquire core skills from the partnership that lead to economic benefits (Kogut, 1989).

Size is an important internal factor that shapes behaviours and decisions (Lane & Beamish, 1990). The consequence of size differences has a long history in organisation theory. Weber (1947) attempted to define the correlates of large bureaucratic organisations. Child (1972) argues that bureaucratic structures emerge with increases in organisational size. With increased size it becomes difficult to employ a personal, entrepreneurial style of management. Largeness creates complexity, which increases rules. Shan and Hamilton (1991) present empirical evidence that the firm-specific assets of small and large firms differ and that small firms are more likely to cooperate than large firms. Joint ventures between differently sized firms often lead to differences in corporate perspectives, value systems, and methods of aligning internal resources. Organisational size also affects a partner's vulnerability to exploitation and the economic effectiveness of the transaction itself (Osborn & Baughn, 1990) stated that e.g. small firms are highly vulnerable when entering high technology based cooperative ventures because their sole technical core skills are placed at risk. However, Park and Ungson (1997) found in their study that size did not affect the life span of the IJV and its survival.

In cross border ventures, large foreign parents tend to be systematic and have a long term approach, but their local partners are often entrepreneurs with no established operational systems and policies who are looking for immediate financial returns (Lane & Beamish, 1990). Killing (1983) focused on a case study where organisational size was related to corporate culture. Differences in size between IJV partners were found to affect JV performance. According to Killing (1983) and Lane & Beamish, (1990) partners compatibility on specific organisational attributes also affects the life span of joint ventures. Since a joint venture is a hybrid of two independent firms,

dissimilarities in organisational structures and processes can create problems in coordination that can lead to the demise of the joint venture. In contrast, similarity in partners organisational structures and processes can facilitate mutual understanding and collaboration.

Beamish (1988) also found that complementary skills played an important role in alliance success. He studied twelve ventures between foreign and domestic private firms and found that of significance here is the association between success and obtaining access to local knowledge.

Similarity between alliance partners refers to the extent to which partners overlap on dimensions relevant to alliance success. Doz (1988) suggests that similarity should be at both the strategic and operational levels. Gray and Yan (1992) suggest partners should overlap in broad expertise bases that each brings to the relationship. Geringer (1988[c]) warns managers regarding partners with dissimilar companies. Differences in size, organisational culture, policies, and management styles can affect the quality of a partnership (Bucklin & Sengupta, 1993).

Similarity in partners organisational structures and processes can facilitate mutual understanding and collaboration. This view is consistent with that of Bleeke and Ernst (1991), who found that cross-border joint ventures are not as problematic as joint ventures between companies with strong and weak cultures, or those between companies with asymmetric financial ownership. Bleeke and Ernst (1991), state that “alliances between strong and weak companies rarely work. When one partner is weak, managing the alliance seems to be too great a distraction from improvements needed in other parts of the business”.

Brown, Rugman, and Verbeke (1989) argued that the compatibility of organisational processes may be more significant than the similarity of national cultures in explaining the demise and duration of a joint venture.

Doz (1988) suggests that similarity between IJV partner firms provides an affinity that he refers to as convergence. This facilitates mutual understanding and reduces competitive behaviour, strategic conflict, and damaging hidden agendas in the relationship. Convergence involves a deepening in the IJV relationship and a clear shared focus (Doz, 1988).

Control

A critical determinant of IJV performance appears to be the control exercised by parents over a venture's activities and decisions (Killing, 1983; Schaan, 1983). Control refers to the process by which one entity influences, to varying degrees, the behaviour and output of another entity (Ouchi, 1977, Yan & Gray, 1994) through the use of power, authority (Etzioni, 1965) and a wide range of bureaucratic, cultural and informal mechanisms (Baliga & Jaeger, 1984). Control plays an important role in the ability of a firm to achieve its goals. The issue of control was first raised by West (1959), who recognised the potential inter-partner conflicts which could result from this form of organisation. According to West, without effective control efforts, firms were likely to experience great difficulty in managing JVs. The first dimension of IJV control which researchers have examined is the mechanisms by which control may be exercised.

Initial studies showed that firms frequently relied on majority ownership or on voting control (in turn, largely determined by majority equity shareholdings) to achieve

effective management control of an IJVs activities (Tomlinson, 1970; Friedman & Beguin, 1971; Stopford & Wells, 1972). Although these studies showed that a majority position in equity or votes could ensure some degree of control over the venture, the same argument might not be valid for IJVs where the equity was equally divided between parents or in which a firm had only a minority participation role. This latter situation especially concerned firms because over time they were unable to demand full or dominant ownership positions in many international investments.

Behrman (1970) as well as Friedman and Beguin (1971) suggested that control was not a strict and automatic consequence of ownership. According to these studies, a variety of mechanisms were available to firms for exercising effective IJV control i.e. right of veto, representation in management bodies and special agreements related to either technology (e.g. licensing) or management (e.g. management service). In extending this area of research, Schaan (1983) demonstrated the breadth of mechanisms available to parent firms for exercising control over their IJV. Among these control options, the board of directors, formal agreements, the appointment of key personnel, the planning process, the reporting of relationships and a variety of informal mechanisms appeared to be particularly important for Schaan's sample. He also made a significant contribution to knowledge of IJV control by categorising control mechanisms into two main types. Schaan distinguished positive control mechanisms, which parent firms employed in order to promote certain behaviours e.g. involvement in the planning process and reporting relationships, from negative control mechanisms e.g. formal agreements, approval by parents and the use of the JV board of directors, which were used to stop or to prevent the IJV from implementing activities or decisions.

Tomlinson (1970), who empirically studied the control performance relationship for IJVs, did not directly examine parent-control, but the “attitude of parents towards control”. From a sample of seventy-one IJVs in India and Pakistan, Tomlinson found that IJVs evidenced higher levels of profitability when their UK parents assumed a more relaxed attitude toward control. However, the validity of these results may be questionable, since Tomlinson used return on investment as the measure of profitability. Utilisation of this measure for a multi-industry sample does not appear adequate and may have produced bias in the results. Variations in the financial performance of IJVs could be caused, for example, by industry differences rather than differences in the attitude toward control.

Franko (1971) also studied the control-performance relationship. Using a sample of 169 U.S. multi national corporations involved in more than 1100 JVs, Franko examined how parent control over JVs as well as the JVs stability or instability varied according to the MNC parent’s strategy. Franko’s (1971) argued that different strategies had different organisational and control requirements, thereby influencing the stability of JVs. From his sample data, Franko concluded that JVs were more stable when the MNC parent followed a product diversification strategy which usually demanded less control over subsidiaries. In contrast, JVs showed greater instability when the parents strategy emphasised product concentration.

Killing (1982, 1983) studied IJVs in developed countries where he compared JVs in which one partner had a dominant position to those where all partners had an shared influence. Mechanisms of control included equity share, while voting control identified which partners made the larger number of strategic and operational decisions for the

IJV (Killing, 1983). He found that dominant IJVs were more successful than shared partnerships. Beamish (1984) examined IJVs set up by multinational companies in less developed countries. He found that performance was favourably impacted by shared rather than local dominant control. In these studies, performance was assessed primarily on the basis of managers' opinions.

Geringer and Hebert (1989) proposed a model for the study of IJV control where IJV performance is a function of the fit between the international strategy of the parents, the IJV strategy and the parameters of control. They note that control of the IJV is complex and multifaceted and distinguish mechanisms of control in terms of i) the focus of control i.e. the scope of activities over which the parents exercise control ii) the extent or degree of control achieved by the parents iii) the mechanisms the parents use to exercise control. Geringer and Hebert (1989) believe that these mechanisms are critical components for successful IJV management and performance.

Yan and Gray (1994) proposed a relationship between partner bargaining power and management control in US-Chinese IJVs. They found that the more resources or capabilities a partner has the greater will be the partner's control in the venture. Consequently, the degree of management control would affect IJV performance. IJV performance was determined by whether each partner felt that it had achieved its strategic objectives. Yan and Gray (1994) also proposed that despite the absolute amount of management control a partner possesses, performance can be positively enhanced by factors such as mutual trust and the development of common goals for the venture.

Stability

The prevailing view in the literature describes instability as the termination of the IJV or a change in its ownership structure. Some authors define instability as termination of the IJV (Harrigan, 1988; Kogut, 1989; Bleeke & Ernst, 1991; Park & Russo, 1996). Killing (1983) classifies IJVs as being unstable when there is a drastic change in the venture's parent control structure.

In the literature on IJV stability, various factors have been identified as causes of instability, including changes in partners' strategic missions (Harrigan & Newman, 1990), changes in importance of the JV to the parents (Harrigan & Newman, 1990), increases in the competitive rivalry between partners (Kogut, 1989), the foreign investment climate of the host country (Blodgett, 1992) and the existence of prior relationships between the partners (Blodgett, 1992). Although these factors may be associated with instability, and in some cases provide a strong indication that instability is imminent, they provide incomplete explanations for the instability of IJVs.

Kogut (1988) carried out a study where he looked at joint venture stability to approach the issue of performance. The influence of partner firm nationality, industry setting, functional scope (R&D, manufacturing, marketing), distribution of ownership and control, and relative size of parents, on the stability of JVs was tested. The study found JVs to be more unstable in highly concentrated industries and when the JVs included marketing and after sales services.

Beamish and Inkpen (1995) argue that a foreign partner's knowledge of the local economic, political and cultural environments has a major influence on the stability of

IJVs. Their study indicated that once a foreign partner has acquired local knowledge, the reason for cooperation no longer exists and this results in an increase in IJV instability. Their research also suggests that the relationship between cultural diversity and stability depends on whether one is reviewing stability from the local or foreign partner's perspective. Because it is assumed that JVs are formed to improve a company's competitive position, an alliance will succeed while partners gain access to core skills, know-how, economic and political knowledge (Beamish, 1988). This situation creates dependency between partners (Hamel, 1991) and encourages opportunistic behaviour.

Yan and Zeng (1999) argue that previous research regarding IJV instability lacks clear conceptualisations and consistent operationalisations, lack of clarity in the relationship between performance and a focus on the destination rather than the developmental processes. They proposed a reconceptualisation in which stability is defined as a neutral, dynamic, process-based and multi-faceted phenomenon.

They argue that instability is not necessarily a liability but that long term IJV success should be built upon adaptations and reconfigurations.

Compatible Goals

In a study of Canadian firms in Mexico, Tomlinson and Thompson (1977) found, based on interviews with forty parent company executives, that ethics/business compatibility was an important factor in joint ventures success.

Lyles (1987) studied the joint venture activity of four firms, each of which was involved in at least twenty on-going ventures. Lyles found that in successful ventures,

firms had to have compatible goals i.e. the ventures need to satisfy the real desires of both parties to be successful. This finding was supported by Dymsha (1988) who in a study of fifty joint ventures, found that one key to venture failure was the partners having significantly different goals. The difference in goals caused conflicts, not only in the way the ventures were staffed and operated, but also in the attitudes and objectives of the venture participants. So, as a result, the lack of goal compatibility created a climate in which an alliance could not succeed.

Kogut (1988) agreed that the compatibility of the partners economic motivations affects venture success. Since it is generally assumed that firms establish joint ventures to improve their competitive positions, a partnership will succeed to the extent that the partners gain access to each others core skills, including know-how, assets, and human resource, market access, government and political, and knowledge capabilities (Beamish, 1988; Contractor & Lorange, 1988[b]).

Kogut (1988) also argued that the fear of competitive rivalry that leads to a joint venture's formation might also contribute to its eventual demise. This fear is particularly pronounced in joint ventures between firms competing in the same market, where current friends can easily become future enemies (Harrigan, 1988; Morris & Hergert, 1987). Moreover, in a joint venture between competitors, goals are likely to be in direct conflict, and the venture can be detrimental to the attainment of such conflicting goals (Kogut, 1988). Given similar strategic objectives and in many cases, similar resource bases, a partner can identify, appreciate, and then assimilate another partner's know-how (Cohen & Levinthal, 1990).

Conflicting goals of partner firms may result in poor performance of an alliance or restrict the results of the alliance so only one alliance partner benefits (Brouthers, Brouthers & Wilkinson, 1995).

According to Beamish (1988), compatibility between partners is the most important factor in the endurance of a global alliance. Beamish found in his study of twelve IJVs between foreign and private local firms that in successful shared control ventures, both partners had placed significant value on the other's contribution and that in high performing ventures, top management of the parent firms made regular visits, gave assistance to, and had regular meetings with the venture.

Lyons (1991) and Lynch (1990) agree that establishing the ground rules for collaboration is important for a successful venture. Essentially, this means ensuring that there are clearly defined goals, objectives and responsibilities for the collaboration which are fully understood by all parties involved.

Finally, Forrest (1992) found that successful alliances were marked by the close "fit" between partners. There must be an equality of partners, as one-sided alliances were more likely to fail.

Age/past experience

Organisational history is an important determinant of partner behaviour. Historical forces that influence organisational culture also reflect the circumstances from the birth of an organisation, the problems it has faced and how these problems have been

overcome. Freeman et al. (1983) state that the longer the history of survival that an JV has, the higher the probability of continued survival.

A history of organisational survival suggests that an organisation “fits” with its environment, and expectations for future survival are therefore higher for older firms that have a stronger history of “fitting” with the environment. Freeman et al. 1983 suggest that a JV that has a longer history of cooperation is more likely to experience future cooperation than a younger JV.

Management problems and principles are rooted in time, and the age of an organisation reflects institutionalised managerial attitudes and beliefs (Baker & Cullen, 1994). Age captures growth strategies as well as implicit organisational demographic characteristics such as leadership styles, control systems, and entrepreneurial behaviour (Greiner, 1972).

Zucker (1977) argues that as inter-firm collaboration continues, informal commitments and mutual understanding are likely to be institutionalised into the organisational routines of the cooperative venture.

Harrigan (1986) provides evidence that similarity of experiences of collaboration has a favourable impact on collaboration outcome and Rice (1991) emphasises the value of past experience of collaborations as a factor that enhances the probability of future success.

Ring and Van de Ven (1994) suggest that the longer the duration of a cooperative venture, the more likely that the commitments of the cooperative partners will be formalised. This suggests that the age of a cooperative venture is positively associated with the prospects for future cooperation between the venture partners. Following this argument, JVs founded in earlier years (older ages) are likely to realise enhanced

prospects for long term cooperation when compared with JVs founded in later years, suggesting a relationship between JV founding year and the propensity for long term cooperation.

Task Complexity

Killing (1988), suggested that task complexity (which depends on objectives, the number of business functions it encompasses, its duration, number of products it deals with and the markets it serves) and the organisation of tasks were essential parameters i.e. a successful JV is one that is simple enough to manage.

Stock market reaction

Several studies have approached IJV performance by examining the stock market reaction to the announcement of IJV formation. McConnell and Nantell (1985) have shown that IJV formation is value creating for the parent companies. In a similar study, Koh and Venkatraman (1991) confirmed these results and demonstrated that IJVs associating partner firms with related businesses tended to outperform IJVs uniting unrelated parents.

Business strategy

Luo (1995) examined the influence of business strategy and market structure variables on the performance of IJVs formed in China. It was found that product quality,

pricing, sales force marketing, and flexible terms of payment are significant business determinants of IJV performance.

2.6.2 Social factors affecting IJV performance

There is a second vein of research regarding IJV partnerships which complements the structural approach described in the previous section by considering the social dimensions that are relevant to the maintenance and performance of interorganisational partnerships such as IJVs (Beamish & Banks, 1987; Bradach & Eccles, 1989; Casson, 1992; Hill, 1990; Madhok, 1995).

The social elements of most importance in these studies are the role of trust, commitment, the building of relationships, culture (national and corporate) and communication. These social elements have the potential of enhancing the understanding of the dynamics and performance of IJV relationships.

Before these social factors are discussed it is important to describe how business relationships such as IJV are developed by reviewing interaction studies of business to business relationships.

The development of business to business relationships

Insights of how an IJV relationship develops may be gained by exploring interaction studies.

Although the European International Marketing and Purchasing (IMP) interaction framework focuses on the buyer-seller relationship it can be explored in order to help understand business-to-business relationships such as IJVs.

According to the interaction approach applied in the European International Marketing and Purchasing (IMP) project, business relationships evolve as a result of interaction between the partners doing business (Ford, 1990; Hakansson, 1982; Turnbull & Valla, 1986). A business relationship is a framework within which subsequent interactions take place. Interaction comprises complex patterns of information exchange concerning the firms' needs, capabilities and strategies with regard to production, logistics, development and quality etc. (Cunningham & Homse, 1986). Interaction in business relationships is therefore a matter of coordinating activities and resources between two or more firms (Hakansson & Snehota, 1995).

The evolution of business interaction can be described as a social exchange process between two firms conceptualised as collective actors (Blau, 1964; Emerson, 1972). Ford (1980) states that distances exist between actors in a relationship - these are social, cultural, technological, time and geographical. Social distance relates to the unfamiliarity between individuals and the organisations way of working. Cultural distance relates to the differences between organisations due to national characteristics. Technological distance relates to the differences in the companies technologies. Time distance relates to the time it takes to make contact and geographical distance relates to the physical distance between the companies. During the evolving process, the firms learn about each other's competences and behaviour (Fiol & Lyles, 1985), and an understanding about how to coordinate their activities is reached (Alter & Hage, 1993; Anderson & Narus, 1990). A trust in each other is then established (Axelrod, 1984;

Dwyer et al, 1987), and a strong commitment to the continuity of the relationship is created (Morgan & Hunt, 1994).

Business networks

The social exchange perspective on business relations within social exchange networks can also be used to analyse cooperation in business relationships within business networks (Willer & Anderson, 1981; Anderson et al, 1994). A business network can be defined as a “set of two or more connected business relationships, in which each exchange relation is between business firms that are conceptualised as collective actors” (Emerson, 1981). Two relations are connected if exchange in one of them is dependent on exchange in the other. Social exchange theory distinguishes between positively and negatively connected relations, where positively connected means that exchange in one relation supports or complements exchange in the other (Emerson, 1981). Two relations are negatively connected if exchange in one hinders or competes with exchange in the other.

The coordination of activities between two firms in a business relationship also takes place within the wider business network context. Thus, each firm can be expected to be involved in a limited number of connected business relationships, each one coordinating the firm’s activities with those of the counterpart (Hakansson & Snehota, 1995). The criteria upon which they base their involvement in the focal relationship is influenced indirectly by their business network contexts (Anderson et al, 1994). The more the connected relationships support cooperation in the focal relationship, or can be adapted so that they do, the easier it is for the partners to co-ordinate their

activities, increase investment in the relationship, and thereby increase the joint productivity of the partner firms.

A set of connected business relationships along a value chain can therefore be described as a business network, where firms learn, through social exchange, to cooperate and co-ordinate their activities (Holm, Eriksson & Johanson, 1996).

Business Networks and IJV Relationships

Holm, Eriksson and Johanson (1996) hypothesised that business network connections of relationship partners have an impact on cooperative behaviour in international business relationships that are important insights into cooperation in business relationships and business networks.

They found two distinct but related cooperation processes: one that takes place between the relationship partners themselves, and another that occurs between the relationship partners and other business network actors. Both of these processes contribute to more intensive cooperation processes between the partners. The connected business network is brought into, and develops cooperation in, the focal relationship in such a way that the profitability of the relationship partners is increased (Forsgren, Holm and Thilenius, 1997). They refer to the business network as a value creation network.

In their study Holm, Eriksson and Johanson (1997) considered cooperative strategies such as IJVs, and their findings demonstrated that the critical issues were related to the development of the cooperation process (Madhok, 1995). They found that business

network connections influenced relationship commitment directly, and relationship profitability indirectly had strong implications for cooperative strategies. This indicates that the relationship development process has to be coordinated with ongoing processes in other connected relationships of the partners. They suggest that relationships such as IJVs are more likely to be successful if the partners can bring their business networks into the alliance, this also strengthens their commitment to the cooperation.

Their study also shows that the development of a central business relationship in a foreign market should not be considered in isolation from other business relationships. The focal relationship is part of an international business network, and its development depends on the willingness and ability of the relationship partners to coordinate activities in the focal relationship with activities performed in the surrounding business network. Blankenburg (1995) suggests that foreign market entry seems to be a process in which the entrant firm develops relationships with partners in the foreign market and coordinates its connected business network relationships with exchange in the focal relationship.

Communication and IJV relationships

Communication is a critical element in the establishment of strong business relationships and the elements of trust and commitment (Anderson & Weitz, 1989). Communication develops the key social processes that contribute to the construction of trust, social bonds, mutual goals and operational expectations of the relationship (Harvey, Griffith & Novicevic, 2000). Trust encompasses the perceived reliability of

one's partner to fulfil its agreements, as well as the extent to which that exchange partner acts with honesty in all aspects of the exchange relationship. Communications aimed at building trust rely upon a partner's ability to communicate that its future actions will be in the best interest of both parties and to build the firm's confidence in them (Moorman & Miner 1998; Wilson 1995). Social bonds refer to the subjective aspects of social interactions between the two parties. The ability of an organisation to develop stronger social bonds is reliant upon its ability to effectively communicate with its partners (Harvey, Griffith & Novicevic, 2000).

Through successful communication, interactions and adaptations enhance social bonding.

Companies with strong communications across functions and widely shared information tend to have more productive external relationships (Kanter, 1994).

Kanter (1994) claims that information is one of the many criteria that make an IJV successful i.e. partners share information required to make the relationship work, including their objectives and goals, technical data, and knowledge of conflicts, trouble spots or changing situations.

The need for frequent and open communication between the parties involved is stressed as a feature of 'successful' collaborative relationships (Dodgson, 1993[a]). Related to this is the issue of establishing a degree of trust between the individuals involved in the collaboration, but also a broader sense of organisational trust, which would survive the departure of key employees.

In their study of product development joint ventures Littler and Leverick (1995) found that the need for frequent communication between parties stood out as significant. They go on to say that the benefits of frequent communication are difficult to quantify but survey respondents pointed to the time and cost saved in building up mutual understanding and in checking on the progress of collaborating parties which can prevent significant and costly difficulties later in collaboration.

The role of trust in interorganisational relationships

According to Blau (1964) one of the most important outcomes of exchange is the creation of trust within and between firms. Trust is a critical component of interfirm relationships and is essential for the development of enduring strategic partnerships (Moorman, Zaltman & Deshpande, 1992; Morgan & Hunt, 1994; Madhok, 1995).

Although trust exists between individuals, it can be extended to exchanges between organisations because interorganisational relationships are managed by individuals in each organisation (Bradach & Eccles, 1989; Hosmer, 1995). Madhok (1995) suggests that trust in inter-firm relationships includes a set of expectations between the partners regarding each other's behaviour and each partner's fulfilment of its perceived obligations.

Madhok (1995) suggests that the "expectations of behaviour" between exchange partners has two elements i.e. structural and behavioural. The structural element refers to the form of trust fostered by mutual resources contributed by the partners. The behavioural element of trust refers to the confidence aspect in exchange relationships.

For example, Moorman, Deshpande and Zaltman (1992) define trust as “ a willingness to rely on an exchange partner in whom one has confidence”. Anderson and Narus (1990) also focus on this confidence aspect of trust by defining it as a “firm’s belief that another company will perform actions that result in positive outcomes for the firm as well as not take unexpected actions that result in negative outcomes”.

This behavioural element of trust becomes useful in the maintenance of ongoing relationships, since cooperation is not achieved with structural vulnerability but is achieved through confidence in the integrity of the exchange partners.

Morgan and Hunt (1994) define trust in a partnership as “the degree of confidence the individual partners have in the reliability and integrity of each other”.

Existing literature recognises three interrelated roles of trust in interorganisational exchanges.

- Trust in organisational exchanges such as IJVs is an important deterrent to opportunistic behaviour (Axelrod, 1984; Beamish & Banks, 1987; Bradach & Eccles, 1989; Parkhe, 1993). Since interorganisational partnerships involve two or more firms attempting to balance individual gains with joint venture performance, there is a likelihood that alliance goals are sacrificed for individual benefits, especially when such behaviour is not obvious to the partner firm. However, if trust is embedded in the relationship, opportunistic behaviour is less likely to occur because partner firms will pass short term individual gains in favour of the long term interests of the partnership (Axelrod, 1984; Beamish & Banks, 1987). IJV relationships also reduce opportunistic behaviour by the partner firms due to

forbearance accomplished through a mutual hostage situation (Buckley & Casson, 1988; Parkhe, 1993).

- Trust is considered to be a substitute for ownership control, thus achieving organisational objectives in IJV relationships when ownership-based control is neither strategically or economically feasible. In equity based IJVs, where formal authority structures based on ownership are used to maintain contractual obligations, trust-based interorganisational exchanges rely on the mutual interests of the partner firms (Bradach & Eccles, 1989).
- Besides the role of trust as a behavioural deterrent of opportunistic behaviour and as an alternative to ownership control, there is also evidence that building trust in interorganisational partnerships has important market performance and efficiency implications (Bleeke & Ernst, 1991; Parkhe, 1993). Researchers have argued that trust can improve strategic alliance productivity and efficiency (Ring & Van de Ven, 1992; Sitkin & Roth, 1993; Aulakh, Kotabe & Sahay, 1996).

Trust and IJV performance

The literature suggests that a critical factor determining alliance performance is the degree of trust between alliance partners (Bleeke & Ernst, 1993; Buckley, 1992). Spekman (1988) argues that trust is so important to alliances that he considers it the “cornerstone of the strategic partnership”.

Parkhe (1993) indicates that successful cooperation ultimately requires a high level of trust between the IJV partners to alleviate the fear of opportunistic behaviour and

enhance the stability of the relationship. According to Parkhe (1998) there are two main causes of uncertainty in IJVs i.e. unknown future events, and a partner's responses to those events. In this environment of double uncertainty, trust emerges as a central organising principle in IJVs. Parkhe (1998) states that by "acting as a lubricant", trust improves IJV performance.

Some researchers attribute success of cooperative ventures to how well the partners get along (Beamish, 1984; Cullen et al, 1995). Buckley and Casson (1988) state that cooperation works when the relationship "generates the largest possible amount of mutual trust".

Since senior managers play critical roles in strategy formulation and implementation, trust between managers responsible for forging relationships between alliance partners may be particularly important (Yoshino & Rangan, 1995). Trust can increase cooperation, improve relationship flexibility, shorten cycle times, increase quality and lower costs of coordinating activities (Smith, Carroll & Ashford, 1995). Furthermore, Sitkin and Roth (1993) state that while formal rules, contracts or other legalistic mechanisms are adopted to facilitate administrative cooperation, these "impersonal" substitutes for trust are not effective.

Building trust in cross border partnerships can generally be generated over time. Since trust involves expectations about future behaviour, it can be influenced by the past behaviour of exchange partners. Partner firms have to learn about each other's ways of doing business and to interpret each other's acts (Hakansson & Johanson, 1988).

Trust is a phenomenon which occurs between individuals. As Howarth et al (1995) argue, one cannot trust another company - "only people can trust each other".

Therefore, commitment to the development of trust and long-term relationships can be linked to an individual's experiences with other partners and the extent to which positive or negative expectancies have been fulfilled (Lewicki & Bunker, 1996; Larson, 1992). These prior experiences are critical because while the development of trust between alliance partners is a slow process, it can be destroyed very quickly (Fukuyama, 1995). Therefore, the extent to which the individuals creating the alliance have a history of trust and cooperation can significantly influence the degree of trust in the IJV (Park & Ungson, 1997).

The characteristics of trust suggest that it can be a source of competitive advantage. Butler (1991) states that the development of trust is a complex process and the process by which trust develops is highly uncertain, and can vary depending on the context of the transaction, the characteristics of the partners and their prior experiences (Dyer, 1995). Furthermore, trust is not a product that can be bought or sold in the marketplace, but rather has to develop over time based on a series of positive experiences between individuals (Kramer & Tyler, 1996; Arrow, 1974). Therefore, due to the uncertainty as to the factors and processes that create trust, and the extended time period over which it develops, trust may be difficult for competitors to imitate and therefore represent a considerable source of competitive advantage (Dyer, 1997).

The positive relationship between trust and performance has been empirically supported in a variety of intra-and interorganisational contexts (Crosby, Evans & Cowles, 1990; Robicheaux & Coleman, 1994) and also suggested in cross-border partnerships (Madhok 1995; Parkhe, 1993).

Trust and Commitment

Commitment is important to the development of a business relationship, is related to its success (Morgan & Hunt, 1994), and has also contributed to the understanding of IJVs (Beamish, 1988). Commitment is influenced by social bonding and trust. The existence of a strong personal relationship and a high degree of trust between actors means there is a greater commitment to maintaining the relationship than if the actors had low level relations and a lower degree of trust (Wilson & Mummalaneni, 1986).

According to the social exchange framework, there is reason to believe that, regarding coordination of exchange activities, understanding influences commitment to the relationship. If the partners have a mutual understanding concerning how to coordinate their exchange activities, they are more prepared to invest in the relationship and to extend cooperation by including other activities as well.

The effect of trust and commitment on performance has been stressed in IJV research (Beamish & Banks, 1987; Buckley & Casson, 1988; Lane & Beamish, 1990; Lee & Beamish, 1995; Cullen et al, 1995).

According to Cullen, Johnson and Sakano (1995), a successful IJV requires a social psychological basis of cooperation. Their study investigated partner commitment to IJVs as a function of performance, satisfaction, control and strategic importance between Japanese and other countries. Data was gathered from Japanese and local partners in IJVs located in eleven countries and analysed in structural equations models. They found that commitment depends on the perceived benefits of the IJV,

and their findings suggest that higher levels of commitment to the IJV benefits performance and satisfaction. Buckley and Casson (1988), argue that cooperation becomes efficient when the “mutual hostage position” of the relationship evolves into a relationship based on trust and commitment. Similarly, Beamish and Banks (1987), see commitment to the IJV reducing opportunistic behaviours and improving IJV performance, at least for IJVs in developing countries.

Lane and Beamish (1990) note that commitment overcomes some of the numerous problems associated with the operation of an IJV. In cooperative distribution relationships, Anderson and Weitz (1992) emphasise that channel members committed to the relationship make more short-term sacrifices for long term benefits. Gulati, Khanna and Nohria (1994) note that commitment of resources moves alliances from win-lose competitive situations to win-win relationships.

Most commitment theory and research focuses on people within organisations and consists of an individual’s reaction to some group or organisation. Beamish (1984), Beamish and Banks, (1987) and Anderson and Weitz (1992), however, demonstrate that commitment also occurs at the organisational level of analysis. Research at the organisational level examines commitment primarily as part of the business to business relationship. Here, commitment reflects the actions and values of key decision makers regarding continuation of the relationship, acceptance of the joint goals and values of the partnership, and the willingness to invest resources in the relationship (Beamish, 1984). Commitment at the organisational level plays an important role in a range of business to business relationships such as those between IJV partners.

Trust and Information exchange

Anderson and Narus (1990) define information exchange in interorganisational partnerships as the “formal and informal sharing of meaningful and timely information between firms”. IJV partners need to share information regarding objectives, goals, and conflicts in order for the relationship to work (Kanter, 1994). Timely information exchange between partner firms also fosters trust (Morgan & Hunt, 1994; Moorman et al, 1992) because communications help in resolving conflicts and aligning objectives and goals. In addition, the expectation of getting all information on an going basis enables the partner firms to better cope with internal processes and external market conditions (Heide & John, 1992).

2.6.3 Cultural Factors

In order to better understand the impact of culture on international business, researchers have come up with ways of describing categories of differences in national cultures. There are two well recognised theories of understanding national cultural diversity. Hofstede (1980) and Trompenaars (1993) have focused on the issue of cultural differences that may exist between different nations.

To measure and understand the cultural differences between different nations, these two researchers have both used “dimensional models” in their research where for every individual dimension they introduced they described the two possible extremes.

Measuring cultural distance

Hofstede

Hofstede (1980) defines national culture as “the collective programming of the mind which distinguishes the members of one group or category of people from another”.

Hofstede (1991) suggests that people share a collective national character that represents their cultural mental programming. This mental programming shapes values, beliefs, assumptions, expectations, perceptions and behaviour.

The most widely known research in the attempt to compare cultures in terms of broad value differences is the work of Hofstede (1980). From his research with a large sample of employees from 50 countries and three regions within a single organisation, IBM, Hofstede identified four dimensions of work related value differences. These are power distance, uncertainty avoidance, individualism/collectivism and masculinity/femininity.

Hofstede’s work was based upon the analysis of over 100,000 responses to a questionnaire issued by IBM during the 1970s. Through deep analysis of the relationships between the answers to this questionnaire, he found they explained many of the differences that were evident between the widespread offices of what was a unifying global culture. These variables were calculated by Hofstede to reflect people’s values and thus shape their behaviour in relationship to their work organisations.

Power distance

Power distance is the extent to which inequality is seen as an inevitable fact of life i.e. the extent to which a less powerful member of an institution or organisation within a

society accepts the fact that “power is distributed unequally”. The organisations are the places where people work and the institutions are the families or communities that are considered as the basic elements of a society. Hofstede (1980) argues that power distance differs from one country to another. For instance, in countries such as USA, UK, Australia and Denmark the power distance is small, and in countries such as Spain, France, and Singapore the power distance is large.

In high power distance cultures superiors and subordinates consider each other as unequal, the hierarchical system is felt to be based on some existential inequality. Superiors are believed to be entitled to privileges in a high power distance culture. There are more visible signs of status, and contacts between superiors and subordinates are supposed to be initiated only by superiors. In low power distance situations subordinates and superiors consider each other as more equal, the hierarchical system is just an inequality of roles, established for convenience and which may change depending on the circumstances.

Uncertainty avoidance

Uncertainty avoidance is the lack of tolerance for ambiguity and the need for formal rules. This dimension measures the extent to which people in a society feel threatened by and try to avoid ambiguous situations. They may do this by establishing more formal rules, rejecting deviant ideas and behaviour, and accepting the possibility of absolute truths and the attainment of unchangeable expertise.

Societies such as Argentina, Japan and Belgium will display strong uncertainty avoidance and so will be anxious about the future and “in need of predictability”.

Societies such as UK, USA and Canada have weak uncertainty avoidance and are therefore ready to take risks and are more willing to accept new ideas.

In countries with a low score on uncertainty avoidance, people are less concerned with taking risk, and the attitude is “what is different, is curious”. In these countries, structures and rules are often less clear, unwritten, and imposed by tradition. In contrast, in countries with high uncertainty avoidance, people tend to be more rigid. And the prevailing feeling is “what is different, is dangerous” (Hofstede, 1994). People prefer structured situations and clear rules of behaviour.

Individualism/collectivism

The individualism/collectivism dimension identifies the concern for oneself as an individual as opposed to concern for the priorities and rules of the group to which one belongs (Hofstede, 1980).

Collectivist societies according to Hofstede (1980) include Peru, India Singapore Indonesia and Arab countries. These countries show concern for a much wider group and emphasise the relation of the kinship and belongingness and the “groups interests prevail over the individual’s interest”.

Individualistic societies such as UK, Canada and USA are usually biased towards showing concern for “oneself” or one’s immediate family i.e. “individual’s interests prevail over group’s interests (Hofstede, 1980).

Masculinity/femininity

These values concern the extent of emphasis on work goals and assertiveness, as opposed to personal goals and nurturance. The first set of values is thought to be associated with males and the second with females.

Masculine cultures tend to emphasise work goals such as earnings, advancement and assertiveness. Feminine cultures tend to emphasise personal goals such as a friendly

atmosphere, getting along with the boss and others and a comfortable work environment.

According to Hofstede's definitions, masculine societies define gender roles more rigidly than feminine societies.

Feminine societies such as Sweden and Norway place more emphasis on quality of life and care for others. These societies are also noted for their concern for equality, especially between the sexes (small power distance), the social gender roles are overlapping which means that men as well as women are "modest, tender and concerned with the quality of life".

Masculine societies such as UK, USA and Germany tend to be biased towards achievement, assertiveness and material success and hold a strong belief in gender roles and believe in no overlap.

Long-term versus short-term orientation

In collaboration with a group of Chinese researchers, Hofstede and Bond (1988) subsequently added a fifth dimension of culture, namely, long-term orientation.

This dimension features such factors such as long-term versus short-term, thrift versus conspicuous expenditure and truth as an absolute versus truth as dependent upon who speaks. In this dimension, particularly observable in East Asia, groups have a much longer time horizon in their decisions and therefore the immediacy of any given situation is not as important as in western cultures.

Hofstede (1980) makes a distinction between values and practices and suggests that while values are acquired in early life and are enduring, practices, which can be altered, are learned later through socialisation at the workplace after an individual's values are firmly in place. Among others, symbols, heroes, and rituals are all learned practices

(Hofstede, 1991). Hofstede (1991) suggests that national cultural differences are composed primarily of differences in values and, to a lesser extent, of differences in practices.

The advantage of Hofstede's work is that it provides an important framework in which to consider the effects of cultural differences on managing cultural differences, especially in terms of understanding peoples conceptions of an organisation, the mechanisms that are considered appropriate in controlling and coordinating the activities within it, and the roles and relations of its members.

The cultural dimensions - power distance and uncertainty avoidance, are useful in understanding how culture influences the solutions chosen about how to organise. Culture can determine the kinds of structures and coordination mechanisms that are thought to be "right" and "natural".

Trompenaars

Another description of how cultures differ has been developed by Trompenaars (1993). Trompenaars (1993) administered research questionnaires to over 15,000 managers from 28 countries over a ten year period. Trompenaars (1993) believes that culture is composed of shared values.

Trompenaars (1993) identified seven dimensions of culture these are:

- Universalism versus Particularism
- Collectivism versus Individualism
- Neutral versus Affective orientation
- Diffuse versus Specific orientation

- Achievement versus Ascription
- Orientation towards Time
- Internal versus external control (nature)

According to Trompenaars (1993) “culture is the manner in which these dilemmas are reconciled since every nation seeks a different and winding path to its own ideals of integrity”.

A culture is basically made up of an outer layer, its most visible characteristics, a middle layer, its norms and values, and its core, its basic assumptions. There are four sets of environment that Trompenaars (1993) distinguishes - within the organisation exists the inner environment (relationships with colleagues, corporate cultural issues).

The first encounter with the outside world is called the transactional environment which can include interaction with clients and suppliers. The next layer to the outside is called the sociopolitical environment which refers to interactions with financial institutions and political and legal environments. Finally, the contextual environment constitutes the cultural environment. Trompenaars (1993) compares culture to the “layers of an onion” the outer layer is what people principally associate with culture i.e. the observable reality of clothes, food, language, housing etc. the middle layer refers to the norms and values which a community holds i.e. what is considered right or wrong (norms) and good or bad (values). Understanding the core of the onion is the key to successfully working with other cultures: the series of rules and methods which a society has evolved to deal with the regular problems that face it. According to Trompenaars and Hampden-Turner (1998) every country and every organisation faces a) dilemmas in relationship with people b) dilemmas in relationships to time c) dilemmas in relations between people and the natural environment.

Universalism versus Particularism

Universalism applies where people believe that what is true and good can be discovered, defined and applied everywhere. Particularism is said to prevail where the unique circumstances and relationships are more important considerations in determining what is right and good than abstract rules.

Universalist societies tend to feel that general rules and obligations are a strong source of moral reference. Universalists are inclined to follow the rules even when friends are involved and look for “the best way” of dealing equally and fairly with all cases. They assume that the standards they hold dear are the “right” ones and they attempt to change the attitudes of others to match.

Particularist societies are those where “particular” circumstances are more important than rules. Bonds of particular relationships (family, friends) are stronger than any abstract rule and the response may change according to circumstances and the people involved.

Individualism versus Collectivism

This is similar to Hofstede’s (1980) dimension of individualism/collectivism, where the individual regards himself or herself primarily as an individual or primarily as part of a group.

Neutral versus Affective relationships

This dimension concerns the different contexts and ways that cultures choose to express emotions.

In relationships between people, reason and emotion both play a role. Which of these dominates will depend upon whether people are affective, i.e. show their emotions, or whether individuals are emotionally neutral.

In affective cultures, expressing emotions openly is more “natural”, whereas in more neutral cultures people believe that emotions should be controlled to avoid clouding issues.

In Hofstede’s model, the willingness to express emotion is seen as part of uncertainty avoidance.

Specific versus diffuse relationships

This dimension deals with the degree of involvement individuals are comfortable with in dealing with other people. Every individual has various levels to their personality, from a public level to the inner, private level. However, there can be cultural differences in the relative size of people’s public and private “spaces” and also in the degree to which they feel comfortable sharing those parts of their personality with other people.

Diffuse relationships emphasise the importance of a holistic relationship with the organisation and its environment. It is aimed at expressions that respect long-term relationships and loyalty to company and suppliers/clients.

Achievement versus Ascription

The ascription versus achievement dimension addresses the means by which a given culture assigns achievement within the society. Achievement status refers to “doing”, whereas ascriptive status refers to “being” (Trompenaars, 1993). Ascription, as opposed to achievement, assigns status and power based on some type of characteristic

of the individual, for e.g., age, gender, social connections, education or profession. In ascriptive societies, like Austria, Argentina and Arab states, status requires no justification, and simply implies “power”. In addition, these societies associate status and power with position, and they attribute obligation to ones standing in society (Hofstede, 1983). Achievement orientated societies, like American, Canadian and Scandinavian cultures, place a high emphasis on skill and knowledge, and authority is assigned on this basis. Power comes with positions only if the job is performed effectively.

Orientation towards Time

This dimension concerns the relative importance cultures give to the past, present and future. Trompenaars (1993) considers this to be an important cultural aspect to measure because peoples ideas and attitudes towards time, i.e. past, present and future can influence their thinking significantly.

Internal versus External

The last culturally determined dimension concerns the meaning assigned to ones (natural) environment.

In countries such as America, Germany and Scandinavia, which are classified as deterministic, they have a belief that people are responsible as individuals or as a group for their actions and can affect the future. In addition these societies find themselves unconstrained by environmental factors and capable of self improvement.

In societies that tend to be more fatalistic than others, individuals share a perception of a lack of personal control over events. In these cultures, for example, in Arab, Chinese culture, control over events is believed to lie ultimately with a greater power such as

God, fate, luck, governments, one's social class or history. They believe that the individual is subservient to, or in harmony with nature and that action taken by man will be overcome by the powers that control their destiny. Thus, responsibility for events lies not with the individual but with nature or fate.

The Trompenaars database (1993) updated with Hampden-Turner (1998) comprises more than 50,000 cases from over 100 countries and is one of the richest sources of social constructs.

The difference between Trompenaars (1993) model is that it takes more account of environmental influences and human interaction than Hofstede's (1980) research. Trompenaars (1993) work focuses on a variety of multinational corporations e.g. BSN, Kodak, AT&T, Glaxo, Motorola, Philips, Volvo. This may make his sample more reliable than merely using just one firm i.e. IBM. Hofstede (1980) focused on countries where IBM exists, but this can be a disadvantage as it may not accurately reflect the existing national culture in different countries of the world.

Another difference between Hofstede (1980) and Trompenaars (1993) is that Trompenaars (1993) has discussed the issue in terms of people's relationship with time and also with nature.

Limitations of cultural distance measures

According to Shenkar (2001) there are both conceptual and methodological limitations of cultural distance measures i.e. illusions that are at the heart of cultural distance measures and undermine its validity.

Firstly, conceptual limitations include:

i) The assumption of symmetry

According to Shenkar (2001) the term “distance” involves symmetry i.e. the assumption that the distance between two points is identical. Cultural distance suggests an identical distance for the host and home cultures for e.g., a French firm investing in Japan encounters the same cultural distance as a Japanese firm investing in France however, this is not the case. The home and host country effects are different in nature, the home country being embedded in the firm while the latter is in a national environment.

ii) The assumption of stability

Cultural distance assumes that culture is constant, however, culture changes over time. A key assumption of Hofstede’s work (1980, 1991) is that the core values of national culture, are stable constructs and have been present in people from different nations for a long period of time (Schein, 1985). The research resulting in Hofstede’s four dimensions took place over three decades ago. Hofstede (1980, 1991) assumes that cultural values are stable over time, which implies that distance between national cultures are stable over time as well. However, this assumption has been challenged by various researchers e.g. Nordstrom (1991), who have argued that practices and cultural values are converging and that cultural distance may no longer be relevant. Various other researchers have also endorsed the popular notion that cultures are converging (Ohmae, 1985; Levitt, 1983) and have cast doubt on the relevance of these dimensions. For example, it is evident that people from different nations are converging in terms of clothing (Levi’s jeans), food (McDonalds), beverages (Coca-Cola), entertainment (MTV), and news (CNN).

However, Hofstede's (1980, 1991) work suggests that such changes concern convergence in superficial appearances of culture; they do not necessarily signal a convergence in the values embedded in national cultures suggesting that national cultural differences are still prevalent.

Barkema and Vermeulen (1997) state that while convergence may be seen in practices among managers, these practices "do not necessarily signal a convergence in the values embedded in national cultures". Research on the malleability of national culture typically focuses on the convergence-divergence theme in which economic development, driven by technology and education, supports convergence, while cultural inertia supports divergence (McGrath, MacMillan, Yang & Tsai, 1992; Shane, 1992). If culture is relatively permanent, and more powerful than imposed social or economic forces, there should be little change in cultural values. However, if culture changes are based on environmental forces, values such as Hofstede's cultural dimensions should reflect change (McGrath et al, 1992). Hofstede (1991) suggests that shared values endure over time and are consistent within cultures.

Culture is not static but evolves over time as it is continuously constructed and reconstructed during interaction (Luo, 2001). Myers and Tan (2002) refer to national culture as a "moving target".

Also in terms of the individual and cultural distance measures, cultural distance measures are all value-based; the key distinction is the boundary e.g. the nation-state/geographic borders, organisation or profession.

According to Straub, Loch, Evaristo, Karahanna and Srite (2002) most definitions of culture rely on the assumption that an individual's membership in a cultural group, such as their national culture, defines the nature of values they support.

They argue, an individual's values are influenced and modified by membership in other professional, organisational, ethnic, religious and various other social groups, each of which has its own specialised culture and value set. Thus, individuals vary greatly in the degree in which they support, if at all, values dictated by a single cultural group, such as their national culture.

Furthermore, Groeschl and Doherty (2000) emphasise that with globalisation, individuals today have much more opportunity to live and work within cultures different to their own. This can lead them to embrace, although to different extents, some of the cultural values and basic assumptions shared by the host culture.

iii) The assumption of linearity

According to Shenkar (2001) cultural distance assumes a linear impact on investment, entry mode and performance i.e. the higher the distance between cultures, the higher the likelihood that a) investment will occur at a latter stage in the investment sequence, b) a less controlling entry mode will be chosen and c) the worse the performance of foreign affiliates will be.

Parkhe (1991) argues that cultural distance plays a different role at the strategic choice and operational phases. At the strategic phase, cultural distance may be a basis for synergy while at the operational phase it may erode the applicability of the parent's competencies (Brown, Rugman & Verbeke, 1989; Gomes-Casseres, 1989; Harrigan, 1985; 1988; Lorange & Roos, 1991)

iv) The assumption of causality

Cultural distance in much of the literature assumes that it has a causal effect on foreign direct investment pattern, sequence and performance and assumes that culture is the

only determinant of distance with relevance to foreign direct investment (FDI). Earlier work has focused on the problem and attempted to compensate by incorporating non-culture variables in a broader “distance” measure. Johanson and Vahlne’s (1977) definition of “psychic distance” refers to the “sum of factors” affecting information to the market. Goodnow and Hanz (1972) treat “geocultural distance” as one of a number of variables (including level of development, political stability), making a country a “hot” or “cold” investment opportunity. Richman and Copen’s (1972) measure of “socio-cultural distance” includes such variables as the foreign education of local executives.

Factors such as language (Buckley & Casson 1976; 1979, Boyacigiller, 1990) political instability (Thunnell, 1977), level of development, market size and sophistication (Davidson & McFeteridge 1985), religion and form of government (Boyacigiller, 1990) all play a role in establishing “cultural distance”.

Barkema et al. (1997) in their study of the FDI of Dutch firms, found the effect of cultural distance to be significant for IJVs in developing countries, but not for IJVs in developed countries. Brown, Rugman and Verbeke (1989) argue that the combination of economic and cultural factors creates firm specific assets, which can cause failure.

v) The assumption of discordance/lack of harmony

The assumption that differences in cultures produce lack of “fit” and hence an obstacle to transaction is questionable. Not every cultural gap is critical to performance. Cultural differences may be complementary and therefore have a positive synergetic effect on investment and performance. For, instance, as global cooperation demands

both concern for performance (masculine) and concern for relationships (feminine), the two may be mutually supportive (Hofstede, 1989).

Secondly, Shenkar (2001) argues there are methodological limitations which include:

i) The assumption of corporate culture homogeneity

The cultural distance measure relies on national culture measures and assumes that corporate culture does not vary. Corporate culture alters the dynamics of national cultural distance although not necessarily in the way of reducing impact. As Schneider (1988) suggests “national culture may play a stronger role in the face of a strong corporate culture. The pressures to conform may create the need to reassert autonomy and identity, creating a national mosaic rather than a melting pot”.

ii) The assumption of one national culture

According to Myers and Tan (2002) the fundamental assumptions upon which Hofstede’s (1980) work is based is questionable and there is a problem with using the term “national culture”.

Firstly, the nation state is a relatively new phenomenon as it is only in the last 100 years that most nation-states have been formed. They therefore argue that there is a contradiction between the nation-state (which is a recent phenomenon) and culture (which in some cases has existed for thousands of years e.g. Confucianism).

Secondly, the nation state has continued to change in its form. For example, a number of nations states have been formed in recent years, such as those that were formed as a result of the break up of the Soviet Union after the Cold War, or those that were formed as a result of the Balkan wars.

Thirdly, the idea that each nation state has its own distinct culture is not correct. Myers and Tan (2002) believe that there is not a necessary alignment between a nation-state (which is a political entity) and culture. For e.g., the nation-states of India, Switzerland and Yugoslavia all came into existence without any basis in race, language, or culture. Hofstede's (1980) work offers a mechanism whereby a culture value can be assigned to a particular group of people which group is determined by a geographical boundary. However, it ignores the fact that ethnic and cultural groups can exist across many nations as well as ignoring the existence of cultural and ethnic differences within nations (Harris & Davison, 1999; Huo & Randall, 1991; Peppas, 2001). For example, Arab and Latin American cultures span national geographical boundaries. Thus, not only have the physical boundaries of many nation-states changed in recent years, but so has the ethnic and racial mix within them.

Some nations also have strong internal cultural differences e.g. English and French speaking Canada, India with over 14 official languages and recognised intra-regional differences e.g. US and Germany. Organisational and professional cultures have also been ascribed identifiable value-sets such as management styles, appraisals, reward systems, communication styles and manner of taking decisions that vary across context (Laurent, 1992; Martin, 1992).

Reducing cultural distance

According to Shenkar (2001) cultural distance is a metaphor which when translated focuses on what sets cultures apart and ignores what may bring them together. He suggests a number of "key mechanisms" with the potential of closing or reducing cultural distance. These are:

- Globalisation and convergence
- Geographical proximity - this reduces entry barriers (Buckley & Casson, 1979) subject to transportation and information processing requirements. Geographical proximity lowers the costs of managerial co-ordination and control. It can also facilitate the personal contact that is necessary for effective transfer of knowledge and other resources (Vachani, 1991).
- Foreign experience - the literature acknowledges the importance of foreign experience as a cultural distance closing mechanism.
- Cultural attractiveness - certain cultures are considered to be more attractive than others. A foreign culture's perceived attributes may be a reason why potential partners prefer particular countries. According to Boyacigiller et al. (1996) adjusting to a psychically similar culture can sometimes be just as difficult as adjusting to a psychically distant culture. O'Grady and Lane (1996) explain that similar cultures do not always expect or recognise differences.
- Staffing- staffing allows groups and individuals to bring their cultural properties into a system. Shenkar (1992) discusses the role of employee groups as mechanisms affecting the national and corporate cultural distance in an IJV. Bicultural individuals play an important role in closing the cultural distance between the foreign and host countries by serving as interpreters of culturally embedded signals and behaviours. The presence of such individuals in a company, especially in senior positions may serve as a mechanism for closing cultural distance.

Cultural interaction as friction

Shenkar (2001) suggests replacing the term cultural distance relationship with “cultural friction” since interaction is the main issue i.e. how different one culture is from another has little significance until the different cultures are brought into contact with each other. He defines “friction” as “the scale and essence of the interface between interacting cultures and the “drag” produced by that interface for the operation of those systems”.

An IJV is an entity separate from its parent firms, while the parents maintain contact, the majority of the interaction is mediated by the IJV whose activities remain separate from those of the parents. The cultural differences between the parent firms produce friction only to the extent of their involvement with the new entity. Individuals and units in the parent firms who are not involved with the IJV operations do not produce friction.

Cultural distance and IJV performance

This section will discuss cultural distance and IJV performance with reference to some empirical studies regarding national and corporate culture.

Many articles on IJVs have emphasised the problems that occur when firms from different countries form IJVs.

Most studies have suggested that JVs with culturally distant partners incur a higher level of management complexity than those JVs formed between partners with similar cultural backgrounds. Park and Ungson (1997) suggest that JVs formed between

partners that share a similar national or corporate culture tend to have higher likelihood of survival and attain superior financial performance than those that do not.

Parkhe (1991) for example, has suggested that the diversity in the national contexts as well as in the corporate culture of alliance partners may hamper effective inter-partner collaborations and negatively affect the longevity of alliances. Parkhe (1991) hypothesized that inter-firm cultural and organisational diversity adversely affects performance. High failure rates suggest that potential partners should recognise cultural factors (Beamish & Inkpen, 1995). When and to what extent an IJV achieves its potential depends on the effectiveness of its cultural integration which rests with the abilities of the executives at both companies to diagnose the impact of their respective organisations cultures on the IJV.

The influence of a society's culture permeates all aspects of life within the society, including the norms, values and behaviours of managers in its national companies. The cross-cultural interactions found in IJVs bring together people who may have different patterns of behaving and believing, and different cognitive blueprints for interpreting the world (Black & Mendenhall, 1990).

Although culture is difficult to define in practice it is widely accepted that culture has a significant effect on organisations (Bhagat & McQuaid, 1982; Dennison, 1990). The culture of an organisation influences its functioning. Similar cultural values can reduce misunderstandings between partners (Brown, Rugman & Verbeke, 1989; Lane & Beamish, 1990), and the larger the cultural distance between the partners the greater the difficulty in managing them.

Culture has been defined as the “invisible force behind the tangibles and the observables in any organisation” (Kilmann et al, 1985).

National Culture

Examples of the deep impact of national culture on IJVs and management can be found in the partners approaches to problem solving and conflict resolution. In some cultures, problems are to be actively solved, managers must take deliberate actions to influence their environment and affect the course of the future. In contrast, in other cultures, life is seen as a series of preordained situations that are to be fatalistically accepted (Moran & Volkwein, 1992). The presence of societal cultural differences between partners, it is argued, contributes to IJV instability (Parkhe, 1991).

The effects of national culture on behaviour and management systems can destabilise joint ventures, causing Lane and Beamish (1990) to conclude that cultural compatibility between partners is the most important factor in the endurance of a global alliance.

IJVs entail unique risks, owing to the potential problems of cooperating with a partner from a different national culture (Brown, Rugman & Verbeke, 1989; Harrigan, 1988). The cultural difference may create ambiguities in the relationship, which may lead to conflict and even dissolution of the venture (Barkema, Bell & Pennings, 1996; Woodcock & Geringer, 1991).

In previous studies, differences in the cultural backgrounds of the partners have generally been perceived as a threat to the survival of IJVs (Harrigan, 1988; Brown,

Rugman & Verbeke, 1989). Consistent with this view, various studies (Barkema et al. 1996, 1997) have found that the chances of survival of IJVs are lower when the cultural distance between the home country of the expanding firm and the host country is large.

JV cultures can become especially difficult to maintain between firms originating in different countries (Brouthers, Brouthers & Wilkinson, 1995). Studies by Parkhe (1991) and by Child, Maroczy, and Cheung (1992) have shown that national culture affects managerial behaviour and moderates the relationship between structural variables and the performance of joint ventures.

The case against cross-border joint ventures (and for national ventures) is generally based on the "simple" proposition that similar cultural values can reduce misunderstanding between partners and that culturally distant joint ventures experience greater difficulty in their interactions (Brown, Rugman & Verbeke, 1989; Lane & Beamish, 1990). The more culturally distant two firms are, the greater the differences in their organisational and administrative practices, employee expectations, and interpretation of and response to strategic issues (Kogut & Singh, 1988; Schneider & De Meyer, 1991).

Differences also exist on the issues of power and control. Perlmutter and Heenan (1986) argue that Americans believe that power, not parity, should govern IJVs. However, the Europeans and Japanese often consider partners as equals and rely on lengthy discussion to secure stronger commitment to shared enterprises.

Adler (1986) considers that national culture is rarely present in firms or that it is overpowered by “internal” or organisational culture. The idea has been widespread that organisational culture moderates or erases the influence of national culture. It is assumed that “employees working for the same organisation even if they are from different countries are more similar than different” (Adler, 1986). On the other hand, others claim that national culture is predominant compared with organisational culture (Hofstede, 1980).

Geringer and Hebert (1991) investigated the effect of national culture on performance evaluation. They claim that agreeing on the performance of IJVs between parents could be influenced by the national cultural similarity among them. Their results indicated that where cultural similarity existed there was both a positive and strong correlation between assessment of performance.

Schoenberg, Denuelle and Norburn (1995) studied national culture and how differences were manifested within four large Anglo-French IJVs. Their results indicate that parity, communication and individual training were seen as ways of minimising negative effects of cultural diversity whilst building mutual trust.

Park and Ungson (1997) investigated the effect of partner nationality as well as organisational dissimilarity and economic motivation on the demise of JVs between US-US, US-Japanese and US-mostly European JVs. They found that JVs with culturally distant partners survived for longer and were less likely to end. They argue that past experience between firms could reduce cross-cultural differences. Harrigan (1988), also found that JVs can survive problems resulting from cultural differences

and that learning between partners can compensate for cultural differences, (Barkema, Bell & Pennings, 1996). According to Kogut (1989), past experience between partners leads to trust and this in turn reduces opportunistic behaviours.

Corporate Culture

Corporate culture includes those ideologies and values that characterise particular organisations (Beyer, 1981; Peters & Waterman, 1982). Such differences are often interwoven with the fabric of the partner's societal cultures and national contexts.

The establishment of an IJV always results in the crossing or the interaction of parental cultures. Laurent (1986), Adler (1986) and Beamish (1988) refer to this phenomenon as "cross-culture". Malekzadeh and Nahavandi (1988) and Bowditch and Buono (1989) refer to it more graphically as "cultural collision".

When cultures cross a cultural shock can occur, often accompanied by negative effects on organisational involvement and work climate in the IJV (Cullen, Johnson & Sakano, 1995). The larger the cultural distance between partners of the IJV, the more evident the organisational effects of such a shock become (Bowditch & Buono, 1989). Perhaps because of the difficulties in cross-cultural interactions, conflict between IJV partners often leads to failure of the IJV (Lane & Beamish, 1990). Conflict inhibits the development of norms of fair exchange and reciprocal trust necessary to support an enduring IJV relationship (Buckley & Casson, 1988; Lane & Beamish, 1990). Even with adequate economic performance, evidence suggests the conflict between partners reduces satisfaction in the interorganisational relationship (Anderson & Narus, 1990;

Dwyer, 1980). The greater the cultural distance between partners of an IJV, the greater the difference in organisational practices, employee expectation and the implementation of strategic issues (Kogut, 1988; Schneider & De Meyer, 1991).

Meschi and Roger (1994) claim that one of the underlying reasons why IJVs often fail to achieve the level of organisational performance predicted by pre-alliance studies is the conflicts and tensions that emerge when the parent companies try to combine disparate and different cultures. They analysed the link between the organisational (internal) and national (external) cultural context and the social effectiveness of IJVs established in Hungary. Their results indicated that social effectiveness varied significantly according to the cultural context of the company. They argue that different cultures in IJVs can lead to a number of unproductive behaviours that reduce the social effectiveness of a firm. They suggest the larger the cultural distance between the IJV partners the larger the degree of confusion and conflict and that in such a situation management needs to concentrate on interpersonal and intercultural communications as well as mutual understanding.

Bowditch and Buono (1989) highlighted that organisations that may appear to be highly compatible on the surface and that should be able to achieve valuable synergies can have underlying cultural differences that seriously threaten their integration. Stafford (1994) also claims that culture clashes can derail the prospects of synergistic benefits.

Harrigan (1988) argues that corporate culture homogeneity among partners is even more important to IJV success than symmetry in their national origins. (For example,

she argues that General Motor's values may be more similar to those of its IJV partner, Toyota, than to those of Ford).

According to Fedor and Werther Jr. (1995), strategic and financial considerations may create the desirability, and legal considerations for the possibility, of an IJV, but achieveability (however measured) depends on a host of additional factors, especially those related to the integration of parent companies corporate cultures. Integration demands an understanding and matching of both firm's cultures, especially since the primary barrier to that integration seems to be people - with a third of all failures attributed to the human dimension (Fedor & Werther Jr., 1995). They presented a framework that identified the cultural considerations that could shape the success of the IJV, and provide methods for diagnosing how these factors influence the achieveability of the IJV goals.

Meyerson and Martin (1987), suggested three major frameworks for studying organisational structure: integration, differentiation and fragmentation. Fedor and Werther Jr. (1995) argue that the determination of whether and how the culture of two companies can be integrated into a new culture requires choice of perspective. They found the integration perspective the most useful in evaluating the potential fit of cultures in an IJV i.e. partners look for clarity and consistencies and clarity of practices/policies that develop as successful problem solving techniques are learnt e.g. the founder of a company has strong convictions about what is valuable and how things should be done. Once successful the founders values/methods become deeply embedded in the company's culture, its policies become clear, consistent and are shared by employees.

Differences in company cultures can be complimentary rather than conflicting i.e. finding a good “cultural fit” is not the same as searching for “cultural similarities” between two firms. They go on to say that understanding country specific and company specific cultural differences as part of the due diligence process offers insights into the long term viability of the IJV. Strategic, financial and legal considerations merely suggest the desired scope of the IJV. When and to what extent an IJV achieves its potential depends on the effectiveness of its cultural integration.

According to Black and Mendenhall (1990), cross-cultural training can be a powerful catalyst not only in enhancing interfirm foreign operations, but also toward overcoming cultural diversity between IJV partners and facilitating ongoing mutual learning that promotes IJV longevity. According to Parkhe (1991) corporate culture has a circular relationship with learning in that it both creates and reinforces learning and it is created by learning, so, it influences ongoing learning and adaptation within and between IJV partners.

Assessing the compatibility of the respective cultures of collaborating organisations has been frequently stressed as an issue meriting significant consideration at the outset of any collaboration. Devlin and Bleakley (1988), state:

“It can not be over-stressed that, having identified the alliance route as being the best strategic business development route or one of the routes to follow (for product development), an in depth search for the right partner must be undertaken. All too often senior executives have been heard to remark, in hindsight, that they were of the opinion that they should have been more rigorous in the search for, and the evaluation of, prospective partnersdivorces can be costly.”

According to Littler and Leverick (1995) it is likely that differences in culture and operating styles between partners will emerge only as the collaboration evolves and so much depends on the ability to identify such differences that may occur. They suggest that for organisations to work together there has to be some degree of cultural fit or compatibility. They continue to say that member organisations must be able to communicate with each other, having a “language” they all understand. They need to have a working style which is complementary, in the way they go about reaching decisions and how they attempt to resolve their problems etc. In particular their behavioural styles must be compatible (Lorange, 1988). Littler and Leverick (1995) carried out a study in which they compared successful and less successful collaborations in the information and communications technology sectors. Successful and less successful alliances were self-nominated by respondents, this helped to overcome difficulties of classification. Respondents were asked to identify factors they felt contributed to the success of collaborative product development. The importance of each factor in distinguishing between successful and less successful collaborations was measured by calculating the mean scores for each factor for both the successful and less successful collaborations. Their results emphasised the importance of collaborating with an organisation with a compatible culture and mode of operation and with complementary areas of strength and expertise, and of mutual understanding existing between partners.

Culture and IJV relationships

Trust and culture

Psychic distance is a factor that can affect the development of cross cultural business relationships. Psychic distance is defined by Hallen and Wiedersheim-Paul (1984) as “the difference in perceptions between buyer and seller”. Terpstra and Yu (1988) list language, culture, political systems, level of education and degree of industrial development among the important factors comprising psychic distance.

Several authors have studied cross cultural relationships and psychic distance (Johanson & Wiedersheim-Paul, 1975; Johanson & Vahlne, 1977; Hallen & Wiedersheim-Paul, 1984; Kogut & Singh, 1988). Psychic distance is important in relationship building and according to Hallen and Wiedersheim-Paul (1984) it is influenced by social and cultural distance. Social distance is reduced by the social exchange which takes place between companies. As well as increasing their knowledge of each other, personal relations established through social exchange increase trust between individuals. The reduction in social distance also contributes to a lessening of the effects of cultural distance.

Ford (1984) defines cultural distance as “the extent to which the norms and values of the two companies differ because of their separate national characteristics”. During the process of interaction the greater the IJV partners seem different the greater the degree of cultural distance and this in turn affects relationship development (Meschi & Roger, 1994).

At the start of interactions the cultural differences between partners are obvious and so psychic distance is probably high, however, as the relationships develops, psychic distance will decrease over time.

The development of trust between alliance partners is also influenced by the culture of the alliance partners. Although the process of developing trust is a highly uncertain process, the uncertainty can be further exacerbated by cultural differences between alliance partners (Park & Ungson, 1997). The level of trust can not only vary between individuals but also between nationalities, since trust can be dependent on cultural attitudes and values (Aulakh, Kotabe & Sahay, 1996). The greater the degree of cultural similarity the lower the cultural distance and the greater the degree of understanding (Lin & Germain, 1998).

Buckley (1992) argues that the competitive advantage of a strategic alliance is dependent on its ability to achieve stability and that the greater difference in culture the less likely partners in a strategic alliance will share a common understanding and expectation. Casson (1990) and Tung (1984) state that the development of trust between partners with significant cultural differences is feasible if the partners perceive that trustful behaviour will be beneficial.

According to Parkhe (1993) the role of trust in IJV partnerships and its underlying dynamics may vary according to the internal organisational cultures of the partner firms as well as the macro-cultural environment that surrounds the partnerships.

There is a need for IJV partners to understand cultural differences to ensure IJV success and this can help reduce psychic distance between IJV partners.

Similarity between alliance partners prepares the common ground for successful relationship management. It provides the basis of cooperation, communication and effective signaling between the partner firms (Geringer, 1988[c]). If partners have similar corporate values, cultures, managerial styles, and processes, the relationship is

more viable (Bucklin & Sengupta, 1993; Doz, 1988; Dymsha, 1988). Similarity suggests that partners have similar approaches to problems, or at least are tolerant of each other's approaches. Without similarity, alliances may fail due to a lack of commonality in terms of strategic fit, conflict over managerial processes and styles, and corporate cultures (Dymsha, 1988). Lin and Germain (1998) argue the greater the cultural similarity between IJV partners the better the performance. This is because culturally similar partners tend to resolve conflicts in a particular way. Cultural similarity stimulates a problem solving approach to resolving conflicts. However, according to O'Grady and Lane (1996) a low psychic distance between companies does not necessarily mean that they are easy to manage as assumptions of cultural similarity can prevent managers from learning about cultural differences and therefore lead to failure.

Culture and communication

Communication becomes more important when a relationship is being developed with a degree of cultural distance. The extent to which interaction and relationship development can occur depends on the cultural distance between the partners. According to Parkhe (1991) bridging the culture gap between IJV partners may be facilitated by effective communication at all interfacing levels. The greater the cultural difference the more difficult it is for the IJV relationship to develop (Lin & Germain, 1998). IJV partners need to understand the different cultural values and expectations of all involved in the IJV in order for the relationship to be successful. As stated earlier the development of a strong relationship relies on effective communication which facilitates trust and commitment between actors. However, successful

communication is dependent on an exchange of mutually recognised symbols and values, therefore problems relating to understanding could emerge when communication takes place between individuals from different cultural backgrounds (Kale, 1991).

By nature, IJVs tend to be fragile agreements and communication problems make their operation even more difficult (Geringer and Hebert, 1989). Such problems can occur as a result of differences between national or ethnic cultures, including language, as well as differing corporate cultures. Cultural differences can impede development of rapport and understanding between partners. Geringer and Hebert (1989) argue that the simple ability to communicate with ones counterpart in a partner firm often makes a significant difference to an IJVs prospects for success.

Because of cultural or language differences, it might be more difficult to communicate, leading to a greater amount of time in negotiations, which could delay major decision making. Language and culture tend not to be insurmountable barriers, particularly for partners from developed nations, but they can be an important handicap.

Communications between culturally distant partners can be difficult, compounding the coordination problems that exist in any partnership, leaving such joint ventures vulnerable to managerial conflicts and early dissolution (Lane & Beamish, 1990). Also, environmental uncertainty enhances the transactional difficulties in cross border joint ventures (Kogut & Singh, 1988). Poor communication and mutual distrust can make the transfer of management practices and technologies very costly (Perlmutter & Heenan, 1986).

When transactions cross cultural boundaries, the effects of cultural differences affect the relationship. Cullen, Johnson and Sakano (1995) have demonstrated this in IJVs. Researchers such as Lorange and Roos (1992) have linked international strategic alliance success to the firm's ability to tailor its approach to cultures.

This cultural tailoring involves what Johnson, Cullen, Sakano and Takenouchi (1996) refer to as cultural sensitivity. Cultural sensitivity begins with the firm's awareness of cultural differences between it and its partners and it involves dealing with and managing these differences.

To achieve cultural sensitivity and successfully manage cultural differences members of the firm need to develop a deep understanding of the partner's culture. This requires investment in terms of money, managerial effort and time, especially in comprehensive cultural training programmes. The culturally sensitive firm uses the understanding of a partner culture acquired in training to span the cultural gap between IJV partners, and identifies ways to adapt to cultural differences in its partner's business and relevant social practices.

Cultural sensitivity provides the foundation for the development of trust in the IJV because it strengthens communication effectiveness in the alliance. A lack of cultural sensitivity can lead easily lead to misunderstandings in cross-cultural interfirm relationships (Datta & Rasheed, 1993). When a firm understands and bridges cultural differences in the alliance, the ability to communicate effectively increases. Effective communication means that problems are solved, decision making is shared, and expectations understood. Good communication aids trust building and minimises the effects of conflict and misunderstandings. A firm's sensitivity to its partner's culture

removes a significant barrier to communication and, therefore, to trust building (Johnson, Cullen, Sakano & Takenouchi, 1996).

Cultural sensitivity enhances IJV partner trust from a broader perspective. Cultural understanding and adaptation require a substantial investment. When a firm makes this investment, it signals commitment to the alliance and suggests that the firm cares about its alliance partner(s). When the partner(s) feel valued, they learn to trust their counterpart (Johnson, Cullen, Sakano & Takenouchi, 1996).

Usunier (1991) found that cultural differences lead to different managerial behaviour in relation to time, and this often generates misunderstanding. Stavis and Gang (1988) argue that cultural similarity between joint venture partners is conducive to the adoption of similar communication patterns, cultural beliefs and decision making styles. These similarities can increase mutual understanding between joint venture partners and reduce communication barriers and management conflicts. When conflicts do occur, cultural similarity makes it easier for firms and their partners to understand each other and to resolve differences.

2.7 IJV relationships and Information Communication Technologies

Brown and Pattinson (1995) looked at the impact of information technology (IT) and communications on the formation and management of strategic alliances within the Australian travel and hospitality industry, focusing on a hotel chain. They claim that technology is having an impact on the formation and management of strategic alliances, and that effective information and communication technology will assist in the

monitoring of alliance success or failure. Their research showed that technology had increased the speed of implementation of initiatives and enhanced the communication between alliance partners thus significantly strengthening the alliance. For example, they found that the use of e-mail has enhanced communication between alliance partners.

Davidow and Malone (1992) have consolidated a vision where the new technology infrastructure will be the foundation for a new form of organisation, “the virtual corporation”, where firm and individuals will be electronically connected through the new infrastructure. Nevertheless, in his research of R&D communication, De Meyer (1991) interviewed a senior product manager in his sample who said,

“Videoconferencing, integrated CAD databases, electronic mail all contribute to lowering the communication barriers. However, the most effective communication, especially in the beginning of a project, is a handshake to build mutual trust and confidence. Then and only then can the electronics be really effective.”

Business relationships and ICTS

This section will firstly discuss virtual relationships and whether the use of ICTs can develop trust in the absence of face to face communication. This will then be followed by a discussion on how ICTs can help create a culture of shared values and norms for the organisation.

2.7.1 Virtual relationships and ICTs

ICTs are a powerful tool to overcome time and distance barriers, (Wigand et al, 1997; Alexander, 1997) but they suffer from the limitation that non-verbal communication, an important component in trust building, is difficult to achieve. According to Hosmer (1995) trust is a basic ingredient of organisational functioning. Sheppard and Tuchinsky (1996), Swagerman, Dogger and Maatman (2000) state that trust is essential for the functioning and success of the virtual organisation. According to Fuehrer and Ashkanasy (2001) the communication of trust in a virtual relationship is essential to the establishment of trust in interorganisational relationships. They claim that the communication of trust requires that attention be given to both the physical and human components of ICTs.

Fuehrer and Ashkanasy (2001) define the communication of trustworthiness as “an interactive process that affects, monitors and guides members’ actions and attitudes in their interactions with one another, and that ultimately determines the level of trust that exists between them”.

ICTs also act as the medium for communication and coordination among collaborating partners (Malone & Rockart, 1993). ICTs therefore constitute an integral part of the communication of trustworthiness because it is the medium that generates, processes, communicates, transfers, and visualises data and information.

Handy (1995) and Klien (1994) argue that trust takes on added importance in the context of the virtual organisation because the traditional mechanisms of human social interaction, based on control and hierarchy are more often than not absent.

Non-verbal cues are not included in ICTs (Walter & Tidwell, 1995) therefore they cannot be as easily transmitted as they are in face-to-face communication and the interpretation of these cues is subject to cultural differences (Jarvenpaa & Leidner, 1998; 1999). Since non-verbal cues are central to communication of trust, this represents a critical potential limitation to the value of virtual relationships (Walter & Tidwell, 1995).

The use of ICTs in virtual relationships means that there is an extra layer of complexity compared to more traditional organisational forms. In addition to the usual problems of miscommunication and cultural differences, virtual organisation members need to understand the shortcomings of the technology, which include either physical or human components. Physical components of ICTs include the means of transmission of ICTs, while human ICTs components are the means by which members communicate meanings especially communication of emotion and non-verbal information (Swagerman et al, 2000).

Handy (1995) and Fuehrer and Ashkanasy (2001) argue that both verbal and non verbal cues are necessary for humans to communicate trustworthiness. Face-to-face communication is the most effective means to facilitate trust (Nohria & Eccles, 1992; Grundy, 1998). Nohria and Berkley (1994) comment further that, compared to electronic groups where electronic communication is dominant, decision-making is usually more efficient in face-to-face interaction.

Efficient decision-making seems to be a result of the immediate feedback given by other group members in both an implicit and an explicit manner. Furthermore, group interactions and the resulting group-influenced behaviour can also increase decision-

making speed. If there is little opportunity for face-to-face meetings members must be able to transmit as many non-verbal cues as possible if the communication of trustworthiness is to be maximised.

Cross cultural differences in emotional expression

While there is evidence for the universal experience of moods and emotions, culture influences the expression of emotion through cultural display rules or norms which prescribe which kinds of feelings can and should be displayed or expressed in different situations (Lutz & White, 1986). Research suggests that there are universal facial expressions of emotions, and that these universal expressions may be managed by people when display rules indicate it is appropriate (Shaver, Wu & Schwartz, 1992). For example, Japanese and American students were found to display similar facial expressions of emotion while watching films, however, the Japanese tended to change their facial expressions in line with Japanese display rules when an authority figure was present (Ekman & Oster, 1979). Trompenaars (1993) explains differences in emotional expression rules between cultures in terms of whether cultures are affective or neutral. He argues that countries such as Japan, Indonesia and the UK are examples of cultures with high degrees of neutrality, while Italy and France are examples of highly affective cultures.

Cultures differ in terms of display rules in business transactions with some cultures encouraging more expression of emotions than others. Interaction between partners through ICTs may worsen the degree of psychic distance experienced within the organisation (Forsgren, 1989; Forsgren, Holm & Thilenius, 1997).

The difficulties of maintaining trust through ICTs is provided in a study by Jarvenpaa and Leidner (1998, 1999). They describe a series of case studies of temporary global virtual teams whose members were geographically dispersed. These groups were culturally divided, had no common past or plans for future collaboration, and lacked face-to-face contact, the only communication medium used was ICTs. The studies indicated that trust was fragile. Jarvenpaa and Leidner (1998, 1999) concluded that trust can be maintained only so long as the members communicate enthusiastically. In this instance, maintenance of the level of trustworthiness is needed to ensure effective virtual organisation functioning which requires the communication of emotional expression (Wicks et al, 1999).

In addition to differences in emotional expression between nations and cultures, there are differences in verbal and non-verbal behaviour. Hall (1976; 1989) divides cultures into low and high context cultures and provides a framework for identifying differences in communication between a buyer and seller in a negotiation process. In high context cultures communication is expressed by non-verbal behaviour such as voice, facial expressions, gestures, body language, posture and the use of silence. In low context cultures people are specific in the way they communicate and show concern for both the effect of interaction and the spoken word. In low context cultures, exactly what needs to be said is communicated and trust and close relationships are not needed for effective communication.

Research has been conducted on how to compensate for the lack of non-verbal and emotional cues in ICTs. Takeuchi and Nagao (1993) studied the effect of facial displays in systems enabling computer-human interaction and found that systems that

communicate facial displays at least partially facilitate computer-human interaction. They also found that facial displays also improved subsequent interactions. Ekman and Friesan (1974) argue that trust (and deception) are largely interpreted from perceptions of facial expression.

Another way of compensating for the lack of informal communication in ICTs was investigated by Anderson Consulting where they put several support mechanisms in place to facilitate informal communication in order to help people create a common identity as a means to foster trust (Cohen, 1997).

E-mail messages appear to have the informality of speech, but they lack the visual and tonal clues of verbal communication. There are however, other means to communicate emotional and non-verbal cues in e-mail messages. These include chronemic cues (Walter & Tidwell, 1995) such as delayed responses, use of lexical expressions such as “yuk” and use of “emoticons” (Rivera, Cooke & Bauhs, 1996).

Emoticons, a term derived from the words “emotion” and “icons” illustrate the way that e-mail correspondents use to communicate emotion (Rivera et al, 1996; Walter & Tidwell, 1995). Emoticons are used to clarify a point or to avoid misinterpretation. Rivera et al (1996) studied the effects of emotional icons on remote communication and found that they can play an important role in communication and that they can affect the focus of messages. They found in particular that emoticons allow positive and negative messages to be interpreted as intended.

2.7.2 Organisational structure and ICTs

There are other factors that have an impact in the absence of face to face communication on the development and acceptance of trust in inter-organisational relationships e.g. a common business understanding and strong business ethics.

Fuehrer and Ashkanasy (2001) define a common business understanding as “a transient understanding between network partners as to what they stand for, about the nature of the business transactions that they engage in, and about the outcomes that they expect i.e. their “vision”. In the virtual context, common business understanding is facilitated by ICTs. Klien (1994) and Scott and Lane (2000) emphasise that a common business understanding requires the creation of a shared vision, in combination with communication of mutual aims through clear definition of the roles and expectations within the team, especially in the early stages of the relationship.

Mechanisms that can serve to establish a common business understanding in virtual organisations include development of an organisation handbook (Faisst, 1997), design of a mutual Internet site, chat room technology (Johnson, 1997), or the use of team addresses for e-mail.

ICTs can facilitate the sharing of beliefs, values and norms as they allow the quick transmission of information between people and geographically dispersed units (Dewett & Jones, 2001). ICTs such as the Intranet can make available to employees supportive messages and statements, often contained in the organisation’s mission, vision, corporate goals, strategies and operating procedures. Intranets provide mechanisms for transferring and disseminating information about the organisation to employees and can help promote the cultural shared norms, values and expectations that can facilitate support for efficiency (Dewett & Jones, 2001). This facilitates the

creation of a common identity and business understanding, including a business ethic needed to build and maintain virtual relationships.

According to Hills (1998) Intranets improve competitiveness through operational efficiency and improved productivity. Intranets have the ability to break down walls and build a culture of sharing and collaboration because they:

- improve communication
- enable sharing of knowledge and collaboration
- empower people
- facilitate organisational learning
- facilitate organisational bonding
- improve the quality of life at work

The most valuable outcome may derive from the culture changes the Intranet can cause. Intranets facilitate communication and collaboration, flatten the hierarchy of the organisation and help organisational bonding.

Intranets allow leaders to share their visions with everyone building a “corporate consciousness”. This promotes the bonding of employees to the organisation and when an organisation communicates its vision, goals and strategies, people know and understand what is happening (Hills, 1998).

These examples, show how the creation of a sense of shared meaning, member identification, and mission identity, especially in an early stage of the partnership, facilitate collaboration at an individual level and the operation and productivity of the interorganisational virtual organisation as a whole. As a result these mechanisms, provide an essential condition for the development of trust within the organisation.

Wiesenfeld et al (1998) note that such understanding fosters mutual goal setting, the willingness to collaborate and to share information, and the creation of interpersonal trust. Zucker, Darby, Brewer and Peng (1996) have shown in particular that perceptions of membership within a common organisational structure in a high-technology environment facilitate and develop trust in working relationships. In effect, a common business understanding provides the virtual organisation's members with an opportunity to safely create and share their perceptions of the organisation's defining features, and creates a feeling of ownership and trust.

Furthermore, interorganisational virtual organisations are intrinsically boundary spanning in nature, so that they must incorporate a diversity of culturally based values and morals.

2.8 Chapter Summary

International joint ventures are complex relationships which have received extensive attention in the field of international business.

This chapter has provided various definitions of joint ventures and IJVs and has highlighted the specific IJV definition to be used in this research i.e. "those operations where at least two undertakings create a new entity which is jointly controlled; this new entity can have industrial or commercial aims, and may even be constructed for a limited period" (CEC, 1994[a]). The strategic motives for creating IJVs have been discussed, as well as high failure rates and the difficulties in measuring IJV performance both in terms of objective and subjective measures. The factors influencing IJV performance i.e. structural and social have been discussed. Structural

factors include complementary skills and size, control, stability, compatible goals, age/past experience, task complexity, stock market reaction and business strategy. Social factors include, trust, commitment, a good relationship, culture (national and corporate) and communication. There has also been a discussion on the impact of ICTs on business relationships and whether ICTs have the ability to develop trust in the absence of face to face communication in a relationship.

The literature review indicates the importance of social factors such as trust, the building of relationships and culture (national and corporate) on the performance of IJVs. These variables are influenced by effective communication.

Effective communication channels are suggested to enhance IJV performance (Geringer 1988[c]; Lane & Beamish, 1990; Kanter, 1994; Littler & Leverick, 1995; Brown & Pattinson, 1995) and it has also been argued that the cultural gap between IJV partners can be bridged by effective communication (Parkhe, 1991) and as a result the ability to communicate adequately with IJV partners can make a significant difference to IJVs performance.

ICTs are a tool that have the ability to support organisational networks such as IJVs by improving and supporting communication between partners (Hamill, 1997; Cronin, 1995). The use of ICTs may therefore have an influence on communication channels thereby in some way affecting cultural diversity in terms of bridging the cultural gap that exists between IJV partners.

The next chapter will focus on IJV developments in the European Union with particular emphasis on growth trends in general and the impact of liberalisation on the telecommunications sector in particular.

CHAPTER 3

TELECOMMUNICATION JOINT VENTURES

IN THE EUROPEAN UNION

3.1 Introduction

As competition increasingly becomes more global, industry within the European Union (EU) has sought to improve its competitive position through strategies that have included cross frontier cooperation and other types of strategic alliances. In order to facilitate this process, the EU has encouraged cooperative agreements and joint ventures, through the mechanism of the Single European Act and a range of specific policy initiatives. The support of the EU for these operations reflects the scope for efficiency gains as firms combine resources and benefit for technological complementarities, economies of scale (Mytelka and Delapierre, 1987; Peterson, 1991) and rationalisation in mature industries.

Deregulation, the objective of a Single European Market (SEM) in 1992 and the fundamental changes in telecommunications technology have caused wide strategic restructuring in Europe and throughout the world as well. They have mostly taken the form of mergers and joint ventures. Restructuring moves are in general beneficial to industries within the European Union. They may enable the companies to rationalise and to reach the critical mass needed to obtain the economies of scale needed to make

the important investments in research and development which are necessary to develop new technologies and to remain competitive in the world market.

The aim of this chapter is therefore to focus on the SEM and the effects of the liberalisation of the telecommunications sector on IJV activity. The chapter begins by describing the SEM followed by its effect on IJV activity and the driving forces that have encouraged such collaboration. The following sections will then focus on IJVs and EU competition policy, discussing its implications for the structure of competition within the EU markets. The chapter will then consider the liberalisation of the telecommunications sector in the EU, how it evolved and its framework. IJV activity, the concept of convergence and globalisation within this sector will also be discussed.

3.2 The Single European Market

The SEM is defined by the Single European Act of July 1987 as being:

“an area without frontiers in which the free movement of goods, persons, services and capital is insured in accordance with the provisions of the Treaty of Rome”.

The Single Market is an economic objective which allows people and firms to purchase and sell, produce and consume, lend and borrow throughout the whole EU as they have done within their own countries. This will enable producers to be more efficient, consumers should find that they get a better deal and the economy should be more dynamic in such a large market.

During the 1950s Europeans were highly conscious of the dominance of the American economy, which was attributed largely to the vast size of the American market.

Thus, the backbone of the Rome Treaty that established the European Community (EC) was the creation of the Customs Union, through a phased programme to remove all tariffs and quotas from the trade between the member countries over a twelve to fifteen year period, and at the same time to give them a common tariff on imports from outside the community.

As the tariffs and quotas were removed from the internal trade, it grew twice as fast as world trade, quadrupling in the decade after the economic community was set up and the economy grew twice as fast as that of the United States. While it cannot be scientifically established how much of the fast growth was due to the freeing of trade within the EC, there are good reasons to attribute some of it to what are called the dynamic effects of the opening up of markets (Pelkmans, 1986; Pinder, 1998). These are the effects on dynamism, or growth of the economies as economies of scale and specialisation are encouraged, technological progress is accelerated, business investment is boosted, and markets acquire a more competitive structure.

Despite this economic progress, which enabled Europeans to catch up with Americans in producing the goods such as cars and consumer durables which were typical of the second industrial revolution, Europeans remained nervous about American technological dominance (Servan-Schreiber, 1968). By the 1980s, with the third industrial revolution, based on micro-electronics and information technology, rapidly gathering pace, the Europeans had serious cause for alarm.

Europe was increasingly uncompetitive (Albert, 1984) and to a number of business leaders and "europeanists" this was explained in part by the division of the EC market. For years companies operating in Europe had faced a series of individual country rules,

which had left the market fragmented and discouraged many from looking to markets outside their own national boundaries. Banks and insurance companies had to set up an office in each country in order to sell financial services to their consumers; food manufacturers and retailers faced a bewildering variation in standards and regulations relating to the ingredients that they could use and the way in which they could use them; telecommunications companies found their way into foreign markets blocked by discretionary public procurement rules; and pharmaceutical companies found themselves having to establish plants throughout Europe, most of them working below capacity, to insure that their drugs were designed as reimbursable by National Health Services (Pelkmans, 1986; Pelkmans & Winters, 1988).

Academics and industrialists began to identify these barriers as significant. A report written by Albert and presented to the European Parliament in 1983 sought to identify the factors contributing to Europe's economic stagnation (Albert, 1984). The report laid most of the blame on well documented economic factors - wage rigidity, low company profits, a lack of investment, a reliance on external energy sources, the absence of monetary and exchange rate stability in an increasingly independent world, and the unwillingness of governments to coordinate their economic policies.

The report also criticised what it termed "non-Europe". It cited examples of differences in television and telephone standards, the difficulties in merging video recorder producers as a way of competing with the Japanese, and the duplication of research into high speed trains, and it estimated their overall cost at over 2% of gross domestic product (G.D.P). The report called for common technical standards and an opening up of public sector contracts to competition from all EC firms. The academics

cause was boosted by a series of calls in the early 1980s by leading industrialists for standardisation and an end to national government discrimination.

Thus the same economic motive that inspired the customs union, free of internal tariffs and quotas, led also to the idea of “completing” the Single Market, by freeing it of internal non-tariff distortions i.e. a customs union in modern dress. Lord Cockfield, as the commissioner responsible for the internal market, presented a comprehensive programme for achieving this to the European Council in 1985 (CEC, 1985). The European Council approved it and the Member States embodied their commitment to it in the Single European Act.

The 1985 White Paper, therefore, endeavored to dismantle non-tariff barriers, in their various forms so that all remaining legal and taxation impediments to free trade would be removed.

In May 1988, the Commission published a report that estimated the costs of these barriers and the economic benefits to the EC that would accrue from their removal. The Cecchini Report remains the most comprehensive work on the subject and the quantitative assessments contained in it have been regularly used by the Commission and member governments as the scientific support for the internal market programme and an important instrument to influence market expectations.

The Cecchini team first identified the barriers which segment the EC market. Tariffs and quantitative restrictions on trade had mostly been eliminated inside the community, but four categories of obstacles which continued to block free trade were identified:

- i) Delays at national frontiers for customs purposes and related administrative tasks.
- ii) Differences in technical regulations between member states.
- iii) Restrictions on competition for public purchases through excluding bids from other community suppliers and,
- iv) Restrictions on freedom to engage in certain service transactions or to become established in certain service activities in other EC countries.

Taken together, Cecchini (1988) argued, these restrictions imposed high costs on companies wishing to participate in intra-community trade, and they were reflected in the substantial differences in consumer prices existing in member states. This categorisation of the barriers of “non-Europe” followed the Commission’s own White Paper listing of physical, technical and fiscal obstacles: a three part division which underscores the rationale of the internal market programme as a whole.

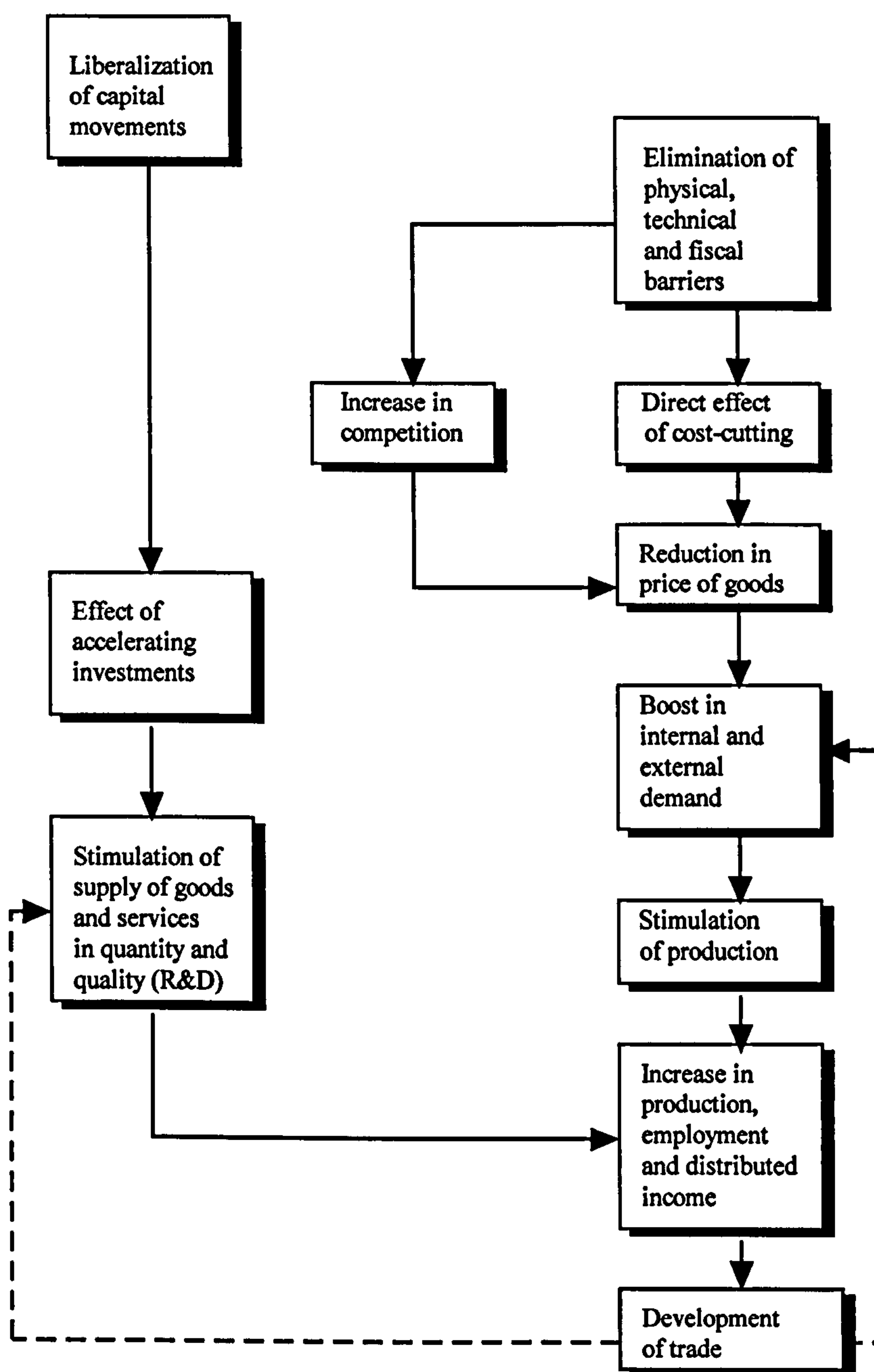
The completion of the internal market is seen as directly lifting certain barriers to trade and fostering greater competition within the EC market. Four principle types of benefit were identified by the Cecchini study as resulting from a single market:

- i) A significant reduction in costs due to a better exploitation of economies of scale.
- ii) An improved efficiency, rationalisation of industrial structures, and a setting of prices closer to costs of production, as a result of more competitive markets.
- iii) Adjustment between industries on the basis of a fuller play of comparative advantages.

iv) A flow of innovations, new processes and new products, stimulated by the dynamics of the internal market (Emerson, March 1988).

In short, both consumption and investment would increase. The direct effect of the single market on the development of trade is summarised in Figure 3.1. It shows the direct quasi-mechanical effects resulting from creation of the SEM, and it explains how movement is stimulated by the absence of restraints or obstacles.

Figure 3.1 The direct effect of the single market on the development of trade



Source: Urban and Vendemini, CESAG, Strasbourg, (1992), p 32.

The real significance of the SEM has been as a catalyst of industry change. The primary drivers of change have been global i.e. the need to compete effectively against American and Japanese companies as well as European, to gain adequate market share to achieve profitability. Shrinking product life cycles in many industrial sectors have led companies to seek a global market for their products.

According to Kay (1989), the direct implications of the single market are contained in the title of the Commission's White Paper setting out the programme "Completing the Internal Market" (CEC, 1985). He claims that the title raises important points i.e. that the 1992 programme is about internal trade relations and not external trade relations, and that this point is often ignored in the debate concerning European competitiveness in relation to the US and Japan. The direct effects of the programme should be to enhance competition within the EC, and any second order effects such as improvements in productivity relative to firms in other blocs should come as a consequence of this process of internal competition and rivalry. In this respect there is a second related point following from the title; the 1992 programme is focused on markets and trade relations within the EC. It is a programme designed in principle to enhance internal market competition, sharpen rivalry between firms, and facilitate access to markets in other parts of the Community for EC firms. If there are implications for industrial cooperation it will be via the competitive effects.

Initially, the Commission saw industrial cooperation between EC enterprises as a natural feature and consequence of market completion, and indeed the section in the White Paper devoted to industrial (and related) policies is entitled "Creation of suitable conditions for industrial cooperation" (CEC, 1985). The Commission also promised here to deploy regional, competition, and science and technology policies to facilitate

industrial co-operation between firms. The elements of the 1992 programme are intended to improve market access, intensify competition, improve productivity and favour efficient over inefficient firms. It is also presumed in the White Paper that the single market will facilitate industrial collaboration between EC firms.

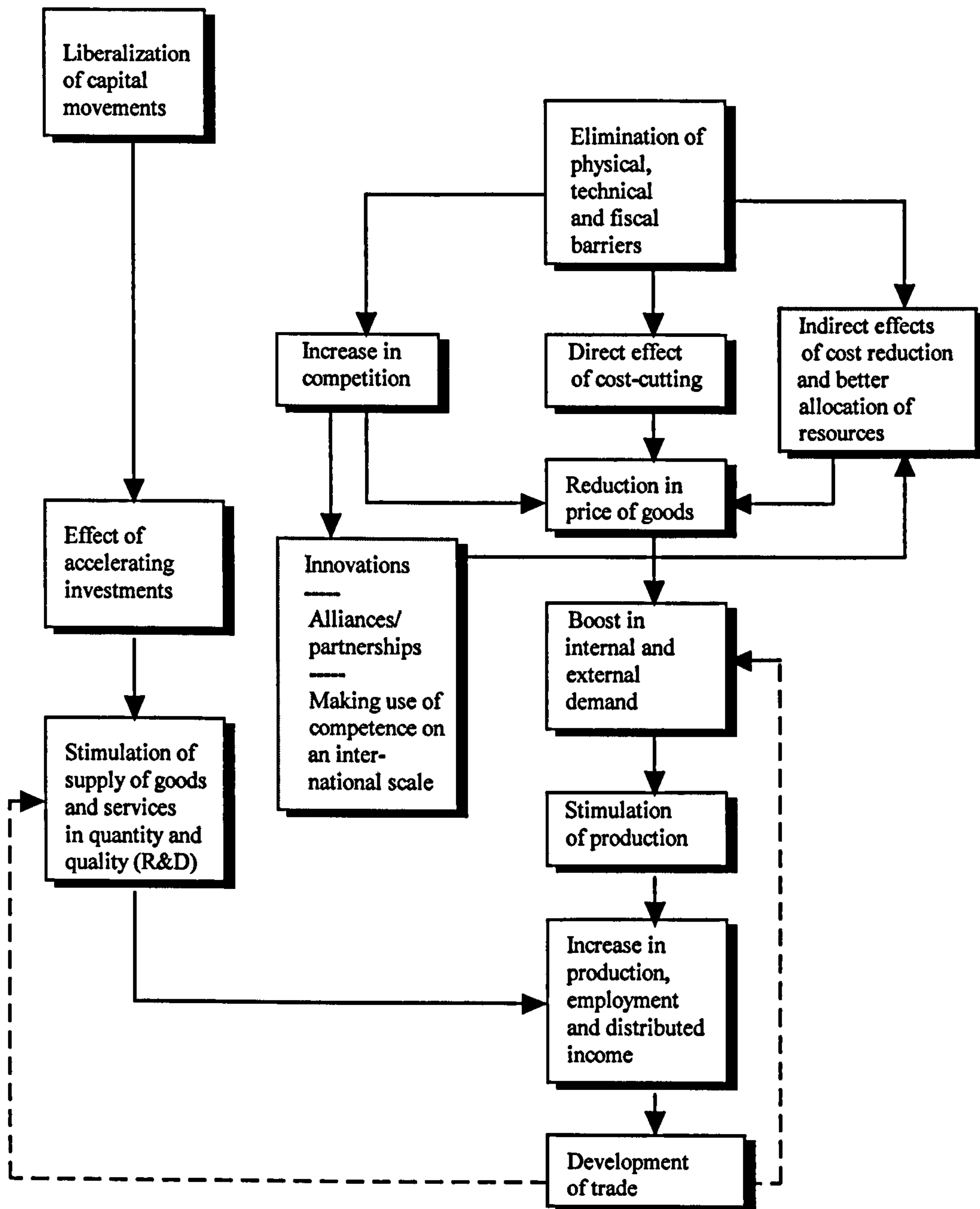
Table 3.1 outlines the factors that favour corporate and regional integration respectively.

Table 3.1 Forces making for Corporate and Regional Integration

Corporate Integration Basic Motive: to improve profitability and the long term competitive position.	Integration of countries Basic Motive: to increase efficiency and to increase the economic and strategic (including political strength of region and member countries).
* To exploit economies of the firm.	* To overcome structural market distortions e.g. tariff barriers, subsidies etc. and to encourage competition.
* To reduce risk and uncertainty associated with market transactions.	* To reduce imperfections in foreign exchange, capital and labour markets.
* To protect quality control of intermediate and final products.	* To facilitate the possibility of product and process specialisation of firms within the region, and promote trade in intermediate products.
* To capture the economies of synergy, which result from the common ownership of separate, but interrelated activities.	* To facilitate the conduct of optimal policies and to secure gains from policy co-ordination in circumstances of structural and policy interdependence.
* To protect the value of proprietary assets, e.g. technology, trade marks, management skills etc.	* To develop economic and strategic strength by the adoption of a common policy towards non-member countries.
* To overcome the transaction costs of using markets.	* To increase market size and improve the technological capability of member countries.
* To gain competitive strength.	
* To share common overheads.	

Source: Dunning & Robson, (1987), p.105.

Figure 3.2 The dynamic impact of the single market.



Source: Urban and Vendemini, CESAG, Strasbourg, (1992), p.37.

3.3 The Single Market and IJV Activity

3.3.1 Growth of IJVs

Both the White Paper and the Cecchini Report (Cecchini, 1988) emphasise the potential significance of joint ventures, co-operative arrangements and inter-company link-ups of various types in the furtherance of the 1992 programme. Cecchini (1988) argues that European cooperation is expected to grow substantially as a consequence of removal of non-tariff trade barriers.

Faced with the increasing complexity of technological systems, shortening product life-cycles for high technology products and the increase in design and development costs, companies are forced to enter into alliances to gain access to additional know-how, to share risks and to extend their distribution networks at both regional and world level.

3.3.2 The Driving Forces behind IJV Formation

There are a number of factors which encourage or require collaborative agreements within the European Union. The key driving forces, namely globalisation, innovation and technological change are interrelated.

3.3.3 Globalisation

Globalisation of economies and markets, which involves the intensification of international competition, enables not only greater economies of scale to be reaped but also specialisation for more defined market segments. According to Levitt (1983) globalisation can be defined as a powerful force that is driving the world towards convergence, the main driver for this is that of technology. Globalisation is not a new phenomenon but has gained pace in the post war years due to three main factors i.e.

the internationalisation of trade, the transnationalisation of capital flows and the globalisation of information flows (CEC, 1999).

Globalisation is now a fundamental development component of all the industrial and emerging economies and for virtually all manufacturing or service industries. It represents a fundamental transformation of the structures, organisation and nature of international trade and because of this many industrial sectors are undergoing profound structural changes. These changes are particularly evident in those sectors incorporating a rising share of advanced technologies, such as the automobile industry, pharmaceuticals and telecommunications. Technology also favours globalisation and the development of the information society is having an influence through the installation of global digital networks. To enhance their competitive positions, companies have integrated the international dimension into their organizational structure and strategy by externalising certain of their activities, by re-localising their production and by promoting the diffusion of their products to multiple markets in order to benefit from economies of scale. This is evidenced by the segmentation of their operations into separate activities, carried out at different sites and in different countries and the important agreements, in the form of mergers, acquisitions and strategic alliances which are observed today.

In terms of stage of corporate development, the global corporation is the most advanced company type (Keegan, 1989), as represented by all major equipment manufacturers. In addition to adapting products for specific markets, the global corporation focuses on serving a global market, which can be reached with the same basic appeal and message, and with the same basic product.

3.3.4 Technology

Technological development is bringing a converging commonality (Levitt, 1983), in that consumers in the EC, USA and Japan increasingly receive the same information, seek the same kinds of lifestyle, and desire the same kinds of goods and services (Ohmae, 1989). Also the increasing complexity of technology in certain sectors may encourage collaborative activity where projects are outside the scope and ability of individual firms.

3.3.5 Innovation

Innovation could be said to begin with an idea and end with the widespread use of a new product and widespread new process diffusion. Producer innovation is vitally dependent on buyer behaviour which, although open to any amount of producer influence, is also shaped by numerous environmental factors. Without the appropriate purchasing decision by the earliest adopters of a new product, “innovations” would never succeed (Foxall, 1984).

Innovation is encouraged by collaborative R&D projects and by producer-customer relationships. The EU’s industrial policy to encourage and coordinate joint research through its RACE, BRITE, SPRINT and ESPRIT projects illustrates the former, brought on by rapid convergence of computer and telecommunication technologies, and the threatening dominance of the new global market in IT by a few North American and Japanese computer-telecoms manufacturers.

3.4 IJVs and EU Competition Policy

The formation of IJVs has important implications for the structure of competition in EU markets and hence for the implementation of competition policy within the EU Millington and Bayliss (1995). It is widely recognised that competition policy has a key role to play in ensuring that EU industry remains competitive. Competition policy serves as an instrument to achieve the optimal allocation of resources, technical progress and the flexibility to adjust to a changing environment. Today's economic environment is characterised by a sharp increase in competitive pressures. Several factors have contributed to this i.e. the continuing shortening of product life cycles, the growing globalisation of industries and markets, and the completion of the legislative programme for the achievement of the internal market. These economic realities are taken into account when applying the competition rules. In an economic environment characterised by dynamic markets, innovation and globalisation, cooperation between firms is vital to enable them to remain competitive on the market by improving their R&D efforts, reducing costs and developing new products. However, such cooperation is not allowed to lead to anti-competitive situations which are incompatible with the competition rules of the Treaty.

The completion of the internal market has intensified competition between European companies. However, it is necessary to ensure that the movements towards concentration which are taking place do not obstruct the free play of market forces. The tendency for certain groups to acquire a dominant position by appearing to achieve sufficient critical size must be controlled. The regulation on control of concentrations put in place the necessary legal instrument for Community treatment of large mergers and acquisitions, strategic alliances and IJVs, allowing, however,

European companies to pursue business strategies, which may safeguard their competitiveness at world level (Moussis, 1998).

Efficiency gains from the creation of IJVs must be balanced against the potentially anti-competitive effects of JVs within the domestic markets of the member states (Jacquemin, 1988; CEC, 1991). In essence the anti-competitive effects are the same as those created by merger. They include the restriction of competition among horizontally related firms, market foreclosure and the reduction in potential competition. Any reduction in competition may occur either by design or as a by-product of the collaboration. In the first case, companies may pursue alliance strategies in order to control competitive contingencies between companies in those previously closed national markets which are now increasingly subject to EU competition. The European Commission itself has commented that such JVs may act as a "mere facade for anti-competitive agreements" (CEC, 1994[a]). In the second case, collaboration may encourage a general climate of mutual non-competition between the parent companies, as well as ending any possible competition in relation to the JV product.

3.5 Liberalisation of the Telecommunications Sector

According to Solomon and Walker (1996), the US and Japan are at least ten years ahead of Europe in the information technology race. The European Union's drive to achieve success in telecommunications has centered on the deregulation of the industry to allow it to become internationally competitive.

Concerned with Europe's ability to remain competitive with the US and Japan in the information technology race and concerned with the sluggish performance, high prices and abuse of monopoly which characterised the PTT (Postal, Telegraph and Telephone Administration) cartel, the then EEC (Commission, Council of Ministers and European Parliament) set about restructuring and liberalising telecommunications in the mid-1980s against the background of the competition clauses of the Treaty of Rome.

3.5.1 Evolution of European Telecommunications Policy

European Union endeavors in the telecommunications field can be divided into four phases. During the first phase, from the establishment of the EEC in 1957 until 1984, there was no involvement in the telecommunications field. The telecommunications policy assignment was purely national and the concept of a European internal market in telecommunications was generally absent from economic, legal or political consciousness. The second phase, from 1984 to 1987, witnessed the beginning of EU initiatives in telecommunications with an action programme focused on pre-competitive research and development (ESPRIT, RACE) and standardisation. It was not until the 1987 Green Paper on telecommunications, the third phase, that the scope of EU policy was extended to include regulatory matters and the progressive opening of the sector to competition. The fourth phase began with the 1992 EU review of the telecommunications services sector and finished at the beginning of 1998 when the major EU economies were exposed to competition on the UK and US models.

Although telecommunications policy has now developed into a major EU policy, it is a relatively recent phenomenon. It was not until 1983 that the European Union first

published policy concepts for the sector. A first telecommunications action programme was put forward by the European Commission in 1984 (CEC, 1984).

EU telecommunications policy developed rapidly, due to three factors:

- i) The growing digitisation of the European telecommunications networks into multi-purpose information infrastructures.
- ii) The opportunities offered by telecommunications networks into multi-purpose information infrastructures.
- iii) The opportunities offered by telecommunications networks and services started to extend into markets far beyond the traditional telephone service for which the allocation of exclusive and special rights to the traditional telephone monopolies, at the time called PTTs had been intended. As a result, the traditional monopoly concepts in the telecommunications sector started to be questioned in most EU Member States, and there was growing conviction that without a loosening of monopoly rights in this traditionally highly regulated sector, it could neither be assured that new markets could be developed, nor that the new technologies and service offerings could be incorporated sufficiently rapidly (CEC, 1987).

The publication of the Green Paper in 1987 launched the liberalisation process of the telecommunication services in Europe. At this time, the EU telecommunications market was fragmented along national lines, with each national market being controlled by national monopolies and no separation between regulatory and operational

functions. Several factors called for the introduction of competition into the telecommunications market:

- i) New and commercially offered telecommunication services such as databanks, e-mail, call centres, were emerging and looking for non-discriminatory and cost efficient access to networks.
- ii) The progressive digitisation of telecommunications networks allowed the provision of such new services on a competitive basis, while generating significant cost reductions of the transmission function.
- iii) Monopolies, which delivered mainly telephones and telex services, were no longer suited to bring the benefits of all the new technological developments to the whole economy.
- iv) The international environment was also evolving through the AT&T break up in the US and the resulting transformation of the US market began to be felt in Europe along with the progressive deregulation of the sector and the privatisation of BT in the UK in 1984 which made Europe more receptive to the concept of deregulation. These two countries were followed by Canada, New Zealand, and Australia. Soon these countries, having developed an alternative telecommunications regulatory model, began to generate an increasing pressure to open up markets.

As a consequence, there was evidence that only a competitive environment could fully exploit the innovation potential offered by digital technologies and pass the significant cost reductions to end users. In spite of the obvious economic rationality of opening up markets, achieving the full liberalisation of the telecommunications market in the European Union in 1998 was the result of a long and complex process of negotiation.

Replacing the existing monopoly structures with a harmonised and competitive framework was politically very demanding.

The European Commission promoted political consensus through the publication of “Green Papers” launching wide public consultations and discussions with all relevant market players (i.e. national administrations, telecom operators, users groups, trade unions). This was followed by Resolutions from the Council, notably defining fixed deadlines to provide for predictability, transparency, and confidence in the process amongst investors and potential competitors.

A final breakthrough on infrastructure liberalisation was not made until the Telecom Council in December 1994. The publication of the Bangemann Group on “Europe and the Global Information Society” gave a powerful impetus to reach this objective. It suggested breaking with the past, ending monopolies and making rapid progress towards a fully liberalised environment (Bangemann, 1994). The report is one of the most influential papers which succeeded in changing the telecommunications landscape in Europe.

3.5.2 The 1998 Framework

The regulatory framework for telecommunications is based, on the one hand, on a set of article 100a Directives and Decisions from the Council and the European Parliament and, on the other hand, on the Article 90 Directives from the Commission. The following are key factors:

- i) Ensuring interconnection of networks in order to allow interoperability of services, drawing on the basic principles of proportionality (limiting the regulatory burden to what is indispensable), transparency, and non-discrimination found in the Open Network Provision rules.
- ii) Harmonising the public voice telephony services in the EU and defining the services available to all users in the context of Universal Service.
- iii) Defining a common framework for authorisation and licensing based on the Licensing Directive, and the “Full Competition Directive”. It establishes the form that licenses may take, the timetable and other procedures for granting licenses, the fees that can be requested and the conditions which may be attached.
- iv) Establishing independent National Regulatory Authorities (NRAs) in all Member States in order to implement the European regulatory framework in an objective manner.

3.5.3 Controlling Dominant Players

A major part of competition policy within the telecommunications sector is controlling the behaviour and agreements of dominant players in the context of deregulation.

The Commission has to ensure that, in assessing concentration cases in telecommunications, they avoid the strengthening of dominant positions through integration. Competition policy dictates that normal “performance based” competitive behavior on the part of dominant companies is allowed, whilst preventing defensive

and anti-competitive behavior. The distinction between the two is both complex and dynamic, depending on factors such as the state of deregulation, the structure of the market, intent of the dominant player and effect on actual and potential competitors. If dominant service providers are allowed to integrate into the equipment market by way of, for example mergers, access to this market by other equipment suppliers may be seriously hindered. A dominant service provider is likely to give preferential treatment to its own equipment subsidiary. Moreover, the possibility of disclosure by the service provider to its subsidiary of sensitive information obtained from competing equipment manufacturers can put the latter at a competitive disadvantage. Although dominant positions pose risks to consumers and competitors, this clearly does not mean that alliances "caught" by the EU competition rules will always be disallowed. Often the benefits of agreements will be seen to counterbalance the potential risks, and/or such benefits will be judged to be the legitimate advantages of normal competitive strategy. This was the case, for example, with the BT-MCI agreement which was given the go ahead in 1994. Furthermore, agreements may be modified, or conditions (such as the regulatory situation) changed in such a way as to cause the Commission to reconsider its position.

Competition policy is increasingly being applied to deal with antitrust and merger cases. Already some major telecommunication competition cases have come up in recent years (e.g. BT-MCI, Unisource and AT&T- Unisource, Global One and WorldCom-MCI). On the basis of Article 85 of the EC Treaty (anti-competitive agreements), Article 86 of the EC Treaty (abuse of dominant positions, including issues of unfair pricing and refusing access and interconnection), and the Merger Regulation, the Commission examined the planned mergers or alliances. Some of the

cases were only acceptable from a competition point of view when sufficient remedies have been taken (e.g. MCI WorldCom had to divest substantial Internet assets to obtain Commission clearance).

Two key areas are i) strategic alliances and ii) discrimination as regards terms, prices and conditions of access to networks. Generally one can expect that the first of these will be dealt with under the provisions of Article 85 (for cooperative joint ventures) and the merger regulation (for concentrations between enterprises in separate markets). The second of these will tend to come under the scrutiny of Article 86 (abuse of a dominant position). This will both complement and underscore telecommunication specific regulation as it concerns access to public networks, which is harmonised under Article 100A in the Open Network Provision (ONP) framework. The growing number of competition cases can not be seen as a sign of increasing collusive behaviour or distortion of competition, but rather signals the dynamism of the telecommunications market whose players are trying to position themselves through horizontal and vertical joint ventures and alliances.

3.5.4 IJVs in the Telecommunications Sector

Most large industrial and service corporations face an economic slow down whereas, according to Schaub (1996), the telecommunications industry has become one of the most profitable and largest economic sectors in the world. The opening up of these formerly monopolistic markets to competition has allowed new entrants to challenge major players. The liberalisation of mobile and fixed line telephone markets has not only led to lower prices and better services for customers but it has also encouraged

the industry to compete beyond Europe and to successfully seek international alliances. (CEC, 1999).

A wave of joint ventures is taking place in Europe just as in the United States, driven on by three main developments:

- **Personal communications** - developing hybrid network solutions for the alliance of fixed and mobile telecommunications networks, the phone networks of the future.
- **Multi-media** - concerning the vertical integration of content producers and various distributors and carriers, and also a horizontal convergence between the telecommunications, cable and computer networks. This includes publishers and software producers moving into new fields such as online services.
- **Globalisation** - the new global partnerships such as BT/MCI, Deutsche Telecom/France Telecom/Sprint are defining alliances on a new global scale, as do the new global satellite ventures.

The ongoing liberalisation of the telecommunications sector together with increasing convergence of telecommunications, information technologies and media, are spurring substantial commercial activity in the core sectors of the information market (CEC, 1995[b]). Market players are now positioning themselves to take advantage of the new opportunities resulting in a wave of new alliances and partnerships being established.

Strategic alliances between major telecom operators (TO) moving into global markets are one type of such alliances e.g. BT/MCI. Other alliances are set up either between companies with no prior presence in the telecommunications market but which benefit

from synergies through market entry, such as banks that have substantial internal networks as well as financial means and know-how, or between the latter and TOs e.g. Cable & Wireless and Veba, BT and Viag.

3.5.5 IJV Activity and Convergence

The industry has seen many attempts to converge with other companies by forming IJVs. Furthermore, these companies are looking to exploit new technologies like the WWW, which has the potential to rival the voice network (Scharge, 1996). This points to the convergence in the new technologies where similar technologies can serve different applications i.e. cable television and telephone networks use similar technologies for different uses. Software is available which allows voice telephone calls to be made over the Internet, this means that because Internet access is charged at local rate, then international calls can also be made at the local rate. Convergence, i.e. the effect of technology bringing together many markets, is also taking place with companies looking to acquire skills that they do not possess or form alliances with companies in the field to sharing knowledge and know how in order to expand their position in the market. These ventures are also there to exploit new technologies like the WWW and avoid being left behind by not investing in new products (Ungerer, 1995). There is similar technology in the computer market and also the telecommunications market. Therefore there are tending to be many new alliances between companies in different markets. These alliances are there to exploit new markets which are opening up; these include new foreign markets and those based on developing new products to fulfill new needs.

According to Schaub (1996), whilst the competitive framework for the provision of telecommunication services has been put in place and competition has started to work, as a result of liberalisation new technologies and new services are emerging with accelerated speed. The key feature of this development is the digitisation of virtually all networks and services leading to “convergence” in the sense that networks can carry several different services or, on the other hand, a particular service can be offered through various networks. Schaub (1996) identifies the following trends:

- i) Internet based services will eventually encompass text and image based services (e.g. e-mail, file transfer etc.) “traditional” telecom services (e.g. voice telephony and faxes), and audio-visual services (e.g. video-on-demand).
- ii) Mobile and satellite communications will converge with fixed communications.
- iii) The digital television platform will also be used for interactive multimedia services.

The information sector is also being fundamentally re-shaped by the convergence of the telecommunications sector with information technology and the “content industries” of television broadcasting and publishing. This poses unprecedented challenges for public policy at both national and EU level.

Many joint ventures are being formed in Europe as a result of developments in multimedia services and applications. This is characterized by the vertical integration of content producers and various distributors and carriers, and also a horizontal convergence between the telecommunications, cable and computer networks. Competition will be amplified by the entering of digitisation in the television sector, which may have similar effects in the television sector in the nineties as the introduction of digitisation had in the telecommunications sector in the eighties. Its

first consequence is further multiplication of channels and supply. A second is convergence with telecommunications and software services, in the context of the Information Society concept. The resulting new opportunities of packaging of offerings across sectors, particularly in fields like video-on-demand, special interest offerings and on-line services is leading to repositioning and alliances across technologies and markets in the move towards multi-media. The media sector is undergoing substantial restructuring in Europe as in the US.

3.5.6 Globalisation and the Telecommunications Industry

According to Hamel and Prahalad (1994), there is little distinction between a global firm, global strategy and global industry. In this new environment there are many important actors, one of these is the nation state whose role is changing in response to an evolving national and international economy. This means that firms are playing an increasingly important role with the nation state almost reduced to a supporting role. Ohmae (1985) remarked that in the information-communications technology sector, multinational firms were seeking global presence to gain maximum benefit from increasing costs in research and development.

Telecommunications is an excellent example of an industry where globalisation can be defined. Here physical borders are no longer strong enough to hold the industry back. This industry can truly be deemed to be a world industry and is no longer restricted by national boundaries. It is due to this that the actors in the industry are forced to play different roles. Governments who have had to deal with a state monopoly have seen this changing. Now this is becoming an area where a competitive environment is

needed due to the opening up of the markets and the forming of trade blocs all over the world. Again, the business environment is changing due to technology and the changing role of governments.

3.6 Chapter Summary

This chapter has discussed the activity of IJVs within the EU with particular emphasis on the impact of the liberalisation of the telecommunications sector on IJV formation. Telecommunications is a strategic area of considerable interest for the European Union (CEC, 1994[b]) and liberalisation of this sector has introduced competition which is vital for the European Union's ability to survive in an increasingly competitive and global environment.

The aim of the next chapter is to focus on communication within business organisations. The impact of new technology on communication and the evolution of the virtual organisation will be discussed, followed by a review of the literature concerning business use of ICTs and their impact on business organisations.

CHAPTER 4

INFORMATION TECHNOLOGY AS A COMMUNICATION MEDIUM

4.1 Introduction

The use of ICTs such as the Internet within business has increased at an exceptional rate over recent years. Due to the rapid growth and increasing importance of the Internet, it has become an information communication technology (ICT) that may have significant effects on organisational relationships such as international joint ventures (IJVs). While information technology (IT) has a significant impact on organisational relationships, the potential effect of ICTs like the Internet in an organisations collaborative role in terms of international alliances such as IJVs has not really been considered. ICTs can allow alliances like IJVs to overcome the spatial and temporal dispersions that occur when companies widen their global reach.

There is a substantial amount of literature that exists discussing the Internet. Most literature describes the Internet and its capabilities, and useful academic studies relating the Internet to business have been conducted by various researchers such as Cronin (1994, 1996), Ellsworth and Ellsworth (1994, 1996), Quelch and Klein (1996), Poon and Jevons (1997) and the Project 2000 Group. However, little research has been done regarding the impact of ICTs like the Internet, on its role in IJVs, its impact on the relationship between the partners of an IJV and its impact on the performance of IJVs. New and advanced communications capabilities combined with IT-related

reorganisation are now causing organisational boundaries to become electronically blurred and inter-organisational relationships to change.

According to Medcof (1996) advice about managing collaborations generally addresses the importance of good communication, but varies in the importance it gives to communication using information technology such as the Internet.

The aim of this chapter is therefore to understand the business opportunities that the Internet offers. This chapter will begin with a discussion on the three ages of computing and how the different ages have impacted on business in different ways. The following section will then focus on IJVs as networked organisations and present definitions for the Internet, the Intranet and the Extranet. The chapter will then discuss the Impact/Value framework which highlights the potential impact of IT on business and the opportunities that it creates. Business use of ICTs will be identified which includes a more in-depth discussion of communication in business organisations, communication and media selection, followed by a discussion of the use of communication technologies in organisations. Some empirical studies regarding the impact of ICTs in business organisations are reviewed as well as a critical view of ICTs value or influence on business performance.

4.2 The Three Ages Of Computing

In 1995 Spikes Cavell and Co examined the relationship between society and computer technology by carrying out interviews with industry experts as well as secondary desk research. From their results they concluded that society has entered its third age of computing, an age abundant with opportunities for both organisations and individuals

and that new communication technologies are changing the way business activities are both managed and controlled.

The first age of computing occurred from the 1960s to the early 1980s and is referred to as the age of “computation” by Peattie and Peters (1997). It was dominated by mainframe computers and issues of data processing. IT was centrally controlled within organisations, expensive, carefully guarded, large in capacity and used mainly for automating transaction processes and data entry. It provided new opportunities for production flexibility and product quality, as well as the opportunity to analyse new customers and databases. These systems enabled new and better information to be used in marketing planning, so much so that Christopher, McDonald and Wills (1980) introduced the fifth “P” into the marketing mix i.e. the “provision of information”.

Peattie and Peters (1997) refer to the second age as that of “computers”, which began from the mid 1980s and was symbolised by the PC. The PC encouraged the decentralisation of computing within companies, with systems being increasingly owned and developed by end users instead of technical specialists. During this stage computer technology found its way into the hands of consumers. For businesses the rise of the PC was a significant event. Vandermerwe and Carney (1987), found that PC’s enabled marketers to track and analyse financial, sales and customer data. However, at that time using PCs for better internal and external communication was limited in scope and seen more as an area of future potential.

As far as the third age is concerned several issues are highlighted in the Spikes Cavell and Co (1995) report. Strong emphasis is placed on communication and connectivity,

which has led to the third age being labelled “the age of communication” (Peattie & Peters, 1997). It is an age where computers are no longer about computation and the manipulation of information, but are part of a global communications revolution, and as such are now central to changes in the economic, social, cultural and political environments.

There are several factors that distinguish the third age from its predecessors. While the first two ages focused on automating and supporting existing business processes, third age technologies are helping companies to find entirely new ways of working. They also aim to support human thinking and communication rather than trying to automate tasks and replace human decision-making. The problems of generating sustainable competitive advantage from IT may also be solved by the third age with a shift from an emphasis on productivity-enhancing developments which can be easily replicated towards supporting creativity which is more difficult to replicate.

ICTs such as the Internet will be a key factor in the success of businesses and the application of advanced information technologies like the Internet will greatly accelerate business processes. Business activities rely more than ever on a continuous stream of information exchange, which is rapidly becoming of vital importance for the success of an increasing number of business activities. The availability and accessibility of qualitative timely information and data play a major role in today’s business behaviours. Information technology taken in the form of the Internet, is a concept with the goal of exchanging ideas, information and commerce. According to Perugini (1996) its impact on life in the twenty first century could be so substantial that society itself could be reshaped by the effects and accomplishments generated by the implementation of the Internet.

The third age of computing will change numerous factors in many industries. In response to the new communications capabilities of the third age, the presence of new information networks and new communication technologies are enabling organisational boundaries and organisational relationships to change. So, the role of IT within organisations has evolved from its main focus on efficiency gains such as automation to a role where it can create and maintain a flexible business network of inter-organisational arrangements (Venkatraman, 1994). Developments and innovations in the field of information technology have created new opportunities and services which will greatly enhance the ability to have and obtain information.

4.3 International Joint Ventures as Networked Organisations

Medcof (1996) refers to alliances such as international joint ventures with a number of co-operating partners as “networks”. Wolff (1994) argues that collaborations that involve multiple partners should be compared to “communes” whose members are constantly changing. The trend towards network relationships within markets have largely been driven by IT (Piercy & Cravens, 1995). According to Hamill (1997), information communication technologies such as the Internet have the potential of becoming a powerful tool for supporting networks, both internal and external to the firm. The Internet can provide various tools for improving and supporting communications with partners in a firms international network, including e-mail, Internet Relay Chat, video conferencing and EDI etc. According to Nouwens & Bouwman (1996), the main advantage of using technologies such as the Internet is the development and maintenance of network organisations. Developments in information

and communication technologies have led to network organisations becoming more feasible.

Brown and Pattinson (1995) believe that alliances such as IJVs need to be considered within the context of current organisational change trends i.e. organisational change and technology are converging to produce new organisation structures.

Davidow and Malone (1992), have consolidated a vision where the new technology infrastructure will be the foundation for a new organisation - the “virtual corporation” - where firms and individuals will be electronically connected through the new infrastructure.

Byrne (1993) defines virtual corporations as temporary networks of independent companies linked by IT to share skills, costs and access to one another’s markets. They tend to evolve in form because they are created to exploit evolving opportunities.

Boudreau, Loch, Robey and Straud (1998), define virtual organisations as having three main characteristics:

- i) Virtual organisations depend on a collection of alliances and partnerships with other organisations such as joint ventures.
- ii) Virtual organisations are spatially and temporally independent so they are capable of overcoming both spatial and temporal boundaries by linking together geographically remote units.
- iii) Virtual organisations are flexible enabling them to respond rapidly to the changing business environment.

According to Boudreau, Loch, Robey and Straud (1998) these characteristics have the potential to enhance the global competitiveness of organisations like IJVs.

Naisbitt (1994) has a slightly different vision where there will be a highly integrated, global electronic infrastructure, with small groups using the structure but preserving and even strengthening their identity.

According to Cronin (1995), companies are relying on networks and electronic communications to support multiple partnerships and projects.

4.4 Definitions of The Internet, Intranet and Extranet

Kroll and Hoffman (1993) define the Internet in three ways:

- i) “a network of networks based on the TCP/IP protocols
- ii) a community of people who use and develop those networks and
- iii) a collection of resources that can be reached from those networks”.

Randall (1997) defines the Internet as nothing more than an inter-network, consisting of thousands of networks containing many million individual computers, it is global, and has no central control.

Pawar and Sharda (1997) describe the Internet as consisting of three parts. First, it has a large number of sites which hold various types of information including government documents, statistics, news, research reports, books etc. Second, it consists of a set of tools such as gopher, WWW and search engines which help locate and retrieve information. Third, there are special utilities or services that allow formation of topic-centred discussion groups, bulletin boards etc.

Clements (1999) defines the Internet in simple terms as the connection of many networks together into a large network.

The definitions of Intranet that can be found in the literature vary. Tanincez (1996), defines an Intranet as an “internal corporate network that works on the same protocol found throughout the Internet”. Boudreau, Loch, Robey and Straud (1998) define an Intranet as “web-based, firewall-protected networks that connect all employees through common, hyperlinked interfaces to documents, messaging, and multimedia information sources”.

Clements (1999) defines an Intranet “as a captured version of the Internet for use within a company”.

An Extranet is an application of Internet technology that provides specific external parties with limited access to corporate information, for example partners of an organisation can use extranets to acquire information.

Boudreau, Loch, Robey and Straud (1998), define an Extranet as “an application of Internet technology that provides specific external parties with limited access to corporate information”.

4.4.1 Definition of ICTs

Within the literature there is no definition of information communication technologies as a whole. ICTs encompass several tools e.g. e-mail, video conferencing, Inter-Relay Chat (IRC), Electronic Data Interchange (EDI). Therefore, for the purpose of this study, when referring to the Internet, Intranet and Extranet, it includes the mechanism by which these tools are carried as well as the access to facilities such as the World Wide Web (WWW).

4.5 The Impact/Value Framework

Hammer and Mangurian (1987), suggest an impact/value framework for understanding the way in which technology can create opportunities. The potential impact of IT is divided into three areas:

i) **Time compression** refers to the ability of IT to reduce the time required to perform certain business processes, of which information transmission is a part, and takes place through clear communication links between sites or organisational units or between parts of the business process.

ii) **Overcoming geographical restrictions** refers to the ability of IT to overcome geographical restrictions and expand the firms reach. Telecommunication networks allow limitations imposed by geography to be overcome, as well as organisational relationships both within the firm and between the firm and other entities to be developed.

iii) **Restructuring of organisational relationships** refers to the ability of IT to alter the structure of both external and internal organisational relationships. The potential business value of IT comes not only from increased productivity through greater effectiveness, such as better management, but by also providing relevant information through a decision support system such that better decision-making is possible.

IT can also bring about an innovation or enhancement of the quality of products and services, thereby improving the company's competitive position. Figure 4.1 characterises the business value of IT in terms of increased operating efficiency,

improved business effectiveness or a basic transformation of a firm's business functions.

Figure 4.1 The Impact/Value Framework

		VALUE		
		Efficiency	Effectiveness	Innovation
I M P A C T	Time	Accelerate Business Process	Reduce Information	Create service excellence
	Geography	Recapture Scale	Ensure global management control	Penetrate new markets
	Relationships	Bypass Intermediaries	Replicate scarce knowledge	Build umbilical cords

Source: Hammer, M and Mangurian, G (1987), "The changing value of communications technology", Sloan Management Review, Vol 28, No.2.

The use of IT provides business value in terms of

- i) efficiency (increased productivity through the optimal allocation of resources).
- ii) effectiveness (better management through the optimal realisation of objectives).
- iii) innovation (realising new objectives by improving products and services or by entering new markets).

The availability of desk top computers, the shift from mainframe to client-server computing and the connectivity provided by the Internet will change the way businesses use computers to communicate, to manage information and to compete

(Keen, 1993). ICTs provide a synthesis of computing and communication capabilities that add value to every part of the business cycle.

A recent survey of 500 companies carried out by the Economist Intelligence Unit and Booz Allen and Hamilton found that more than 90% of top managers believe that the Internet will transform or have a big impact on the global market place by 2001 (Economist, 1999).

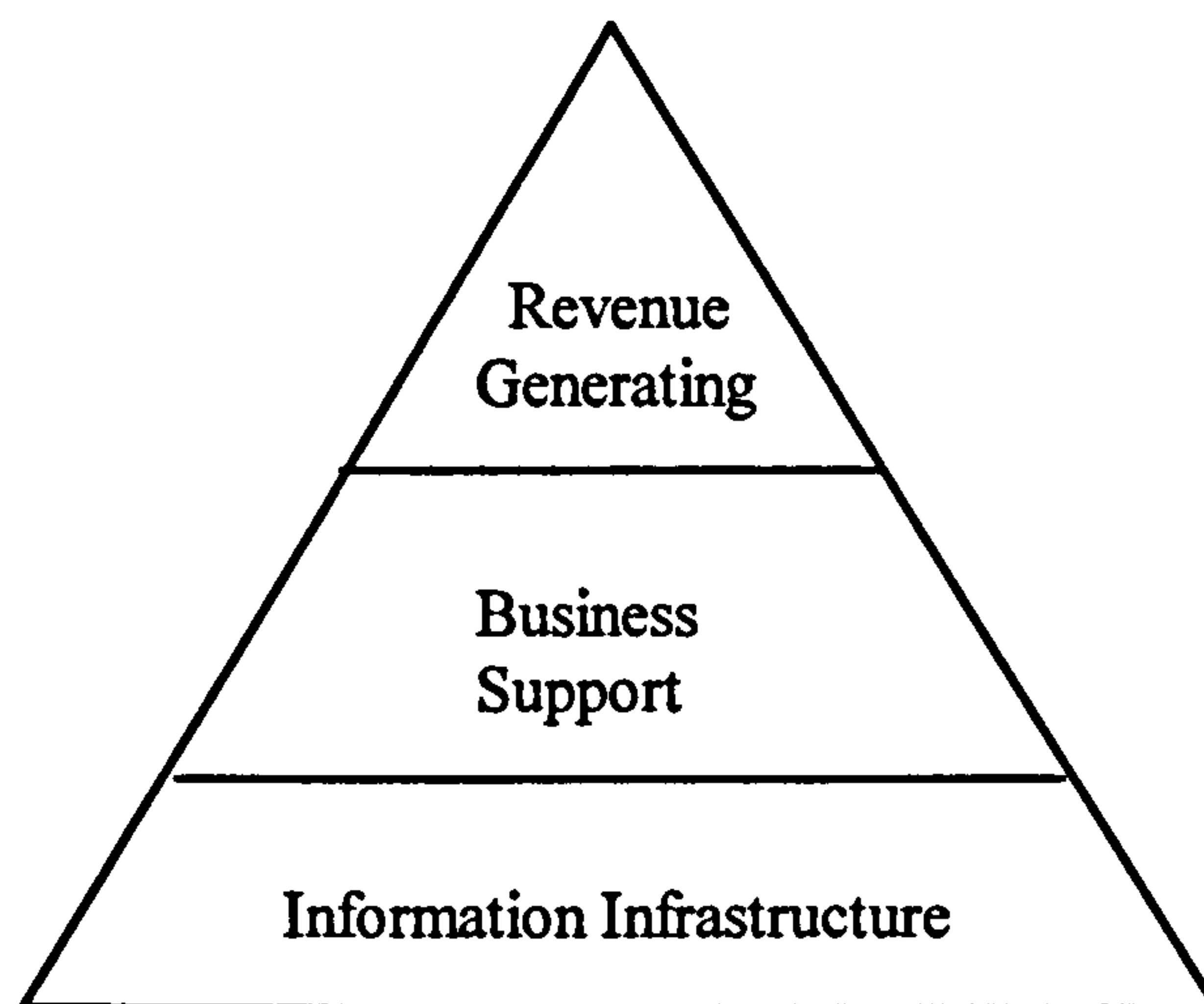
4.6 Business use of the Internet and the Intranet

Verity and Hoff (1994), presented one of the first studies examining the changes in business and forecasted its future with the Internet. The Internet is a business environment which is free of traditional boundaries and limits, and it provides companies with the potential for expanding markets, reducing costs and improving profit margins (Cronin, 1995). Hoffman and Novak (1995, 1997), expanded these views on the role of the Internet in business, referring to it as an informational and transactional medium as well.

The Internet

McBride (1997) presents the opportunities that the Internet can offer in a pyramid structure (Figure 4.2).

Figure 4.2 Levels of Internet Dependency



Source: McBride, N (1997), "Strategic Use of the Internet: Strategic Decision or Another Bandwagon?", *European Management Journal*, Vol. 15, No.1, p 63.

At the bottom of the pyramid structure is its use as infrastructure. Access to the Internet is provided within the organisation as an extra service, i.e. to provide another source of information. The organisation becomes a consumer of Internet services and Internet access can be seen as an extension of the organisation's library and information services. At this level, the Internet does not extend beyond ad hoc information retrieval and communication. It is at this level that the use of the software behind the Internet may be considered as a basis for organising internal information within the organisation. The linking of documents, databases and office systems within a hypertext may provide a more flexible information environment for the organisations (McCarthy, 1996).

As the Internet becomes more firmly fixed in the organisation as part of the communications infrastructure, its use, particularly for e-mail is likely to increase in importance. The second level of the pyramid is the use of the Internet as a business

support structure. The use of the Internet to support marketing, supplier and customer communications and transactions increase the commitment of the organisation. Key business activities may now be run using the Internet, but the Internet is not acting as a primary or secondary source of revenue. However, at the level of business support, opportunities may emerge to gain some advantage in comparison with other competing organisations, through the way in which the organisation's access to the Internet is integrated with business processes and information systems (Galliers, Swatman & Swatman, 1995). The top level of the pyramid represents revenue-generating activities where access to and use of the Internet becomes a key part of the business's strategy.

The Intranet

Intranets operate using the same open formats as the Internet, but instead of being publicly accessible, only company employees can access them (Cortese, 1996). A security programme known as a firewall prevents unauthorised entry to an Intranet, denying access to the public, and the sites are protected and operate within the boundaries of a company. Intranets facilitate communications and transactions among employees, suppliers, contractors and distributors. Intranets allow people to communicate with each other irrespective of where they are located or what hardware platform or operating system they use, and operate with an open protocol that makes information highly accessible (Carr, 1996; Tanincez, 1996).

Intranets have the ability to access any software or hardware and present the information in a standardised way (Tanincez, 1996). Intranets also reduce the time spent searching for material, the costs of publishing and storing forms, internal manuals, policies and technical documents, the need for printers and printing, and the

volume of faxes (Canterucci, 1998). Intranets usually provide employees with access to newsletters, human resources information, calendars, product inventories and recruiting data. Since the development of local area networks (LANs) many organisations, especially larger ones have been able to introduce Intranets into their work environments and therefore use e-mail as a “first” level of improved efficiency, co-ordination and to smooth the flow of information (Sproull & Kiesler, 1993). Because of restricted access, an Intranet can be used to publish information that is confidential, under development, or otherwise not ready for public viewing by customers and competitors. Despite their internal orientation, Intranets promote communication and information sharing across global boundaries. The rapid access to crucial internal information that Intranets allow can increase learning because Intranets may be connected to and from anywhere in the world. According to Quelch and Klein (1996), companies can use the Intranet “one-to-many” model to communicate corporate policies and product or market news to world-wide divisions. Companies can also provide employees world-wide with immediate and up-to-date access to company databases and reports. In the “many-to-one” model companies can use the internal system to ask questions or collect information from divisions and individual employees. In the “many-to-many” model companies can use the network to enable real time, synchronous discussion among operating units. Intranets enable companies to bring together functional departments located at sites around the globe to learn, share and solve problems.

4.7 Business use of ICTs

The use of ICTs can have a number of implications on an organisation depending on its situation and the purpose for which ICTs are being used. This section will identify the reasons businesses use ICTs such as the Internet and Intranet, however, the focus will be on the effects of ICTs on communication.

Many authors have cited lists of reasons for businesses using ICTs for example, Tetzeli (1994), Ellsworth and Ellsworth (1995), Cronin (1995), Sterne (1995).

Ellsworth and Ellsworth (1995, 1996) list ten main business uses of ICTs:

- i) To achieve competitive advantage e.g. by creating new product opportunities, erecting barriers to entry
- ii) Marketing and sales promotion
- iii) Globalisation (using the Internet to achieve more rapid internationalisation)
- iv) Use as an information search and retrieval tool
- v) Communication (internal and external) e.g. using e-mail, video conferencing
- vi) Online support of inter-firm collaboration, especially R&D
- vii) IRC (Internet Relay Chat) etc. are used to achieve “real time” communications across distances
- viii) Cost savings from the use of on-line communications
- ix) The transmission of any type of data e.g. manuscripts, financial data
- x) Corporate logistics tools

Sterne (1995) also lists improved internal communications as a potential advantage of effective Internet use as well as improved corporate image, improved customer and

investor relations, finding new prospects (customers), increased visibility, cost reduction and market expansion. Tetzeli (1994) views business use of the Internet as including electronic mail for communication and collaboration with business counterparts, information gathering, advertising and direct marketing.

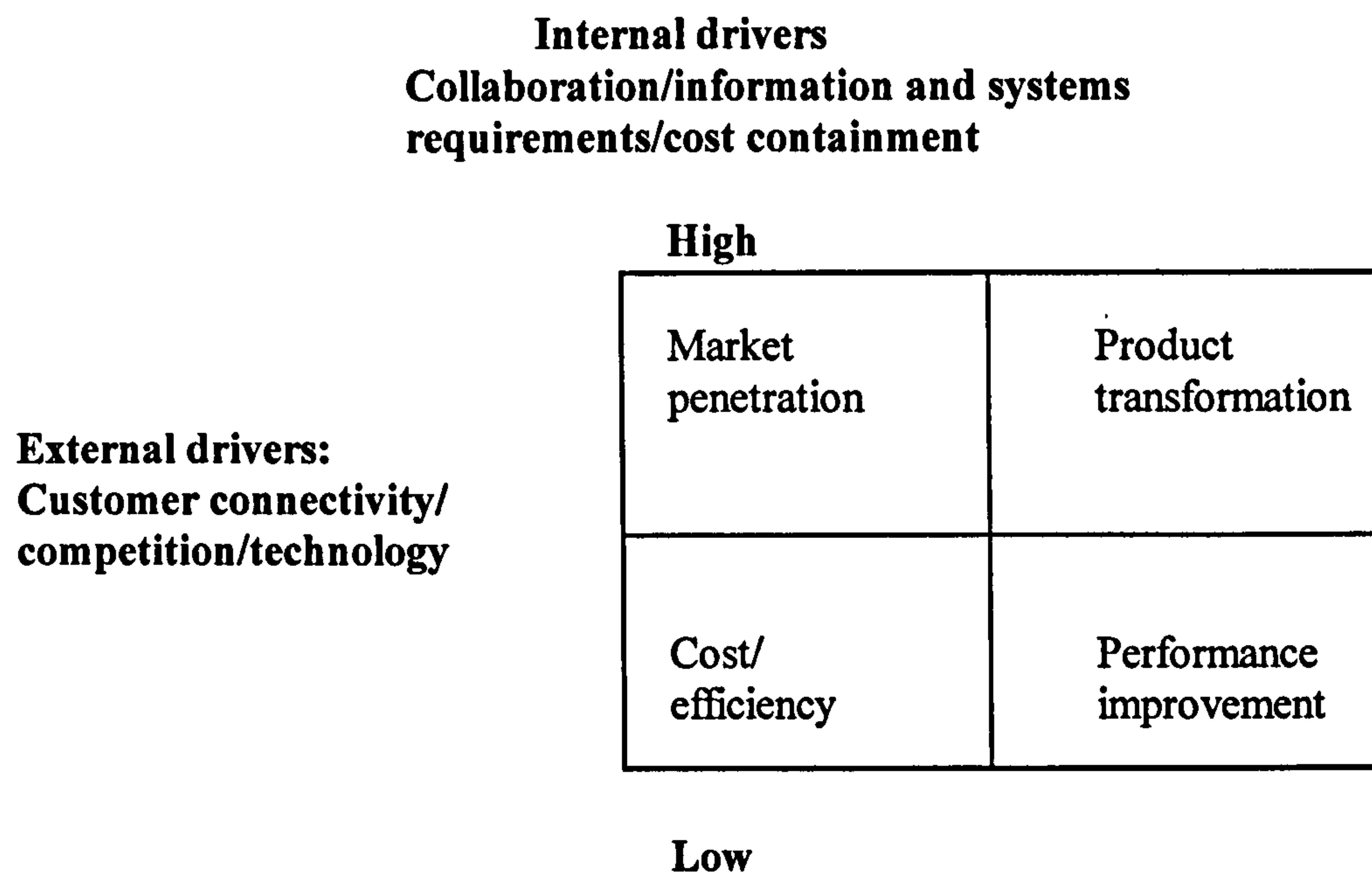
According to Cronin (1996), use of the Internet can lead to specific improvements in business performance.

4.7.1 Achieving Competitive Advantage

According to Cronin (1995) firms that integrate the Internet across departments and develop strategic applications that build in the networks global interactive features are more likely to achieve competitive advantage. Hamill (1997) claims that use of the Internet in global markets can be a powerful source of competitive advantage for companies.

Cronin (1996), presents a strategic positioning matrix for identifying the forces that influence and shape the type of Internet application most likely to add value and lead to competitive advantage.

Figure 4.3 Strategic positioning for Internet Applications



Source: Cronin (1996)

Figure 4.3 by Cronin (1996), is one of the first conceptual models of Internet business use. The Internet's competitive value for a particular organisation will reflect the interaction of customer connectivity and external competitive forces with internal network access and core applications. Four main competitive advantages are available from Internet connectivity including:

- i) cost/efficiency savings achieved through substituting the Internet for other communications channels with suppliers, information providers and business partners.
- ii) performance improvements from the widespread internal use of the Internet to integrate information resources, support virtual teams and facilitate distributed decision making and organisational flexibility.
- iii) market penetration which can be achieved from high external connectivity with customers, including Web sites and on-line consumer support.

iv) product transformation including the development of Internet based products and services that redefine the company's strategic position.

4.7.2 Marketing and Sales

The rapid growth of the Internet presents many marketing opportunities for both small and large business enterprises. The Internet offers cheap marketing to a very wide audience (Hamill, 1997). For companies engaging in electronic commerce, the marketing function changes dramatically. Hoffman and Novak (1997) go as far as to claim that electronic commerce "portends an evolution in the marketing concept". According to Cronin (1995), in the rapidly developing world of electronic commerce, traditional approaches to marketing, sales and customer relationships no longer apply (Geller, 1998). Ellsworth and Ellsworth (1996) also support this view and claim that the Internet has revolutionised the way marketing and sales are conducted. A web site can be used for advertising, public relations, press releases, direct sales and customer support. Web sites can also be used by companies to present company and product information to customers encouraging feedback and interaction.

Ellsworth and Ellsworth (1995) note that compared with traditional marketing communications channels, the Internet is faster, less expensive, round the clock and global. It allows bi-directional marketing and offers wider and deeper material and richer advertisement content. In effect the Internet offers competitive advantage over traditional marketing channels, not only through cost savings, but because it can significantly reduce the information float - the time which transpires during which business cannot be conducted because of the need to process information (Naisbitt, 1982).

4.7.3 Globalisation

Because the Internet will have a profound effect on the management of international business some authors (Hamill & Gregory, 1997; Hoffman & Novak, 1996; Quelch & Klien, 1996) believe that it is necessary to develop new international marketing paradigms in order to explain the internationalisation process in the electronic age. The internationalisation process has been made easier by the improvements that have taken place in global telecommunications and information technology. Cronin (1996), suggests that the Internet breaks down traditional barriers to international commerce and innovative companies can use it to overcome the limits of size and location and to compete in global markets. Theory on how businesses internationalise their operations such as the Uppsala model has been challenged in that, allegedly, the Internet “provides a low-cost gateway to global markets for small and medium sized enterprises” (Hamill & Gregory, 1997). Johanson and Vahlne (1990) suggest that firms typically adapt to international marketing via an evolutionary series of sequential stages. This evolutionary model emphasises the importance of experiential knowledge as a foundation for making steady progress towards internationalisation, involving information and skills obtained “in the field” through the actual conduct of international business activities. This was said to be a slow process as it involved relatively informal information acquisition and transfer via individual sales staff and other company employees seeking to build contacts and relationships in order to create a customer base. The use of the Internet for global marketing can allow firms to “leap-frog” these stages of internationalisation as it removes all geographical constraints, permits the establishment of virtual branches throughout the world and allows direct and immediate foreign market entry to the smallest of businesses (Maloff, 1995;

Bennett, 1997). It could well be that the use of the Internet for international marketing has improved information flow and reduced the costs of information collection and transmission to such an extent that some of the fundamental reasons for the slow, gradual and “evolutionary” internationalisation of companies are no longer relevant.

In the case of Small and Medium Enterprises (SMEs), the Internet will lead to the more rapid internationalisation of SMEs for several reasons; it will reduce the competitive advantages of scale economies, global advertising costs will be reduced, low cost communication allows SMEs to become global at an early stage of their development, it will lead to an increasing standardisation of prices across borders, it will reduce the importance of traditional intermediaries i.e. agents and distributors, it will become a powerful tool for supporting networks, both internal and external to the firm and it is an efficient new medium for conducting world-wide market research.

4.7.4 Information Search and Retrieval

ICTs can help organisations to access a wider range of information sources and to improve the speed of information acquisition. Sprague and Watson (1996), note that in the process of competitive intelligence acquisition, ICTs offer economical, timely, direct and broad access to data sources. These benefits offered by the Internet are particularly relevant because as Press (1993) indicates, external data acquisition is one of the steps in the business intelligence process and value addition in this step comes mainly from lowering the cost and enhancing the data quality. The Internet is an excellent medium for collecting information about competitors. Companies can visit the Web sites of their rivals and learn about products as well as useful information to design and implement counter strategies. However, it also has some potential costs

associated with it. The Internet contains numerous data sites and vast amounts of data. With this an information seeker may at times get drawn into a search process that could extend unreasonably. This will effect the efficiency of the information acquisition process due to the extra time consumed and costs incurred in an inappropriately extended search. Also, there is the likelihood that the information seeker may obtain excessive or irrelevant information and thus may increase the cost of organisational information processing.

According to Pawar and Sharda (1997), the Internet can play a key role in providing external information for strategic decisions. Several studies have shown that the effective management of information can be a powerful source of competitive advantage. The Internet can generate a wealth of information on market trends and developments world wide, provide an “ear to the ground” on the latest technology and R&D (Hamill, 1997). It can be used to provide intelligence on the market activities of competitors and up-to-date information on markets and trends. The Internet also provides an opportunity to access an immense range of databases.

The integration of Internet access with internal information sources can provide an organisation with the type of information infrastructure, part of an enterprise-wide web (Masaki, Walls & Stockman, 1995), which will support the knowledge gathering activities of a knowledge creating organisation. The Internet also provides access to a global library of specialist information, to help in product development and marketing.

4.7.5 Communication

This section encompasses four of the ten reasons for businesses to use ICTs all under the umbrella of communication, i.e. internal and external communication, support of

inter-firm collaboration, use of real time communication across distances and transmission of all types of data.

Maintaining effective communications is critically important in successful relationships especially in IJVs. ICTs enable companies to improve communication with business partners. They provide an interactive channel for direct communication and data exchange with customers, suppliers, distributors, manufacturers, product development, financial backers, information providers, in fact, with all parties involved in a given venture (Verity, 1995). Large and small companies are utilising ICTs to communicate with current and potential customers abroad through the Internet with the same cost and ease as in their own countries (Rayport & Sviokla, 1994; Quelch & Klien, 1996; Armstrong & Hagel, 1996; Hamill & Gregory, 1997; Hoffman & Novak, 1996).

Cronin (1995) suggests that the ability to exchange information quickly and easily facilitates relationships with business partners and customers and encourages more joint ventures. ICTs can substantially improve communications with actual and potential customers, suppliers and partners abroad (Hamill, 1997). As a Forrester (1996) industry report explains, ICTs remove many barriers to communication with customers and employees by eliminating the obstacles created by geography, time zones, and location, creating a "friction-less" business environment. Firms operating globally will realise a much broader range of benefits from this medium's potential not only as a transaction vehicle but as an efficient communication tool.

The Internet, Intranet and Extranet provide businesses with a range of various ICT tools for improving or supporting communications in a firm's international network including e-mail, Internet Relay Chat (IRC), video conferencing and Electronic Data

Interchange (EDI) etc. These ICTs have a number of advantages over more traditional forms of communications such as the telephone, postal and fax systems most commonly used by companies. They are more cost effective methods, especially when large distances are involved, and there is no reliance upon real-time presence, which is a particular advantage when different time zones are involved. E-mail is a reliable and flexible method since graphics etc. can be transferred as well as text. Individuals may become more rather than less communicative using e-mail, which is best seen as supporting rather than replacing personal, face-to-face relationships. According to Rockart and Short (1989), ICTs such as e-mail, voice-mail, computer conferencing and video conferencing make it more feasible for teams to co-ordinate asynchronously (across time zones) and geographically. Moreover, a growing body of increasingly sophisticated, user-friendly products like “group-ware” and project management software have enhanced team planning and communications capabilities. As network-based ITs become more widespread, organisational performance may become increasingly affected by organisations capacities to manage the interaction of teams and ITs (Manz & Sims, 1993; Nolan & Crosson, 1995).

While e-mail is the best known form of communicating electronically, there are other ways in which ICTs can improve contacts with foreign partners and customers. There are a large number of mailing lists and specialised discussion groups which can be a useful way of making industry contacts and keeping up to date with industry developments (Hamill, 1997).

4.8 Global Communication

Doing business in another country is both complex and difficult (Goodman, 1995) and the whole process of communication needs to be handled with even greater care when dealing with unfamiliar business people in terms of language and culture (Misiura, 1998). Doing business successfully demands attention to cultural, social, political and religious practices, in addition to technical, business, legal and financial activities, communication is the key to each. Johnson and Morain (1992) argue that in the international business environment, following protocol, trying not to make assumptions, avoiding stereotyping and having both a positive and non-competitive attitude can help to remove potential barriers to communication.

When communication flows have to go in two or more directions, or when truly international developments are started, companies must develop mechanisms to replace or support individual, face to face communication (DeMeyer & Mizushima, 1989). ICTs like e-mail, video conferencing, and IRC have considerably improved the tool kit for complementing individual, face to face communication. The way people view technology and their environment is culturally defined and has an impact on international business communication (Goodman, 1999).

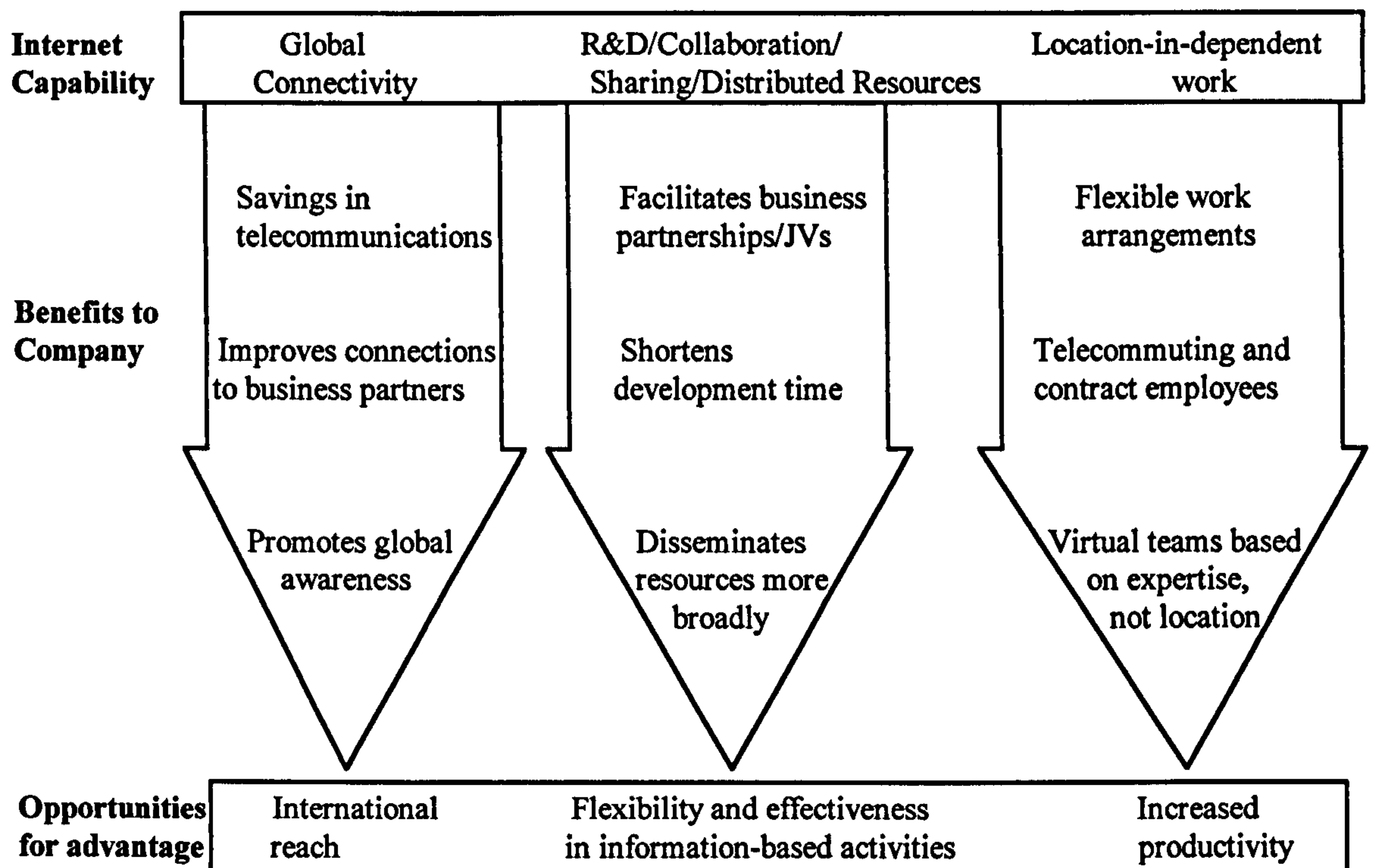
4.9 Communication within Business Organisations

According to van Riel (1992) communication within organisations takes three basic forms i.e. marketing communication, organisational communication and management communication. Marketing communication includes advertising, sales promotion, direct mail, sponsorship, personal selling and other communication forms in the

promotional mix. Organisational communication includes public relations, public affairs, investor relations, labour market communication, corporate advertising, environmental communication and external communication. Management communication is communication by managers with internal and external target groups and is considered to be the most important type of communication by van Riel (1992).

Figure 4.4 shows the advantages of internal use of Internet technology.

Figure 4.4 Internet Value Chain: Internal Operations



Source: Cronin (1994)

Internal use of the Internet allows easy communication without high communication costs. This is especially important for companies which do not have the resources to build their own global network. The global connectivity of the Internet offers

companies immediate savings in long distance telecommunications. A dedicated Internet connection allows unlimited exchange of data and e-mail with locations around the world which is more economical than long distance telephone charges (Cronin, 1994). This is becoming more important with the requirement of conducting global business.

Research departments appreciate the possibilities of global connectivity and fast access to different kinds of information. “For employees, connecting to an internal information source promotes global awareness. By helping them to answer questions and retrieve relevant materials, the network collection can increase their productivity” (Cronin, 1996).

Internet use makes work more independent from locations, thus enabling tele-working and other forms of flexible working. Network links support telecommuting and allow small, remote offices to participate more actively in company-wide programs and contribute to joint projects (Cronin, 1996). Virtual organisations are becoming possible formed by expertise and made possible through communication infrastructure, free from an organisations hierarchy or geographic restrictions.

Fast communication over the Internet can also mean that users are very well informed about failures, accidents and other negative events regarding an organisation.

4.10 Information Communication Technologies and Organisations

The use of electronic communication has become one of the most important areas of information technology today and the ability to rapidly communicate information (text, voice, image) probably has the greatest impact of all IT technologies. Nowadays,

managers have more communications options than ever before as new communication technologies are increasingly available (Trevino, Daft & Lengel, 1990).

The benefits of networked computers as a medium of communication are numerous (Fulk & Boyd, 1991). Geographically dispersed departments and personnel can share files more quickly and accurately with each other (Rockart & Short, 1989; Huber, 1990; Talvinen, 1995; Ferioli & Migliarese, 1996). Electronic mail allows managers to instantly send messages to their distant communication partners and video-conferencing offers the possibility of group meetings without the need for long distance travel to meet face to face.

Networking also allows managers to communicate with and co-ordinate a large number of personnel from a central location while promoting decentralised decision-making (Telleen, 1997). This one to many type of communication offers savings in both time and resources (Migliarese & Paolucci, 1995). It may also enhance managerial control and the ability to create a strategic marketing orientation.

The use of computer mediated communication tools can increase the amount of information transfer and communication that occurs between personnel and departments (Huber, 1990; Fulk & Boyd, 1991; Adams, Todd & Nelson, 1993). Adams et al (1993) found that being linked by computers “resulted in communication that might not have otherwise occurred”. Other studies have found that computer mediated communication increases the number of group memberships as it is easier for people to participate in group projects while being physically absent (Fulk & Boyd, 1991). Also the average project completion cycle is shortened as barriers to communication are removed, facilitating successful completion of projects (Fulk & Boyd, 1991).

Computer mediated communication also has an effect on the content of messages (Adams et al, 1993). The anonymity or less personal nature of the communication media has lead to people using it for more high risk messages. For e.g., it is less intimidating to use e-mail instead of the telephone to contact a superior (Adams et al, 1993). Another change is that messages tend to have more factual information and less personal contact.

Computer mediated communication aids the co-ordination of interdependent tasks within organisations. This is accomplished by increasing the efficiency of information transfer between personnel and projects, especially when they are temporally and/or geographically separated (Nonaka & Nocosia, 1979; Porter & Millar, 1985; Straussman, 1985; Fulk & Boyd, 1991; Adams et al, 1993; Talvinen, 1995). Further, computer mediated communication allows individuals to join more groups that are larger in size and more effective in achieving their goals (Fulk & Boyd, 1991; Ferioli & Migliarese, 1996).

4.11 Definitions of Communication

There are many definitions of communication that can be found in the literature.

Little (1981) defines communication as “the process by which information is passed between individuals and/or organisations by means of previously agreed symbols”.

Rodgers and Kincaid (1981), define communication as “a process in which the participates create and share information with one another in order to reach a mutual understanding. In other words communication always implies relationships”.

Baguley's (1994) definition is "communication is the process that occurs when ideas, information and feelings are conveyed between individuals or groups of individuals for deliberate purposes".

Misiura (1998) defines business communication as "the process by which information is transferred and received from one individual or group to another both within and outside the organisation".

Dwyer (1997) defines communication as "any behaviour, verbal or non-verbal that is perceived by another. Knowledge, feelings and thoughts are encoded and sent from at least one person and received and decoded by another. Meaning is given to the message as the receiver interprets the message. A connection is made between the people communicating".

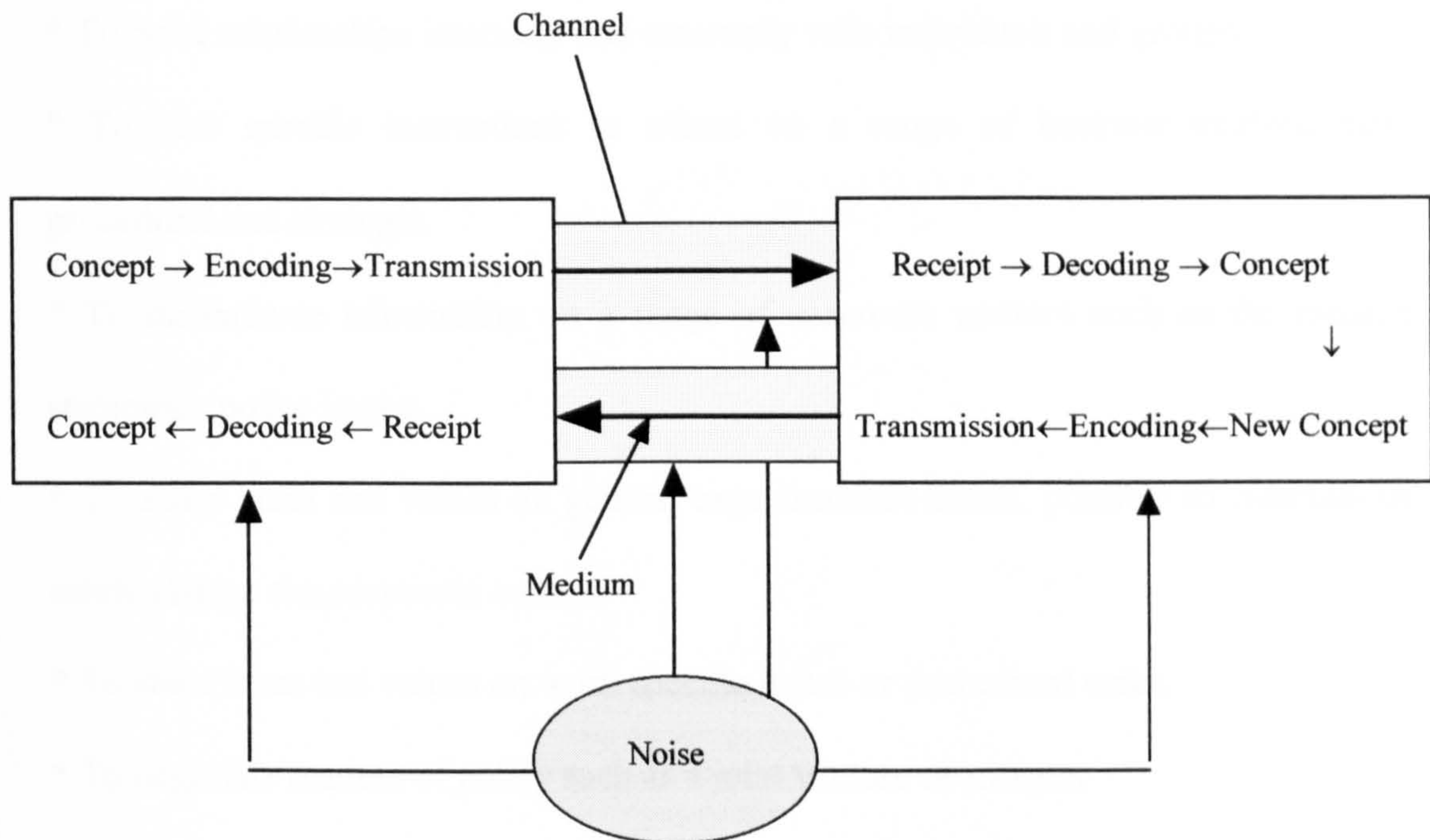
4.11.1 Forms of Communication

Communication can be classified into three forms Dwyer (1997):

- * verbal (spoken or written)
- * non verbal
- * graphic

There are many models of the communication process.

Figure 4.5 The Communication Process



Source: Baguley, 1994, "Effective Communication for Modern Business", p. 9.

The communication process consists of:

- * Encoding - putting thought into symbolic or word form, ready for transmission
- * Transmission - the process of sending the message, via a selected channel or medium
- * Decoding - the message is received and meaning assigned by the recipient
- * Feedback - the message is communicated back to the sender

4.11.2 The Communication Channel

A communication channel is the means or technique used to signal or convey a message.

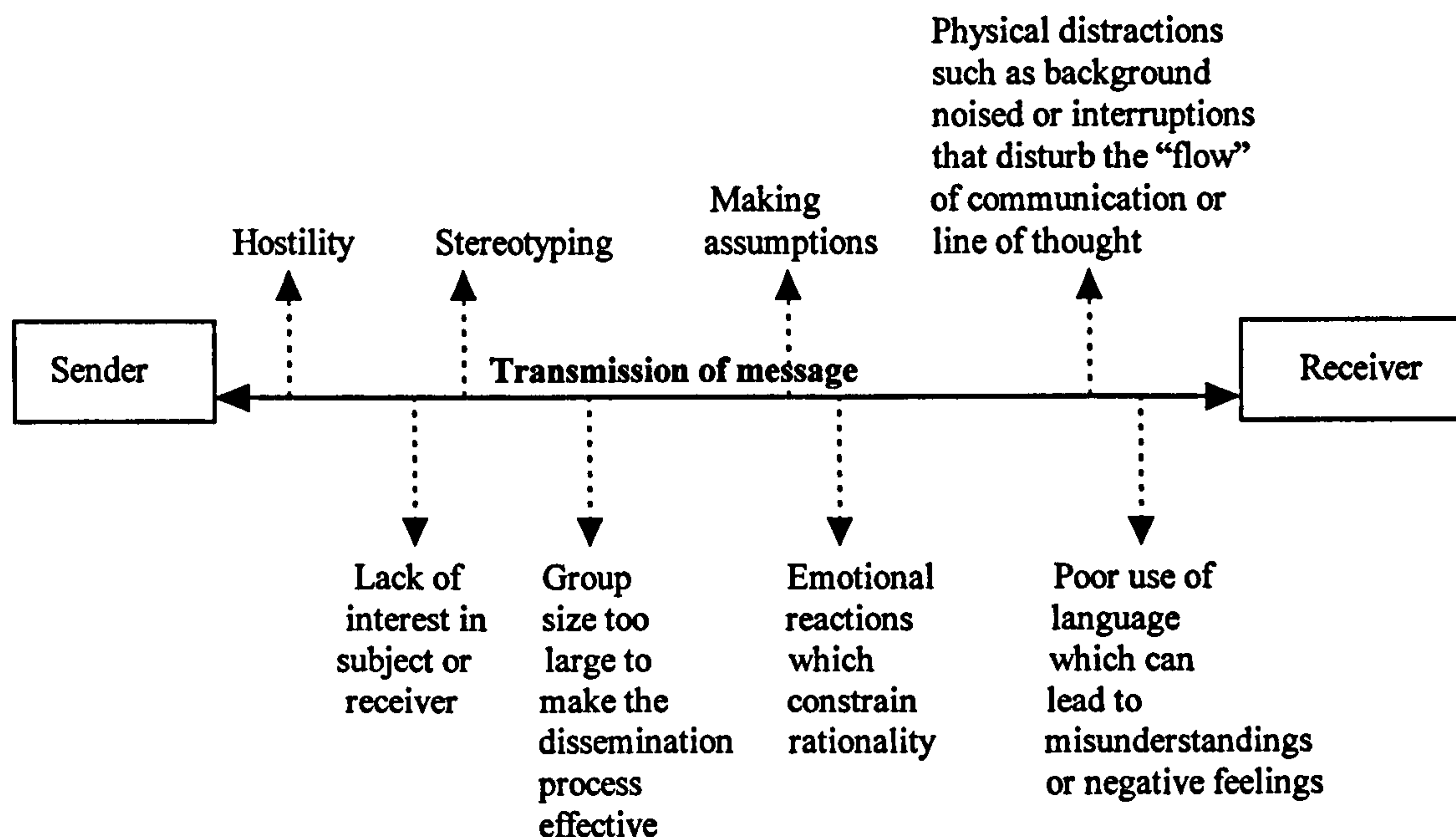
According to Misiura (1998), people communicate in business organisations both internally and externally for a number of reasons:

- * To build relationships internally and externally with individuals and groups.
- * To give specific instructions to others on a range of business matters, both procedural and strategic.
- * To disseminate information on a range of corporate matters such as the mission statement, policy issues.
- * To share ideas and values on general organisational issues, possibly to maintain or subtly change the corporate culture.
- * To share ideas and values on work specific issues or procedural tasks.
- * To negotiate matters of policy such as a joint venture or merger.
- * To discuss or negotiate on personal or professional matters such as remuneration.
- * To motivate, interest and stimulate employees for commitment and loyalty to the firm.
- * To create an awareness of the organisation, its products or services and persuade the external market to make a purchase decision.
- * To receive feedback in order to monitor whether the communication was understood and the reaction of the recipient to the message.

4.11.3 Barriers to Communication

Barriers to communication may arise from the sender, receiver or due to other factors in the environment during transmission of the message.

Figure 4.6 Barriers to Communication



Source: Misiura, (1998).

Barriers to communication can arise from any of the above factors which leads to an unclear message and a greater chance of misunderstanding or misinterpretation on behalf of the recipient.

In most organisations information will flow upwards, downwards, horizontally and diagonally. Horizontal information is defined as information that takes place between departments and individuals at the same level in an organisation; the degree of interdependence between departments will determine the amount of information flow. The trend in organisations is towards greater cross-functional flow. The trend towards greater cross-functional interaction, is usually aided by computer based technology such as e-mail. The purpose of the communication will also influence both the medium and the channel used.

4.12 Communication Media

According to Trevino, Daft and Lengel (1987) appropriate media choice can make the difference between effective and ineffective communication and, media choice mistakes can seriously impede successful communication.

The symbolic interactionism framework can provide a basis for understanding managers media choices according to:

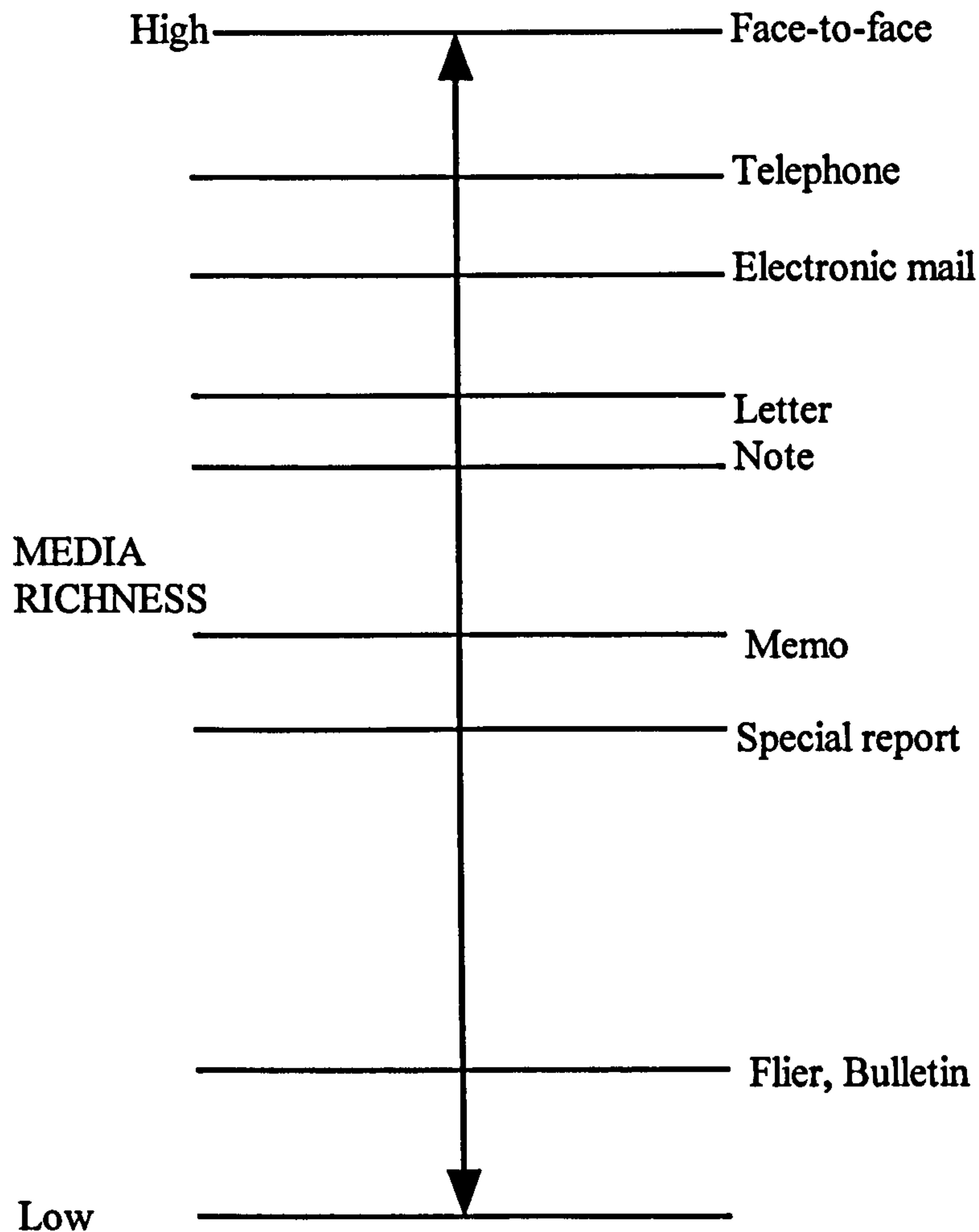
- i) the equivocality of the message
- ii) contextual determinants, and
- iii) the symbolic cues conveyed by the medium itself above and beyond the literal message.

Rice and Shook (1990) believe that media can hold its own characteristics that differ to the extent that they;

- i) “can overcome various communication constraints of time, location, permanence, distributions and distance,
- ii) transmit the social, symbolic and non-verbal cues of human communication,
- iii) convey equivocal information”.

Communication media e.g. e-mail, video-conferencing, face-to-face can be characterised as “rich” or “lean” based upon their capacity to facilitate shared meaning. “Rich” media have the highest capacity to facilitate shared meaning. “Lean” media have the lowest capacity. Media typically available to managers can be organised into a richness hierarchy.

Figure 4.7 Hierarchy of Media Richness



Source: Trevino, Daft and Lengel, (1987).

The media richness hierarchy ranks media in terms of their capacity for processing equivocal information. The richness of each medium is based on a blend of four criteria:

- i) the availability of instant feedback, making it possible for communicators to converge quickly upon a common interpretation or understanding.

- ii) the capacity of the medium to transmit multiple cues such as body language, voice tone and to convey interpretations.
- iii) the personal focus of the medium.
- iv) richness of the language carried.

A message will be conveyed more fully when personal feelings and emotions infuse the communication. Some media allow the message to be tailored to the frame of reference, needs, and current situation of the receiver.

According to the hierarchy, face-to-face is considered to be the richest communication medium, followed by the telephone, e-mail etc. Face-to-face is considered to be the richest communication medium because it allows immediate feedback, has the capacity to provide multiple cues, communicates in natural language and can be highly personal. Media use theory proposes that individuals choose media through a matching process. This matching involves assessing the requirements of the particular communication task at hand and selecting a medium with communication capabilities that match these requirements. Efficient communication takes place when the match is perfect: the medium has neither more nor less communication capability than the task requires.

A vast and complex literature exists on organisations and communications technologies. Research evaluating the use and understanding of communication technologies is based around two theoretical models: the social presence theory and the information richness theory.

4.12.1 Social Presence Theory

Social presence theory focuses on the “degree to which the medium facilitates awareness of the other person and interpersonal relationships during the interaction” (Fulk, Schmitz & Steinfield, 1990).

Short, Williams and Christie (1976) conceptualised communication media as falling along a single continuum of “social presence”. Social presence is the degree to which the medium facilitates awareness of the other person and interpersonal relationships during the interaction. Face-to-face communication has the greatest social presence, followed by audio plus video e.g. videoconferencing, audio only e.g. telephone and print. Communication is efficient when the medium selected has a social presence level that matches the level of interpersonal involvement required for the task. Highly involving tasks e.g. conflict and negotiation are best completed using high social presence media e.g. face to face. Similarly, media with less social presence e.g. written letters are optimally efficient for simple information exchange tasks.

4.12.2 Information Richness Theory

Information richness theory focuses on the idea that richness equals speed of feedback, types of channels employed, intimacy of source and richness of language carried (Daft & Macintosh, 1981; Daft & Lengel, 1986, 1987; Trevino, Daft & Lengel, 1987; Fulk, Schmitz and Steinfield, 1990). From this perspective, communication media are spread along a continuum of “information richness” based on four criteria: speed of feedback, types of channels employed, personalness of source, and richness of language carried. Face-to-face is the richest medium followed in decreasing order of

richness by telephone, e-mail, written personal, written formal, and then numeric formal media.

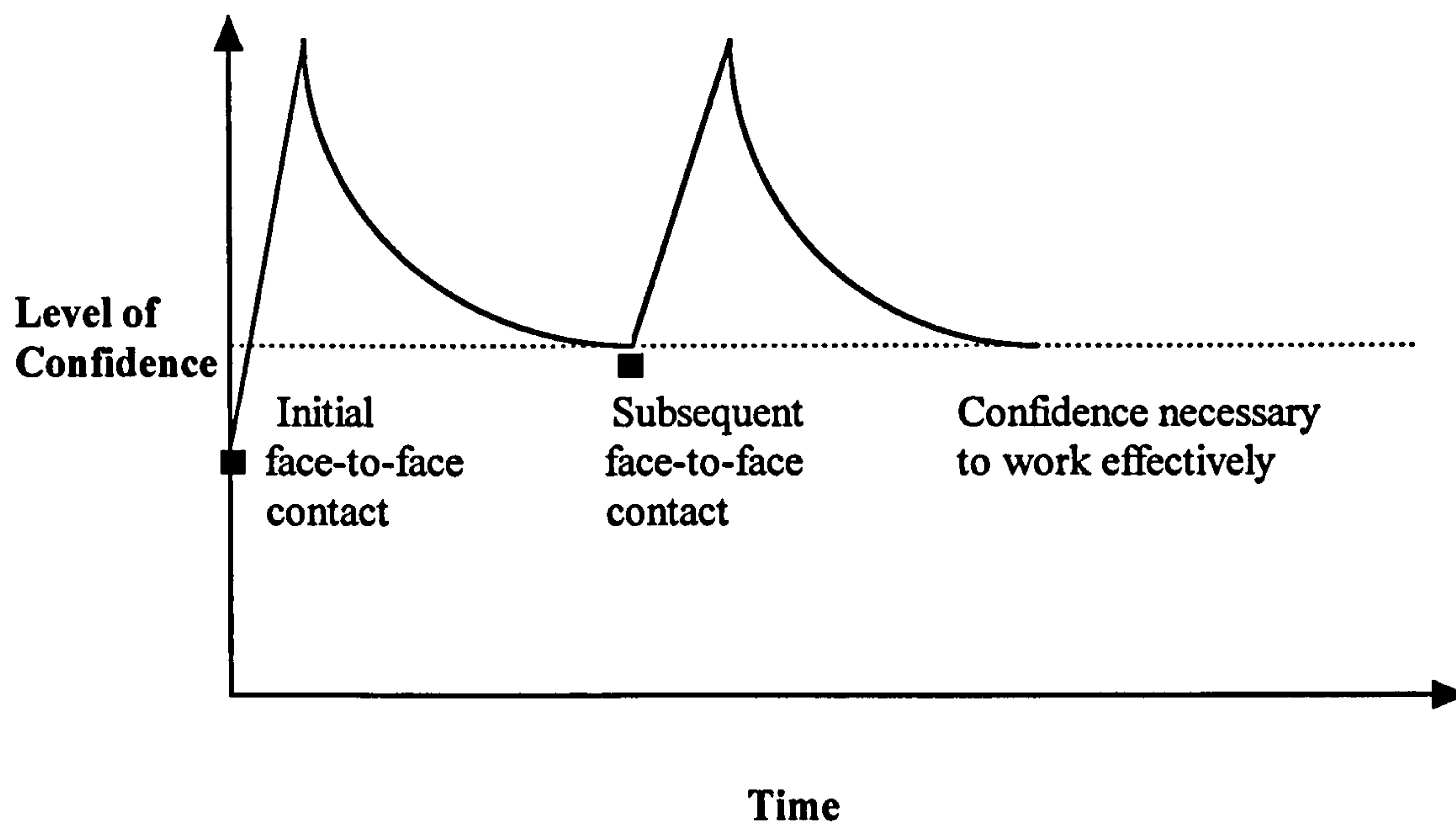
The key criterion for media choice is message ambiguity. Ambiguous tasks should be completed using “rich” media, while unambiguous tasks require “lean” media. Efficient managers select media whose richness matches the ambiguity of the communication task. Trevino, Daft and Lengel (1987) include two additional factors, first contextual determinants such as geographical separation between communication partners may constrain which media can be employed. Second the symbolic character of formal written media may serve to increase its appropriateness in certain situations in which the user wants to convey an impression of authority. From the information richness theory of Trevino, Daft and Lengel (1987), there is an added context which comes from the content of the message and forms the situational determinants of media choice. Their study defined the content of a message in terms of its equivocal or unequivocal status and found managers to be more likely to progress ambiguous, equivocal communication through rich media, while unambiguous communications were more likely to be sent via written or electronic media.

Many studies appear to view face-to-face communication as best: “because it provides immediate feedback so that interpretation can be checked ... multiple cues via body language and tone of voice” (Markus, 1994). Most other means of communication are seen as something less than ideal by the social presence and the information richness theorists. Markus (1994), has given ranking points to different types of media appropriateness for communication activities. The main function of ranking for electronic communication practice is to identify the match between media and tasks that research has found best suited to electronic communication. But these tasks do

not apply to all situations or user groups and as suggested by social influence theories, are dependent upon social context for elements such as their speed and ability to transmit social cues (Markus, 1994).

Weick (1984) argues that in the electronic world information and representations can lose their meaning because the set of assumptions that give them life is lost. He sees a risk that representations of events cease forming an ordered cosmos and become chaotic. Electronic data excludes sensory information, feelings, intuition and context. If electronic data is to be effective there must be some level of confidence that the parties are really communicating. This confidence comes from sensory information, feelings and context - all of which require personal interaction. DeMeyer and Mizushima (1989) observed that even with the best electronic communication systems, confidence between the team members of a world wide development project seemed to decay over time. He uses the term "the half-life effect of electronic communications" (the decay of nuclear radiation), to describe the decay of the relationship between members thus decreasing confidence. Therefore, periodic face to face contact seems necessary to maintain confidence at a level high enough to promote effective team work.

Figure 4.8 Strategy for maintaining Confidence



Source: DeMeyer, Tech Talk: How Managers Are Stimulating Global R&D Communication, Sloan Management Review, 1991.

The frequency of confidence maintaining meetings can be lower with intensive use of electronic media than without them, but it will not drop below a minimum level. However, they have not been able to determine how one knows that the confidence level has decayed enough to merit another face to face meeting.

Electronic communication cannot replace individual, face to face contact, but it can help to postpone the decay of confidence. It has a longer half-life effect than either written or telephone communications.

From the literature consulted (Markus, 1994; Rice & Shook, 1990) it is possible to identify a range of tasks for which electronic communication is found to be suitable.

They are as follows:

Daily functions - it provides easy access, it is possible to send information to more than one person simultaneously, it is fast and efficient, it is possible to track the message.

Group work - it is a useful co-ordination tool, it is possible to broadcast agendas and information simultaneously, it is a useful tool for project management, it is helpful in the maintenance of communication lines with group members.

Information Sharing Activities - it is possible to send routine messages that do not require feedback, it provides details that require careful study or evaluation, it provides a follow up to other means of communication, it is possible to compose reports.

Electronic communication can then, overcome situations with constraints such as time, location, permanence, distribution and distance (Trevino, Daft & Lengel, 1987) and is “typically perceived as less appropriate for the kinds of equivocally - reducing tasks implied by meetings ... such as discussion and negotiation” (Rice & Shook, 1990).

Even though electronic communication has been found to have some limitations it has a part to play in supporting collaborative work (Trevino, Daft & Lengel, 1987) and in maintaining contact with and co-ordinating the parts of a group or organisation (Markus, 1994; Rice & Shook, 1990).

4.13 Organisational Factors Affecting Electronic Communication

There is a considerable body of literature that considers electronic communication to exist in a social environment. The dominant social theories consider aspects of the electronic communication, the users and any social input and outputs to the system.

The main literature describing this area has a background in social theory.

From the social constructionist perspective the question of how organisational culture affects electronic communication has been studied by researchers such as Contractor and Eisenberg (1990). Social construction theories propose that the technology is influenced by “social agents” and that social perceptions of the role and proper use of any technology can affect its actual usage within the organisation. Contractor and Eisenberg (1990) suggest that “the relationship between communication networks and new organisation media is fundamentally emergent and recursive”, i.e. communication technology’s functionality is altered by the process of use by people.

From the information richness theory of Trevino, Daft and Lengel (1987), there is an added context which comes from the content of the message and forms the situational determinants of media choice. Their study defined the content of a message in terms of its equivocal or unequivocal status and found managers to be more likely to progress ambiguous, equivocal communication through rich media, whilst unambiguous communications were more likely to be sent via written or electronic media.

In practical terms “social construction” can be seen when a senior manager learns from his/her peers that the electronic mail system is not as easy and uncomplicated as they expected and, therefore, they will develop a negative attitude towards it. This in turn will develop a similar attitude thereby reflecting a negative perception (Contractor & Eisenberg, 1990).

This role of perceptualism is also defined by Rice and Shook (1990) who realised that an individual’s perceptions may be influenced by a past experience with a similar system that they may not have fully grasped. The outcome of this would imply that a positive attitude is likely to be apparent within a successful system.

While participation is improved by electronic communication, research has suggested that consensus is harder to achieve. It is also more difficult for group members to

discover how the other members are feeling. A more experienced computer mediated group might not have difficulties in reaching consensus, at least in fact based discussion. While emotion and conflict are possible there are insufficient social cues in electronic communication which may affect the quality of decisions. Indicators of emotion and the face to face non-verbal cues are necessary in many cases of negotiation and discussion to show strength of feeling and commitment (Sproull & Kiesler, 1993).

Research into computer mediated communication indicates that training and experience with new communication technologies are major factors in their effectiveness (Adams et al, 1993; Ferioli & Migliarese, 1996). Employees that have more training or experience with a communications technology use it more often, and are more effective in their communication (Adams et al, 1993; Ferioli & Migliarese, 1996).

4.14 Some Empirical Studies

Brown and Pattinson (1995), explored the impact of ICTs on the formation of and management of strategic alliances like IJVs and concluded that technology is having a direct impact on the formation and management of strategic alliances in an Australian hotel chain. The monitoring of the success or failure of the alliance was shown to be facilitated by ICT. However, their results must be understood within the limitations of a single case study. They assume that human relationships between alliance members are the main influencers on the development and maintenance of strategic alliances especially for senior and middle management. However, they believe that technology particularly the new infrastructure, is emerging as an important factor in managing strategic alliances. Their research focused on a case study of alliance relationships and

communications technologies. They found that strategic alliances can be implemented quickly where there is strong communications technology capability and that technology increases the speed of implementation of initiatives and enhances the communication between alliance partner managers thereby significantly strengthening the alliances. Also, effective ICT will assist in the monitoring of strategic alliance success or failure. The use of e-mail has enhanced communication and reduced problems of spatial separation between offices, executives and alliance partners. The hotel chain's joint ventures required extensive personal meetings to form and develop relationships. However, executives generally felt that implementation of e-mail systems significantly improved communications between alliance partners, thus providing effective complementary follow-on to the personal meetings.

Nord and Nord (1995), conducted a study on managers' use of electronic support systems (ESS). They defined ESS as computer based systems that provide managers with the capability to attain access to internal and external information which is relevant to strategic decision making and other executive responsibilities. They found that managers in Fortune 500 companies reported that the use of ESS improves management level communication, increases information access, increases confidence in decision making and contributes to higher profits. The results showed that nearly one third of the respondents (30.8%) used ESS for decision support to aid in personal productivity and/or communication. Managers in Fortune 500 companies reported that the use of ESS provided better communication at management level, access to information that was not otherwise available, increased confidence in decision making and contributions to increased profits.

Corbett and Thatcher (1997) argue that management should be cautious when implementing the latest ICT. Although these technologies have potential in the organisation, they may also work to undermine the performance of the workforce and ultimately the company. Technosceptics insist that ICTs can result in the expanded formalisation of corporate culture, an increase in the practice of monitoring employees, a reduction in face-to-face communication and a willingness for companies to centralise power and control. They claim that ICTs such as e-mail, the Internet and Intranets can be counter productive if proper management is not used.

Despite the increase in use of ICTs like e-mail, most executives would rather meet face-to-face according to a survey conducted by Office Team, Menlo Park, California. Their results found that 44% of executives surveyed prefer in-business communications over other channels, 34% of respondents rated e-mail as their top choice, and 7% prefer voice-mail. The survey was conducted by an independent research firm that polled 150 executives from 1,000 of the largest US companies.

4.15 Competitive Burden

Warner (1987) argues that IT is a “competitive burden” rather than a competitive weapon, and claims that companies should forego IT based approaches to solving problems until they have exhausted all conventional approaches. Benjamin et al. (1990) recognised that the concept of gaining competitive advantages from IT in reality is not as easy or as profitable as some advocates of it claim, but in fact what was suggested as a way of gaining competitive advantage became a necessary way of doing business.

A similar point is made by Wiseman (1985) who argues that the successful use of IT spurs competitive responses, which in turn create a new competitive dynamic environment as firms attack and counter attack in the struggle for survival and dominance.

Although many companies are joining the Internet in the belief that it offers huge business possibilities, there seems to be insufficient consideration of the value of their presence on the Internet, the problems that may be encountered or the effect on the organisation. The reasons for connecting to the Internet are often based on popular views disseminated by newspapers and magazines, TV, and word of mouth rather than on any objective analysis of its benefits and risks (McBride & Rogerson, 1995).

McBride and Rogerson (1995) provide evidence from research that suggests that companies are being influenced by perceived competitive pressures and by the hype generated by advocates of the Internet. For example, Widdifield and Grover (1995) believe that a company will be out of business if it is not connected to the Internet by the end of the century. McBride (1997) argues that many firms linking to the Internet is reactive rather than proactive and that there is little evidence of strategic thinking in some organisations approaches to the Internet. In his research, McBride (1997) found that firms connect to the Internet because they perceive it as being important, fast-growing and at the leading edge of technology.

An increasing number of companies are trying to achieve a competitive advantage by using IT to establish links with their employees, across functions, with their customers, and between data and decision makers. However, while some firms have achieved their objectives, others have found that embracing IT does not necessarily guarantee success. Many have found that IT can be extremely expensive and can take very long before it delivers on its promised benefits (Haapaniemi, 1996).

ICTs allow people to communicate anytime, anywhere and the impact of a global, twenty-four hour workday has profound implications on peoples lives (Perugini, 1996), and on how communication technology influences society. Gates (1995) and Negroponte (1995) believe that the change is not always a positive one. ICTs have a profound impact on communication and by their nature are tools which may require people to change their behaviour.

Technologies that require us to change, Moore (1991) describes as “discontinuous innovation” and refers to these tools as not user-friendly.

Because information technologies have changed the way information is created, archived, accessed and distributed, these technologies have made access to and use of information more egalitarian and less proprietary. Zonis (1996) believes that there will be a global destabilisation as a result of these technical advances in terms of a rapid breakdown in the power structure of business, the family and political organisations. However, the equalising power of information has flattened the hierarchical nature of organisations. With hierarchies disappearing, egalitarian and collaborative structures are emerging.

4.16 Chapter Summary

This chapter has focused on the impact of IT on business organisations with particular emphasis on ICTs. The Third Age of Computing has presented businesses with new communication capabilities resulting in organisational change and the emergence of networked “virtual” organisations. The use of IT has provided for gains in efficiency, effectiveness and innovation, and the implementation of ICTs has multiple uses in business with various communication benefits being highlighted. The communication

process within organisations has been significantly affected by the use of ICTs. For those organisations that have chosen to expand their global reach, ICTs enable them to communicate across geographically dispersed locations. According to many writers networked information and communication are the standard for the future and companies claim better collaboration with strategic partners.

The aim of the next chapter is to present the methodology employed for this study.

CHAPTER 5

METHODOLOGY

5.1 Introduction

This chapter deals with the methodology employed for this research. According to Yin (1989), “a research design is the logic which links the data to be collected to the initial research questions of the study”. Between the research questions and the conclusion of the study there is the collection and analysis of data.

Choosing the method of research corresponds to the objectives and nature of the study which have been introduced in the first chapter. They are briefly stated here again as:

1. To establish how the use of information communication technology (ICTs) impacts on communication channels in international joint ventures (IJVs) within the European Union.
2. To establish whether the use of ICTs can help to bridge the cultural gap between partners.
3. To determine whether performance of IJVs is affected by the use of ICTs in communication channels.

In this chapter the fundamental position on which this research is grounded and the methodological principles by which it was conducted are stated, explored and justified.

Following an extensive review of the IJV and ICT literature alongside the objectives and nature of this study, the multiple case study methodology was selected as the most appropriate. This chapter discusses the key features of the multiple case study research method, why it was chosen and explains how it was applied in this study of performance of IJVs.

The chapter begins by stating the research questions and research methodology selected for the purpose of this study and the reasons for its choice with reference to previous research methods used in the field of IJVs.

The next section describes the case study design created for this research which includes the sample of the case studies chosen and the data collection procedures including the interview protocol. The following section will discuss some of the criticisms of the case study methodology and will also include the measures undertaken to minimise any limitations in the design of this study. The final section will identify how theory can be developed from case research data and how theory will be developed using the case study design created for this research.

5.2 Research Questions

This research is exploratory in nature. According to several authors, with exploratory research the initial research questions are expressed in broad terms and are tentative in nature (Eisenhardt, 1989; Yin, 1989; Mintzberg, 1983). A statement of the research questions in broad terms is important in order to prevent being overwhelmed by large amounts of data in the early stages of the research and also avoids building complex theories which attempt to capture everything (Eisenhardt, 1989). Furthermore,

Eisenhardt (1989) suggests that the research questions may alter due to the evolution of the research.

This research seeks to investigate the impact of ICTs on the relationship between the partners of an IJV and its affect on the performance of IJVs by addressing the following research questions:

5.2.1 Research Question No. 1

How does the use of ICTs impact on communication channels between partners in IJVs?

It has been suggested by researchers (Hamill, 1997; Cronin, 1995) that ICTs have the ability to support organisational networks such as IJVs by improving and supporting communication between partners. Accordingly, communication is a variable that has been highlighted in the literature as having an affect on IJV performance (Geringer, 1988[c]; Lane and Beamish, 1990; Parkhe, 1991; Kanter, 1994; Littler & Leverick, 1995; Brown & Pattinson, 1995). This leads to the first proposition to be investigated.

Proposition No. 1

The use of ICTs leads to improved communication channels between partners in IJVs.

5.2.2 Research Question No. 2

How is the cultural diversity that exists between IJV partners affected by the use of ICTs in communication channels?

Communication problems can occur, not only, because of differences that exist nationally, due to the nature of IJVs being cross-national alliances, but also due to possible differences between the cultures of IJV partners. Both national and corporate culture are variables that have been cited in the literature as having an effect on IJV performance (Geringer, 1988[c]; Parkhe, 1991; Beamish & Inkpen, 1995). As a consequence the use of ICTs could have an influence on communication channels thereby in some way affecting cultural diversity in terms of bridging the cultural gap that exists between IJV partners. This leads to the second proposition to be investigated.

Proposition No. 2

The use of ICTs helps to bridge the cultural gap that exists between partners in an IJV.

5.2.3 Research Question No. 3

How is performance of an IJV affected by the use of ICTs in communication channels?

As previously stated communication and cultural diversity have been recognised as variables that affect IJV performance. Since effective communication channels have been suggested to enhance IJV performance (Geringer, 1988[c]; Lane & Beamish, 1990; Kanter, 1994; Littler & Leverick, 1995; Brown & Pattinson, 1995), and it has also been recognised that the cultural gap between IJV partners can be bridged by effective communication (Parkhe, 1991), the ability to communicate adequately with IJV partners can make a significant difference in an IJV's performance. Therefore, the utilisation of ICTs may exert an influence on communication and subsequently on cultural diversity resulting in a corresponding effect on IJV performance. This leads to the third and final proposition to be investigated.

Proposition No. 3

The use of ICTs leads to the enhanced performance of an IJV.

The research is distinguished by a broad set of research questions which permit an open-ended and exploratory approach to the definition of the research problem (Eisenhardt, 1989). This is different in comparison to hypothesis testing research where hypotheses are stated in advance.

5.3 Research Methodology

In order to investigate the variables stated in the research questions and their corresponding propositions, a multiple, embedded case study research approach was chosen. This would allow an in-depth study of the use of ICTs and IJV performance and provide both the qualitative and quantitative data needed to provide the subjective and objective measures of performance required to determine whether the use of ICTs had an affect, on IJV performance.

According to Yin (1993), case studies are appropriate for answering “how” or “why” questions about an event(s) over which the researcher has little or no control.

Yin (1989), defines the case study as an empirical inquiry that investigates a contemporary phenomenon within its real life context; when the boundaries between phenomenon and context are not clearly evident; and in which multiple sources of evidence are used. Both single or multiple cases can be studied.

This study will involve a number of IJVs in the EU i.e. a multiple case study. Further, the primary unit of analysis will be an IJV partner i.e. an embedded case study. These factors are discussed in more depth further in the chapter.

In this research the case study method is suitable for studying and understanding how ICTs are used in IJVs, and how it affects their performance.

5.4 Justification for the Research Methodology

Since “how” questions are being addressed in this study of IJV performance, and the nature of this research is essentially exploratory, case studies were found to be the most appropriate research method for a number of reasons.

In a study such as this, the multiple case approach is considered to be ideal, as it allows both theoretical and literal replication to be used. Despite its increased use, Yin (1993) claims that the case study method as a research methodology is unappreciated and under-utilised. Most researchers use it as a method of last resort, and even then they use it with uneasiness and uncertainty (Yin, 1984; 1989). Yet, the case study method is a valuable research tool and the major strength of multiple case studies is that they are a powerful means to create theory because they permit replication and extension among individual cases i.e. individual cases can be used to corroborate specific propositions (Eisenhardt, 1991; Yin, 1989). According to Eisenhardt (1989) and Yin (1989) replication logic enables researchers to identify the subtle similarities and differences within a group of cases as well as across case similarities and differences. Replication logic also encourages researchers to go beyond initial impressions. These forced comparisons allow new categories and concepts to be identified. This is different from sampling logic, where the result of a study is statistically linked to a population. But the aim of a case study is not to generalise to a population, but to theoretical propositions. There is continuous interaction between theoretical issues studied and the data collected. The case study data is matched to theory and not analysed to make statistical generalisation. Eisenhardt (1989) has written about the theory building properties of multiple case studies. She claims that the multiple case

approach encourages the researcher to study patterns common to cases and theory and to avoid chance associations (Eisenhardt, 1991).

The power of the case study method stems from its capacity to aid theory development beyond the immediate case at hand, not through statistical generalisation (as in most quantitative studies) but through analytic generalisation in which the researcher tries to generalise a particular set of results to a broader theory through induction (Yin, 1984).

By using the multiple case approach, a better understanding of the impact of ICTs on IJV performance will be attained as it permits the researcher to “get close to the action” through for e.g. interviews with senior management and the individuals directly involved in the IJV (Yin, 1984). Such interviews can be extremely fruitful, because interviewees can provide crucial insights and can suggest sources of corroboratory evidence. Mail surveys and secondary data typically sacrifice this richness and subtlety of understanding because in them there is little opportunity for clarification of questions or elaboration of answers (Yin, 1984; Eisenhardt, 1989).

A further strength of the case study method is that data can be collected from a variety of sources, both qualitative and quantitative. These can include documentation, archival records, interviews, direct observation, participant observation and physical artefacts.

Multiple sources also help prevent subjective bias. The evidence may be qualitative or quantitative data or both. Any finding or conclusion in a case study is thus supported by a chain of multiple evidence from different sources, and is therefore more convincing and accurate than a finding or conclusion from a survey (Chetty, 1996).

The case study method allows the researcher to study a topic as a dynamic process and not as something static. Survey methods cannot match the richness of detail that can be achieved via case study methods, and are less well suited to the discovery of something new than measuring known and well understood phenomena. Herriot and Firestone (1983) argue that the evidence from multiple cases is considered more compelling and therefore the overall study is regarded as being more robust. According to Chetty (1996) the use of case studies also overcomes the problem of firms being over researched as studies by mail have a low response rate.

5.5 Research Methods used in Previous IJV Research

To determine what types of research methods have been adopted in the field of IJVs, prior IJV studies were reviewed from the IJV literature (see Appendix 1). In total, 47 studies from the IJV literature were reviewed between 1970 to 1999 in order to establish which research methods were used. It was found that the research methods used in some IJV studies ranged from face-to-face and mailed surveys, interviews, case studies, review of secondary data, event history analysis, executive role playing and participant observation.

Out of the total 47 studies reviewed during the period 1970-1999, only 12 used the case study as a research method. The remainder of the studies used interviews alone, questionnaires, a combination of interviews and questionnaires, review of secondary data, event history analysis, executive role playing and participant observation as their research methods.

It was found that in earlier studies of IJVs, methods such as interviews and questionnaires were the preferred research method in the majority of the studies.

Despite being a popular research method, in some of the studies where questionnaires were applied, generally a low response rate was found, (see Pekar & Allio, 1994; Cullen, Johnson & Sakano, 1995).

Research on IJVs and performance suffers from methodological limitations. In their review of the research carried out on control and performance of IJVs, Geringer & Hebert (1989) argue that the empirical components of many of the studies are not without their shortcomings. They go on to say that methodological issues such as differences in the object of the study and independent variables may constitute potentially serious threats to the external validity of many, if not all, prior studies of IJV control.

However, a recent increasing trend towards the use of case studies in IJV research as a research method was evident from this review. There have been calls in the literature to adopt the case study approach (Parkhe, 1993; Bonoma, 1985; Hirschman, 1986; Deshpande, 1983; Johnston, Leach & Liu, 1999). Parkhe (1993) argues that many IJV studies have focused on the outcome of IJV relationships e.g. survival, control and performance. As a result the social processes that underlie the IJV relationship have been neglected and these issues are relevant to the IJV relationship. Kanter (1994) also holds a similar view and claims that studies are preoccupied with the economic aspects of the alliance and that the political, cultural, organisational and human aspects of IJVs are ignored. Parkhe (1993) claims that quantitative studies have been favoured in IJV research and there has been a preference for “number crunching” and the over use of mail surveys and secondary data which yield “hard” data that are unlikely to capture “soft” core concepts relevant to the IJV such as trust. Parkhe (1993) suggests

that a “connective tissue” exists around the IJV in the form of “soft” variables such as trust and that use of the case study methodology will provide deeper insights into these “soft” concepts. According to Morgan and Smircich (1980) human beings do not just respond to the social world but actively contribute to its creation and therefore researchers need to investigate from within the subject of study and use research methods appropriate to that task. Case studies allow a deeper understanding of “soft” variables which Parkhe (1993) describes as “behavioural variables at the heart of voluntary interfirm co-operation”. These variables affect the dynamics and the eventual performance of the IJV. Parkhe (1993) believes that the case study method can be employed to address the gaps that exist in IJV theory by using multiple case studies that iteratively link data to theory in an inductive process moving toward the generation of an empirically valid theory that is subject to testing and refinement through replication logic.

Parkhe (1993) he believes that the use of case studies is a valid approach and is particularly ideal for studying new research areas or research areas where existing theory seems inadequate.

According to Parkhe (1993) in rapidly growing inter-firm co-operative relationships, case study research can be a useful method to build on existing knowledge, to form new concepts and hypotheses, to test and refine theories, and to provide theoretical explanations and normative guidelines for IJVs.

As Yin (1984) noted, exploratory research allows an investigator to examine a phenomenon and develop ideas in a flexible way.

To date several authors have undertaken to use the case study method in the field of IJV research (Nueno & Oosterveld, 1988; Richter & Vettel, 1995; Kemp & Ghauri,

1995; Shaughnessy, 1995; Brouthers, Brouthers & Wilkinson, 1995; Brown & Pattinson, 1995; Crossan & Inkpen, 1995) but overall, there has been a lack of in-depth, qualitative research and in particular, the multiple-case approach.

Considering this, it is therefore argued that, given the exploratory nature of this research, the application of a multiple case study approach rather than a quantitative study will provide a better understanding of the role of ICTs in the relationship between IJV partners and the subsequent effect, if any, on IJV performance.

5.6 Case Study Design

5.6.1 The case study sample

This study was conducted on a sample of European Union IJVs within the telecommunications industry between UK firms and continental European firms. This research was based on the definition of IJVs used by the EC. According to the EC (CEC, 1994[a]), a JV is defined “as comprising those operations where at least two undertakings create a new entity, which is jointly controlled; this new entity can have industrial or commercial aims, and may even be constructed for a limited period.”

The wide cultural diversity that exists in the EU along with the active formation of telecommunication IJVs in the EU made a study focusing on Europe feasible. According to the XXIInd Report on Competition Policy (1992), between 1987 and 1992, a total of 626 IJVs were formed within the EU.

For inclusion in this study an IJV has to be owned and controlled by two or more legally distinct organisations. For the purpose of this investigation all partners to the IJV were studied. In each case one parent company was based in/from the UK and

one of the other parent companies had their headquarters in an EU country other than the UK.

Even though IJVs are the object of much interest it is difficult to obtain information regarding when and where they have occurred from official sources. Therefore to gather such information about IJVs in the EU, a listing of IJVs formed in the EU was compiled by analysing the European Commission reports on Competition Policy from 1992-1997 (CEC, 1992; CEC, 1993; CEC, 1994[c]; CEC, 1995[a]; CEC, 1996; CEC, 1997). Once a list was compiled, more details concerning the IJVs were found in press releases. The Commission also holds press releases on IJV announcements (<http://www.Europa.eu.int>). The full texts of these press releases are available on-line from the RAPID database (<http://www.Europa.eu.int>). This database was accessed in order to obtain more details about the IJVs in the compiled list. The press releases held in RAPID described the IJVs in terms of the name of the IJV, who the partners were, the objectives of the IJV, and in some cases the equity share of the IJV.

This list incorporated information from EU Reports on Competition Policy as well as information obtained from press releases. These were then analysed in order to determine:

- The industrial sector of the IJV (see Appendix 2[a] which clearly shows that a high number of IJVs have been formed within the telecommunications sector especially during 1995).
- The nationality of the IJV (see Appendix 2[b] which shows the partner nationalities of the IJVs enabling the identification of those IJVs possessing a UK partner and another European partner. The IJVs selected for this study are highlighted).

- The objectives of the IJV (see Appendix 2[c]).

The compilation of the list of IJVs formed in the EU allowed the identification of UK companies involved in forming IJVs with other European companies.

A limitation of using recognised publications as a source of information is their preference for reporting on the activities of “newsworthy” firms. Hence, there may be some bias in the data towards large, well known firms at the expense of smaller, lesser known companies. IJV information was also obtained by accessing the parent company web sites.

The focus of the study is on communication between IJV partners and IJV performance. Since the nature of IJVs means there will be cultural differences between the partners, and this may cause communication problems which can affect IJV performance. Cases were chosen for theoretical replication i.e. mixed nationalities in order to determine if there is any variation in effective communication channels due to cultural differences i.e. one UK partner and other EU partners. According to Yin (1983) each case should be carefully selected so that it predicts either similar results (literal replication) or different results for expected reasons (theoretical replication).

Therefore the main criteria used in the selection of a JV were: a) the JV had to involve one partner from the UK and the remaining partner(s) from a country within the EU to satisfy the definition of an IJV b) at least one of the JV partners had to be in the telecommunications industry, and c) both UK and other European senior executives had to be prepared to be interviewed separately in order to cross-examine the information given by each partner. From Appendix 2[a] it can be seen that the telecommunications sector is one with a high number of IJVs formed in comparison

with other industrial sectors. The focus on the telecommunications sector also allows the controlling of the industry sector variable. Factors which have been identified in the literature as affecting IJV performance were also taken into account when choosing the sample of IJVs to be studied.

5.6.2 Factors Affecting IJV Performance

A detailed discussion of the literature in relation to IJV performance was undertaken in Chapter Two.

Prior empirical studies of IJVs, for example (Kogut, 1988; Harrigan, 1988), have shown that certain variables have significant effects on IJV performance. These have been divided into structural and social variables as follows:

Structural variables	Authors
• Industry sector	Kogut (1988)
• IJV objectives	Kogut (1988), Killing (1988)
• Compatible goals	Lyles (1987), Kogut (1988), Morris & Hergert (1987), Dymsza (1988), Beamish (1988), Beamish & Lane (1990), Lyons (1991), Lynch (1990), Cohen & Levinthal (1990), Brouthers, Brouthers & Wilkinson (1995)
• Complementary skills	Dymsza (1988), Doz (1988), Beamish (1988), Murray & Siehl (1989), Lorange & Roos (1992), Bleeke & Ernst (1991)
• Age of IJV	Kogut (1988), Ring & Van de Ven (1994)
• Equity share/control	Kogut (1988), Killing (1988) Tomlinson (1970), Stopford & Wells (1972), Killing (1983), Schaan (1983), Beamish (1984),

- Franko (1971), Geringer (1989), Yan & Gray (1994)
- Number of partners Geringer (1991), Beamish & Inkpen (1995)
 - Size Harrigan (1988), Killing (1983)
 - Stability Kogut (1988), Blodgett (1992), Beamish & Inkpen (1995), Harrigan & Newman (1990), Yan & Zeng (1999)
 - Task Complexity Kogut (1988)
- Social variables**
- Trust & Commitment Beamish & Banks (1987), Buckley & Casson (1988), Cullen, Johnson & Sakano (1995), Morgan & Hunt (1994), Axelrod, (1984), Moorman, Zaltman & Deshpande, (1992), Madhok (1995), Parkhe (1993)
 - Information sharing Kanter (1994)
 - Cultural diversity i.e. national and corporate Harrigan (1988), Brown, Rugman & Verbeke (1989), Barkema, Bell & Pennings (1996), Geringer (1991), Parkhe (1991), Harrigan (1988), Beamish & Lane (1990), Meschi & Roger (1994), Stafford (1994), Parkhe (1991), Fedor & Werther (1995), Littler & Leverick (1995)
 - Communication Geringer 1988[c], Beamish & Lane (1990), Parkhe (1991), Kanter (1994), Littler & Leverick (1995), Brown & Pattinson (1995)

Each IJV was chosen by replication logic rather than by sampling logic i.e. the sample was chosen because the IJVs could be used for theoretical replication rather than because they were representative of the population.

Five cases were selected for theoretical reasons and ideally all the above structural variables would have been controlled for. However, the availability of cases meant

that equity share, number of partners, size, stability and task complexity were not possible to control. The structural variables that were controlled for are the industry sector (telecoms), IJV objectives (marketing), IJV goals, complementary skills and IJV age (all formed between 1995-1997). These are highlighted in Table 5.1. Communication is the focus of the study and the social variables of trust and commitment and information sharing are a function of communication. Unlike the structural variables these social variables can not be easily controlled for. In this study partner nationality is mixed in order to determine if there is variation due to cultural differences. The five cases were chosen because it was possible to interview senior managers involved with the IJV and they allowed the greatest number of variables to be controlled for.

Table 5.1 highlights the sample of IJVs selected for this study showing the industry sector, IJV objectives, IJV goals, complementary skills, IJV age, equity share, number of partners and partner nationalities. The table also highlights the variables that have been controlled for and the variables that have not been controlled for.

CONTROLLED VARIABLES		UNCONTROLLED VARIABLES						
IJV	Industry	Objectives	Goals	Skills	Age/year	Equity share	Number of partners	Nationality
IJVA	Telecoms	Marketing	To become the 2 nd largest telecoms operator in Italy.	UK - Expertise in world wide communications, marketing skills. It - Revenue and knowledge of the south of Italy. It - Revenue and access to fibre optic network. It - Knowledge of the industrial north of Italy.	1995	45.5% (UK& It) 35% 19.5%	4 (1UK, 3 It)	UK/Italian
IJVB	Telecoms	Marketing	To provide global communication services and tailored IT applications for global transportation industries.	UK - Global telecommunications network expertise. Den - Expertise in IT applications services for shipping transportation sector.	1997	51% 49%	2	UK/Danish
IJVC	Telecoms	Marketing	To become a major communications services provider in Germany, including mobile and fixed line operations and Internet services.	UK - Expertise in world wide communications, marketing skills. Ger - Marketing and sales expertise in Germany. Nor - Expertise in mobile, Internet and broadband services.	1995	45% 45% 10%	3	UK/German/ Norwegian (joined in 1997)
IJVD	Telecoms	Marketing	To become leading alternative telecoms operator in Sweden.	UK - Expertise in world wide communications, marketing skills. Nor - Expertise in mobile, Internet and broadband services especially voice and data communications solutions. Has leading position in the Norwegian market.	1995	33% 33% 33%	3	UK/Danish/ Norwegian
IJVE	Telecoms	Marketing	To provide national and international communications services to Dutch business and residential market	UK - Expertise in world wide communications, marketing skills. Du - Access to national telecommunications network.	1996	50% 50%	2	UK/Dutch

Table 5.1 The sample of IJVs Selected

The method of selecting cases for this study, by the control of certain variables in the population sample is appropriate, and consistent with Eisenhardt's (1989) view that by specifying criteria for the sample, extraneous variation can be reduced and the limits for generalising the findings will be clarified. Thus cases have been chosen for theoretical reasons, enabling replication to occur or to extend emergent theory.

Since the aim of this study is to establish whether IT-led communication enhances the performance of IJVs, the study contains more than a single case i.e. the multiple case approach is used.

Eisenhardt (1989), claims that in the multiple case approach there is no ideal number of cases, but suggests that a study of between four and ten cases is ideal. With fewer than four cases, theory is difficult to generate, and with more than ten cases, the volume of data is difficult to cope with.

Where there is more than one unit of analysis an embedded design is created. According to Yin (1993), the definition of the unit of analysis is related to the way the initial research questions have been defined. The unit of analysis can be a country's economy, an industry, an economic policy, or trade or capital flow between two countries.

This study encompasses an embedded design within a multiple case study approach. Five IJVs were selected creating a multiple case study, each partner within each IJV was considered as a unit of analysis, therefore in total 13 partners were interviewed. Since this study involves acquiring data from all partners of the IJV, then each IJV partner is a unit of analysis, therefore, an embedded design is formed. This allowed

sufficient data to provide for both within and cross-case analysis, without excessive data being produced.

As Eisenhardt (1989) suggested, with fewer than four cases theory is difficult to generate, however, taking into account the number of units of analysis i.e. the number of partners, more than five IJVs would have created too large a volume of data (all qualitative from the interview transcripts), making comprehensive analysis difficult.

5.6.3 Measures of Performance

As stated in Chapter Two previous empirical studies highlight the difficulty in measuring IJV performance. Several authors have highlighted the fact that measuring IJV performance is a complex task (Geringer & Hebert, 1989; Anderson, 1990).

There are two classes of measurement of IJV performance that have been used in previous IJV studies i.e. objective measures and subjective measures.

Objective Measures

Authors

- | | |
|--|---|
| <ul style="list-style-type: none"> • Financial Indicators e.g. profit | Tomlinson 1970;

Dang 1977; Lecraw 1983 |
| <ul style="list-style-type: none"> • Survival of the IJV | Franko 1971; Stopford & Wells 1972;

Killing 1983; Geringer & Hebert 1989 |
| <ul style="list-style-type: none"> • Stability in equity share | Franko 1971; Gomes-Casseres 1987 |
| <ul style="list-style-type: none"> • IJV duration | Harrigan 1986; Kogut 1988 |

Subjective Measures**Authors**

- Executives evaluation of the IJV relationship
Harrigan 1988
- Satisfaction about the IJV
Killing 1983; Schaan 1983; Beamish 1984

The measurement of IJV performance is not an easy task given the nature of IJVs. Several authors argue that for IJVs there are no simple and comprehensive criteria of success or failure that can be used in a satisfactory way unlike in the case of a single firm (Harrigan, 1985; Geringer & Hebert, 1991; Lorange & Roos, 1992). According to Anderson (1990), performance evaluation requires incorporating multiple viewpoints. As Anderson (1990) noted, financial measures evaluate only one dimension of performance and they may also fail to adequately reflect the extent to which an IJV has achieved its short and long term objectives (Killing, 1983; Artisien & Buckley, 1984). Other factors including qualitative ones must also be examined in order to sufficiently assess IJV performance. Subjective measures such as the executive's evaluation of performance and satisfaction are those recommended by Anderson (1990). As already stated in Chapter Two, objective measures such as profitability of an IJV are usually unavailable or are only included in consolidated corporate data (Dess & Robinson, 1984). However, other objective measures such as duration of IJVs and survival of IJVs, are more readily available and have been used by researchers in previous empirical studies of IJV performance.

Killing (1983) used both IJV longevity and parent assessments of performance to indicate IJV success. Similarly, Geringer and Hebert (1991) argue that longevity provides a necessary condition and a good proxy for IJV success.

The combination of qualitative data with quantitative data can be highly synergistic (Eisenhardt, 1989). Quantitative evidence may highlight relationships that may not be obvious to the researcher, and can also prevent the researcher from being misled by impressions in qualitative data. Furthermore, the corroboration of quantitative and qualitative data findings can add to the richness of the findings.

Evidence from qualitative data can be useful for understanding the theory underlying the relationships revealed in the quantitative data or may suggest directly theory which may be strengthened by quantitative support (Jick, 1979).

The synergy provided by using both qualitative and quantitative data is described by Mintzberg (1979) as follows:

“For while systematic data create the foundation for our theories, it is the anecdotal data that enable us to do the building. Theory building seems to require rich description, the richness that comes from anecdote. We uncover all kinds of relationships in our hard data, but it is only through the use of this soft data that we are able to explain them”.

5.7 Data Collection Methods / Procedures

In keeping with the case study method, multiple sources of data collection were used. As well as qualitative data, some quantitative data was sought. For Research Question Nos. 1 and 2, data was collected primarily by in-depth interviews. Due to the exploratory nature of Research Question Nos. 1 and 2, qualitative data from the interviews was chosen to best achieve results (generalisable data). Quantitative data was unobtainable and will probably only be created through replication of the study. For Research Question No. 3, data was collected via two channels namely, a) in-depth

personal interviews with alliance directors and b) secondary data sources, which were consulted to provide specialised information.

For Research Question No. 3, to obtain a satisfactory evaluation of IJV performance both objective and subjective measures of performance were sought. Subjective measures of performance such as the executives satisfaction as an IJV indicator of performance has been used in previous studies (Harrigan, 1988; Killing, 1983; Beamish, 1984). Therefore, for this study the executives satisfaction of the IJV will be used as the subjective measure of IJV performance. Data was accessed by using databases such as FAME, Moodys Global and Investext as well as the Financial Times, The Economist web sites, and the IJV parent company web sites. Company reports were obtained and analysed in order to obtain objective measures of IJV performance such as profitability, however, this data was found to be unavailable. Nevertheless objective measures such as duration of the IJV was obtained more readily and has been cited previously as an adequate measure of IJV performance (Killing, 1983; Geringer and Hebert, 1991). Therefore, for this research IJV duration has been selected as the main objective measure of performance and satisfaction expressed by the alliance executives of the IJV as the main subjective measure. Killing (1983) used both parents satisfaction of performance as a subjective measure and IJV longevity as an objective measure of performance. Using both subjective and objective performance measures is also supported by research that has shown in the case of IJVs, subjective and objective measures of performance are positively correlated (Geringer & Hebert, 1991). According to Anderson (1990) both objective and subjective measures of performance must be examined in order to sufficiently assess IJV performance.

5.7.1 Triangulation of Data

Although the use of transcription evidence may seem obvious and sufficient, what has been said by respondents becomes data only when it can be seen what else could have been said and because interviews can be subject to problems of bias, poor recall, and poor or inaccurate articulation, relevant data may not be obtained (Yin, 1984). Therefore in order to test for convergence, the interview evidence must be triangulated with multiple data sources, for example, archival records and documentation, to reduce the likelihood of serious data distortions.

Archival corroboration involves cross-reference to databases, news clippings and other reports in the mass media. Documentation research involves the systematic collection and examination of relevant company records and documents regarding the IJV. Triangulation techniques, whether methods, theories, or data sources offer solutions to interview problems by providing the corroborative evidence required to measure and evaluate the quality of the interview data and facilitate its use as data susceptible to analysis.

Data acquired regarding the IJVs from multiple sources (objectives, equity share, number of partners, nationality of partners, age, industrial sector) was triangulated with interview data. These variables such as IJV objectives etc. were asked explicitly in the interview thereby giving validity to the control of certain variables as well as providing reliability for the remainder of the interview(s). Quantitative data from other sources regarding the use of ICTs in IJVs (except the interview data) was sought in relation to Research Question Nos. 1 and 2 but was found to be unobtainable, therefore triangulation through multiple sources of evidence was not possible. However, constructs that had been identified in previous research were noted in the literature

review such as the advantages and disadvantages of ICTs, the integration of corporate cultures etc. were also reported in the interviews. According to Bourgeois and Eisenhardt (1988) this can provide a form of triangulation, although rare, which can enhance construct validity. According to Bourgeois and Eisenhardt (1988) if these constructs are found to be important as the study progresses this then provides a stronger empirical grounding for the emergent theory. In a study of strategic decision making, Bourgeois and Eisenhardt (1988) identified several potentially important constructs e.g. power and conflict from the literature on decision making. When several of these constructs did emerge in the interviews as related to the decision process, there were strong, triangulated measures on which to ground the emergent theory. Therefore, for this study Research Questions Nos. 1 and 2 were triangulated with previously known theoretical constructs.

Both quantitative and qualitative data regarding Research Question No.3 was available i.e. the objective and subjective measures of performance which are duration and satisfaction expressed by the alliance directors respectively. As a result Research Question No. 3 is triangulated with multiple sources of data. The collection of multiple sources of evidence provides construct validity to the study and the triangulation of multiple sources of evidence enhances the external validity of the study. According to Eisenhardt (1989), the triangulation of data lends more support to the substantiation of constructs.

The data thus obtained are epistemologically valid (Tsoukas, 1989) and lend themselves to systematic and rigorous data analytic techniques which are suited for the research questions posed in the previous section. As already stated there is a difficulty in acquiring relevant quantitative data regarding ICTs and their use in IJVs. Data obtained from sources such as parent company web sites and company reports did not

provide relevant information. For this study triangulation techniques such as participant observation could have been performed, however, given the constraints of time and the practical difficulties involved with such methods, they were not considered to be viable. A summary of the data collection methods used in this research are provided in Table 5.2.

Table 5.2 Summary of Data Collection Methods

Stage of data collection	Type of Data and Method
Selection of cases	Qualitative – EU Competition Policy Reports – EU Databases – EU Press Releases
Background of IJVs Selected	Quantitative } Company websites & Qualitative } EU Press releases Corroborated during interviews
Research Question No:1	Interview data corroborated with previous literature & theory
Research Question No:2	Interview data corroborated with previous literature & theory
Research Question No:3	Measures of performance - subjective & objective Factors affecting performance - Interview data corroborated with previous literature & theory

5.7.2 Interview Protocol

Since desired information is specialised in nature, participants needed to be the executive(s) most knowledgeable about the topic. Each respondent needed to have had direct responsibility for the IJV and to have been intimately involved with the IJV during its formation.

Managing Directors and Chief Executive Officers responsible for their company's international operations were initially contacted by letter. These senior executives participated in this study, furthermore, this initial contact also enabled the identification of all the alliance directors of all partners responsible for each individual IJV in both the UK and Europe. All respondents contacted replied and agreed to include their company in the study when informed about the objectives of the research. It is important to note that access to the Danish partner of IJVD was found to be difficult, this could have been due to the fact that the UK and Norwegian parents were in negotiations regarding the increase in their stake in the joint venture by buying the Danish partner stake in the IJV (see case histories for further details, Chapter 6).

In depth personal interviews were held with alliance directors of the UK partner and the European partner(s) of each IJV principally to collect data for the case studies.

Interviews were performed first in the UK and then subsequently elsewhere in Europe.

All interviews undertaken in the UK were carried out on a face to face basis. Face to face interviews were also carried out with IJV partners in Italy (4 interviews) and in Germany (3 interviews). However, owing to financial constraints visits to all European partners were not feasible and therefore telephone interviews were carried out instead.

A week's visit to each Italy and Germany provided sufficient time to meet each partner of the IJV and complete the interviews. Prior to the initial interviews, a pilot test of the case study interview was implemented with a senior executive of a UK company.

The aim of the pilot test was to avoid interview questions which were too long, vague or wrongly formulated. The pilot test generated valuable feedback which facilitated the improvement and the refinement of the interview structure.

During the interviews the issues discussed ranged from questions pertaining to the objectives, management, performance and stability, and the use of ICTs in the IJV.

See Appendix 3 for the interview schedule.

A total of 13 interviews were conducted with both UK and European alliance directors.

The interviews with alliance directors were tape recorded to increase the accuracy of data collection and speed up the process as well as to enhance the interactive nature of the interview. The interviews were fully transcribed manually before being subject to analysis. However, the use of the tape recorder did not eliminate the need for taking notes during the interview, which facilitated later analysis. Interview duration varied from one hour to one hour and forty minutes. In other European countries the same interview procedures were followed as in the UK.

Interviews between the respondents and the researcher are not one-way, information gathering situations. Interviews are “guided conversations” (Lincoln & Guba, 1985).

The major advantages in using an interview for data collection are that the interviewees can instantly relate to the researcher if any further information is required or if any clarification is needed.

In this study, the structure of the interview was set out beforehand and the questions were semi-structured in character and formulated on a thorough review of the literature and past research concerning IJV performance and the use of ICTs. Perreault and McCarthy (1996) suggest that using questions that are essentially open ended allows flexibility of procedure. Flexibility in the interview process is needed to avoid a rigid adherence to a structured interview, which in effect could jeopardise validity because there is no guarantee that all respondents would interpret the questions in the same way (Suchman & Jordan, 1990). Flexibility should lead to more accurate responses in comparison to a more structured interview. There was,

however, a need to retain some structure as this made it possible to plan carefully how to use the limited time available with each of the alliance directors and it also served as a checklist to ensure that all relevant topics were covered.

5.7.3 In Depth Interviews

Whilst interviews are a useful tool for data collection they are highly intrusive and contrived events in which it is important to assess the role of the interviewer in constructing meanings and expectations.

Following Weiss's (1994) guidelines, the interviewer sought to establish a research partnership with the respondent so that meaningful, value added information was exchanged. Interviews were conducted mindful of the following points between the interviewer and respondent: a) the interviewer and respondent will collaborate to produce information useful to the research project b) the interviewer will define the areas for exploration and will monitor the quality of material c) the interviewer will respect the respondent's integrity, and d) the interviewer will ensure, both during the interview and afterward, that the respondent will not be damaged or disadvantaged because of the respondent's participation in the interview.

Several issues are important in order to get the most out of an interview such as clarity of question, neutrality, and control over the interview (Patton, 1987). Asking clear, understandable and focused questions is an important part of establishing rapport in an interview. Unclear questions can make the person being interviewed feel uncomfortable, ignorant, confused, or hostile, thus affecting the quality of the information obtained. Neutrality means that the interviewer must listen to the

interviewee without passing judgements or reacting with either favour or disfavour in the content of the answers. Also, asking leading questions should be avoided since they give the interviewee hints about what would be a desirable or appropriate kind of answer. Finally, the interviewer must maintain control over the interview by knowing what information is needed and directing the interview in order to collect that data. This also means being able to recognise and distinguish appropriate from inappropriate responses and making sure that the interview is working according to plan. During the interview, all the above issues were taken into consideration.

5.7.4 Cross - Cultural Issues

Due to linguistic and cultural factors, barriers to accurate reporting may occur with greater frequency and be more complex in research with diverse cultural groups (Hines, 1993). According to Hines (1993), during the course of a cross cultural research study certain problems can arise that potentially can affect the quality and accuracy of data obtained. These problems fall into three categories, namely i) problems with linguistic and conceptual equivalencies ii) problems with measurement, and iii) problems that occur from the nature of the interview process. If these issues are addressed it can lead to studies that provide a more accurate and reliable data.

A problem with cross cultural research is whether the concepts within the questions have been understood clearly (Hines, 1993). This can be pursued by asking the interviewees what they understand by the terms used in the interview and probing them to determine to what extent certain terms are familiar or indeed not widely recognised. These procedures are used to “bridge” any confusion between definition and measures.

In order to ensure that concepts and terms within the interviews were understood clearly, prior to the interview it was established that the respondents i.e. the alliance directors of the European IJV partner, were competent and comfortable in using the English language.

Another technique which proved particularly useful in ensuring that the questions had been properly interpreted and answered truthfully, was asking respondents for examples.

Affirmations of certain beliefs or attitudes by respondents were considerably strengthened when they cited evidence or examples, which were meaningful to them. It was also useful for revealing when questions were difficult to understand.

5.8 Limitations of The Case Study Methodology

The two common criticisms most frequently expressed regarding the use of case studies are a lack of rigor and that they provide little basis for scientific generalisation.

Yin (1989) disagrees with this. He claims that case studies, like experiments, are generalisable to theoretical propositions and not to populations or universes. He states that the case study, because it does not represent a "sample" should be regarded in the same way as the experiment. It is the researchers aim to expand and generalise theories (analytic generalisation) and not to enumerate frequencies (statistical generalisation).

In comparison to positivist research and experiments carried out in laboratories, which presume that the researcher can control for all variables beyond the scope of the study, the case study approach implies that the researcher has little or no control over events. In addition, one of the main concerns of using the case research method has been the

question of external validity when drawing conclusions from a relatively small number of cases. Case studies are often accused of failing to develop sufficiently operational measures and of relying on “subjective” assessments. However, case studies are generalisable to theoretical propositions, not to populations (Neuman, 1997; Yin, 1994). Theories developed in the research need to be fully grounded in empirical data and not bound to specific context. To overcome the criticism of the case research method Yin (1993) suggests a number of techniques for securing reliability and validity in exploratory research as is this particular study. These are construct validity, internal validity (for explanatory or causal studies), external validity and reliability.

Construct Validity - Yin (1994) suggests three tactics for increasing construct validity in case studies by using multiple sources of evidence, establishing a chain of evidence and having the draft case study reviewed by key informants. Construct validity requires establishing correct operational measures for the concepts being studied (Yin, 1994). It is generally felt that using varied techniques, particularly when they inter-correlate, provides greater support for the constructs (Yin, 1994). In addition, it provides greater support for the internal consistency of the research.

Construct validity was secured in this study by the use of multiple sources of evidence. Also, subsequent studies could seek to replicate and extend research findings.

External validity - requires establishing the domain to which the findings can be generalised and will be sharpened with the specification of the particular population of interest. In this study the research domain is the European telecommunications sector. According to Yin (1994) a theory must be tested through replications of the findings in a second or third study i.e. in a different industrial sector or region where the theory has been specified that the same results should occur.

Reliability - involves ensuring that the data collection methods capture the event and that the study can be repeated with the same results. This can be secured by the development of clearly conceptualised constructs and the execution of a pilot test.

This was carried out in this study.

The researcher has to represent the data as fairly as possible and has an obligation to monitor and report their own analytical procedures and processes as fully and truthfully as possible (Patton, 2002).

The credibility of the researcher can affect the findings since he/she is the instrument in qualitative inquiry. According to Patton (2002) there are four ways the findings of a study can be distorted when evaluation is taking place.

Firstly, the reactions of the interviewee to the presence of the interviewer. Here the credibility of the findings and the interpretations depends on whether trust has been established. Time at the research site and time building relationships with respondents can contribute to trustworthy data. When time has been spent with respondent's they are more likely to be frank and comprehensive (Glesne & Peshkin, 1992). The presence of an interviewer can affect the behaviour of the interviewee for example, respondents may show off or in contrast the presence of the interviewer may cause tension.

Secondly, the changes in the interviewer during the course of data collection or analysis. This is referred to as instrumentation effects. Researchers can be affected as a result of their involvement in the research (Johnson, 1975; Glazer, 1972).

Thirdly, the predispositions and biases of the interviewer may affect data analysis and interpretations. Procedures such as triangulation are aimed at increasing validity of the data and minimising biases. However, Denzin (1989) argues that every researcher brings preconceptions and interpretations to the study regardless of the methods used.

Patton (2002) suggests that researchers should deal with concerns about bias by being neutral and impartial. These are concerns about how far the researchers findings can be trusted i.e. trustworthiness can be seen as a part of perceived methodological rigor (Lincoln & Guba, 1985; Glesne & Peshkin, 1992).

Issues of objectivity and subjectivity can also affect the credibility of qualitative analysis. To be subjective means to be biased, unreliable and irrational, and subjective data implies opinion rather than fact, intuition rather than logic, impression rather than confirmations. Scriven (1986) argues that maintaining objectivity is important to counter bias, whereas Lincoln and Guba (1985) suggest objectivity should be replaced by an emphasis on “trustworthiness” and “authenticity” by being fair in taking note of multiple perspectives, interests and realities.

Lastly, researcher incompetence. Competence is demonstrated by using the verification and validation procedures needed to establish the quality of analysis. A researcher needs to repeatedly return to the data to see if the constructs, categories, explanations and interpretations make sense and if they really reflect the nature of the phenomena.

5.9 Theory Development from Case Research Data

There are two major approaches to the building and testing of theory, that is: deductivism and inductivism (Bonoma, 1984; Neuman, 1997; Parkhe, 1993; Romano, 1989). In order to overcome the main criticisms of theory development from case study research, that is its lack of objectivity and validity, Yin (1989) and Eisenhardt (1989) have suggested two differing methods for developing theory from case study design, based on deductive and inductive principles respectively.

According to Yin (1984), the first step in case study design consists of theory development and the second step involves case selection. This method aligns itself to a deductive approach to theory development. Each case is looked at as a separate entity, enabling unique patterns which can be generalised across cases to emerge. Cross-case comparisons can also be made. These comparisons force researchers to go beyond initial impressions and take a more in-depth, structured approach with the data. When analysing the data, each case is compared to the theory. There is, therefore, continuous interaction between the theoretical issues studied and the data collected. The case study data is matched to theory and not analysed to make statistical generalisation. Cross-case questions are asked to determine the similarities and differences between cases.

Yin (1984) emphasised that the initial stage in designing the study must consist of theory development in which the researcher relates the study to previous theory and aims for a priori explanation. However, this ignores the possibility of discovering new variables or relationships of interest during the research process.

In contrast Eisenhardt's (1989) approach to case study is primarily a method for building theory, and allows research to flow in the less common direction of data to theory. This is a shift towards an inductive approach to theory generation where there is "no theory under consideration and no hypothesis to test" (Eisenhardt, 1989).

Eisenhardt (1991) asserts that "multiple case studies are a powerful means to create theory because they permit replication and extension among individual cases". By replication, she means that individual cases can be used to corroborate specific propositions. She defines "extension" as the use of multiple cases to develop elaborate

theory. Eisenhardt (1991) also explains that she stressed the importance of precise and measurable constructs because of their ability to generate powerful theory.

Eisenhardt's model of theory development from case studies allows a continuous cycle of theory generation. This is particularly useful in areas where theoretical and conceptual frameworks are inadequate. An advantage of theory building from cases is the possibility of generalising unique theory. Another advantage is that the emergent theory is likely to be testable with constructs that can be measured and hypotheses that can be proven false. Measurable constructs are possible as they have been measured during the theory building process. The resulting hypotheses are likely to be proven as they have already been verified repeatedly during the theory building process (Eisenhardt, 1989).

Table 5.3 shows Eisenhardt's (1989) structured model for developing theory from case study research.

Table 5.3 Building Theory from Case Study Research

STEP	ACTIVITY	REASON
Getting Started	Definition of research question Possibly a priori constructs Neither theory nor hypotheses	Focuses efforts better Provides better grounding of construct measures Retains theoretical flexibility
Selecting Cases	Specified population Theoretical, not random, sampling	Constrains extraneous variation and sharpens validity Focuses efforts on theoretical useful cases- i.e. those that replicate or extend theory by filling conceptual categories
Crafting Instruments And Protocols	Multiple data collection methods Qualitative and quantitative data combined Multiple investigators	Strengthens grounding of theory by triangulation of evidence Synergistic view of evidence Fosters divergent perspectives and strengthens grounding
Entering The Field	Overlap data collection and analysis, including field notes Flexible and opportunistic data collection methods	Speeds analysis and reveals helpful adjustments to data collection Allows investigators to take advantage of emergent themes and unique case features
Analysing Data	Within-case analysis Cross-case pattern search using divergent techniques	Gains familiarity with data and preliminary theory generation Forces investigators to look beyond initial impressions and see evidence through multiple lenses
Shaping Hypotheses	Iterative tabulation of evidence for each construct Replication, not sampling, logic across cases Search evidence for "why" behind relationships	Sharpens construct definition, validity, and measurability Confirms, extends, and sharpens theory Builds internal validity
Enfolding Literature	Comparison with conflicting literature Comparison with similar literature	Builds internal validity, raises theoretical level, and sharpens construct definitions Sharpens generalisability, improves construct definition and raises theoretical level
Reaching Closure	Theoretical saturation when possible	Ends process when marginal improvement becomes small

Source: Eisenhardt, K. (1989), "Building Theory From Case Study Research", Academy of Management Research, Volume 14 Number 2, p.533.

In most studies including this one, it is difficult to separate the processes of induction and deduction. Richards (1993) argues that “it is impossible to go theory free into any study.” This view is now supported by Eisenhardt (1991) as well as other researchers (Miles & Huberman, 1994), who agree that induction and deduction are research approaches that need to be combined in order for each to be of value.

According to Parkhe (1993), the shift that Eisenhardt (1989) promotes, that is, to an inductive/theory generating research, may provide a powerful stimulus that is ideal for IJV research with particular reference to “soft” issues. However, prior theory can have an affect on the design of the case study and the subsequent analysis of data. Pure induction may prevent the researcher from benefiting from existing theory, just as pure deduction might prevent the development of new and useful theory. According to Parkhe (1993), “both extremes are untenable and unnecessary”, and the process of ongoing theory advancement requires continuous interplay between the two.

Eisenhardt’s (1989) model, (see Table 5.3), for developing theory from case research has been adapted for this particular research project and incorporates both deduction and induction within the framework. The initial research questions and theoretical constructs have been formulated through a process of deduction using relevant IJV and ICT literature. The sample of case studies used for this research project were selected for theoretical reasons, in order to allow replication and thereby extend theory. Data collection incorporates both qualitative and quantitative measures, which include in-depth interviews and the use of secondary data. The data was subjected to both “within-case” and “cross-case” analysis. A summary of the steps taken in this research project are illustrated in Table 5.4.

Table 5.4 Stages of Theory Development in this Study (Adapted from Eisenhardt, 1989).

STEP	STAGES OF THEORY DEVELOPMENT IN THIS STUDY (Adapted from Eisenhardt, 1989)
Getting Started	To avoid loss of research focus and to help shape the initial process of theory building, tentative research questions and potentially important constructs were identified with reference to the relevant literature.
Selecting Cases	The study allowed the control of certain variables, therefore cases were to be chosen for theoretical reasons (e.g. all telecommunications IJVs with marketing objectives, similar goals). In order to understand the relationship between the use of ICTs and IJV performance, all partners of the IJV were contacted.
Crafting Instruments And Protocols	The main instrument used to obtain qualitative data was in-depth, face to face and telephone interviews. Interview questions were formulated from relevant literature. Access to secondary data was via databases and company web sites.
Entering The Field	Managing Directors and CEO's were first contacted by letter. Alliance Directors were interviewed and in order to secure reliability, interviews were tape-recorded and later transcribed.
Analysing Data	Interview data and secondary data was analysed in 2 stages: within case analysis involving write-ups for each case and cross-case analysis involving searches for cross-case patterns, providing evidence for theory development.
Shaping Hypotheses	By measuring constructs and verifying relationships, hypotheses can be shaped; definitions of constructs can be refined and evidence which measures those constructs can be developed.
Enfolding Literature	Comparisons were made with conflicting and similar literature. This enhanced the internal validity and generalisability and the theoretical level of theory development.
Reaching Closure	When theoretical saturation becomes possible through the process of replication.

5.10 Chapter Summary

This chapter presented the research questions and the propositions that have influenced the selection of an exploratory research strategy, resulting in a case study approach.

The research methodology was stated and justified. The methodology described the selection of cases used in this study, namely UK/EU IJVs formed in the telecommunications sector, the data collection procedures, and the need for both

qualitative and quantitative forms of data providing a more accurate evaluation of IJV performance.

The interview protocol and some relevant cultural issues were discussed. The criticisms of this case study were highlighted and the framework for theory development from this case study design was explored by adapting Eisenhardt's (1989) model of a primarily inductive process of theory building.

It has been shown how the case study methodology can be implemented to address a gap in IJV theory by selecting a multiple case study method that can iteratively link data to theory in an inductive and deductive process. This enables the generation of an empirically valid theory that can be tested and refined through replication logic.

The next chapter will focus on the analysis of the data collected from the case study interviews and secondary data.

CHAPTER 6

FINDINGS

6.1 Introduction

The previous chapter reviewed the methodology employed for this study. The purpose of this chapter is to present the results and analyse the data in order to answer the research questions and propositions.

Within-case analysis was undertaken in order to allow unique patterns to emerge from each case. This involved describing each case along with the use of direct quotations from the interview transcripts (verbatim). In combination with this, cross case analysis was performed in order to search for patterns which could be generalised by looking at the data in many different ways (Eisenhardt, 1989), enabling evidence for theory development. These tactics enable themes, concepts and even relationships between variables to emerge. When analysing the data, themes were compared to the theory and existing literature and as a result the interaction between the theoretical issues studied and the data collected was continuous (Eisenhardt, 1989). The linking of emergent theory to existing literature enhances the validity, generalisability and the theoretical level of theory building from case study research (Eisenhardt, 1989). The linking of emergent theory to existing literature in case study research not only enhances the internal validity but also the generalisability and the theoretical level of

theory building (Eisenhardt, 1989). This is particularly important in theory building research as the findings sometimes rest on a limited number of cases, therefore any further corroboration of validity or generalisability is an important improvement (Eisenhardt, 1989).

This chapter is organised as follows. Firstly, the findings will be presented along with case histories for each IJV. Both within case and cross analysis will be carried out and cross case comparisons will be illustrated in the form of diagrams. The findings will then be followed by the discussion where themes that emerge from the within and cross case analysis will be discussed and related to existing literature.

To identify the IJV from which the respondents originate, the following abbreviations have been used throughout this chapter.

IJVA UK - UK Partner of IJVA
IJVA It - Italian Partners of IJVA

IJVB UK - UK Partner of IJVB
IJVB Dk - Danish Partner of IJVB

IJVC UK - UK Partner of IJVC
IJVC Gm - German Partner of IJVC
IJVC No - Norwegian Partner of IJVC

IJVD UK - UK Partner of IJVD
IJVD No - Norwegian Partner of IJVD

IJVE UK - UK Partner of IJVE
IJVE Dt - Dutch Partner of IJVE

6.2 Within-case analysis

6.2.1 IJVA

IJVA CASE HISTORY

IJVA was formed in July 1995 between a UK telecommunications company and an Italian bank. The UK partner owned 50.5% and the Italian partner owned 49.5%.

The joint venture began offering a few services that were possible to sell according to the first phase of liberalisation in Italy which were international traffic, data services and data transmission.

UK parent

The UK parent is one of the largest and most successful telecommunications companies in the world.

Based in London the company has operations in 30 countries and employs about 130,700 people world-wide. It also has joint ventures in many countries including France, Germany, the Netherlands, Sweden, New Zealand, Japan, Korea and India.

Its principal activity in the fully competitive UK market is the supply of local, long distance and international telecommunications services, serving more than 27 million residential and business exchange lines through a fully modernised and largely digital network.

It is one of the worlds leading providers of telecommunications services. Its principal activities include local, long distance and international telecommunications services, mobile communications, Internet services and IT solutions. In the year to 31 March 2001, its turnover was £20,427 million.

Italian parent 1

This parent company is Italy's third largest bank with more than 600 branches, a significant presence and total assets of £58bn. The company owns a private data and voice operated network.

It has more than L150 trillion in assets and capital resources of about L9 trillion, is one of the major credit institutions in Italy and among the top 50 in Europe. Consolidated assets exceed L170 trillion.

It has maintained its role as a key player in support of Italy's economy, in a market characterised by significant changes, dynamic growth and global competition. Its competitiveness comes from the knowledge acquired during more than 80 years in Italy and around the world, and from its constant attention to developments in banking, finance and the economy.

The bank offers customers the full range of services ranging from commercial banking and industrial lending to mortgage, real estate and project financing.

In May 1996 these two partners were joined by a second Italian partner which gained a 30% stake in the IJV. With the original two partners retaining the remaining 70% of the IJV.

Italian parent 2

This Italian parent company is the operating holding company of the television business of the Fininvest group, one of Europe's biggest and Italy's leading television company. Its consolidated turnover in 1995 totalled L2,925.4 billion. Operating profit was L731.6 billion, and net profit for the year was L454.6 billion.

This partnership was further extended to include a third Italian partner with a 35% stake in the IJV. The equity share of this IJV now stands at 25.25% to the UK partner, 25.5% to the first Italian partner, 19.5% to the second Italian partner and 35% to the third.

Italian parent 3

This parent is an Italian oil and gas company. In the year 2001, it generated revenues of 49 billion euros and a net income of 7,751 million euros. It has injected capital into IJVA giving it a 35% stake in the company. As part of the deal this partner will transfer its telecommunications division to IJVA which will enter a contract to provide telecommunications services to this partners group. In addition IJVA has the right to use this partners fibre optic network.

IJVA aims

This IJV aims to develop its role as an operator in all telecommunications fields and become the second Italian operator in the field of fixed telephony market, by offering telecommunications services in the Italian business sector.

It aims to address the liberalised section of the Italian corporate voice and data business telecommunications market its main clients being the top 3,000 medium to large multi-site companies in Italy. IJVAs strategic objectives are to become the alternative carrier for the Italian business market. To gain 15% of the voice business market share by 2002/2003 and to be the alternative carrier for the small business and residential customer.

The Italian bank entered this IJV owning the largest data network in Italy. It was used as a banking network and the liberalisation of the telecommunications sector gave it the opportunity to exploit this network outside the banking industry. The first Italian partner therefore provides the UK partner with a data network that they can build on as well as knowledge and expertise of the Italian industry and an immediate revenue stream. They also bring political influence and a strong presence in the north of Italy. The Italian partner gains access to the UK parents expertise in providing world-wide communications through its global networking as well as the marketing skills gained in

10 years experience operating in one of the worlds most competitive markets. The UK parent allows the first Italian parent to develop its network and provide the opportunity to offer value added and competitive communications services such as telephone banking.

The second Italian partner which is not a telecommunications company wanted to find a partner who already had the experience and profile in managing international ventures successfully as well as possess technical expertise. The second Italian partner chose the UK partner for its technical and managerial profile and there was also a complementarity between their industrial experiences.

The second Italian partner brought their broadcast background to the venture, their knowledge of the market and the telecommunications industry, providing a good fit between the partners of the alliance. It also brings strength in the industrial north of Italy and a strong voice network to the IJV. The second Italian partners aims were to better organise the outsourcing of its telecommunications infrastructure with the other companies inside the group and also to look for diversification of its business taking advantage of the convergence between the multi-media world and telecommunications.

The third Italian partner possessed a telecommunications infrastructure that was only for company use. The third Italian partner knew that this internal network had a market value and liberalisation allowed them to seek a partner interested in using or buying their infrastructure. They also wanted to outsource their telecommunications business and diversify into a new market. They agreed to sell the infrastructure to the UK partner and to IJVA. This partner also injected capital into the venture

The third Italian partner brings an excellent backbone infrastructure to the IJV, with fibre optic cables running along the gas pipelines in the main cities of Italy, giving the IJV a strong transport network.

Each of the Italian partners injected their telecommunications operating subsidiary into the joint venture. In the case of the first Italian partner it was about 50 people, in the case of the second Italian partner about 50 again with the third Italian partner it was 270 people, therefore the IJV gained people with skills as well as experience and each of them signed up to exclusive outsourcing contracts providing the UK partner with revenue. The fundamental reasons for the UK partner entering the alliance were infrastructure, influence in political circles and business circles and experience of operating in the local market.

Research Question No.1

How Does the Use of ICT's Impact on Communication Channels between Partners in IJVs?

Beliefs expressed in the dialogue with the partners of IJVA were that ICTS are used to a limited extent. As a result there is very limited use of e-mail and video conferencing.

In IJVA the UK partner states:

“that the use of the Internet in Italy is much lower than it would be in the UK and other European countries, the Italians are very much face to face or verbal communicators and they are not great users of computers and so on. So the Internet and Intranet are used but not as extensively as you would find in a UK company of similar size”.

All partners explained that they recognise many of the advantages (e.g. overcoming time and distance barriers, promoting knowledge sharing and acquiring information) of using ICTs such as the Internet but admitted to not using them and that in Italy the emphasis is on face to face communication rather than through ICTs. However, the UK partner communicates using e-mail with suppliers about technical queries, whereas the Italians very rarely communicate to their partners using e-mail.

The respondents were also aware of the disadvantages that using ICTs can bring e.g. a reduction in personal contact, the creation of mistrust, misuse and excessive time taken to acquire relevant information.

(IJVA It):

“The Internet is a powerful tool to find information, but if you don't know what you are looking for then you waste time”.

The respondents in IJVA showed a strong preference for face to face communication, and the directors expressed a strong preference for face to face meetings. There was a strongly held view that communication through ICTs was by no means a substitute for the direct face to face relationship.

The UK partner thinks that:

“e-mail has its purposes but at the end of the day I would always look at my team of people and I would always try and get them together once a month

physically in the same room and talk things over rather than merely rely on e-mail or video conferencing to get the same sort of communication”.

This view was strongly voiced by one of the Italian partners:

“If you look at Europe we in Italia we do prefer face to face and maybe someone in Nordic prefer through the ICT medium”.

The overall picture was that partners communicated little information to each other using ICTs because personal contact was felt to be more important and the use of ICTs would reduce personal contact.

According to all the respondents, ICTs did not either encourage or discourage communication between the partners.

The UK partner commented that:

“99% of the interface I have with them is either over the phone or in face to face meetings. Now that might be an Italian situation but that’s the way it works. ICTs are not a factor”.

An Italian partners view was:

“I think that no means of communication could be a complete substitute of the direct face to face relationship, the communication as the Internet and other new technologies could be useful from the point of view of saving time in a lot of situations, but at the very end you must maintain part face to face communication I think it’s very necessary”.

Research Question No.2

How is the Cultural Diversity that Exists between IJV Partners Affected by the Use of ICTs in Communication Channels?

Emanating from the dialogue between the partners of IJVA was that the use of ICTs in this IJV did not affect the cultural diversity that exists between the partners but that in

principal the use of ICTs would ultimately force people to use a more universal means or way of communicating and make people conform to a more standard way of working.

The Italian partners stated that from a business perspective they thought English was already a universal language and in that respect they did not think that a linguistic barrier existed. The UK partner did not think that the use of ICTs affected the cultural diversity that existed between the partners because they did not rely on the use of ICTs. However, two of the Italian partners saw the use of ICTs as being important, in terms of it being a tool, but nevertheless that it could not be the only way of communicating.

The UK partner felt that the use of ICTs could bridge the cultural gap that exists between IJV partners:

“because we could conform it to a more anglo-saxon way of doing business”.

The Italian partners views differed to that of the UK partner in that they did not think that the use of ICTs could bridge the cultural gap that exists between the partners of the IJV, whereas the UK partner felt that it could.

The UK partner stated that the integration of the parents corporate cultures was not considered to be important, but that the JV should establish its own corporate culture quickly was seen as more necessary.

Research Question No.3

How is Performance of an IJV Affected by the Use of ICTs in Communication Channels?

Objective measure of performance - duration/longevity.

This IJV began in 1995 and is still in operation.

Subjective measure of performance - the executives satisfaction with the IJV.

The UK partner felt the IJV was performing well and it was growing rapidly but was slightly disappointed because it was not meeting the ambitious targets it had set itself.

All the Italian partners felt that the IJV was performing well.

Evidence transpired in the dialogue between the partners of IJVA, that effective communication channels were extremely important in a successful IJV. All the partners stated it as one of the most important factors that go into making a JV a success. All the partners gave various reasons as to why they thought communication was so vital to the performance of the IJV. The UK partner listed a number of reasons:

“It enables you to know what the other partners believes, feels, is interested in, in the same way they need to know about you and the only way to do that is by communicating...things will come up and they feel that they can trust me and I feel that I know and trust them”.

The UK partner and one of the Italian partners had the view that regularly communicating with the other partners built an atmosphere of trust between them, which they both felt was important in a venture.

All the partners commented on the fact that effective communication was vital in an IJV because of its very nature. An Italian partner stated:

“As in this case partners are from different companies of different countries with different cultures and different businesses behind it and it is important to talk, to speak to understand each other and each others requirements otherwise it will not work”.

All the partners recognised that each partner may have different objectives and expectations from the JV and that frequent communication was necessary to avoid any possible misunderstandings which could lead to problems.

As the UK partner stated communication was important even if no particular decision was made in a meeting because:

“he knows more about my perspective and I know more about his perspective”.

All the partners commented on the fact that they did not think that the use of ICTs had led to improved communication channels in this JV because they did not use ICTs to communicate. Nevertheless, all the partners within this IJV commented that in principal the use of ICTs would lead to improved communication channels. In terms of affecting IJV performance, all the partners cited communication as being very important.

All the partners did not think that the use of ICTs had affected the performance of the IJV due mainly to the fact that it is not widely used in the organisation.

The Italian partners stated that they had a preference for face to face communication and that face to face communication was important in an IJV.

One Italian partner explained that he thought that the Italian market was developing in a rapid way in Europe and this meant that decisions about everyday business needed to

be made quickly in order to take advantage of new possibilities and that an effective communication process was important.

The Italians preference for face to face communication is highlighted in one comment made by one of the Italian partners:

“Well, we must not be too fond of technology, technology is important, it is a tool it is not the aim. In the relationship it is important - there are different IT tools but it’s just one tool for communication you cannot just use IT for communication”.

Despite the use of ICTs being so limited in this IJV, both the UK and the Italian partners thought that the use of ICTs could help the IJV achieve its objectives.

The Italian partners thought that it could affect profits and obtaining market share as it could help improve efficiency and cost effectiveness, however, the UK partner did not think it would have an effect.

A common theme that emerged amongst the partners of IJVA was that performance of the IJV could be enhanced if there was a clear vision that all the partners shared.

The UK partner felt that in order for the performance of an IJV to be enhanced:

“You need sound strategy and sound execution and if you’ve got those two things, you’re made. This IJV has sound strategy but some of it’s execution is not good and some of it is about alignment of management team objectives and clear vision and direction and I think there are some weaknesses there”.

An Italian partner stated:

“It is the fact of understanding each others needs and requirements and to have and share a vision and a strategy in the future of the company”.

As far as integrating the corporate cultures the UK partner did not think that it could enhance the performance of the IJV, in fact, he felt that it would impair performance.

“I think that it impairs performance, one of the factors that probably is influencing the company today is that there isn’t a single culture, there are still maybe four different cultures within the company, there is an emerging distinctive culture but it takes time to do that”.

6.2.2 IJVB

IJVB CASE HISTORY

This joint venture was formed in June 1997 between a UK telecommunication company and a leading Danish IT specialist that will provide leading edge IT and telecommunications solutions for the \$80 billion container transportation industry that will deliver fully integrated advanced IT data systems and global communications services. The UK parent has a 51% stake in IJVB and the Danish parent has a 49% stake in the IJV.

UK parent

The UK parent is one of the worlds leading providers of international telecommunications services. Established over 125 years ago, it currently has operations in over 50 countries with a world-wide staff of approximately 40,000. Its businesses provide over 10 million customers in 70 countries with a complete range of international domestic and mobile communications. It is the world’s third largest carrier of international traffic, provides mobile communications in 30 countries and operates the worlds largest, most advanced cable shipping fleet.

It has its own network of high quality cable and radio links connecting the worlds principal business centres. In the year 2001 its revenues reached over £5.9 billion.

Danish parent

This parent is one of the leading IT suppliers of client/server, mainframe and network based solutions to large organisations in Denmark and around the world. It has served customers in shipping, logistics and aviation for more than 25 years and employs 660 people. In the year 2001 consolidated turnover totalled DKK 3,076 million.

IJVB aims

IJVB will combine the UK parents geographic reach and global network expertise with the Danish parents success in developing advanced shipping operations systems. The company will provide a combination of global managed data and communications systems integrated with advanced IT applications services to customers within the container transportation sector.

IJVB provides tailored applications, information management and global communication services for the global container transport industry. The service portfolio comprises core network services, global managed network services, network based tools for messaging and data management. The IJV follows a structure that has been part of a business strategy, the market power of the organisation is enhanced by

bringing together the skills of an application provider and a network services organisation into a JV, the two parents bring complementary skills and customers to generate greater market share and greater penetration.

Both companies bring technical development expertise to the IJV. The Danish partner brings significant sector knowledge and significant applications development skills, and they also bring customers through their relationships in the container shipping industry. The Danish partner offers the UK partner scale, as they are advanced in terms of market integration of the logistics companies, ground transportation and shore transportation and they also bring applications expertise, and industry contacts.

Research Question No.1

How Does the Use of ICT's Impact on Communication Channels between Partners in IJVs?

The view that emerged in the dialogue with the respondents from IJVB is that ICTs are used extensively to communicate with partners.

Both partners recognised advantages of using ICTs (e.g. overcoming time and distance barriers, promoting knowledge sharing and acquiring information) and expressed positive attitudes to the benefits that the use of ICTs bring to every facet of the organisation. The organisation's reliance on using ICTs was highlighted in several comments.

The Danish partner stated that:

“e-mail is part of our life we cannot live, we cannot work without e-mail, we use e-mail all day long, everyday, 7 days a week, 52 weeks a year in communication”.

The Danish partner referred to one of the main advantages of using ICTs as:

“It allows you to optimise your personal efficiency. You are ready to receive faxes and book telephone calls in advance and receive an e-mail from Dubai at 2 in the morning and answer at 8 and consider an e-mail from Jakarta. The time you can deliver an answer to your partners is really low compared to a

few years ago, when you received a letter, then you had to write a letter back, normally you get an answer in a month - it's too late".

The UK partner commented on how the organisation was virtual and the use of ICTs enabled people to work together by highlighting an example:

"I mean we've just run a big deal in the States where the big manager is based in Newcastle, the consultants are based here (London) and the accounts manager is based in Ohio and they pull together, won a huge bid to one of the worlds largest IT companies and that was almost entirely done using facilities of the Intranet and the Internet".

Both partners felt that the use of ICTs has had a major impact on knowledge sharing between the partners.

Both partners had strongly held views that the impact of ICTs on communication had been immense with the Danish partner explaining that:

"We cannot survive without it. I cannot visualise without these tools or technologies how we could run our operations".

Despite having favourable attitudes towards the use of ICTs within the IJV both respondents expressed concerns about some of the disadvantages (reduction in personal contact, the creation of mistrust, misuse, time taken to acquire relevant information) of using ICTs.

According to the UK partner *"e-mail can become a major barrier as well as an enabler"*.

Furthermore, *"It stops people talking to each other and that's very bad"*.

He went on to say that strong discipline is required in organisations to get the best from it and to avoid the worst from it, because in the same way it increases

accessibility and enables information sharing it also increases volume and also enables escalation where people say things in an e-mail that they would never say face to face.

He referred to this as human characteristics that can be damaging within organisations and that management needed to be aware of it and be cautious.

The Danish partner expressed the opinion that there was:

“a danger that people would use e-mail without communicating enough, without speaking enough really, mail is a fantastic tool to push or pull information but it can be a dangerous tool when people believe that because they’ve sent an e-mail, they’ve done their job. It’s a necessary tool to prepare a decision very rapidly and for that part of the process you need the e-mail, yes, but also you still need still to have the people talking or exchanging personally preferably and deciding in a meeting when you are using this mode of sophisticated communication ways can create misuse if you don’t pay attention. Too much information is counterproductive, it’s a risk”.

Both respondents stated that the use of ICTs provided many benefits and encouraged communication between the partners but nevertheless in order for the JV relationship to be a trusting one the partners would have to meet face to face and under no circumstances would ICTs substitute the personal contact needed in an IJV especially with regards to important issues and major decision making.

The UK partner seemed to show a preference for face to face communication by explaining that:

“People are realising that we’ve created this virtual organisation and that is enabled by IT is very important, but if you don’t speak to people the personal contact dies and you start second guessing them. We’ve noticed here if we have people in Singapore or in Hong Kong or in the US or in Australia then there is a tendency here to second guess what they are doing and that is not helped by e-mail actually, the way to avoid that is recognising it, and saying well we wouldn’t have done it this way and phoning them up and saying what the hell is going on, and the only way to avoid that is by being on an audio call and listening to them verbally, so you get the verbal information of the issue and supporting them and we’ve made some significant mistakes both in the JV and outside because we relied too much on the written or the screen and responded on screen and copied it to loads of colleagues.

Personal contact is much more important, infinitely more important... ”.

The UK partner emphasised this:

“Personal contact is very important. E-mail can supplement it. IT can supplement it, but if you use it as a substitute that can be disastrous in any set of relationships”.

The Danish partner shared a similar view in that he felt that communication needed to be a combination of meetings, video conferences and e-mail i.e. a combination of these components.

(IJVB Dk):

“people are better informed because it is faster, you can access more information, but at the end of the day for the very important decisions and the typical issues that are touching the company, looking at management changes and all that, information is a must but is not really sufficient to make the decision. I exchange a lot of information with partners but at the end of the day we still have meetings to decide the important issues”.

(IJVB UK):

“With the partners I get on a plane and go and see them once every three months”.

Research Question No.2

How is the Cultural Diversity that Exists between IJV Partners Affected by the Use of ICTs in Communication Channels?

What materialised from the dialogue with the partners of IJVB was that the use of ICTs can affect the cultural diversity that exists between IJV partners.

Both partners commented on the fact that English is the business language and as a result the use of ICTs could overcome the language barrier. The UK partner referred to ICTs as: “ *one of the enablers*”.

The Danish partner expressed a similar view:

“We have many nationalities in this JV and they all have the basic reference which is the web site which is in English. They all have to use the network in the same way, they don’t speak the same language at home, but officially they do”.

The Danish partner stated that he thought verbal communication was much more difficult with those people who are not proficient in the English language and therefore e-mail was very efficient as a first step:

“People who are not familiar with English have less difficulty to write in English than to talk in English therefore if they used e-mail as the first step in the communication process they are going to be much less concerned than if they speak on the phone or the video call because speaking and understanding in the heat of the conversation is much more difficult than reading e-mail and answering e-mail. So, if you take an engineer from Mexico and a guy from Jakarta those guys have less problems to work on e-mail in English, read and answer than if you put them in front of 10 people and ask them what they think”.

Both partners agreed that IT led communication was important and had a positive effect in the IJV relationship, as long as there was a good set of personal relationships that existed between the partners. The UK partner emphasised this view:

“Personal relationships are built on trust, on talking to each other and regular contact. This JV has an excellent relationship because both organisations have a similar cultural view of the world and both organisations at the director level get on well so when we do meet up on a quarterly basis and we probably have a couple of audio calls in between it makes it easier to address issues and problems that the JV itself might have”.

The Danish partner had a slightly different view in that he thought that it was not possible to have or create a JV without efficient communication and that the two parent company networks needed to be working together.

The UK partner commented that the use of ICTs could also build substantial barriers in the cultural gap. It could not substitute personal contact in terms of reducing cultural barriers.

The Danish partner expressed an opinion that differences in culture that exist between partners could be a benefit to the relationship.

“The more different your parent companies the better it is, because it is like in a team. In a soccer team you don’t want all the players to be the same and when the players are different you can pick and choose from each of them or two of them in the case of a JV what you want. Having two partners that are the same doesn’t bring anything unless you talk about the size of the market or the synergy or cutting costs and that sort of stuff. In terms of culture and in terms of taking benefits of the cultures of the companies the broader they are the better, the broader the range of skills and attributes”.

In this IJV both partners agreed that it was best for the IJV not to integrate the cultures of the parents but for the IJV to have a culture with its own identity.

The Danish partner felt that the use of ICTs could develop a culture of knowledge sharing and learning:

“I think the JV has to have access to parent company A network and parent company B network, he has to be a member of the two Intranets, but he has to belong to both worlds he cannot be isolated from the parent because he has to work with his colleagues in the parent company A and with colleagues in parent company B, he has a Mum and Dad so it’s the same family but within the same family, he doesn’t speak the same language as the Mum and Dad and so I don’t think the JV can work without having that”.

Research Question No.3

How is Performance of an IJV Affected by the Use of ICTs in Communication Channels?

Objective measure of performance - duration/longevity.

This IJV began in 1997 and is still in operation.

Subjective measure of performance - the executives satisfaction with the IJV.

The UK partner felt that the IJV was performing very well but that it was struggling in its business performance. However, as a relationship between two companies to exploit a market, it was performing well.

The Danish partner felt that the IJV was performing well in a business context as well as a relationship between the two companies.

Both partners emphasised the need for good communication and its importance. The Danish partner stated that what changes in an IJV is the requirement for good communication with the parent companies and the fact that they have their own cultures and ways of doing things and communicating needs to be recognised and understood before communication is effective, and in that sense more work needs to be done than in a traditional CEO board relationship. He expressed the opinion that communication is very important especially in the initial stages of the IJV.

“When you have to share the objectives and you want to ensure that people are really on the same level and speak the same language and they are very important when you have a drastic change in your business plan or finance or when you deal with a drastic change in terms of scale, size and acquisition programme, that’s when communication structure is very important for members”.

Both partners raised the issue of trust and its importance in a relationship such as an IJV. The Danish partner stated that:

“It’s a question of trust, when the JV is successful, when it has survived, there is a good relationship the trust level between the two parents increases a lot and then the dialogue starts to increase as well in terms of quantity and quality. Trust is a very important issue.”

The UK partner stated the importance of communication by explaining his relationship with the CEO that:

“I go and see people and talking to each other is infinitely more important and if we talk we find that we usually resolve it more satisfactorily. On a non-e-mail level the CEO sends me lots of e-mails some of which annoy me intensely and I get on the phone and we have a few words over the phone, but again it’s his style which is quite different to mine. So, what we’ve done is I don’t send him e-mails anymore, I go and see him once a month, I go and spend the afternoon talking to him for an hour and then we go and meet some of his people we go out for a beer and then dinner, so again it’s talking to each other”.

The UK partner felt that if the IJV parents were compatible and the IJV did not attempt to integrate the parent cultures then this would enhance the performance of the IJV. Also he stated that trust was an extremely important variable that affected performance.

“There needs to be mutual trust between the organisation and issues can be shared otherwise it’s not a relationship and it will never last”.

The Danish partner emphasised the importance of partners sharing common objectives enhancing IJV performance:

“A joint venture is by definition in my mind two people sharing certain objectives, sharing a certain understanding of the business, wanting to achieve certain objectives who can really debate, disagree, agree, fight ...”.

Both partners felt that the use of ICTs had led to improved communication channels in the IJV but both partners also felt unsure whether it had enhanced the performance of the IJV. However, ICTs have allowed the IJV to achieve its objectives.

According to the UK partner he referred to ICTs as:

“An important enabler, not just in the IJV but its an important business enabler. Very, very important because it enables you to flatten structures and create virtual organisations, it enables you to work more effectively across borders and functional boundaries which is the organisation of the future where function and structure doesn’t matter because there is a framework to enable people to do things with customers and IT is fundamental to that”.

Both partners also commented on the fact that ICTs could affect profits. The Danish partner stated that a lot of money was saved on plane tickets and he referred to that as “*people efficiency*”, but he thought it was difficult to quantify.

“How can you relate the money you spend on the network, Internet and so forth with your savings, people normally start by saying the more use I make out of my network the less I spend on fax and telephone which is true, most of the time these savings are big enough to fund the development of the first network. Then after that you create a web site which will change the management of sales information which kind of value you give to that server with respect to either increase of your sales or improving your productivity. It’s difficult to quantify”.

According to the UK partner he thought the difference to profits would be noticed most importantly around customer groups.

“Enabling people to focus around customers has been a major achievement of IT because the only way you did it before was to appoint Mr. So and So and tell him to go out and recruit loads of people and they go and sit in a separate office and work in that sector, then if business is contracted, you would have to lay them all off and if business increased then you’d be continually in improvement mode, now the advantages in the virtual organisation is that the labour pool can be deployed around customers much more flexibly, the chief enabler of that is IT, so IT for them means being able to do things they do in the office whether they’re in the car, at the airport, in the departure lounge or in the hotel, that’s what it means for them, that’s very important, it’s fundamental, they couldn’t operate without it”.

The use of ICTs and their effect on market share and growth according to the Danish partner would be very difficult to quantify but he gave an example:

“We make 10 to 15 very important propositions every month and that’s available on the web so if you are a science person in Argentina you can download what your colleagues in London have done - you copy and paste and from there you try and beat by copying and pasting a proposition from your local customer - you’ll probably have to translate but that’s what you have to do, that’s what we have over the network so we don’t reap and weep, there’s a legacy of expertise which is in fact carried by the files which are travelling on the network. That is a lot of money and time saved in terms of efficiency and time”.

The UK partner felt that any business has to be focused around customers and IT is a major enabler that allows organisations to be focused around customers without incurring huge inflexibility.

6.2.3 IJVC

IJVC CASE HISTORY

IJVC was formed in January 1995, between a UK telecommunications company and a German industrial group.

UK parent

The UK parent is one of the largest and most successful telecommunications companies in the world.

Based in London the company has operations in 30 countries and employs about 130,700 people world-wide. It also has joint ventures in many countries including France, Germany, the Netherlands, Sweden, New Zealand, Japan, Korea and India.

Its principal activity in the fully competitive UK market is the supply of local, long distance and international telecommunications services, serving more than 27 million residential and business exchange lines through a fully modernised and largely digital network.

It is one of the worlds leading providers of telecommunications services. Its principal activities include local, long distance and international telecommunications services, mobile communications, Internet services and IT solutions. In the year to 31 March 2001, its turnover was £20,427 million.

German parent

The German parent is one of Germanys 10 largest companies with sales of more than 40 billion Dm. It has significant marketing and sales presence in its core areas of energy, chemical, packaging and logistics.

In February 1997, a Norwegian telecommunications operator, decided to join the alliance and to take a 10% stake in the company, both the UK and German partner each have a 45% stake. In February 1997 the IJV was awarded a licence to offer mobile services in Germany. The IJV was also awarded a licence to offer fixed services to residential customers from 1 January 1998.

Norwegian parent

This parent company is a world-wide provider of high quality telecommunications, data and media communications services, with a particularly strong focus on mobile, Internet and broadband services. Headquartered in Oslo, Norway, the company is present in over 30 countries in Europe and Southeast Asia, has more than 22,000 employees at home and abroad, and has revenues of US\$3.9 billion in 1999. Internationally, it is steadily increasing its investments within mobile, Internet, TV distribution and Satellite communications.

It has a mobile business area, offering voice, data, Internet, e-commerce and the content services. It is one of the worlds most advanced mobile operators with a leading position in the Norwegian market and with ownership in 16 mobile companies throughout the world. The company is Norway's leading distributor of voice, information, knowledge and entertainment through a broad range of modern communications services. Profit after taxes for the year 2001 was NOK 7,079 million.

IJVC aims

IJVC is a major mobile and fixed line operator in Germany. Its objectives are to create a company in the communications market in Germany that will compete as a full range service provider and operator and to become a credible third player in the German market. Currently it has at least 3.5 million mobile subscribers. Its Internet business now has 590,00 active customers and has over 1500 business customers.

It offers a full range of communications products and services for homes and businesses, including fixed voice, mobile data, Internet and managed Internet protocol.

IJVC is considered to be at the forefront with Fixed Mobile Integration with the aim of building a company with a system and infrastructure that will actually converge fixed technology with mobile technology and deliver services that merge the two.

The German partner was seeking an opportunity to diversify into the telecommunications market, as it had been involved in utilities i.e. energy, chemicals, packaging. It also had political reasons for entering the IJV in terms of creating jobs in Bavaria as well as gaining marketing expertise from the UK partner.

The Norwegian partner provides expertise in the mobile arena since mobile penetration is very high the Scandinavian market.

The main objectives for the Norwegian partner to join the IJV were to have access to the large German market of 80 million people where the penetration for mobile is very low in relation to the Scandinavian market. The Norwegian partner has experience in the mobile arena and based on that experience they are expanding nationally within the areas of satellite, the Internet and mobile business. The UK partner provides the IJV with technology and networks expertise and the Norwegian partner provides mobile expertise for the Scandinavian market. The IJV has also opened operations in Switzerland and Austria with a view to addressing the German speaking market.

In August 2000, the UK partner paid 6.65 Euros for 45% of the German partners stake in the IJV, leaving the UK partner with a 90% stake and the Norwegian partner with a 10% stake in the IJV. In January 2001, the Norwegian partner decide to sell its 10% stake in the IJV to the UK partner for 2.5 billion Euros leaving the UK partner with 100% control of the IJV.

Research Question No.1

How Does the Use of ICT's Impact on Communication Channels between Partners in IJVs?

Views arising from the dialogue with the partners in IJVC showed that ICTs are used extensively to communicate with partners.

All partners within this IJV commented that they mainly used ICTs such as e-mail to exchange information or seek information about minutes of meetings, making appointments, analysis or reports that may be needed in a meeting.

All the partners recognised the benefits of using ICTs (e.g. overcoming time and distance barriers, promoting knowledge sharing and acquiring information) and its ability to allow people to become more productive and allow business processes to become more efficient.

(IJVC UK):

“it easily creates a sink of information that people can access and it's much easier to interrogate than traditional means of information”.

(IJVC No):

“It promotes knowledge sharing, the key issue is trying to have a close relationship with the partners so you all three can benefit from the partnership, you have access to a lot of information that you didn't have before and it is more updated”.

The German partner stated that:

“people go to meetings better prepared and have more productive meetings”.

The respondents also recognised disadvantages of using ICTs i.e. the time taken to search through the mass of information, misuse and a reduction in personal contact.

Both the German and Norwegian partners felt that the use of ICTs in the IJV was important, however, the UK partner did not. The Norwegian partner recalled an example of a virtual team of:

“experts sitting all over Europe, mainly in the UK which are involved when you have a tricky case and need expert adjustment. So, most of the communication is electronic”.

Some negative impacts of ICTs were also highlighted.

(IJVC No):

“Too much information is counterproductive”.

(IJVC UK):

“Trying to get through the masses of information and the issue of trying to keep things as compact and as tight, means you may not make yourself absolutely clear in terms of what you mean particularly if you are dealing with people who are not English speaking”.

(IJVC UK):

“The trouble with e-mail and the Internet is sometimes there is the tendency to easily distribute information whereas, if you pick up the phone it tends to be a one to one. If you have a problem you can pick up the phone and discuss it and very often resolve it, if there’s a temptation to send an e-mail or communicate using the Internet there’s sometimes the tendency to raise an issue with an individual but also copy three or four people on it as well. I think that can cause problems”.

All the partners believed that ICTs had improved communication between partners essentially by speeding it up, however, the UK partner expressed concerns that despite it being an effective way of getting messages between people that it was not the only way to communicate and there could be a risk of relying on it to the exclusion of other means.

The German and Norwegian partners stated that the use of ICTs encourages and supports communication between the partners, however the UK partner did not and she explained that she felt that it had little effect. All partners had a preference for face to face communication but had the view that it would depend on the context of the message to be conveyed and that with important decision making then face to face communication was preferred.

The German partner commented that:

“ICTs are an add on. For me its one more channel to use, but with ICTs you do not have the personal touch”.

This view was also similar to the UK partner who commented:

“I would do a lot of communication face to face rather than through the Internet because I think for a JV to succeed you have to have the relationships”.

Research Question No.2

How is the Cultural Diversity that Exists between IJV Partners Affected by the Use of ICTs in Communication Channels?

It emerged in the dialogue with the partners of IJVC that the German and Norwegian partners felt that the use of ICTs could affect the cultural diversity that exists between IJV partners, however, the UK partner did not agree with this view.

According to the German and Norwegian partner the use of ICTs could enable the cultural gap that exists between partners to be bridged primarily because the Internet is English based. The German partner felt that:

“because the Internet is English more or less and that helps glue international differences together, and from a German perspective it forces everybody to learn English to a certain degree and that is useful”.

However, they also commented on the fact that although as a communication medium, ICTs could help overcome cultural differences, the most important way to overcome cultural differences was to ensure that personal contact was maintained. For instance the Norwegian partner stated:

“the most important way to overcome cultural differences is to have personal contact, which is difficult over the Internet”.

The German partner states:

“I don’t think IT can improve the cultural difference, you have to have the personal contact, but it can make you more informed about the cultural differences as an information medium”.

The UK partners view was that:

“e-mail and the Internet can shorten or constrain what you say because you are having to type and you are physically putting things on a screen and there is a tendency to try and cut down what you are trying to say to be efficient and effective. So, you therefore tend to constrain the language you use and you know that it is English based but I don’t think that helps overcome the cultural and language barriers, because what it does is reduce everyone down to one language, one form of communication and I think the success in JVs is much broader than that, there are lots of aspects to culture and differences in business practice which you actually need to see and feel rather than deal with through the Internet, I think it takes it to a lowest common denominator which is American”.

The German and Norwegian partners thought that the use of ICTs could in some way bridge the cultural gap that exists with the partners because it can make you more informed about the cultural differences as an information medium but that personal contact would still be necessary and from this knowledge sharing and learning could evolve.

The Norwegian partner commented:

“you can learn a lot from your partners.... I think the key issue is trying to have a close relationship with the partners so you all three can benefit from the partnership”.

The German partner suggested that:

“It’s much more about what information people want to exchange. So, if the JV wants to make information accessible to the JV management, they’ll find a way, no problem”.

The German partner felt that any medium that helped communication could bridge cultural differences but wondered whether deep differences could really be overcome.

“With the cultural differences, yes, I think it (ICTs) helps because everyone can at least communicate with each other, what is interesting is to see whether it can help to be long lasting, but it’s not really dependent on the medium”.

The UK partner did not think that it was important for the cultures of the IJV parents to be integrated but that they should have a culture of their own.

“The issue around culture is that you have to have cultural fit in that you have to get on, there have to be certain values that the organisation can identify with and work alongside each other. As far as trying to integrate those cultures into the JV then no, I think the JV should have a culture of its own”.

Research Question No.3

How is Performance of an IJV Affected by the Use of ICTs in Communication Channels?

Objective measure of performance – duration/longevity.

This IJV began in 1995, however, in January 2000 the UK partner acquired the 10% stake that the Norwegian partner held in the IJV for £1.0 billion. Furthermore, in 2001 (the fourth quarter of the financial year), under an agreement announced in August 2000, the UK partner will take full control of IJVC by buying the 45% stake in the IJV held by the German partner for £4.6 billion.

Subjective measure of performance - the executives satisfaction with the IJV.

The UK partner was not completely satisfied with the way the IJV was performing. She felt that in terms of the market opportunity that was available the IJV was not performing to its potential. She did not feel it was exploiting the strengths of the partners and that some areas were not working to an optimum, some areas were solvable and some were intractable.

The German partner was not satisfied with the performance of the IJV, he did not feel that objectives of all the partners matched.

The Norwegian partner was satisfied with the performance of the IJV but felt that they were slow to gain market share.

The idea that arose in the dialogue between the partners of IJVC was that effective communication channels are very important and as the UK partner stated "*absolutely critical*" in a IJV.

The UK partner thought that effective communication was particularly important when the JV involves people from different nationalities and languages.

"It is easy to assume that somebody else understands what your intentions and objectives are. When they don't on all sides because of the subtleties of language, or lack of time and you've not actually discussed things. Unless there is a clarity from each of the partners perspectives about what they want from all this, what they are going to get out of it, what their contributions are and possible areas of tension where you may have conflicts of interest. When one partner wants to go in one direction and the other goes off in the wrong direction then communication is essential to solve those types of problems".

All the partners thought that the use of ICTs had led to improved communication channels in the IJV.

The German partner thought that effective communication was necessary and enabled people to work closely together especially at the start up phase.

“New technology helps to keep us close, it develops trust and avoids misunderstandings”.

However, the UK partner thought that communication channels had been improved by using ICTs at a working level but not at a strategic level.

All the partners had the same view that good communication was extremely important in terms of affecting IJV performance. As far as affecting IJV performance the partners were unsure as to whether or not the use of ICTs had had any effect.

According to the UK partner she felt that a successful management team was an important factor in enhancing the performance of the IJV. The German partner felt that an important factor affecting the performance of the IJV was that there was a meaningful working order.

“Everyone needs to see clearly what the other IJV partners are good for”.

The Norwegian partner felt that in order to enhance the performance of an IJV there needs to be:

“a good business plan which puts its efforts into the strategic direction for the company”.

The UK and the German partner did not think that integrating the parent company's corporate cultures could enhance performance but that, “cultural fit” where the partners work well, was more important. They also stated that the cultures should not be integrated but the IJV should have a unique corporate culture.

All the partners in this IJV were uncertain if the use of ICTs had any affect on IJV performance in terms of achieving its objectives, profit, market share or growth.

6.2.4 IJVD

IJVD CASE HISTORY

IJVD was formed in May 1995 as a joint venture between a UK telecommunications company, the Danish PTT and the Norwegian PTT. It was equally owned by the three partners.

UK parent

The UK parent is one of the largest and most successful telecommunications companies in the world. Based in London the company has operations in 30 countries and employs about 130,700 people world-wide. It also has joint ventures in many countries including France, Germany, the Netherlands, Sweden, New Zealand, Japan, Korea and India.

Its principal activity in the fully competitive UK market is the supply of local, long distance and international telecommunications services, serving more than 27 million residential and business exchange lines through a fully modernised and largely digital network.

It is one of the worlds leading providers of telecommunications services. Its principal activities include local, long distance and international telecommunications services, mobile communications, Internet services and IT solutions. In the year to 31 March 2001, its turnover was £20,427 million.

Danish parent

This parent is the leading provider of communications services in Denmark. It provides a range of products within telephony, data communications, leased lines, systems integration and directory inquiry services. In the year 2000, it had net revenues of DKK 20.6 billion. It has a staff of 10,900 people and serves 3.4 million customers.

Norwegian parent

This parent is a world-wide provider of high quality telecommunications, data and media communications services, with a particularly strong focus on mobile, Internet and broadband services. Headquartered in Oslo, Norway, the company is present in over 30 countries, has more than 22,000 employees at home and abroad, and has revenues of US\$3.9 billion in 1999. Internationally, it is steadily increasing its investments within mobile, Internet, TV distribution and Satellite communications.

It has a mobile business area, offering voice, data, Internet, e-commerce and the content services. It is one of the worlds most advanced mobile operators with a leading position in the Norwegian market and with ownership in 16 mobile companies throughout the world. The company is Norway's leading distributor of voice, information, knowledge and entertainment through a broad range of modern communications services. Profit after tax for the year 2001 was NOK 7,079 million. .

In August 2000, the UK parent signed a deal to increase its stake in IJVD to 50%, by buying half of the original stake of the Danish partners 33%. The Norwegian partner made the same move, increasing its stake to 50% by buying the remainder of the Danish holding. IJVD is now jointly owned, on a 50-50 basis, by the UK and Norwegian partners.

IJVD aims

It offers global voice and data communications solutions, national data communications services, corporate and public voice services.

IJVDs main target customers are Swedish and international companies with significant volumes of national and international telecommunications traffic, and all companies requiring advanced voice and data communications solutions.

It aims to become the leading alternative telecommunications operator in Sweden.

Both the Danish and Norwegian partner were chosen for their knowledge of the Nordic market as a whole, thereby providing a strength and depth of partners who are strong in Norway and in Denmark who can also have access in Finland. This allows the IJV to cover the whole Nordic market and take on the Swedish market.

Research Question No.1

How Does the Use of ICT's Impact on Communication Channels between Partners in IJVs?

ICTs are used within this IJV to communicate general and day to day information to the partners however, more important strategic decisions are carried out in face to face meetings. Both partners viewed ICTs as providing many advantages (e.g. overcoming time and distance barriers, promoting knowledge sharing and acquiring information) as a tool to communicate, primarily that of it being efficient because it is quicker.

In this IJV the partners believed that the use of ICTs had encouraged communication between partners but both expressed the fact that they felt that face to face

communication was vital. A reduction in personal contact caused by the use of ICTs was recognised as a major disadvantage, others included misuse and the time taken to acquire relevant information.

The UK partner comments:

“Some people say that virtual video conferencing will replace face to face conferencing - rubbish - you cannot form relationships with JV partners without getting to know their wives, their families etc. and you’re never going to replace the person to person role and the familiarity of knowing someone personally”.

Both partners stated a preference for face to face communication especially when major decisions are to be made.

The UK partner explained that:

“face to face is much better. You can see the body language, the lines on the face, you get far more depth of understanding of what the other person is thinking, especially when you’ve got a language and cultural barrier to try and get through - so it’s better to see them face to face”.

Research Question No.2

How is the Cultural Diversity that Exists between IJV Partners Affected by the Use of ICTs in Communication Channels?

The dialogue with the partners of IJVD emphasised that the use of ICTs can affect the cultural diversity that exists between the partners of an IJV. The UK partner has the opinion that the cultural diversity in business has increased due to a number of factors.

“There are a number of things which have actually affected the way that business has become more culturally diverse i.e. a greater number of JVs, a greater ability to do business on a regional basis or global basis - it’s travel, its the Internet, trade barriers have come down, it’s the internal services of countries coming together, it’s economic barriers breaking down and on a world wide basis it is

these things that contribute to an easier, better way of working together and getting along together”.

Both partners felt that the use of ICTs had an affect because English is a common, universal language and the Internet as a communication medium is English based, but both partners emphasised the fact that they felt that the key to understanding cultural differences would be through personal contact and that the use of ICTs helped as a tool to aid better communication. According to the UK partner ICTs helps bridge the cultural gap in a limited way.

“ICTs, I think it has some effect in that English is the common language, a universal language, but that is just one aspect, a far more important thing is dealing with deeper cultural barriers”.

Both partners agreed that the use of ICTs help to bridge the cultural gap that exists between partners of an IJV primarily because it helps people to communicate, however, the Norwegian partner felt that the IJV should have a culture if its own.

“It’s important to have a good cultural fit and that the JV has a culture of its own”.

Research Question No.3

How is Performance of an IJV Affected by the Use of ICTs in Communication Channels?

Objective measure of performance - duration/longevity.

This IJV began in 1995 and is still in operation, however, in September 2000 the UK partner increased its stake in the IJV to 50% by buying half of the original 33% stake held by the Danish partner for £94 million. The Norwegian partner took similar action

by buying the remainder of the Danish partners stake, resulting in the IJV now being equally owned by the UK and Norwegian partner i.e. 50% each.

Subjective measure of performance - the executives satisfaction with the IJV.

Both the UK and Norwegian partner felt that the IJV was performing well.

What emerged in the dialogue with the partners of IJVD was that effective communication between the partners is very important especially when partners from different nationalities are involved. According to the UK partner it is one of the top five factors that go into making an IJV a success:

“but because communication is not just about ideas it’s actually about communicating your mind, your vision, your concerns, your joys, your happiness. In partnerships you have to communicate the whole mind or it’s not going to work”.

Both partners thought that the use of ICTs had led to improved communication channels in the IJV, but were unsure if it had affected IJV performance.

Both partners thought that communication in terms of affecting performance was very important but hard to quantify.

The UK and Norwegian partner both felt that partners sharing similar visions and similar objectives could enhance the performance of the IJV.

(IJVD No):

“The basic structure of the partnership and how this partnership fits, can it work together, does it share the same visions”.

Both the UK and Norwegian partner agreed that the different cultures needed to be respected and understood, but that the IJV should have a cultural identity of its own

(IJVD UK):

“It’s important to have a good cultural fit and that the IJV has a culture of its own”.

Both partners were unable to say if the use of ICTs had any affect on the performance of the IJV in terms of achieving its objectives, profits, market share or growth.

6.2.5 IJVE

IJVE CASE HISTORY

Founded in September 1996, this IJV consists of a UK telecommunications company and the company that runs the national railway network in the Netherlands. Both partners had a 50% share.

UK parent

The UK parent is one of the largest and most successful telecommunications companies in the world.

Based in London the company has operations in 30 countries and employs about 130,700 people world-wide. It has joint ventures in many countries including France, Germany, the Netherlands, Sweden, New Zealand, Japan, Korea and India

Its principal activity in the fully competitive UK market is the supply of local, long distance and international telecommunications services, serving more than 27 million residential and business exchange lines through a fully modernised and largely digital network.

It is one of the worlds leading providers of telecommunications services. Its principal activities include local, long distance and international telecommunications services, mobile communications, Internet services and IT solutions. In the year to 31 March 2001, its turnover was £20,427 million.

Dutch parent

This parent company runs the national railway network in the Netherlands. The group is divided into four core commercial areas of activity with responsibility for the passenger, freight, retail and real estate markets. One of the key areas of strategic interest is that it owns a national telecommunications network.

It offers data, corporate voice and virtual private networks, international voice and data sources.

The UK parent has been represented in the Netherlands since 1989. The company has headquarters in Amsterdam. Key customers in the Netherlands are Shell, Phillips, ABN AMRO, Unilever, Reed Elsevier, Mexx and BP.

In April 2000, the UK partner acquired 100% of the IJV.

IJVE aims

To provide national and international communications services to the Dutch businesses and residential markets and to extend telecommunications choice in the Netherlands. It offered data, corporate voice and virtual private networks and international voice and data services. It aimed to reach every major town and city in the Netherlands and to address the Dutch residential and mobile markets with the intention to position the IJV as the alternative telecommunications company in the Netherlands.

Research Question No.1

How Does the Use of ICT's Impact on Communication Channels between Partners in IJVs?

The partners of this IJV do communicate with each other using ICTs. They communicate up-to-date information to each other as well as general information about meetings.

The UK partner highlighted one of the advantages of using ICTs as it allowed them to work more effectively when working with other companies as well as overcoming time and distance barriers, promoting knowledge sharing and acquiring information.

“If someone is providing you with a development advantage or providing you with a solution to a particular problem you have, then if they are working on the same problem as you are then you are expecting to extend the working day from an 8 hour day to a 16 hour day especially in the case where there's a 8 hour time difference in US so it's more satisfying reporting the problem at night and coming back in the morning to find something waiting in your box”.

The Danish partner highlighted one of the advantages of ICTs as enabling him to be better prepared and therefore as a result the meeting was more productive.

Both partners stated that they felt that the use of ICTs had encouraged communication between the partners, however, both expressed a preference for face to face communication because the personal contact was important in an IJV relationship especially when there were strategic issues to be considered.

The UK partner commented:

“if you want to talk to someone and you want to shake their hand or you want to look at someone in the eye and you want to make sure they understand exactly what you are saying then I don't think you can beat face to face communication”.

Research Question No.2

How is the Cultural Diversity that Exists between IJV Partners Affected by the Use of ICTs in Communication Channels?

What materialised from the dialogue with the partners of IJVE was that the use of ICTs can affect the cultural diversity that exists between the partners of an IJV.

Both partners agreed that the use of ICTs could help reduce problems associated with differences in language and culture primarily because English is a universal business language and also the Internet is English based.

Both partners thought that the use of ICTs were very important in this IJV because they helped people to communicate. Both partners felt that the use of ICTs could help people in an IJV relationship to bridge the cultural gap that exists between partners.

ICTs can help change corporate culture as suggested by the UK partner who stated that:

“Three to four years ago we did not have such technologies and there seemed to be a command and control type culture, communication was from the top down to the bottom and messages would get distorted. Whereas today the hierarchy is accessible all through the Internet giving people a different view as to what is happening”.

Research Question No.3

How is Performance of an IJV Affected by the Use of ICTs in Communication Channels?

Objective measure of performance - duration/longevity.

This IJV began in 1996, but in June 2000, the UK partner acquired the 50% stake that the Dutch partner held in the IJV for £1.2 billion.

Subjective measure of performance - the executives satisfaction with the IJV.

Both the UK and Dutch partner felt that the IJV was performing well.

Both partners thought that communication played an important role in terms of affecting the performance of the IJV. According to the UK partner:

“Everyone is nervous when the JV is put into place because they don’t know what it means to them unless communications have been done well. Usually people don’t enter into a JV unless it is going to benefit both businesses and providing that the selling story behind that comes out then everybody should see it very positively, it’s a question of whether the information is slow to come out or gets distorted in the communication channels, and people begin to get nervous and it is absolutely vital that communications are in place at the start of the JV but also through out the lifetime of the JV as well”.

In the dialogue with the partners of IJVE it emerged that effective communication between the partners is very important especially at the start of the JV, as well as

through the lifetime of the JV, and that the use of ICTs has led to improved communication channels in the IJV. However, they were unsure that the use of ICTs had affected IJV performance.

The UK partner felt that the culture of the parent companies and a common strategy were factors that could influence the performance of the IJV. The Dutch partner felt that common objectives and a common strategy were the main factors that affected IJV performance.

Both the UK and Dutch partner thought that it was difficult to measure whether the use of ICTs had affected IJV performance in terms of achieving objectives, profits, market share or growth.

(IJVE UK):

“It could be argued that communication has helped our sales people to communicate better, because people are exposed to technology there is never a reason for employees not to understand what the product portfolio is for both parties and joint development plans because all that information should be available 24 hours a day and updated, and having that information is a great help to a JV”.

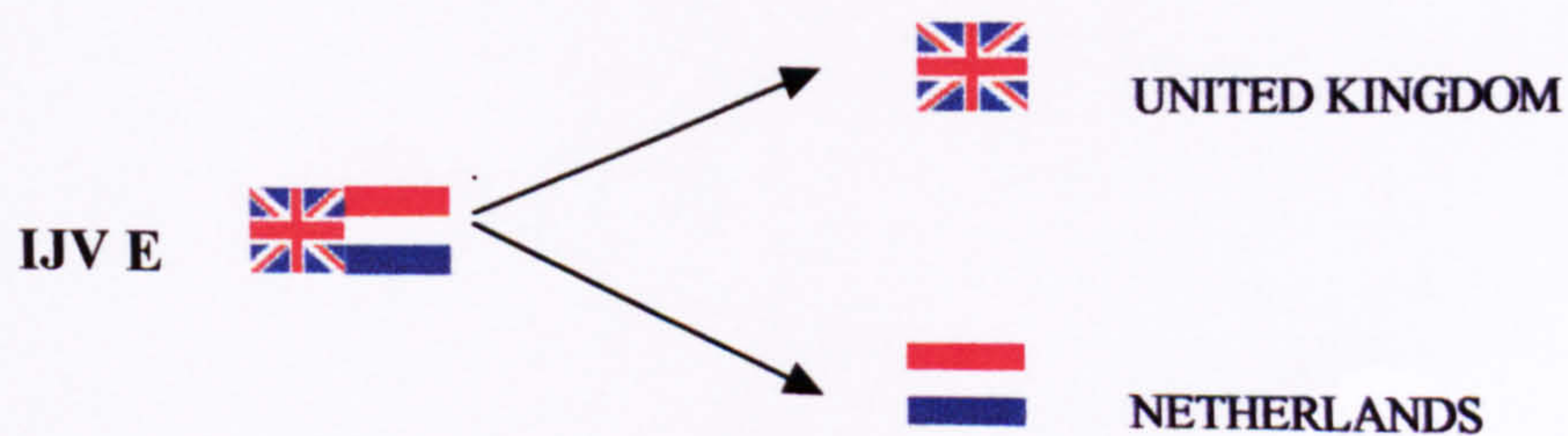
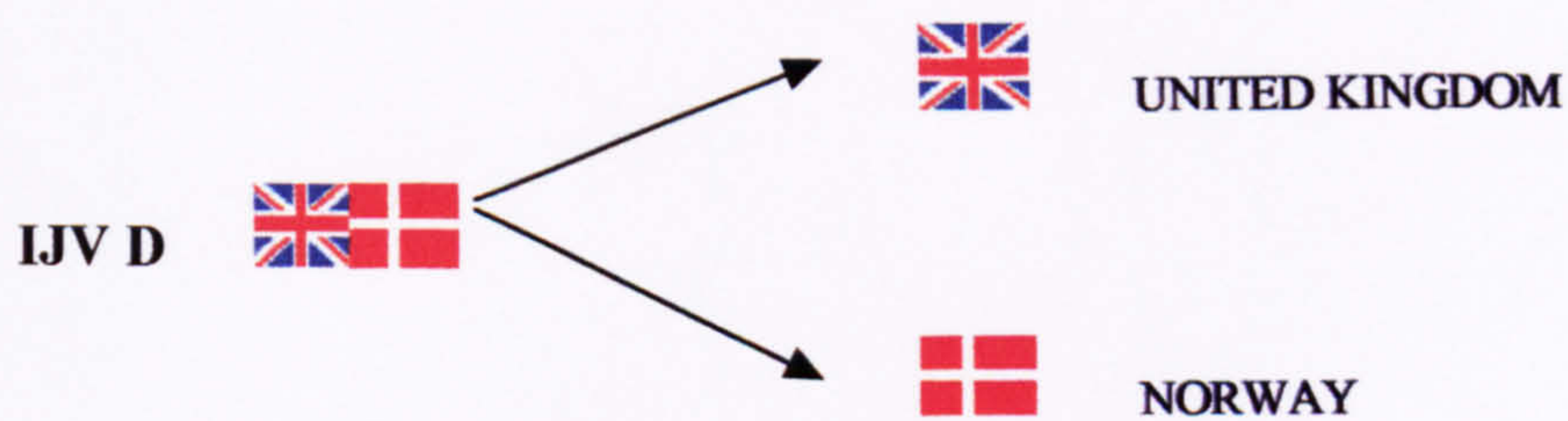
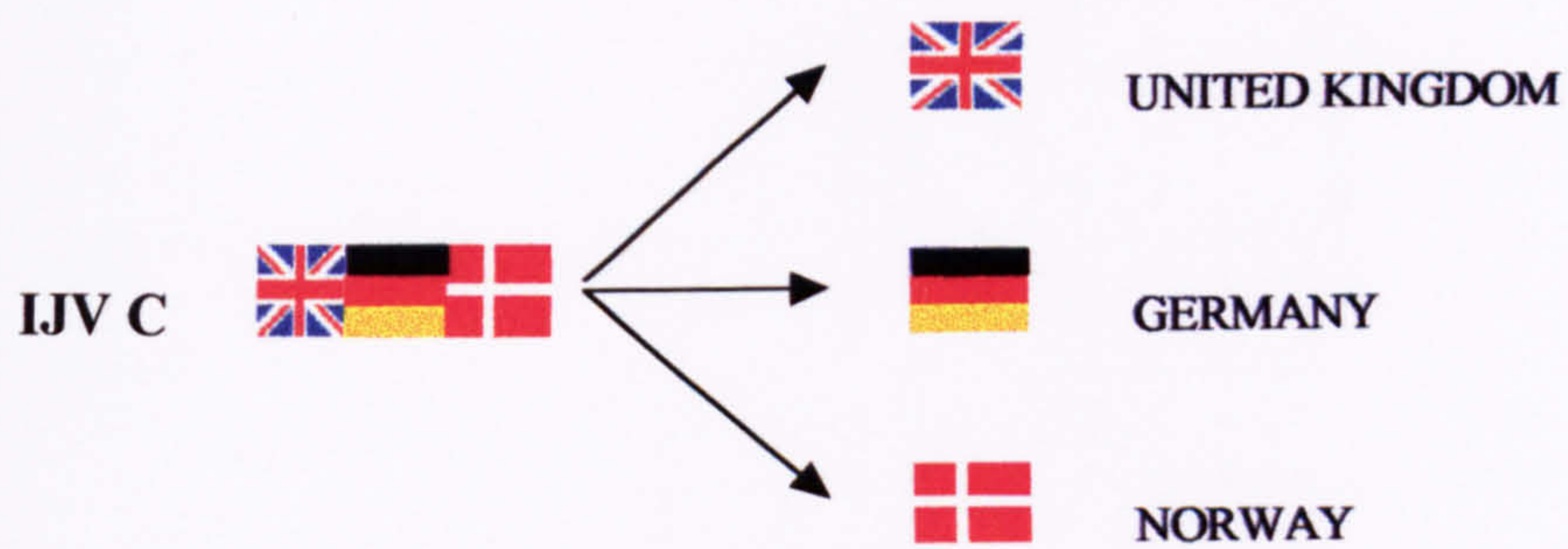
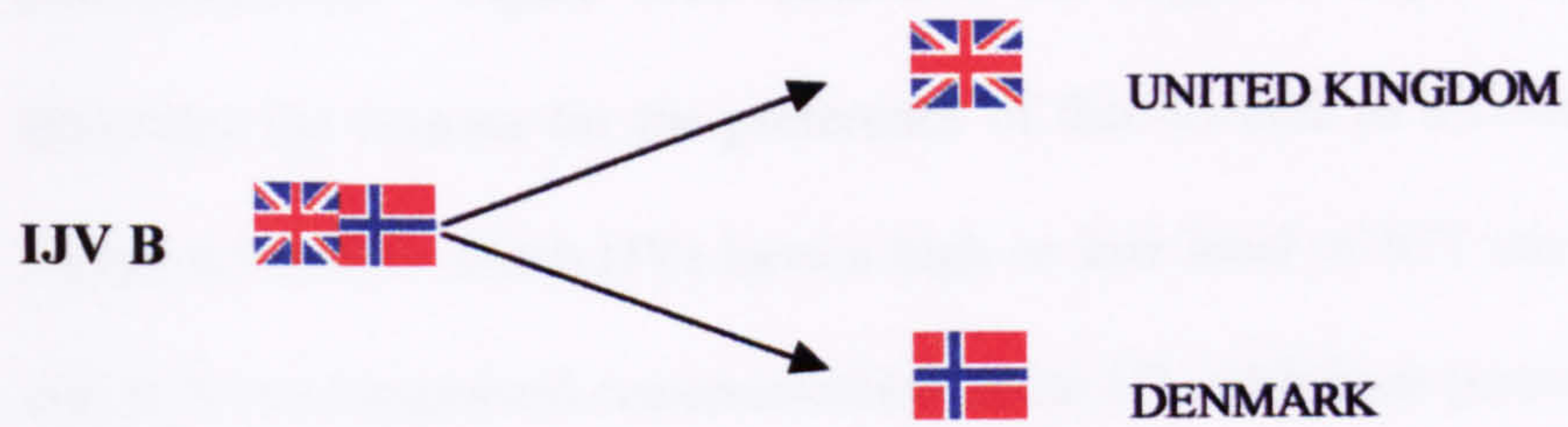
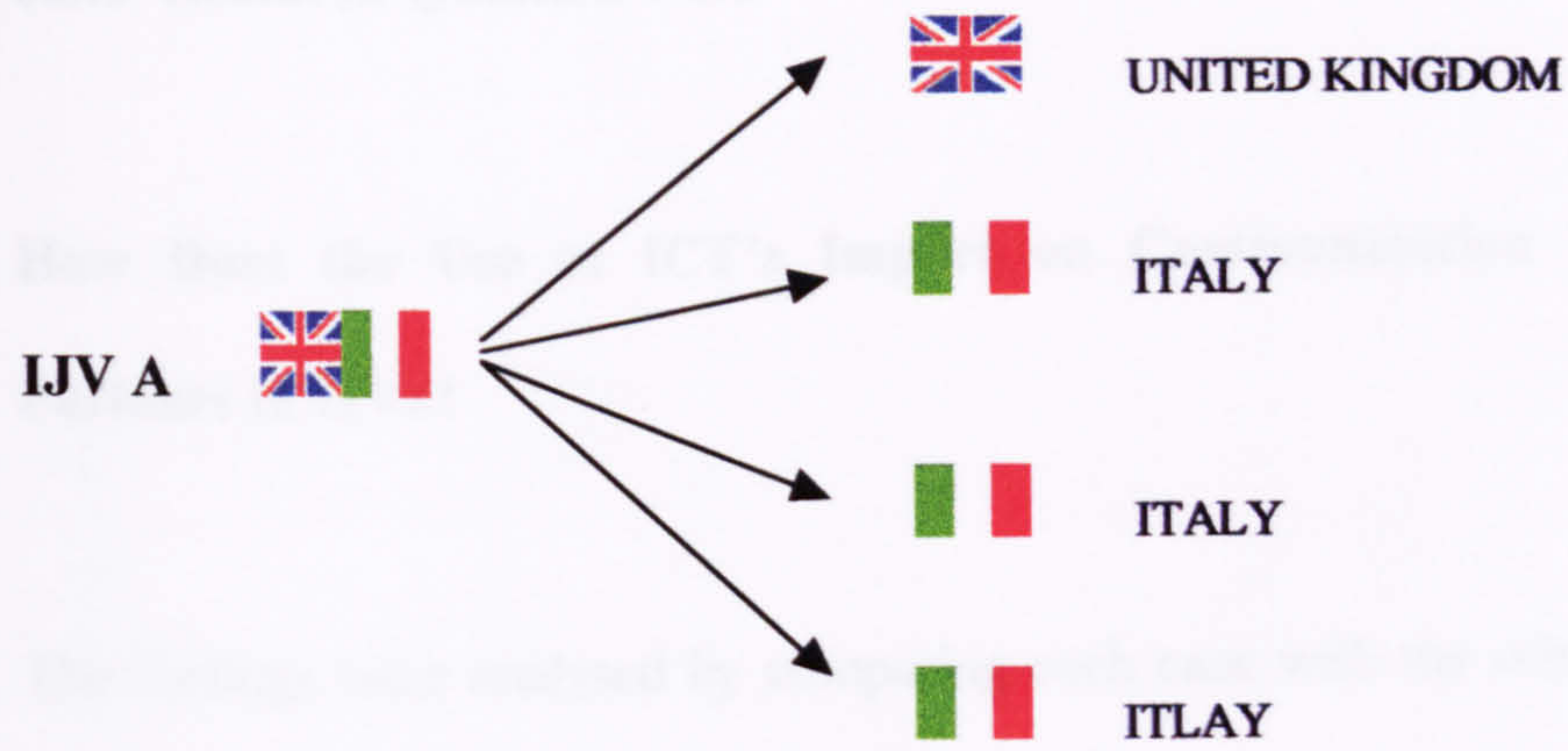
He also commented that he thought the use of ICTs within a company can result in cost savings and that there is an opportunity to increase profits and sales through people seeing information on a web page.

“IT has without a doubt led to cost savings and I would say that the most spectacular part of the profits growth come from IT in terms of our product development capabilities and not so much for communication”.

The Dutch partner was not sure if the use of ICTs had affected the performance of the IJV in terms of achieving its objectives, profit, market share or growth.

6.3 Cross Case Analysis

For the purpose of cross case analysis each IJV is represented by the flags of the partner nationalities. A key has been formulated to represent the IJVs from which the respondents originate and is as follows.

KEY

6.3.1 Research Question No.1

How Does the Use of ICT's Impact on Communication Channels between Partners in IJVs?

The findings were analysed by comparing each case with the others. The cross-case analysis is illustrated in Figure 6.1a which describes the impact of ICTs on communication. Figure 6.1b describes the negative impact of ICTs. Figure 6.2 illustrates the reasons for the preference of face-to-face as a communication medium. Figure 6.3 shows which IJVs have a high or low level of ICT use and which IJVs felt that ICTs had improved communication in the IJV with their partners.

FIGURE 6.1a CROSS - CASE ANALYSIS

THE IMPACT OF ICTs ON COMMUNICATION CHANNELS WITHIN IJVs

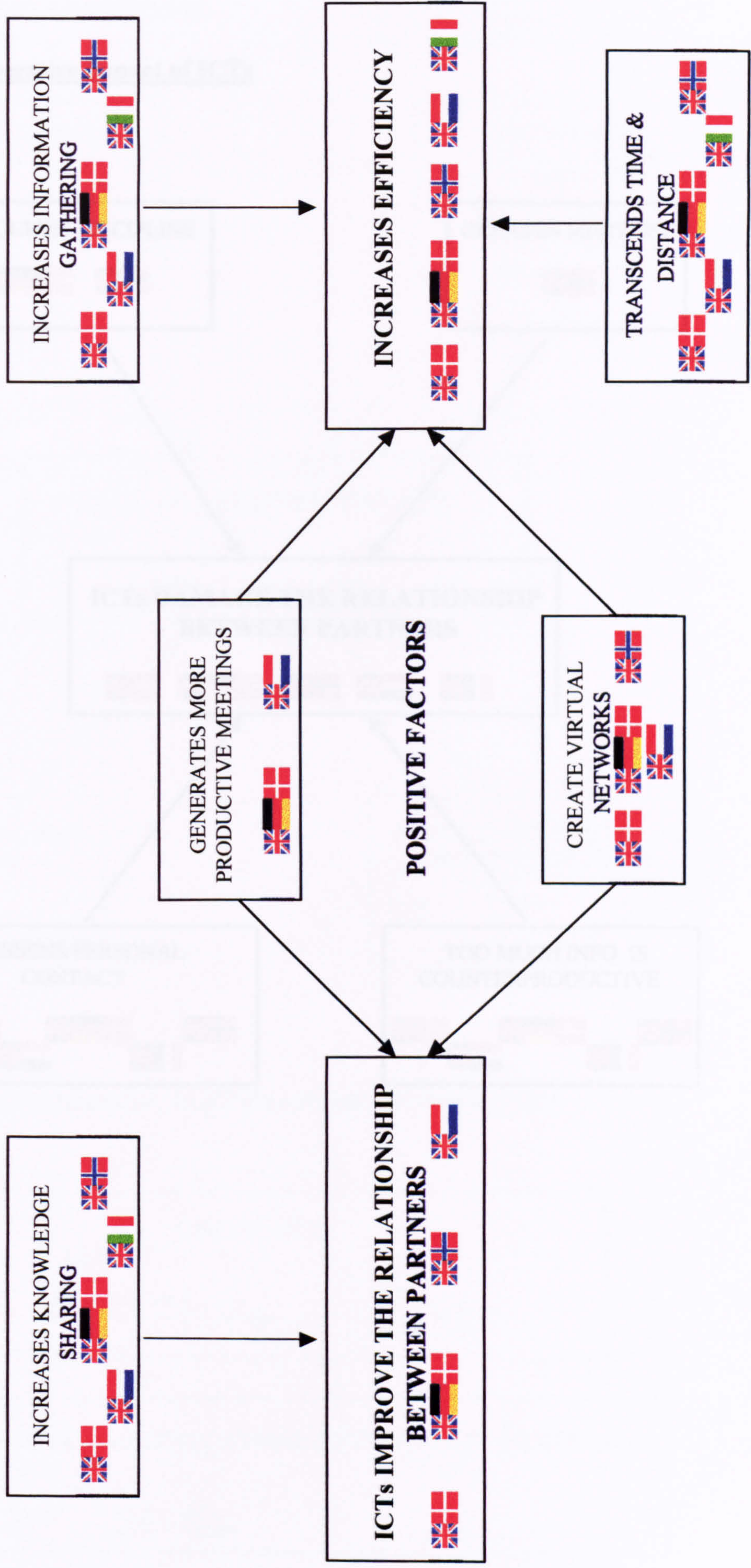


Figure 6.1b Negative impact of ICTs

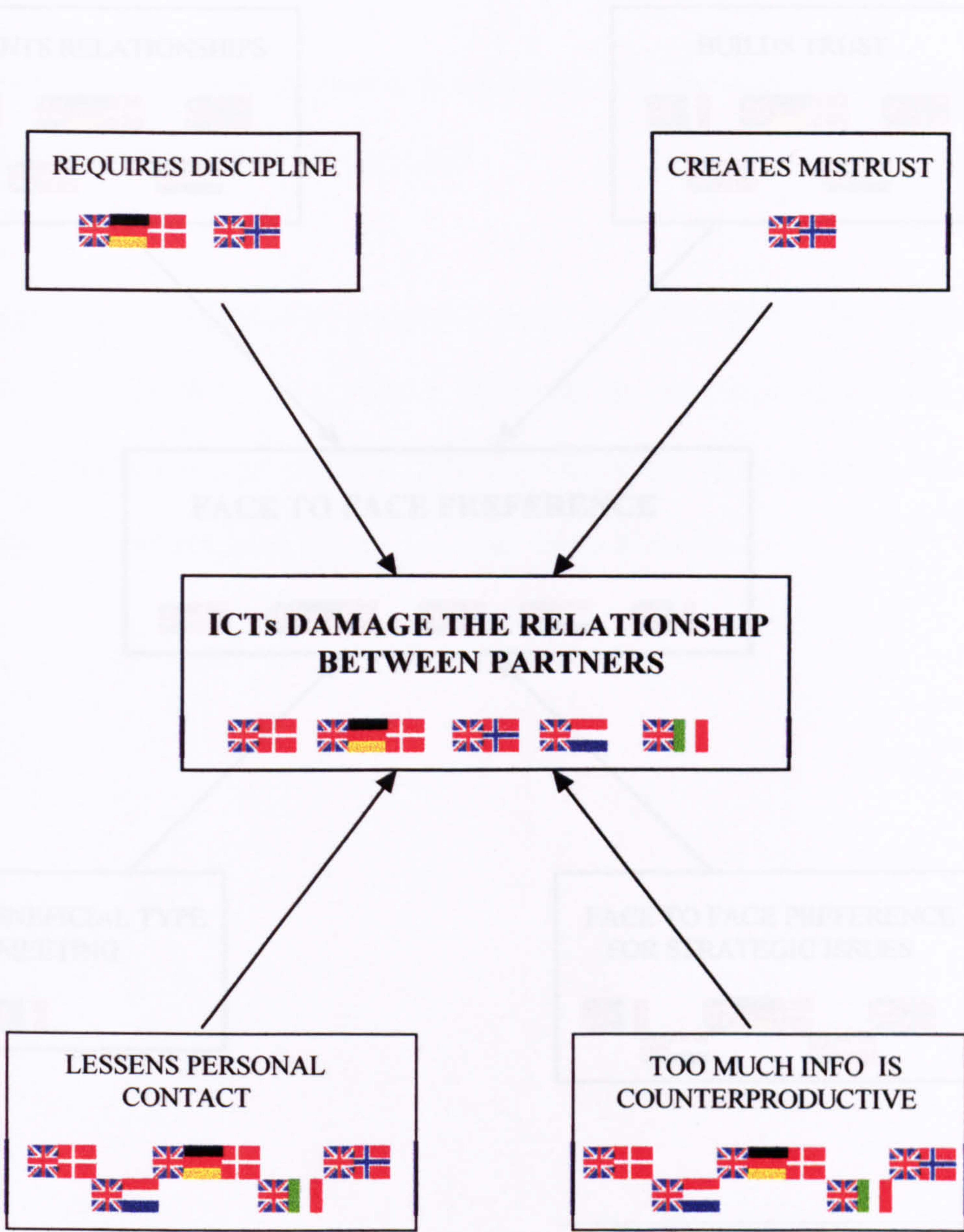


Figure 6.2 Reasons for face to face preference

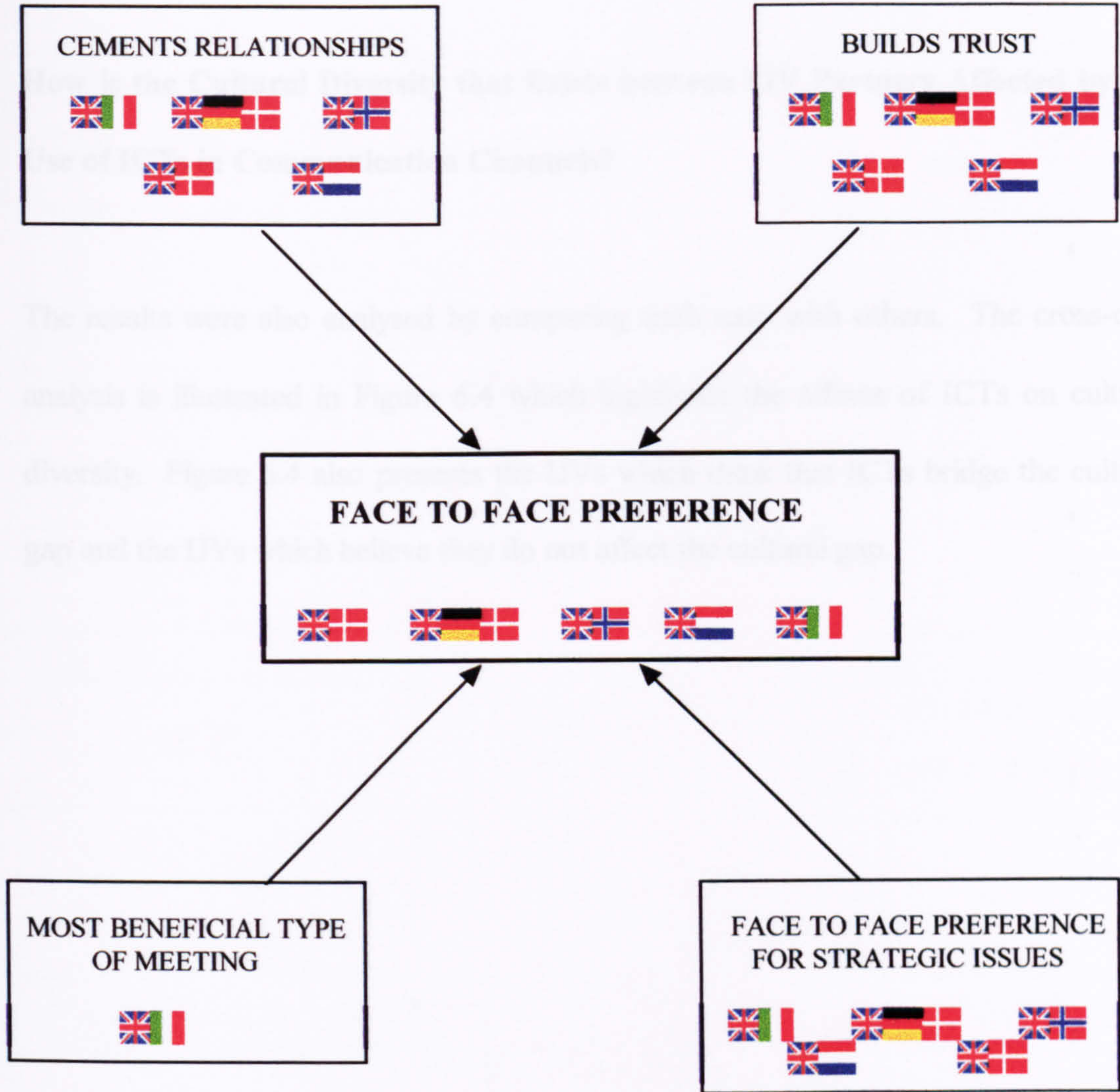
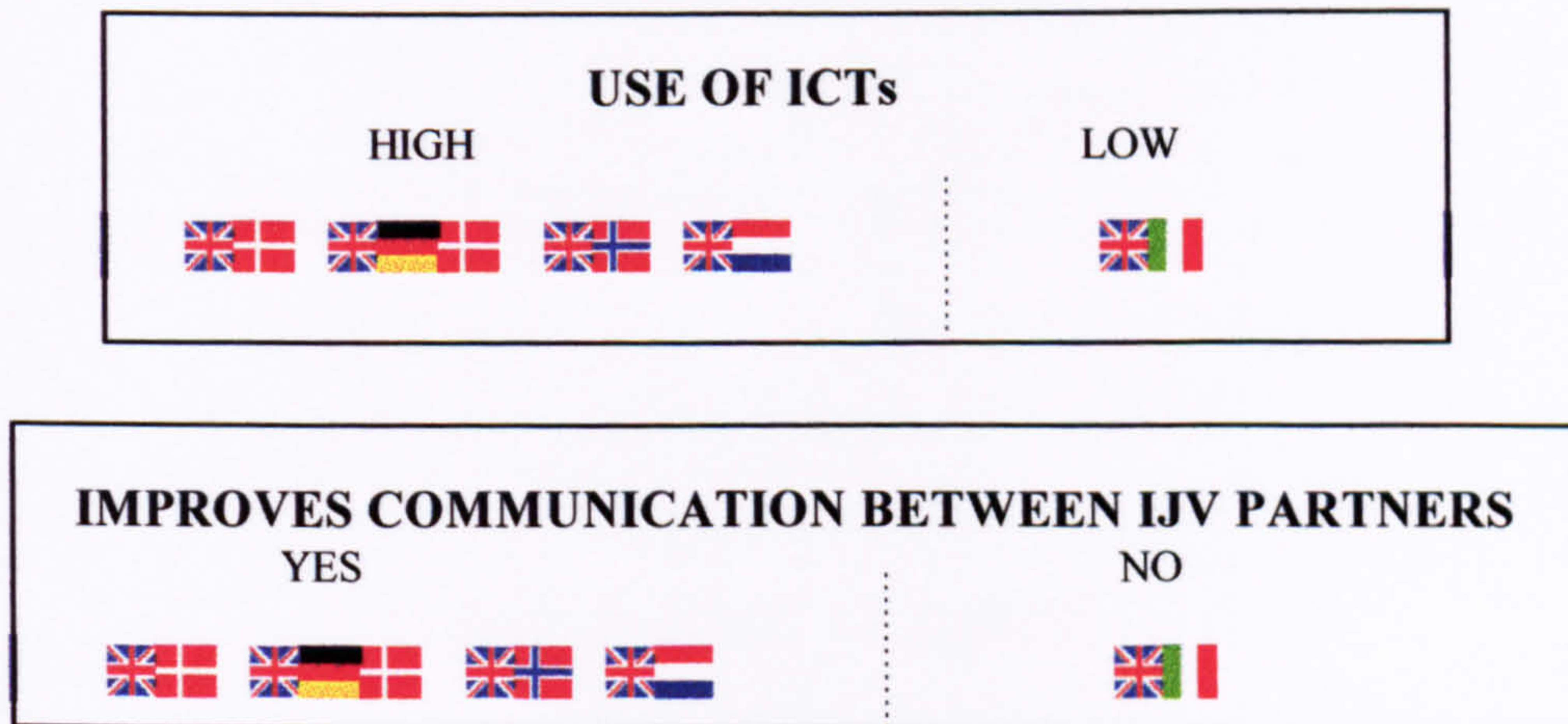


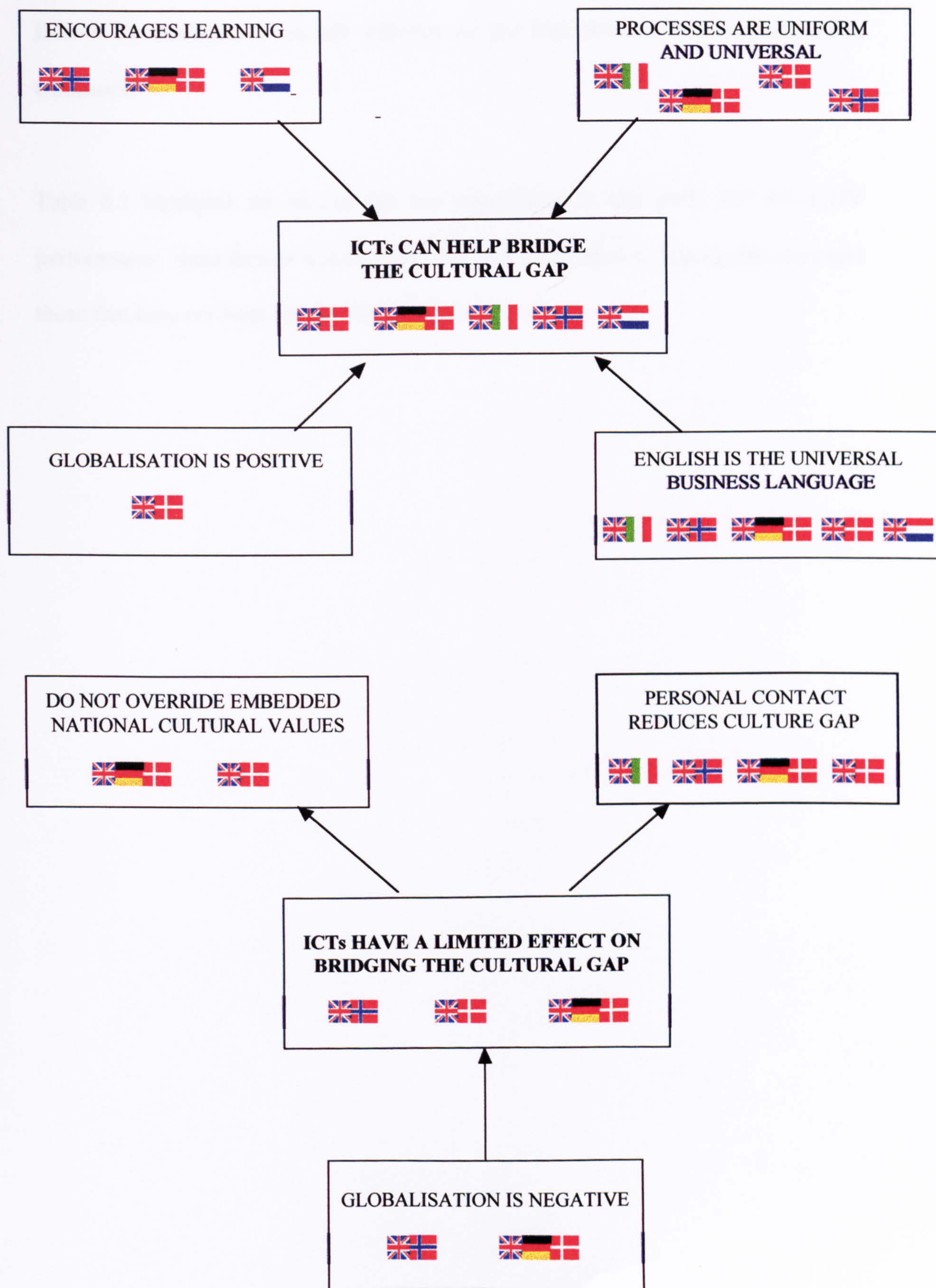
Figure 6.3 The relationship between the use of ICTs and improved communication



6.3.2 Research Question No.2

How is the Cultural Diversity that Exists between IJV Partners Affected by the Use of ICTs in Communication Channels?

The results were also analysed by comparing each case with others. The cross-case analysis is illustrated in Figure 6.4 which highlights the affects of ICTs on cultural diversity. Figure 6.4 also presents the IJVs which think that ICTs bridge the cultural gap and the IJVs which believe they do not affect the cultural gap.

FIGURE 6.4 CROSS - CASE ANALYSISTHE EFFECTS OF ICTs ON CULTURAL DIVERSITY

6.3.3 Research Question No.3

How is Performance of an IJV affected by the Use of ICTs in Communication Channels?

Table 6.1 highlights the factors that the respondents in this study feel affect IJV performance. these factors include those that have been cited in existing literature and those that have not been cited in the literature.

Table 6.1 Factors cited by respondents that affect IJV performance

	IJVA				IJVB		IJVC			IJVD		IJVE	
	UK	It	It	It	UK	Dk	UK	Gm	No	UK	No	UK	Dt
Factors cited in the literature													
common set of goals/ objectives	✓	✓	✓	✓	✓			✓	✓	✓		✓	✓
integration of corporate culture													
trust	✓	✓	✓	✓	✓	✓		✓	✓	✓		✓	✓
size								✓					
stability	✓	✓	✓	✓	✓			✓	✓				
degree of control		✓	✓	✓	✓	✓					✓		✓
number of partners	✓	✓	✓	✓	✓			✓		✓			
task complexity				✓				✓	✓				
compatible partners	✓				✓			✓		✓			✓
partners with related /unrelated business				✓									
complimentary skills	✓	✓	✓	✓		✓		✓	✓	✓		✓	✓
sharing information	✓			✓		✓		✓	✓			✓	✓
communication	✓	✓	✓	✓	✓			✓	✓	✓		✓	✓
Factors not cited in the literature													
common vision	✓	✓	✓	✓				✓	✓		✓		✓
unique corporate culture	✓				✓			✓	✓				✓

6.4 Discussion - Proposition No.1

The Use of ICTs Leads to Improved Communication Channels between Partners in IJVs

By reviewing the data common themes have emerged and it is these that will now be discussed. There are both positive and negative connotations to the impact of the use of ICTs on communication between IJV partners. The positive aspects can be divided into two main categories i.e. an increase in efficiency and an improvement in the relationship between IJV partners. Factors that lead to an increase in efficiency have been cited by respondents to include a reduction in time and distance barriers, an increase in information gathering, creation of virtual networks, an increase in knowledge sharing and a generation of more productive meetings. It is a combination of these factors that leads to an improvement in the relationship between the IJV partners.

The negative aspects can also be divided into two main categories i.e. that the use of ICTs can damage the relationship between IJV partners and that preferences for face to face contact exist among the respondents. Factors that have led to a preference for face to face contact have been cited by respondents to depend on the issue at hand, its benefits in meetings and its capacity to build trust and cement relationships. Factors that can lead to damage in the relationship between IJV partners as a result of using ICTs have been cited by respondents as being a reduction in personal interaction, the creation of mistrust, that excessive information can be counterproductive and the requirement for discipline in the organisation.

Reviewing the data from each of the respondents both from individual IJV's and from cross comparisons it can be seen that in terms of efficiency, the advantages that ICT's bring was universally agreed upon.

It is also clear that, when looking at the nationalities of the different partners, the readiness to embrace new communication technologies differs.

From the results it is possible to distinguish the levels to which ICTs are utilised in all the IJVs. IJVA, consisting of one UK partner and three Italian partners reflects an organisation that has very limited use of ICTs. Although all the partners were aware of and agreed upon the advantages that ICTs can bring, the reluctance of all the Italian partners to use new technologies in communication of any sort meant that there was no real incentive for the UK partner to employ further use of ICTs. In contrast, IJVB exhibits a different tendency, one which uses ICTs extensively and with enthusiasm. Here both the UK and Danish partners felt comfortable with the medium and utilised it at every opportunity at all levels, and in fact, saw it as essential to every facet of the organisation. The remaining IJVs i.e. IJVC, IJVD and IJVE reflect organisations that use ICTs to a moderate extent. These joint ventures consist of a UK company with partners from Norway and Germany (IJVC), Norway (IJVD), and the Netherlands (IJVE).

6.4.1 Positive Factors

Efficiency

All the respondents interviewed cited efficiency gains as being a major advantage of ICTs in terms of overcoming time and distance barriers, promoting knowledge sharing and acquiring information, thereby improving the communication channels between partners essentially by speeding up these processes.

This is consistent with the view of Hammer and Mangurian (1987), who in their model suggest ways in which technology can impact on or within organisations. They divide the potential impact of IT into three areas namely, i) compression of time, ii) overcoming the restrictions of geography, and iii) organisational relationships.

Reduction in Time / Distance Barriers

(IJVE UK):

“It creates real time information, available at any time of the day. It overcomes the time zone and you can work to your advantage when you are working with other companies effectively”.

ICTs allow the limitations of time and geography to be overcome within the IJV relationship and this view has been supported by all the respondents in this study. The use of ICTs reduces the time required to perform certain business processes of which information transformation is a part.

ICTs can significantly reduce the information float i.e. the time taken which transpires during which business cannot be conducted because of the need to process information

(Naisbitt, 1982). ICTs in this way facilitate direct and reliable means to exchange information.

(IJVA UK) stated that:

“you know what you are sending will get there”.

Generation of more productive meetings

Some respondents (IJVC and IJVE) claimed that efficiency gains were obtained when using ICTs such as e-mail to exchange information or seek information about data, analyses or reports that might be required in a meeting. This allowed the meeting to be more productive since people were better prepared and informed, this therefore increased the quality of the meeting.

Therefore, not only do ICTs bring efficiency gains but also greater effectiveness. ICTs can enhance the qualitative aspects of business as well as quantitative.

(IJVC Gm) states that ICTs are beneficial because:

“people go to meetings better prepared and have more productive meetings”.

Thus the potential business value of ICTs comes not only from increased efficiency but also from greater effectiveness, such as improved management by providing relevant information so better decision making is made possible. This is also consistent with the view of Hammer and Mangurian (1987).

Information Acquisition, Knowledge Sharing and Learning.

ICTs such as the Internet are an excellent medium for collecting information about competitors. According to Pawar and Sharda (1997), the Internet can play a key role in providing external information for strategic decisions. Several studies have shown that the effective management of information can be a powerful source of competitive advantage. The integration of Internet access with internal information sources can provide an organisation with the type of information infrastructure, part of an enterprise wide web (Masaki et al, 1995) which will support the knowledge gathering activities of a knowledge creating organisation.

(IJVC UK):

“it easily creates a sink of information that people can access and it’s much easier to interrogate than traditional means of information”.

Essentially these processes have been enhanced by the speed of acquisition that ICTs bring and therefore the ability to access this ever growing volume of information has increased business effectiveness (Sprague & Watson, 1996).

Another advantage of using ICTs highlighted by respondents is that of effective information search and retrieval which also has a direct impact on knowledge sharing between the partners. The very nature of the virtual organisation lends itself to greater information sharing across global boundaries, and since IJVs by their very nature consist of two or more entities of different nationality and location co-operating for mutual benefit, they lend themselves to adopting new technologies to enhance learning and information sharing across global boundaries.

(IJVC No):

“It promotes knowledge sharing, the key issue is trying to have a close relationship with the partners so you all three can benefit from the partnership, you have access to a lot of information that you didn’t have before and it is more updated than before”.

Access to organisational knowledge and learning has been cited as a rationale for forming IJVs. Hamel, Doz and Prahalad (1989) emphasise the importance of learning in alliances and that learning is the mechanism by which competitors learn from each other to either obtain parity they did not have initially, or to prevent any loss of parity once it has been achieved.

Firms can also use alliances to deepen their knowledge and experience base by extending their existing core competencies and skills into new or unrelated areas. Lei and Slocum (1992) suggest that firms must regard their source of sustainable competitive advantage to be their capability for learning and improving their skills. Over time the direction and flow of knowledge skills across partners is a significant indicator of each partner’s strengths as well as the alliance’s likely evolution.

The Virtual Organisation

ICTs have the ability to alter the structure of internal and external relationships.

Respondents commented on how the use of ICTs had enabled the IJV to become one that is “virtual”. Respondents (IJVB, IJVC, IJVE) all recognised this as being an advantage especially in an IJV where partners are geographically dispersed. The use of ICTs enabled the organisation to be linked together and as a result this would lead to the IJV operating more effectively as it would allow individual people to transcend geographical and time boundaries.

One respondent gave an example (IJVB UK):

“I mean we’ve just run a big deal in the States where the big manager is based in Newcastle, the consultants are based here and the accounts manager is based in Ohio and they pull together, won a huge bid to one of the worlds largest IT companies and that was almost entirely done using facilities of the Internet and the Intranet...it enables you to flatten structures and create virtual organisations, it enables you to work more effectively across borders and functional boundaries which is the organisation of the future where function and structure doesn’t matter because there is a framework to enable people to do things with customers and IT is fundamental to that”.

All the respondents agreed that ICTs provide the IJV with organisational flexibility and allow individuals to work in a variety of locations, this has been suggested by many researchers (Cronin, 1996; Boudreau, Loch, Robey & Straud, 1998).

The example of a virtual team was discussed by IJVC in a case where most of the communication between experts across Europe was achieved electronically enabling task adjustments to be successful.

(IJVB UK):

“IT means being able to do things they do in the office whether they’re in the car, at the airport, in the departure lounge or in the hotel, that’s very important, it’s fundamental, they couldn’t operate without it”.

These characteristics of a virtual organisation cited by respondents are similar to those of Cronin (1996), Boudreau, Loch, Robey and Straud (1998).

6.4.2 Negative Factors

While all the respondents acknowledged the positive benefits of using ICTs they were also aware of the disadvantages of using ICTs. The main deficiencies of focusing communication through the use of ICTs highlighted by the respondents included, a

reduction in personal contact, creation of mistrust, the requirement of discipline and that the time taken to acquire relevant information can be counter-productive.

Counter-Productiveness of Excessive Information

All the respondents agreed that there was a huge advantage in having access to large amounts of information but that excessive information could be counterproductive.

As one respondent stated (IJVB UK):

“it comes with its own health warning and that is about organisational dysfunction, personal agendas, junk time, you can't claim something saves you enormous amounts of time if you spend the whole morning sifting through the information you've been sent”.

This could lead to a decrease in efficiency in the information acquisition process due to the extra time taken in an inappropriate search. It can also lead to distraction away from the task thereby losing focus and time.

The increasing volume of information can be counterproductive. Access to vast amounts of information and then sharing it can, in itself be detrimental as time is lost in searching and also by spreading information to those who may not need to read it, all of which results in constricting constructive dialogue.

A respondent stated, (IJVB Dk):

“when you are using this mode of sophisticated communication ways it can create misuse if you don't pay attention. Too much information is counterproductive, it's a risk”.

Another respondent commented (IJVB UK) that:

“people say things in an e-mail that they would never say face to face, human characteristics that can be damaging within organisations and that management needs to be aware of it and be cautious”.

Requires strong discipline

(IJVB UK) stated:

“Strong discipline is required within organisations to get the best from it and to avoid the worst from it...in the same way it increases accessibility and enables information sharing, it also increases volume and enables escalation”.

This is consistent with the view of Corbett and Thatcher (1997) who argue that ICTs can increase the practice of monitoring employees and that ICTs such as e-mail, the Internet and Intranets can be counterproductive if proper management is not used.

Despite ICTs increasing accessibility and promoting knowledge sharing it also increases volume and leads to the misapplication of ICTs by the spreading of irrelevant information which was noted as another disadvantage.

Respondent (IJVC UK) supports this view:

“ if there’s a temptation to send an e-mail or communicate using the Internet there’s sometimes the tendency to raise an issue with an individual but also copy three or four people on it as well. I think that can cause problems”.

Reduction in personal contact

(IJVC Gm):

“ICTs are an add on. For me it’s one more channel to use, but with ICTs you do not have the personal touch”.

Here it can be seen that another important issue became apparent and that was that there was a danger of people relying too heavily on the use of ICTs which all the respondents emphasised could be a major disadvantage, that is, the use of ICTs could lead to a reduction in personal contact.

According to one respondent (IJVB UK) ICTs are:

“a major barrier as well as an enabler...it stops people talking to each other and that’s very bad”.

Comments similar to this were emphasised by all the respondents:

(IJVB Dk):

“a danger is that people would use e-mail without communicating enough, without speaking enough really, e-mail is a fantastic tool to push or pull information but it can be a dangerous tool when people believe because they’ve sent an e-mail they’ve done their job”.

ICTs in this sense constrain language and users may take short cuts in their correspondence with colleagues missing out vital information that would probably have been conveyed if using the telephone or by choosing to meet.

Also, using ICTs foregoes the non-verbal communication which a face to face meeting will provide. Personal contact allows immediate responses to be heard and can provide a greater certainty that both parties have been understood.

(IJVD UK):

“Face to face is much better. You can see the body language, the lines on the face, you get far more depth of understanding of what the other person is thinking, especially when you’ve got a language and cultural barrier to try and get through - so it’s better to see them face to face”.

Through further discussion with respondents it became apparent that the main reason why they felt using ICTs could lead to a reduction in personal contact and, in turn, a negative impact on the relationship between the IJV partners, was because it could decrease the level of trust between the partners. ICTs lack non-verbal cues and emotions which are important elements in the building of trust (Wigand et al, 1997; Alexander, 1997). Both verbal and non-verbal messages are necessary in order to

communicate and build trust (Handy 1995; Fuehrer & Ashanasy, 2001). Face-to-face communication is the most effective way of building trust (Nohria & Eccles, 1992; Grundy, 1998).

Creation of mistrust

(IJVB UK):

“In one IJV, IT was the principal form of communication and the relationship was not particularly trusting, evidence showed that it built an atmosphere of mistrust. It is important, but in IJVs and complex relationships I would say it is a poor substitute for personal contact. On the Richter Scale of how important it is, less than 10% in my view and how much of a barrier it is, well it could be 60 or 70% in the wrong hands”.

This is similar to the view held by Weick (1984) who argues that ICTs exclude sensory information, feelings, intuition and context. If ICTs are to be effective there must be some level of confidence that the parties are really communicating. This confidence comes from sensory information, feelings and context all of which require personal interaction.

All respondents agreed that ICTs could support or supplement a certain level of trust between the partners of the IJV but that it could not in any way be a substitute for personal contact.

6.4.3 Media Utilisation

All the respondents asserted that the use of ICTs had improved, encouraged and supported communication between the partners. This is consistent with the view of many researchers (Fulk & Boyd, 1991; Adams, Todd & Nelson, 1993) who have argued that the use of ICTs can increase the amount of communication between

individuals and that they can increase the efficiency of information transfer between individuals when they are geographically separated (Nonaka & Nocosia, 1979; Porter & Millar, 1985; Straussman, 1985; Fulk & Boyd, 1991; Adams et al, 1993; Talvinen, 1995; Verity, 1995; Cronin, 1995; Hamill, 1997).

However, respondents commented that their choice of utilising ICTs would depend on the message to be conveyed.

Preference for face-to-face communication

Respondents stated that they utilised ICTs at a daily working level such as making appointments, gathering information etc. but, for more important decision making activities involving strategic issues these would be carried out by face to face communication. There is a hierarchy of tasks and also of decision making to which the respondents then allocated the communication media of their preference. Therefore, the respondents were obviously making choices as to which form of medium they would use according to the message that they wished to convey.

The results indicated that respondents had certain preferences for either ICTs or face to face communication depending on the issue being communicated.

(IJVB Dk):

“people are better informed because it is faster, you can access more information, but at the end of the day for the very important decisions and the typical issues that are touching the company, looking at management changes and all that, information is a must but is not really sufficient to make the decision. I exchange a lot of information with partners but at the end of the day we still have meetings to decide the important issues”.

(IJVC UK):

“the issue of trying to keep things as compact and as tight, means you may not make yourself absolutely clear in terms of what you mean particularly if you are dealing with people who are not English speaking”.

Media theory suggests that individuals choose media through a matching process (Trevino, Daft & Lengel, 1987). This matching involves assessing the requirements of the particular communication task at hand and selecting a medium with communication capabilities that match these requirements. Efficient communication takes place when the match is perfect. According to the social presence theory, communication is efficient when the medium selected has a social presence level that matches the level of interpersonal involvement for the task. Highly involving tasks are best completed using high social presence media e.g. face to face which can also be referred to as “rich” media. Similarly, media with less social presence e.g. e-mail, is optimally efficient for simple information exchange tasks, which can be referred to as “lean” media.

As discussed in Chapter Three communication media e.g. e-mail or face to face can be characterised as “rich” or “lean” based upon their capacity to facilitate shared meaning (Trevino, Daft & Lengel, 1987). “Rich” media have the highest capacity to facilitate shared meaning, “lean” media have the lowest. Media can be organised into a richness hierarchy.

Face to face is considered to be the richest communication medium because it allows immediate feedback, has the capacity to provide multiple cues, communication in natural language and can be highly personal. A message is conveyed more fully when personal feelings and emotions infuse the communication.

From the information richness theory perspective, the criteria for media choice is message ambiguity. Ambiguous tasks should be completed using “rich” media, while unambiguous tasks require “lean” media. So, managers select media whose richness matches the ambiguity of the communication task (Trevino, Daft & Lengel, 1987). Trevino et al. (1987) also include additional factors, contextual determinants such as geographical separation between communication partners that may constrain which media can be employed.

6.4.4 Trust

All the respondents in this study raised the issue of trust and its importance in a relationship such as an IJV. Trust is an important element of interfirm relationships and is essential for the development of partnerships (Moorman, Zaltman & Deshpande 1992; Morgan & Hunt, 1994). What seems to emerge from the data is that the level of trust that exists between the partners is affected by the type and frequency of communication. Contractor and Eisenberg (1990) suggest that communication technology’s functionality is altered by the process of use by people.

(IJVB Dk):

“It’s a question of trust, when the JV is successful, when it has survived, there is a good relationship the trust level between the two parents increases a lot and then the dialogue starts to increase as well in terms of quantity and quality. Trust is a very important issue”.

Trust has been highlighted as an important element in all the IJVs in this study and the level of trust grows as a result of the interaction between the partners. According to Blau (1964) one of the most important outcomes of exchange is the creation of trust

within and between firms. According to Hakansson and Snehota (1995) a set of business relationships can be referred to as a business network, in which firms can learn, through the social exchange process over time, to co-operate and co-ordinate their activities.

In order for an adequate level of trust to be maintained in the IJV respondents felt that this would be achieved through face to face contact especially for important strategic decision making. All respondents did not think that the same level of trust could be obtained by communicating through ICTs. The absence of non-verbal communication in ICTs means that they are limited as trust building is difficult to achieve (Wigand et al, 1997; Alexander, 1997).

(IJVE UK):

“If you want to talk to someone and you want to shake their hand or you want to look at someone in the eye and you want to make sure they understand exactly what you are saying then I don’t think you can beat face to face communication”.

One respondent recalled a situation as an example to highlight the above (IJVB UK):

“People are realising that we’ve created this virtual organisation and that is enabled by IT, it is very important, but if you don’t speak to people the personal contact dies and you start second guessing them. We’ve noticed here if we have people in Singapore or in Hong Kong or in the US or in Australia then there is a tendency here to second guess what they are doing and that is not helped by e-mail actually, the way to avoid that is recognising it, and saying well we wouldn’t have done it this way and phoning them up and saying what the hell is going on, and the only way to avoid that is by listening to them verbally, so you get the verbal information of the issue and supporting them and we’ve made significant mistakes both in JVs and outside because we relied too much on the written or the screen and responded on screen...personal contact is very important. E-mail can supplement it. IT can supplement it but if you use it as a substitute that can be disastrous in any set of relationships”.

It is clear from the data that there was a clear preference amongst all the respondents for face to face communication namely because it increased the level of trust between the partners and in order for a relationship such as an IJV to perform well, trust was paramount. Although trust exists between individuals, it can be extended to exchanges between organisations such as IJVs because interorganisational relationships are managed by individuals in each organisation (Bradach & Eccles, 1989; Hosmer, 1995).

(IJVC UK):

“I would do a lot of communication face to face rather than through the Internet because I think for a JV to succeed you have to have the relationships”.

This similar view was expressed strongly by some respondents more than others.

(IJVD UK):

“Some people say that virtual video conferencing will replace face to face conferencing, rubbish, you cannot form relationships with JV partners without getting to know their wives, their families etc. and you’re never going to replace the person to person role and the familiarity of knowing someone personally...face to face is much better. You can see the lines on the face, you get far more depth of understanding of what the other person is thinking, especially when you’ve got a language and cultural barrier to try and get through - so it’s better to see them face to face”.

It is evident from the results that there is a link between trust and communication. The need for frequent and effective communication between partners involved in an IJV relationship has been stressed as important and related to this is the issue of establishing a degree of trust between the partners, this being regarded as a critical ingredient in the continuation and effectiveness of the IJV relationship. This is consistent with the view of many researchers such as Moorman, Zaltman and Deshpande (1992), Morgan and Hunt (1994) Madhok (1995) and Hosmer (1995).

(IJVB UK):

“Personal relationships are built on trust, on talking to each other and regular contact. This JV has an excellent relationship because both organisations have a similar cultural view of the world and both organisations at the director level get on well, so, when we do meet up on a quarterly basis and we probably have a couple of audio calls in between it makes it easier to address issues and problems that the IJV itself might have”.

The level of trust increases as a result of frequent communication.

Several authors mention trust as an important element in relationships in general and in IJVs (Kogut, 1989). It is very important that a certain level of trust exists between the partners. Trust is the product of communication and the openness in the relationship to share important information (Inkpen & Birkenshaw, 1994). Conflicts, however, have a negative effect on trust in a relationship and increase the potential for opportunistic behaviour. Trust in IJVs is an important deterrent to opportunistic behaviour (Axelrod, 1984; Beamish & Banks 1987; Bradach & Eccles, 1989; Parkhe, 1993), however, if trust is embedded in the relationship, opportunistic behaviour is unlikely to occur as partners will favour the long term interests of the partnership (Axelrod 1984; Beamish & Banks, 1987). Trust is also considered as a substitute for ownership control when ownership control is not strategically or economically feasible. In equity based IJVs where formal authority structures based on ownership are used to maintain contractual obligations, trust-based interorganisational exchanges rely on the mutual interests of the partner firms (Bradach & Eccles, 1989).

6.4.5 Building Relationships

A good personal relationship is another important element in an IJV. The partners are willing to invest in a personal relationship with the other IJV partners. There is time

for social events where the partners can talk to each other in an informal way. This enables the partners to have the opportunity to learn about the other members which increases the level of trust and also differences in opinion between the partners can also be discussed in an open manner.

For instance one respondent (IJVA UK) stated:

“Part of my job is to spend time with our partners almost for no reason, I mean there is a reason why I would go and see them but part of it is just being able to talk about things and suddenly you know, things will come up and they feel that they know me and trust me, and I feel like I know them and trust them. So that’s part of my job. So, if you asked me what came out of that meeting I’d say well, actually nothing tangible we just spent an hour together talking about general business issues we didn’t make any particular decisions”.

Another respondent (IJVB UK) stated that:

“I go and see him once a month, I go and spend the afternoon with him for an hour, then we go and meet some of his people we go out for a beer and then dinner, so again it’s talking to each other which is infinitely important”.

These statements indicate that face to face communication does not necessarily relate to what is being communicated in terms of importance but that partners prefer face to face just for the sake of meeting and understanding the other and building trust and confidence within the IJV relationship. According to Anderson and Narus (1990) the behavioural element of trust is useful in maintaining ongoing relationships since co-operation is not achieved with structural vulnerability but due to the confidence in the integrity of the exchange partners.

The management of the relationships between collaborating partners is a key issue in harnessing the benefits of collaboration. However, trust is vital for successful relationship management. It is asserted that sharing benefits between all collaborating partners builds trust in the relationship.

Good interpersonal relationships and effective communications are identified as being critical in maintaining trust between partners and encouraging learning (Dodgson, 1991). In order for collaborations to continue successfully, then the trust relationships underpinning them also need to have their own dynamic, and be engrained within organisation's routines and practices (Dodgson, 1991). High trust is associated with respect of mutual benefit, and openness and honesty in objectives (Dodgson, 1993[b]). Buckley and Casson (1988) argue that co-operation works when the relationship "generates the largest possible amount of mutual trust". According to Yoshino and Rangan (1995) since senior managers play an important role in strategy formulation and implementation, trust between managers responsible for forging relationships between alliance partners may be particularly important. Trust can increase co-operation, improve relationship flexibility, shorten cycle times, increase quality and lower costs of co-ordinating activities (Smith, Carroll & Ashford, 1995). Building trust in IJVs is generated over time. Since trust involves expectations about future behaviour, it can be influenced by the past behaviour of IJV partners. Partners have to learn about each partners ways of doing business and to interpret each partners actions (Hakansson & Johanson, 1988).

Summary

It is evident from the findings that there is some degree of support for the first proposition i.e. the use of ICTs leads to improved communication channels between partners in IJVs and this is illustrated in Figure 6.5.

It is clear that respondents have a preference for utilising ICTs or face to face communication depending on the importance of the issues they want to discuss. At an

organisational level which involves minor decision making there is a preference for communicating through ICTs. At a strategic level involving major decision making there is a preference for face to face communication. Face to face is utilised not only at a strategic level but is also used to enhance and maintain the IJV relationship. If the communication medium chosen matches the message to be conveyed then this ultimately leads to an improvement in communication between the partners within an IJV. An improvement in communication between the partners leads to greater efficiency, greater knowledge sharing and learning and an increase in trust.

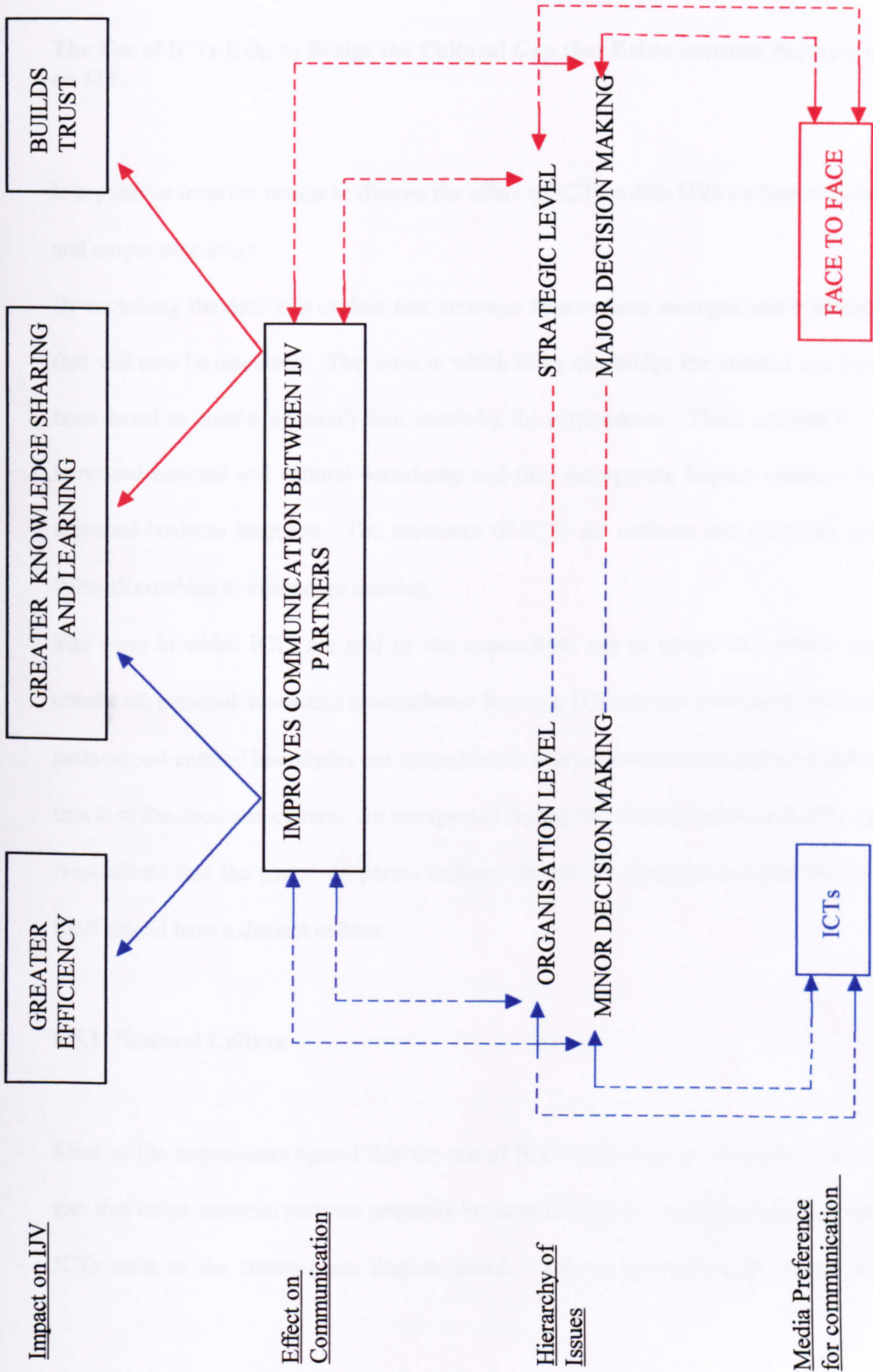


Figure 6.5 The Interaction of Communication Channels in IJVs

6.5 Discussion - Proposition No.2

The Use of ICTs Help to Bridge the Cultural Gap that Exists between Partners in an IJV.

It is possible from the results to discuss the affect of ICTs within IJVs on both national and corporate culture.

By reviewing the data it is evident that common themes have emerged and it is these that will now be discussed. The ways in which ICTs can bridge the cultural gap have been found to consist of mainly four issues by the respondents. These are that ICTs transcend national and cultural boundaries and they incorporate English which is the universal business language. The processes of ICTs are uniform and universal, and these all combine to encourage learning.

The ways in which ICTs are said by the respondents not to bridge the cultural gap consist of, personal interaction creates better learning, ICTs do not necessarily override national and cultural boundaries but instead lower everyone to a common denominator, that is of the dominant culture. An unexpected finding was the unanimous belief by the respondents that the parent corporate cultures should not integrate and that the IJV itself should have a distinct culture.

6.5.1 National Culture

Most of the respondents agreed that the use of ICTs could help to bridge the cultural gap that exists between partners primarily because English is a universal language and ICTs such as the Internet are English based. This as a result could reduce the

problems associated with differences in language that exist between the partners of an IJV and in turn this could affect the cultural diversity between partners.

(IJVC Gm):

“Because the Internet is English more or less and that helps glue international differences together, and from a German perspective it forces everyone to learn English to a certain degree and that is useful”.

(IJVB Dk):

“We have many nationalities in this JV and they all have the basic reference which is the web site which is in English. They all have to use the network in the same way, they don't speak the same language at home but officially they do”.

This respondent felt that for people who were not familiar with English, ICTs such as e-mail was an efficient first step because:

(IJVB Dk):

“people who are not familiar with English have less difficulty to write English than to talk in English therefore if they used e-mail as the first step in the communication process they are going to be much less concerned than if they speak on the phone or the video call because speaking and understanding in the heat of the conversation is much more difficult than reading e-mail and answering e-mail. So, if you take an engineer from Mexico and a guy from Jakarta those guys have less problems to work on e-mail in English read and answer than if you put them in front of ten people and ask them what they think”.

However, there were some dissimilar views amongst the respondents. In terms of ICTs reducing everyone down to one global culture and language, the results can be misleading because this does not take into account the more subtle characteristics and traits of different cultures.

(IJVC UK):

“e-mail and the Internet can shorten or constrain what you say because you are having to type and you are physically putting things on a screen and there is a

tendency to try and cut down what you are trying to say to be efficient and effective. So, you therefore tend to constrain the language you use and you know that it is English based but I don't think that helps overcome the cultural and language barriers, because what it does is reduce everyone down to one language, one form of communication and I think the success in JVs is much broader than that".

One respondent explained that he felt that business had become more culturally diverse for a number of reasons:

(IJVD UK):

"a greater number of JVs, a greater ability to do business on a regional basis or global basis - it's travel, it's the Internet, trade barriers have come down, it's the internal services of countries coming together, it's economic barriers breaking down and on a world wide basis. It is these things that contribute to an easier, better way of working together and getting along together".

Culture represents a complex topic which is relevant to IJVs and their performance (Geringer & Hebert, 1989).

Hofstede (1980, 1991), assumes that the core of national culture consist of stable constructs which have been present in people from different nations for a long period of time (Schein, 1985). He assumes that cultural values are stable over time, which implies that distance between national cultures is stable over time as well. However, this assumption has been challenged by various researchers e.g. Nordstrom (1991), who have argued that practices and cultural values are converging and that cultural distance may no longer be relevant.

Various other researchers have also endorsed the popular notion that cultures are converging (Ohmae, 1985; Levitt, 1983) and have cast doubt on the relevance of these dimensions in recent times. Indeed, people from different nations are unmistakably converging in terms of clothing (Levis jeans), food (McDonalds), beverages (Coca-

Cola). In other words cultures are becoming more homogenous i.e. globalisation is leading to cultures becoming similar. Technological development is also bringing a converging commonality (Levitt, 1983) by driving globalisation.

It is obvious that some respondents were aware that this homogeneity may not always be a positive attribute. There were differing views as to whether or not this is beneficial and it is these beliefs, that cultural diversity has either positive or negative connotations, that are influenced by the cultural perspective of the respondents. Some previous literature suggests that cultural diversity will have negative effects on the IJV, that diversity or heterogeneity is awkward and not the preferred ideal, the idea that globalisation leading to convergence of cultures has positive notions seems to be culturally defined and is purported by those whose culture or language is dominant. It is assumed that everyone speaking English will lead to better communication and understanding. According to Shenkar (2001) globalisation and convergence are mechanisms which have the potential to reduce cultural distance.

(IJVC UK):

“you know that it is English based but I don’t think that helps overcome the cultural and language barriers, because what it does is reduce everyone down to one language, one form of communication and I think the success in JVs is much broader than that, there are lots of aspects to culture and differences in business practice which you actually need to see and feel rather than deal with through the Internet, I think it takes it to a lowest common denominator which is American”.

Geringer and Hebert (1989) assert that the existence of cultural differences, either national or corporate will contribute to reduced IJV performance. However, merely being different does not necessarily lead to problems. This is evident from the results of this study.

Several studies have stated that the cultural backgrounds of the partners are a threat to IJV survival (Harrigan, 1988; Brown, Rugman & Verbeke, 1989; Barkema et al, 1996; 1997; Parkhe, 1991; Meschi & Roger, 1994; Lin & Germain, 1998).

Differences in partner attributes may complement each other or be of no significant consequence and may not have a negative impact on performance. This is more relevant when focusing on IJVs because they are formed in order to gain certain attributes of its parents or to gain knowledge of, or access to, a market that is culturally different. So, as long as partners recognise and appreciate the differences in culture and regard this as an opportunity to learn new things and thus expand the capabilities of the organisation then this may be a source of strength to the IJV.

Cultural differences can be a source of competitive advantage, and it is not always considered an obstacle, it can provide benefits.

This view is held by the Danish partner of IJVB:

“The more different your parent companies the better it is, because it is like in a team. In a soccer team you don’t want all the players to be the same and when the players are different you can pick and choose from each of them or two of them in the case of a JV what you want. Having two partners that are the same doesn’t bring anything unless you talk about the size of the market or the synergy or cutting costs and that sort of stuff. In terms of culture and in terms of taking benefits of the cultures of the companies the broader they are the better, the broader the range of skills and attributes”.

As with individuals, nations have developed particular competencies, skills and ways of working, in areas that they value and that make sense in their environment, so, different nations can offer unique competencies to partners in an IJV.

(IJVB Dk):

“The more different they are, the more chance you have to get the stars because I believe you cannot have one company with the same sort of people, the more different the people are of the company the more value it has, you need to have

very different people, people arguing, fighting, disagreeing, hitting each other because that's where the creativity will come from".

Similarity between IJV partners prepares a common ground for successful relationship management. If IJV partners understand cultural differences then this can help reduce psychic distance. Similarity provides the basis of co-operation, communication and effective signalling between partner firms (Geringer, 1988[c]). If partners have similar corporate values, cultural managerial styles and processes, the relationship is more viable (Bucklin & Sengupta, 1993; Doz, 1988; Dymsha, 1988). Similarity suggests that partners have similar approaches to problems, or at least are tolerant of each others approaches. Without similarity, alliances may fail due to a lack of commonality in terms of strategic fit, conflict over managerial processes and styles and corporate culture (Dymsha, 1988). According to Shenkar (2001) measures of cultural distance assume that there is a lack of harmony between different cultures i.e. that differences in culture produce a lack of "fit" and therefore cause problems. However, cultural differences may be complementary and therefore have a positive effect on the IJV relationship.

Instead of considering their cultural differences as distinct, incompatible ways of viewing the world, they can be used to find particular ways of integrating the strengths of each within the context of managing the IJV.

Some respondents were aware of the fact that knowledge of the partners culture and the way in which they operate is still essential for a successful relationship. Relying on the value of convergence can be destructive because it can foster hostility if one of the partners does not try to learn the language or the customs of the other.

Indeed, a respondent from the UK stated that although ICTs are English based he doesn't know:

(IJVB UK):

“to what degree that other cultures accept that business English is the universal language”.

If other cultures feel forced to communicate in English it may cause resentment in the relationship. There needs to be an awareness that convergence led by the effects of globalisation does not eliminate the existence of national culture which remains with the partners of the IJV all the time.

Also the partners will never truly understand each other which can ultimately lead to mistrust. The companies are still from different countries, and there needs to be an awareness that convergence does not eliminate national culture, it is embedded in the way of thinking of the company and therefore, cultural diversity still remains.

(IJVC UK):

“There are lots of aspects to culture and differences in business practice which you actually need to see and feel rather than deal with through the Internet. I think it takes it to a lowest common denominator which is American”.

However, Hofstede's (1980, 1991) work suggests that any changes concerning convergence in business practices are superficial appearances of culture, they do not necessarily signal a convergence in the values embedded in national cultures. So, Hofstede's work suggests that differences between national culture are still relevant despite attempts by critics such as Levitt (1983) to suggest otherwise. Respondents themselves have acknowledged that the deeper differences in culture still remain in

international business and psychic distance is best understood and reduced by maintaining personal contact between the IJV partners.

The use of ICTs is having an effect on the cultural diversity of the partners however, it is not affecting the core values embedded in national culture but merely the superficial values of national culture.

Personal Contact

Several respondents commented that the most effective way of reducing psychic distance and understanding cultural differences would be through maintaining personal contact with the IJV partners. The ability to build personal relations is itself influenced by cultural distance and knowledge of or skill at cultivating and developing personal relations is a form of cultural capital (Burt, 1997) that is embodied in those who know how to build, strengthen and maintain interpersonal connections.

(IJVC No):

“The most important way to overcome cultural differences is to have personal contact, which is difficult over the Internet”.

Most respondents agreed that the use of ICTs improved communications between the partners, but understanding cultural differences would come through personal contact.

To manage cultural differences IJV partners need to develop a fairly deep understanding of the partners culture. This requires investment of resources in terms of money, managerial time and effort (Johnson, Cullen, Sakano & Takenouchi, 1996).

Cultural sensitivity allows the development of trust as it strengthens the effectiveness

of communication. Cultural insensitivity can lead to misunderstandings (Datta & Rasheed, 1993).

Knowledge sharing can break down boundaries and although ICTs can facilitate this, the greatest amount of knowledge arises from close contact with the parties involved.

The level and type of information shared by alliance partners is a function of the strength of their relationship (Moorman, Deshpande & Zaltman, 1992). Over time, the partners in a relationship can build up a level of understanding such that the exchange of information becomes routinised (Geringer & Hebert, 1989).

(IJVA It):

“Knowledge sharing is just not merely a file transfer there are significant experiences that have to be exchanged by living together, by working together not just file transfers. In this sense the Internet helps but it is not the unique factor of knowledge sharing”.

According to Brown and Dugaid (1998) rich knowledge requires reciprocity i.e. the give and take of interaction in shared practice through which shared meanings and understanding develops. Reciprocity makes learning a two way, mutual process. ICTs such as the Intranet provide extensive reach for information but developing knowledge is significantly social, therefore, to gain “rich” knowledge personal interaction is needed (Hills, 1998).

It was also highlighted by one respondent that the use of ICTs could also build substantial barriers in the cultural gap if it was misused and substituted for personal interaction allowing mistrust to develop within a relationship.

(IJVB UK):

“In one IJV, IT was the principal form of communication and the relationship was not particularly trusting”.

This shows again how personal interaction is seen by most respondents to be the most effective method of reducing barriers, whether communicative or cultural, and developing trust. The development of trust between IJV partners can be influenced by the degree of psychic distance between IJV partners. The process of developing trust is a highly uncertain process, the uncertainty can be further exacerbated by cultural differences between IJV partners (Parkhe, 1993; Park & Ungson, 1997). Casson (1990) and Tung (1984) state that the development of trust between partners with significant cultural differences is feasible if the partners perceive that trustful behaviour will be beneficial. Cultural sensitivity provides a foundation for trust development in the IJV because it strengthens communication effectiveness in the IJV. Psychic distance is reduced by the social exchange between IJV partners which in turn increases the degree of trust within the relationship.

Culture and Communication

By analysing the data it is possible to divide the respondents according to their nationality into “technosceptics” or “technophiles”. It is apparent from analysis of the data that certain nationalities use ICTs extensively whereas others refrain from using ICTs.

It is clear that the Italians prefer not to use ICTs. According to their UK partner:

“The Italians are very much face to face or verbal communicators and they are not great users of computers and so on. So the Internet and Intranet are not used as extensively as you would find in a UK company of similar size”.

Furthermore, the Italians openly stated that they preferred not to use ICTs but would prefer to communicate with their partners face to face, so much so that they form stereotypes of themselves as well as form stereotypes of individuals from other cultures.

(IJVA It):

“If you look at Europe we in Italia we do prefer face to face and maybe someone in Nordic prefer through the ICT medium”.

The Italians place great importance on face to face communication, the UK partner of

IJVA commented that:

“99% of the interface I have with them is either over the phone or in face to face meetings. Now that might be an Italian situation but that’s the way it works. ICTs are not a factor”.

The Italians place greater value on personal contact.

(IJVA It):

“Well, we must not be too fond of technology, technology is important, it is a tool, it is not the aim”.

In contrast, the findings indicate that the IJV with an English and Danish partner used

ICTs extensively and placed major importance on its function in the IJV.

(IJVB Dk):

“we cannot work without e-mail, we use e-mail all day long, everyday, 7 days a week, 52 weeks a year in communication”.

The Danish partner of IJVB used ICTs extensively to communicate with his partner in the IJV.

“We cannot survive without it. I cannot visualise without these tools or technologies how we could run our operations”.

IJVC is an IJV where ICTs are used widely within the organisation. The German partner stated that:

“It would be a horrible thought not to have it.”

Despite the limitations of using cultural distance measures, Hofstede's (1980) indices (masculinity, uncertainty avoidance, power distance and individualism) have been used extensively in international business literature. Their reliability has been proven and reported (Chandy & Williams, 1994; Redding, 1994; Sondergaard, 1994). Kogut and Singh (1988) were the first to combine the four dimensions into one aggregate measure of cultural distance between countries. Their index of cultural distance has also been used in many studies, (Erramilli, 1991; Benito, & Gripsrud, 1992; Loree & Guisinger, 1995; Barkema et al, 1996; Kashlak, Chandran & DiBenedetto, 1998). Other researchers (Heuer, Cummings, & Hutabarat, 1999; Strong & Weber, 1998) have used two of Hofstede's (1980) dimensions.

In this study Hofstede's (1980) indices are employed namely, power distance and uncertainty avoidance since these are relevant to this study. It can be argued that the dimension of power distance affects the way people communicate and the dimension of uncertainty avoidance affects the way people accept new ideas such as ICTs. Also, Hofstede's (1980) scores for all the nationalities in this study are available. Trompenaars (1993) dimensions were not used in this study since measures are not available for the all the nationalities used in this study.

The Norwegian partner of IJVD used ICTs widely to communicate with the partner in the IJV.

The Dutch partner of IJVE used ICTs widely to communicate with the partners in their IJV.

The UK partners all used ICTs widely to communicate with their partners.

It seems that cultural diversity exists even between cultures that are in close proximity to one another and that their assumptions and use about ICTs differ.

According to Hofstede (1980, 1991), national culture is a major variable determining relationships within organisations such as IJVs. Even though the nationalities of this study are all based in Europe, significant differences exist between them.

Hofstede (1980, 1991) argues that certain cultures exhibit differing characteristics i.e.

- i) The Italians exhibit **high uncertainty avoidance and high power distance.**
- ii) The English exhibit **low uncertainty avoidance and low power distance.**
- iii) The Danish exhibit **low uncertainty avoidance and low power distance.**
- iv) The Norwegians exhibit **low uncertainty avoidance and low power distance.**
- v) The Dutch exhibit **low uncertainty avoidance and low power distance.**
- vi) The Germans exhibit **high uncertainty avoidance and low power distance.**

Power distance refers to cultural characteristics within the organisation and uncertainty avoidance refers to the cultural characteristics of the society.

It can be seen here that it is the Italians that are exhibiting different tendencies compared with the other nationalities which all exhibit the same tendencies except for the Germans who have high uncertainty avoidance.

The Italians show high uncertainty avoidance and high power distance whereas the other nationalities generally, with the exception of the Germans, show low uncertainty avoidance and low power distance.

Based on Hofstede's suggestions it can be argued that cultures that exhibit high uncertainty avoidance and high power distance are less likely to adopt ICTs whereas cultures that exhibit low uncertainty avoidance and low power distance are more likely to embrace ICTs.

Extending Hofstede's theory (1980, 1991), it could be suggested that these criteria have an effect on the acceptance of new technologies in certain cultures.

In short,

Italians	high uncertainty avoidance/high power distance	=	Technosceptic
English	low uncertainty avoidance/low power distance	=	Technophile
Danish	low uncertainty avoidance/low power distance	=	Technophile
Norwegian	low uncertainty avoidance/low power distance	=	Technophile
Dutch	low uncertainty avoidance/low power distance	=	Technophile
German	high uncertainty avoidance/low power distance	=	Technophile

Countries such as Italy that have high uncertainty avoidance and high power distance are more resistant to change and possess a strict hierarchical structure where communication runs vertically through the organisation. These two factors make the introduction of new technologies more difficult.

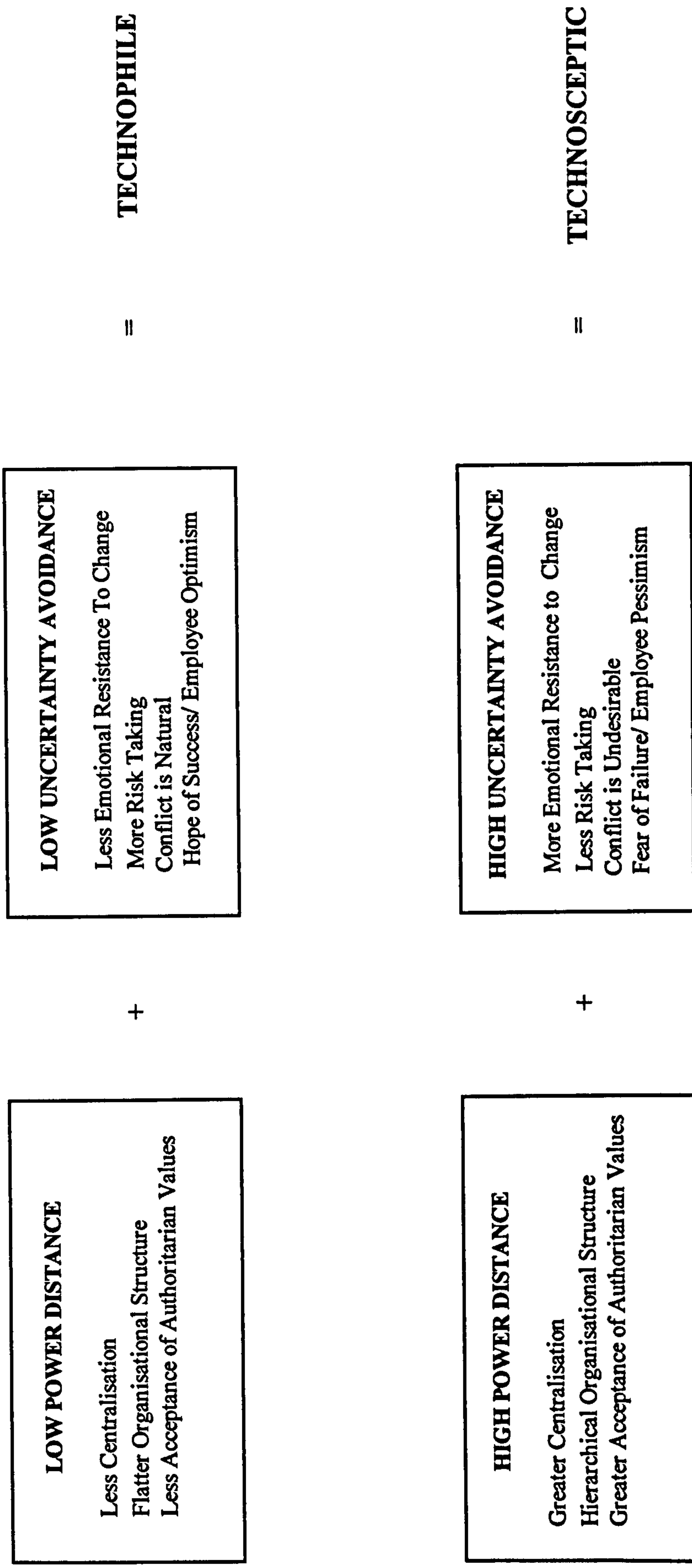
In cultures where there is low uncertainty avoidance and low power distance, i.e. the UK, Denmark, Norway and the Netherlands, there is less acceptance of hierarchy and

formality, and a greater sense of equality exists within the organisation. Communication runs both vertically and horizontally, and debate is seen as desirable in order to achieve the best results. Communication tends to be informal and control and co-ordination takes place through mutual adjustment. These factors make the implementation and utilisation of new technologies more likely and with greater scope throughout the organisation, for instance, they may effect structural changes in this type of culture.

Countries where there is high uncertainty avoidance and low power distance, such as Germany, see organisations as “well-oiled machines”. They are more resistant to change a formula that works and prefer predictability, but they do not have a strong hierarchical structure and possess an environment which encourages good communication in order to gain better co-ordination and efficiency. Therefore, even though there is high uncertainty avoidance, new technologies will still be embraced because of the emphasis on efficiency and co-ordination.

The characteristics that technophile and technosceptic cultures exhibit are presented in Figure 6.6.

FIGURE 6.6 CHARACTERISTICS OF TECHNOPHILE AND TECHNOSCEPTIC CULTURES



6.5.2 Corporate Culture

Adler (1986) considers that national culture is rarely present in firms or that it is overpowered by organisational culture. Thus, organisational culture moderates or erases the influence of national culture.

From the results it can be seen that there is unanimous agreement amongst all the respondents that to obtain the benefits of collaboration it is wise not to attempt to integrate the corporate cultures of the parents. This is in complete contradiction to those theorists who believe that corporate culture homogeneity among the partners is more important to IJV performance than national culture (Harrigan, 1988) and for an IJV to be successful parents should have a good “cultural fit”, be compatible and integrate.

(IJVB UK):

“The best JVs find compatible parents that don’t try and integrate the cultures”.

When looking at integration of parent corporate cultures, some literature (Kogut, 1988; Harrigan, 1988; Brown, Rugman & Verbeke, 1989; Lane & Beamish, 1990; Meschi & Roger, 1994) has failed to recognise that IJVs are created to gain the benefits of skills, knowledge and experience of each of the parents. The view that the JV should be a hybrid of two or more very different parents in order to obtain the greatest degree of knowledge from all sides is supported by respondents.

(IJVB Dk):

“You have two cultures that you can draw from. The more different your parent companies the better it is because it is like in a team. In a soccer team you don’t want all the players to be the same and when the players are different you can

pick and choose from each of them or two of them in the case of a JV what you want... in terms of culture and in terms of taking benefits of the cultures of the companies the broader they are the better, the broader the range of skills or attributes”.

With respondents preference for diverse partners in the IJV relationship, ICTs can be a useful tool in establishing a virtual network which can support the operational efficiency and effectiveness of the organisation. This has previously been discussed in more detail with relation to Research Question No.1.

Typical comments from the respondents are totally different from the dominant view in the literature that states that when parent companies try to combine different cultures it negatively affects IJV performance.

Littler and Leverick (1995) emphasise the importance of collaborating with an organisation that has a compatible culture and mode of operation also complimentary areas of strength and expertise, and mutual understanding existing between the partners. However, comments from respondents do not support this view.

(IJVB Dk):

“The more different they are, the more chance you have to get the stars because I believe you cannot have one company with the same sort of people, the more different the people are of the company the more value it has, you need to have very different people, people arguing, fighting, disagreeing, hitting each other because that’s where the creativity will come from”.

Far from affecting IJV performance negatively, this respondent cites difference as a source of creativity, and the conflict that may arise can be, in fact, beneficial, creating a kind of dynamism that keeps the IJV healthy. Therefore, it can be argued that if the parents are too similar in terms of culture, personnel and interests, then competition

may become a factor. This may create instability for all parties and could eventually lead to the dissolution of the IJV, or it could allow one of the parents to become controlling or even to acquire the IJV.

One respondent (IJVE UK) stated:

“Keep it (the IJV) partitioned and let’s make sure as time goes by that partners are still working towards the IJV”.

So long as partners recognise and appreciate the differences in corporate culture and regard this as an opportunity to learn new things and thus expand the capabilities of the organisation then this may be a source of strength to the alliance.

Learning

According to Barkema, Bell and Pennings (1996), learning between partners can compensate for cultural differences.

Parkhe (1991) suggests that corporate culture has a circular relationship with learning in that it both creates and reinforces learning and it is created by learning so, it influences ongoing learning and adaptation within and between IJV partners.

(IJVC No):

“you can learn a lot from your partners. I think the key issue is trying to have a close relationship with the partners so you all three can benefit from the partnership”.

(IJVB Dk):

“Part of knowledge sharing is that people want to learn, with push technology in particular we can send the information we want or pull technology like a web site”.

It is clear from the results that learning can be enhanced by using ICTs. This view is consistent with Boudreau, Loch, Robey, and Straud (1998). They suggest that despite their internal orientation, Intranets promote communication and information sharing across global boundaries. The rapid access to crucial internal information that Intranets allow increase learning by organisations such as IJVs because Intranets may be connected to and from anywhere in the world. By supporting the virtual organisation, these technologies enable greater efficiency and learning in an IJV.

(IJVB Dk):

“sort of golden way of pushing information from the headquarters to the field...we can push information or draw information from the field”.

According to many observers, learning in a collaboration depends on high levels of trust between the partners (Buckley & Casson, 1988). High levels of trust enhance internal organisational effectiveness and trust facilitates continuing relationships between firms.

According to Kogut (1989) past experience between partners leads to trust and this in turn reduces opportunistic behaviours.

(IJVC Gm):

“New technology helps to keep us close. Everyone wants to influence information that is being taken and that’s not just the information to receive but the information that you send out, it develops trust and avoids misunderstandings. It really can’t be over estimated”.

Good interpersonal relationships and effective communications are continually identified as being critical in maintaining trust between partners and encouraging learning (Dodgson, 1991). In order for the collaboration to continue successfully, the

trust relationships underpinning them also need to have their own dynamic, and be ingrained within the organisations routines and practices (Dodgson, 1991). High trust is associated with respect for partners abilities, commitment based on the belief of mutual benefit, and openness and honesty in objectives (Dodgson, 1993[b]).

Furthermore, previous literature does not recognise the need for an IJV to have its own separate corporate culture as is suggested by the respondents in this study. When the IJV creates a unique cultural identity from its parents conflict can be avoided.

Meschi and Roger (1994) claim that failure can occur when parent companies try to combine disparate and different cultures. They suggest the larger the cultural distance between the IJV partners the larger the degree of confusion and conflict, and that in such a situation management needs to concentrate on interpersonal and intercultural communications as well as mutual understanding.

Establishing a Cultural Identity

It is evident from the results that many the respondents state that an IJV needs to establish its own cultural identity, without the influence of the parents. The general view was that the culture of the parents would have a negative influence on the performance of the IJV and that there needed to be a distinct IJV culture that needed to be developed quickly. Previous existing literature fails to recognise this.

(IJVC UK):

“The issue around culture is that you have to have cultural fit in that you have to get on, there have to be certain values that the organisation can identify with and work alongside each other. As far as trying to integrate those cultures into the JV then no, I think the JV should have a culture of its own”.

(IJVD No):

“It’s important to have a good cultural fit and that the JV has a culture of its own”.

The need for the IJV to establish a culture of its own is paramount in the longevity of the venture and has been shown here to be recognised and to be of major concern to the Directors of the IJVs in this study.

(IJVA UK):

“I think it impairs corporate performance one of the factors that probably is influencing the company today is that there isn’t a single culture and there are still maybe four different cultures within the company”.

Fedor and Werther Jr (1995) argue that the determination of whether and how the culture of two companies can be integrated into a new culture requires a choice of perspective.

According to Hills (1998) the Intranet can cause changes within the culture of an organisation. As Intranets facilitate communication they make it easier for the management of the IJV to share their vision with everyone.

(IJVB Dk):

“There are lots of issues in a JV which are change of culture, creating a culture from two different cultures, potential lack of similar objectives, one wants to go to the right the other wants to go to the left so it’s a force which is nothing to do with communications because communications have to be there anyway, the

communications simplify life but it doesn't solve the problems, problems exist the two parent companies don't want to paint the house the same colour".

All the respondents had access to each of their parent company's Intranets and because the Intranet builds a culture of sharing within the IJV, it improves communication, enables sharing of knowledge, and facilitates organisational learning and bonding between the partners of the IJV. The issue of ICTs supporting knowledge sharing has already been discussed.

In this study all but one IJV has its own Intranet which may help them to create their own unique corporate culture by extracting what they want from each parent in terms of business practice, ethics, structure, experience and knowledge, thereby nurturing a unique culture for the IJV.

(IJVA It):

"I think a venture is a mix of different cultures, different experiences etc. and the ingredients of this recipe must be taken from each of the partners, each one must be able to take and bring its own experiences to the table".

(IJVD UK):

"It creates better exchange of information, you are working in a more open style where information is easily accessible".

Hills (1998) suggests that Intranets can build "corporate consciousness". Intranets promote bonding of employees and bonding to the organisation. When the organisation communicates its vision, goals and strategies, people know and understand what is happening.

ICTs do not bridge the cultural corporate gap but for the IJV to have a unique Intranet outside of the parents can help in supporting the individual IJV culture which is seen as being important.

(IJVA UK):

“The fact that the companies have different cultures to start with isn’t necessarily a problem. No, I think its important to get the JV cultures established quickly”.

Summary

It is evident from the findings that there is some degree of support for the second proposition, that the use of ICTs helps to bridge the cultural gap that exists between partners in an IJV. With regards to national culture, ICTs can help bridge the cultural gap in terms of using a standard language i.e. English and by possessing processes that are uniform and universal. ICTs enable the breakdown of boundaries and build a culture of sharing within a collaboration, thereby increasing knowledge and promoting learning, however, this is not the “richest” medium for learning. This occurs when personal interaction breaks down stereotypes and builds solid relationships and trust. ICTs essentially facilitate the coming together of various units within the alliance allowing for some interaction particularly if the units are geographically dispersed and provides an initial form of cultural interaction, however, deeper embedded cultural values require a greater knowledge or insight which can only be gained through learning the language, customs etc. of the partner in the collaboration.

In terms of the integration of corporate cultures, ICTs do not have any significant impact since the respondents in this study all believe that the parent corporate cultures

should not be integrated, but expressed the desire for IJVs to create a unique cultural identity. Here, ICTs through the establishment of an Intranet may facilitate a culture of sharing and bonding which allows for the communication of the IJVs goals, objectives and vision.

6.6 Discussion - Proposition No.3

The Use of ICTs Leads to the Enhanced Performance of an IJV.

6.6.1 Objective and Subjective Measures of IJV Performance

As mentioned in the literature review chapter, assessing the performance of IJVs is difficult. Although objective measures of performance have been used in previous research they seem to have little relevance for this particular study. Indicators such as profit and market share would have been relevant but as discussed in previous chapters this information is difficult to acquire. Profit can be considered a relevant indicator but is rarely used because the necessary data is rarely available. The duration criterion seems inadequate in the context of this study. This is illustrated by Table 6.2 which highlights the outcome of the IJVs selected for this study.

Table 6.2 IJV Status

IJV	Commenced	Outcome
IJVA	1995	Still in operation
IJVB	1997	Still in operation
IJVC	1995	In August 2000, the UK partner acquired the German stake (45%). In January 2001, the UK partner bought the Norwegian partners stake (10%). The UK partner now has full control.
IJVD	1995	In September 2000, the UK partner acquired a half of the Danish partners stake, the Norwegian partner took similar action acquiring the remaining Danish partners stake. The UK and Norwegian partner now have a 50% stake in the IJV.
IJVE	1996	In April 2000, the UK partner acquired the 50% stake held by the Dutch partner.

IJVA and IJVB are still in operation with the original partners. IJVD now has only two partners and two of the IJVs i.e. IJVC and IJVE have been acquired by the UK partner in both cases.

According to some researchers IJVs are found to be less stable in industries that experience intensive consolidated or volatile growth (Kogut, 1989; Hennart & Zeng, 1997). There is a correlation with this study where the telecommunications industry is one which has undergone rapid growth and it can be seen that two out of the five IJVs have been acquired by one partner.

Macharzina (1999) argues that new players such as television companies are entering the telecommunications market making it both complex and unstable. As a result, a once stable market dominated by state run monopolies has now transformed into a dynamic sector of competition.

It is not only market liberalisation that has caused this turbulence, but it is technological development that is causing competition between former monopolists and new players in this sector. The telecommunications market was divided into nets for voice transmission controlled by the monopolists and nets for data transmission controlled by Internet companies. However, neither can take over the function of the other. Also data nets have the capability to transmit pictures and therefore this has increased interest for television companies. In effect, new players are able to challenge the major telephone companies

Former monopolists are tending to cooperate with each other and are going through a learning phase in co-operative behaviour in which they are shifting their focus to related markets. According to Macharzina (1999) telecommunication companies are realising that small players have been exposed to full competition for many years and

have a steeper learning curve with respect to technological knowledge than they have concerning organisational capabilities.

Geringer and Hebert (1991) studied a range of measures of IJV performance. They found survival to be the objective measure most closely correlated to subjective measures of affiliate success. They therefore argue that in the absence of survey data “survival” as a success measure is justifiable. Glaister and Buckley (1998) replicated the work of Geringer and Hebert (1991) and they also found that duration showed little significance. Mitchell, Shaver and Yeung (1994) reviewed various studies documenting a positive relationship between the longevity of ventures and their financial performance. However, longevity is not a perfect measure of performance. Dissolution may not always imply failure and longevity does not always signal success, particularly in the case of IJVs, since these are sometimes intended to be short lived from the start. Performance is a multidimensional phenomenon that covers financial returns, risks, knowledge transfers etc. (Barkema et al, 1996).

Duration as an objective measure of performance fails to recognise the extent to which the IJV has achieved its objectives whether they are short or long term (Killing, 1983; Blodgett, 1992). In this study, duration has not provided any meaningful results.

As a subjective measure, executives opinions in the context of this study seem to be good indicators of performance. The main advantage of this type of measure is that it provides information regarding the extent to which the IJV has reached its objectives (Anderson, 1990).

Some researchers (Geringer & Hebert, 1989) suggest that using just one respondent's view as a subjective measure of performance can provide reliable data to evaluate IJV performance. The fact that more than one respondent from each IJV was included in the study enhances the reliability of the results. However, using the executives' opinions as a measure of performance is obviously only a partial indicator of overall performance. Nevertheless, it was felt appropriate to ask the respondents whether the use of ICTs had any effect on IJV performance.

6.6.2 Factors Affecting IJV Performance

It is apparent from the results that common themes have come to light and it is these that will now be discussed. It is evident that all the respondents agree that effective communication between the partners is critically important in IJVs. These views are consistent with Geringer (1988[c]), who argues that the simple ability to communicate with one's partner in an IJV often makes a significant difference to the success of an IJV.

According to Cullen, Johnson and Sakano, (1995) a successful JV requires a social psychological basis of co-operation. Their study investigated partner commitment to IJVs as a function of performance, satisfaction and strategic importance. They found that commitment is dependent upon the perceived benefits of the IJV, and their findings suggest that higher levels of commitment to the IJV benefit performance and satisfaction.

This study highlights the importance respondents give to relationship issues that exist between IJV partners which can affect the performance of the IJV. When asked what

factors respondents felt could enhance the performance of the IJV, the responses given did not relate to financial issues such as profit and market share, which would be expected since that is why most JVs are formed, but to issues that enhance the relationship between the partners. According to respondents it seems as though, in order for business results to be achieved, there has to be a good relationship between the partners and it is this that has been emphasised in this study.

The factors that the respondents felt enhanced IJV performance are the following: communication, a good relationship between the partners, trust, having similar goals and common objectives, having a similar vision, and developing a unique corporate culture.

Communication

Effective communication has been cited by respondents as being a critically important factor that can influence the performance of an IJV. The reasons for this are that it helps build relationships, it promotes trust, it encourages mutual understanding especially when partners from diverse companies are based in different countries with different languages. Effective communication channels help to avoid misunderstandings, and can clarify areas of tension when there are differing goals.

(IJVA It):

“Different partners have different points of view because they have different entities and it could be very strange if different companies have absolutely the same understanding so it is very necessary to have good and frequent communication because you have to avoid any possible incomprehension, or misunderstandings this could be a danger so you need a lot of communication

and good communication. It's one of the most important things I think in any kind of JV".

(IJVD UK):

"It's one of the top five things that go into making an IJV a success because communication is not just about ideas, it's actually about communicating your mind, your vision, your concerns, your joys, your happiness. In partnerships you have to communicate the whole mind or it's not going to work".

Littler and Leverick (1995), argue that the benefits of frequent communication are difficult to quantify but that it builds up mutual understanding and aids monitoring the progress of collaborating parties which can prevent significant and costly difficulties later in collaboration.

The analysis of the results from Research Question No.1 indicate that use of ICTs aids effective communication channels between partners by making the process more efficient as a result of a reduction in time and distance barriers, an increase in information gathering, creation of virtual networks and an increase in knowledge sharing thereby improving the relationship between partners. The negative aspects of using ICTs are that they may damage the relationship between the partners by leading to a reduction in personal interaction, enabling the creation of mistrust and creating excessive information.

However, from analysing the data for this particular research question we can see that the factors that respondents highlight as enhancing performance are not ones associated with efficiency, such as, reducing time and distance barriers and so on. The respondents state that communication facilitates the development of good relations between the partners, creating trust in the organisation, enabling the sharing of

common objectives, vision and the establishment of a unique corporate identity. These are the prime variables that enhance performance.

These variables, as stated in Research Question No.1, require a “rich” form of communication media, that can facilitate a deeper level of understanding. It has been shown that ICTs, whilst improving communication between partners, only do so at a superficial level as ICTs lack media “richness”. Face to face communication maintains a “richness” of communication in combination with direct personal contact that ICTs can not match and respondents favour this when the issue at hand requires a greater social presence.

(IJVC UK):

“At a working level, but at a strategic level then, no. It’s just a means of getting information from a to b, it’s the debate that goes around that piece of information that is important”.

In terms of communication, whilst acknowledging that ICTs have a certain impact on communication between partners, respondents were unsure of whether ICTs had a major or significant impact on performance. This is due to the fact that the variables cited by the respondents that affect performance of the IJV are not directly impacted by the use of ICTs. This can clearly be seen from the analysis in Research Question No.1.

All the respondents in IJVB, C, D and E agree that the use of ICTs has led to improved communication channels between partners in their IJVs. This is consistent with the views of several authors (Cronin, 1995; Verity, 1995; Hamill, 1997).

Although communication was cited as being extremely important in the IJV there was a general consensus that the respondents were unsure as to whether the use of ICTs had led to the enhanced performance of the IJV. This is because ICTs do not improve communication in the aspects that respondents consider to influence the performance of the IJV i.e. trust. Therefore, they do not see ICTs as being a major factor in enhancing performance.

Relationship building

According to Granovetter (1985) a feature of business relationships is their informal character which are based on relations that evolve between individuals in the firm. Events such as transactions may be formalised, but uncertainties and possible opportunism are better handled through mutual understanding that is based on past experience of interaction with each other and expectations of future exchange (Alter & Hage, 1993; Axelrod, 1984).

A good personal relationship between partners is another important element in the performance of an IJV. Face to face communication has been cited by some respondents as something that enables them to understand each other and is not just merely a process undertaken to achieve some objective. Luo (2001) states that without personal relationships, interaction between partners is an economic rather than a social process.

(IJVA UK):

“Part of my job is to spend time with our partners for almost no reason, I mean there is a reason why I would go and see them but part of it is just being able to talk about things and suddenly you know, things will come up and they feel that they know me and trust me, and I feel like I know them and trust

them. So, that's part of my job. So, if you asked me what came out of that meeting I'd say well, nothing actually, nothing tangible we just spent an hour together talking about general business issues we didn't make any particular decisions".

(IJVB UK):

"I go and see him once a month, I go and spend the afternoon with him for an hour, then we go and meet some of his people we go out for a beer and then dinner, so again it's talking to each other which is infinitely important".

Good interpersonal relationships and effective communications are identified as being critical in maintaining trust between partners and encourage learning (Dodgson, 1991).

The need for frequent and open communication between the parties involved is stressed as a feature of "successful" collaborative relationships (Dodgson, 1993[a]).

Maintaining effective communications is critically important in successful relationships especially in IJVs. Ring and Van de Ven (1994) argue that personal bonds of friendship can lead to norms of group inclusion and increase the commitment of all parties to a co-operative relationship. According to Lipnack and Stamps (1997) relationships should be recognised as having true economic value and refer to relationships as having the ability to store a new productive capital. The success of the relationship accrues as "social capital" which is "the structure of relations between and among actors," individual or organisational.

Respondents seem to express a view that in an IJV, it is not solely the case that financial matters are the determinants of good performance. Since, by their nature, IJVs consist of different entities, there is a wish to establish a rapport which brings into the IJV a sense of mutual understanding and trust emanating from effective communication maintained through a good relationship.

(IJVB Dk):

“The mutual understanding between the partners implies first of all they get on well, they understand each other, they speak more or less the “same language”, they share a certain vision of the world otherwise there is no dialogue and no JV”.

Again referring to the analysis of Research Question No.1, the study indicates that respondents prefer to communicate face to face rather than through using ICTs because they want to be able to develop the relationships between their partners further and more deeply and that this cannot be achieved by using ICTs alone. These personal relationships are built on a foundation of trust and regular contact. Therefore, in respect of relationship building, the respondents state that they do not believe or they are unsure that the use of ICTs improves the performance of the IJV.

Trust

Related to this is the issue of effective communication is establishing a degree of trust between the partners involved in the IJV.

It is evident from the results of this study that trust is an important element in all the IJV relationships. The level of trust grows as a result of the interaction between the partners. In terms of performance, respondents believe that elements such as trust benefit and influence the IJV positively to achieve its objectives and potential, and these factors are not recorded in financial measures such as profits and market share and so on.

(IJVB UK):

“Trust is extremely important on a personal level as well. There needs to be mutual trust between the organisations and issues can be shared otherwise it is not a relationship and it will never last”.

(IJVB Dk):

“It’s a question of trust, when the JV is successful, when it has survived, there is a good relationship the trust level between the two partners increases a lot and then the dialogue starts to increase as well as in terms of quantity and quality. Trust is a very important issue”.

ICTs can lead to a reduction in personal contact and this can have a negative impact between the IJV partners because it decreases the level of trust between the partners.

All the respondents agreed to the importance of trust between IJV partners and that it is affected by the type and frequency of communication. The level of trust increases as a result of regular communication achieved through face to face contact. The same degree of trust cannot be obtained through the use of ICTs alone. ICTs are capable of supporting a certain level of trust between the partners but cannot be a substitute for personal contact.

Dependence upon the sole use of ICTs in maintaining trust in the relationship has been cited by the respondents as being particularly dangerous and detrimental to the performance of IJVs.

(IJVB UK):

“In one IJV, IT was the principal form of communication and the relationship was not particularly trusting, evidence showed that it built an atmosphere of mistrust. It is important, but in IJVs and complex relationships I would say it is a poor substitute for personal contact. On the Richter Scale of how important it is, less than 10% in my view and how much of a barrier it is, well it could be 60 or 70% in the wrong hands”.

(IJVB UK):

“Personal contact is very important. E-mail can supplement it. IT can supplement it but if you use it as a substitute that can be disastrous in any set of relationships”.

According to Friedman (1998), a relationship such as an alliance is like “a normal business relationship but with a lot of trust”. He argues that technology can be used to support collaborative relationships, however, the goal of any collaboration is to achieve business results such as increased profits, increased market share or growth. Business results such as these require the judgement of people about how to achieve opportunities gained through collaboration. The use of ICTs is not capable of doing this. In an IJV, the use of ICTs is not a substitute for clear business objectives, technology is simply an enabler to the IJV.

The issue of trust has been shown by this study to be of critical importance to the performance of IJVs. From the results it can be seen that the respondents agree that ICTs support a certain level of trust between partners of the IJV, but it cannot be a substitute for personal interaction. Indeed, a heavy reliance on the use of ICTs can lead to mistrust and misunderstandings between partners thereby negatively affecting performance. In this respect, ICTs have no or a very marginal bearing on the performance of IJVs since the main communication channel utilised in maintaining trust in the relationship is the personal contact gained through face to face meetings.

Compatible goals and objectives

It was generally felt that compatible goals and objectives between IJV partners could enhance IJV performance. Again, communication and dialogue is critical in realising and understanding each of the partners various objectives and goals which do not necessarily have to be identical. Nevertheless, a failure to comprehend both the

common and disparate objectives can cause friction and may ultimately have a negative impact on performance.

(IJVB Dk):

“They have to share the objectives, a JV is operating in the sphere of business but the partners don’t understand the business when one of the partners doesn’t understand the objectives. A JV by definition in my mind is two people sharing certain objectives, sharing a certain understanding of the business, wanting to achieve certain objectives who can really debate, disagree or agree, fight, otherwise you are in a situation where someone is making the decisions and the other one follows”.

He goes on to state that the collaboration is not a true JV unless there are shared objectives.

(IJVA It):

“It is very important as it’s not always easy to have mutual understanding but I think from the point of view of a good relationship any partner should be able to understand but also keep open to the other partners aims and objectives, to have mutual exchange and understanding”.

This is consistent with the view of several authors. Lyles (1987) found that successful ventures had to have compatible goals i.e. the ventures needed to satisfy the real desires of the both parties to be successful. Lyons (1991) and Lynch (1990) agree that establishing the ground rules for collaboration is important for a successful venture. Essentially, this means ensuring there are clearly defined goals, objectives and responsibilities for the collaboration which are fully understood by all parties involved.

(IJVC UK):

“It is easy to assume that somebody else understands what your intentions and objectives are. When they don’t on all sides because of subtleties of language, or lack of time and you’ve not actually discussed things. Unless there is a clarity from each of the partners perspectives about what they want from all this, what they are going to get out of it, what their contributions are and possible areas of tension where you may have conflicts of interest. When one

partner wants to go in one direction and the other goes off in the wrong direction then communication is essential to solve those types of problems”.

Dymsza (1988) found that one key element to JV failure was the partners having significantly different goals. This caused conflicts in the attitudes and objectives of the venture participants. As a result, the lack of goal compatibility created a climate in which an alliance could not succeed.

Conflicting goals of partner firms may result in poor performance of an alliance or restrict the results of the alliance and only one alliance partner benefits (Brouthers, Brouthers & Wilkinson, 1995).

Achieving an understanding of the objectives of the IJV between the partners is a function of communication, however, from the results of this study it is not apparent as to whether the use of ICTs could bring any benefit to the partners in realising each others objectives.

Vision

A common vision amongst the partners was another common theme that was highlighted by respondents as being important in enhancing the performance of the IJV. Vision gives the IJV a sense and purpose of direction which respondents believe can have a positive influence on IJV performance. Even though vision is an intangible concept it enables decision making to be formulated in an environment that incorporates all the facets that encompass objectives, goals and strategies of the IJV.

(IJVA It):

“It is the fact of understanding each others needs and requirements and to have and share a vision and a strategy in the future of the company”.

(IJVA It):

“To understand each others objectives and to share a common vision”.

(IJVD No):

“Each partner needs to understand each other, share the same objectives and have a similar vision”.

Previous literature has not indicated that the concept of vision has been a factor in influencing IJV performance. However, in this study it has emerged as a concept of significant importance and the sharing of a similar vision has been cited by many respondents as a factor that can enhance performance.

By focusing on the results for Research Question No.2, it is evident that ICTs can affect the way vision is communicated within the IJV, namely with the aid of an Intranet.

Intranets can facilitate the formulating and sharing of vision by the IJV executives with others in the IJV. When people within the IJV have access to such information and incorporate this vision they have a benchmark against which to measure their decisions.

Thus ICTs such as the Intranet allow people from different locations to be aware of the IJVs vision, goals and strategies and therefore promote the bonding of people to the organisation, it also helps create an environment in which people are aware of and understand organisational issues regardless of their location.

The sharing of vision is again a function of communication and the respondents of this study are unsure if ICTs have impacted on performance. In this respect, we can see that ICTs may bring benefits with regards to communicating a shared vision however, the respondents in this study did not state that the Intranet actually achieved this in their IJVs, but just that communicating a shared vision was important in IJV performance.

Unique corporate culture

Another factor cited by respondents in this study that can effect the IJV performance is the creation of a unique corporate culture and that this is paramount to the longevity of the venture.

(IJVA UK):

“I think it impairs corporate performance, one of the factors that probably is influencing the company today is that there isn’t a single culture and there are still maybe four different cultures within the company”.

There was a general consensus amongst the respondents that the integration of the corporate culture of the parents would have a negative influence on the performance of the IJV and that there needs to be a distinct IJV culture developed quickly that is separate from the parents.

Previous literature has failed to recognise this concept, that is, the building of an IJV corporate culture which is different to that of its parents being a factor in affecting performance. This concept has been brought to light by the respondents themselves and although they were unsure if ICTs had any bearing on this issue there may be some

areas in which ICTs can help IJVs achieve or maintain its own corporate identity separate to that of its parents.

ICTs may facilitate the creation of a unique corporate identity through measures that in part have already been stated. The utilisation of the Intranet and other ICTs in promoting a shared vision can help in creating a common identity that can be communicated throughout the IJV. It has been suggested that ICTs can build a “corporate consciousness” by helping to bond various units of the organisation together that may be spread across a wide geographical area and by effectively communicating the vision, goals and strategies of the IJV to all parties involved (Hills, 1998). This can encourage an environment in which the identity or culture of the IJV can evolve and be shared through communicating these aspects to partners and employees.

Failure to build a unique corporate culture for an IJV may be detrimental to its performance because without establishing its own identity the IJV will lose sight of its original objectives common to all partners, it may come to favour one partner’s objectives over the other, creating an imbalance in the relationship thereby causing conflict.

Summary

It is evident from the findings that there is very limited support for the proposition that the use of ICTs leads to the enhanced performance of an IJV. The comments made by the respondents highlight the difficulty in assessing the impact of ICTs on the performance of IJVs since it is a technology whose use is difficult to quantify.

Therefore, respondents were unsure and hesitant about the impact of ICTs on IJV performance and were unable to provide any concrete evidence to support this proposition.

From Table 6.1 it can be seen which factors have been cited by respondents that affect IJV performance. These are communication, trust, compatible goals and objectives, vision and the creation of a unique corporate culture. Both vision and the creation of a unique corporate culture have not been cited in previous literature and can be considered to be two new variables which affect IJV performance. In addition, the integration of parent corporate cultures is a factor which has been suggested in earlier research to influence IJV performance, however, in this study, it was not cited by any respondents to be significant. Moreover, it was suggested that this could, in fact, be detrimental to IJV performance.

Referring to the previous research questions, it can be seen where ICTs do and do not have an affect by linking the factors that the respondents feel enhance IJV performance to the concepts already discussed and analysed. It can be shown that ICTs do have some positive effects in communication channels as described in Research Question No.1 and to a certain extent ICTs may also influence the communication of vision and the establishment of a unique corporate culture within an IJV. However in terms of the communication channels that are required for strategic issues and the building of a strong IJV relationship, the development and maintenance of trust between partners and the realisation of compatible goals and objectives, ICTs are not perceived as having a significant impact on IJV performance. It is these issues which the respondents feel to be most important to the success of an IJV, therefore, it can be deduced that ICTs will have only a limited impact on performance.

6.7 Further Discussion

The following section will discuss the role of relationships and trust in IJVs and the impact of cultural distance upon on them. The creation of a unique corporate culture and vision are two new emerging variables that have been found to influence IJV performance and these will be discussed. The impact of ICTs on relationship building, trust, establishing a unique corporate culture and vision will also be discussed.

Parkhe (1993) argues that there is an over emphasis of many studies on the outcome of IJVs and as a result the social processes that underlie the dynamics of IJVs has been neglected. Kanter (1994) also supports this view and states that many studies are preoccupied with the economics of the alliance and neglect the political, cultural, organisational and human aspects of collaboration. The use of the case study methodology in this study has allowed a deeper insight and has revealed how important the social processes of trust building in a good relationship within an IJV are. This study reveals how the social processes go hand in hand with economic processes and that they are not separate from one another but that they are connected, indeed, respondents have placed a greater emphasis on the social factors influencing IJV success rather than economic factors. In this study the social processes i.e. the building of trust and a good relationship between partners have been found to be critical elements that can explain the success or failure of an IJV. In fact, Parkhe (1993) refers to such issues as being “behavioural variables at the heart of voluntary interfirm co-operation”. Thus, the use of case studies has indeed allowed a deeper understanding of the soft variables that have been stated by respondents to be important in the IJV relationship. With particular reference to IJVs, Parkhe (1993)

claims that these “soft” issues have been ignored in much of the IJV literature and that there is too much emphasis on studying the outcomes of IJVs rather than the processes. Respondents emphasised that these social factors or soft variables have a significant influence on the dynamics of the relationship and the eventual performance of the IJV. IJV performance is thus highly dependant on the structure of the social relations between the IJV partners which can support the realisation of objectives and can ultimately be an economic advantage. Social relations between IJV partners which begin as economic transactions seem to play a important role in the eventual performance of the IJV. IJVs are formed for a number of strategic and organisational motives, however, around the IJV there exists a “connective tissue” according to Parkhe (1993) which includes soft variables such as trust. The outcome of the IJV in terms of for example, profit and market share depends on the “connective tissue” surrounding the IJV.

Business relationships such as those between IJV partners also have a social content (Granovetter, 1985). A good relationship between IJV partners is a critical force that suppresses opportunism, enhances trust, and counters dissolution. It also encourages learning and knowledge sharing (Beamish & Inkpen, 1997; Kanter, 1994).

Findings highlight the importance of relationships issues to all respondents within this study. These have emerged through the analysis process and were not expected to be so important to respondents.

A good relationship within an IJV is established through socialisation and reciprocal learning, it becomes social capital that can create economic value for the IJV.

According to Lipnack and Stamps (1997) relationships are increasingly being recognised as having true economic value and that relationships store a new form of productive capital. The legacy of relationship success accrues as “social capital”. This social capital is “the structure of relations between and among actors”, individual or organisational. Lipnack and Stamps (1997) claim that all organisations have some social capital that is continuously growing and diminishing.

IJV partners are socially bound through having developed interpersonal relationships and interpersonal learning. Without a personal relationship, interaction between IJV partners is an economic rather than a social process. The learning of complementary knowledge gives IJV partners an economic incentive to continue to interact.

Unlike economic capital, in which money or commodities are incorporated into cycles of production to create more profits, social capital does not necessarily involve making a deliberate investment to obtain a return. Instead, it is an aggregate of actual or potential resources arising from social interactions in the course of developing an institutionalised relationship. Relationships between partners are a prominent issue in all co-operative alliances and over time, interactions between firms build a range of commitment and bonds through a social exchange process (Ford, 1980; Granovetter, 1985; Hakansson & Johanson, 1988; Kanter, 1994).

A good relationship between partners helps to resolve uncertainty among senior decision makers (Gulati & Westphal, 1999). IJV partners make substantial investments in such relationships to improve the effectiveness of the exchange relationship. According to Granovetter (1985), the relationship is strengthened over time through personal contact as partners develop expertise necessary to the

organisation's needs. Economic actions are thus embedded in the structure of social relations. Ring and Van de Ven (1994) argue that personal bonds of friendship can lead to norms of group inclusion and increase the commitment of all parties to a co-operative relationship.

In this study trust is seen as a major factor in IJV success. The literature suggests that a important factor influencing alliance performance is the level of trust between alliance partners (Bleeke & Ernst, 1991; Buckley, 1992) and that trust can improve strategic alliance productivity and efficiency (Ring & Van de Ven, 1992; Sitkin & Roth, 1993; Aulakh, Kotabe & Sahay, 1996). Trust between co-operative firms is an important means to reduce transaction uncertainties because where greater trust between partners exists, the fear and incidence of opportunism is reduced (Axelrod, 1984; Beamish & Banks, 1987; Bradach & Eccles, 1989). Spekman (1988) argues that trust is so important to alliances that he considers it the "cornerstone of the strategic partnership". Parkhe (1998) states that by "acting as a lubricant", trust improves alliance performance as it alleviates the fear of opportunistic behaviour and enhances the stability of the relationship. Trust leads to the development of interlinking transactions (Ottati 1994, Ouchi; 1980) and can therefore be expected to contribute to alliance success (Morgan & Hunt, 1994; Baird et al, 1990). Some researchers attribute success of cooperative ventures to how well the partners get along (Beamish, 1984; Cullen et al, 1995). Buckley and Casson (1988) state that co-operation works when the relationship "generates the largest possible amount of mutual trust." Ring and Van de Ven (1994) suggest that if firms involved in co-operative ventures have high mutual trust, personal relationships become more important in affecting co-operative activities. Furthermore, they argue that co-operating firms that have reached "informal

understandings and commitments” tend to develop a psychological contract, and such a contract takes the place of a formal legal contract (Ring & Rands, 1989).

Developing trust in cross border partnerships can generally be generated over time. Since trust involves expectations about future behaviour, it is influenced by the past behaviour of exchange partners. Partner firms need to learn about each other’s approaches in doing business and to understand each other’s actions (Hakansson & Johanson, 1988).

However, trust is a tangible concept which occurs between individuals. Howarth et al. (1995) argue that one cannot trust another company - “only people can trust each other”. Thus the desire to invest in the development of trust and long-term relationships can be linked to an individual’s experiences with others and the extent to which positive or negative expectancies have been achieved (Lewicki & Bunker, 1996; Larson, 1992). This may account for the respondents need to meet in person not just for business but also socially to meet associates and family etc. In addition, trust is not a product that can be bought or sold in the marketplace, but in fact develops over time based on a number of positive experiences between individuals (Kramer & Tyler, 1996; Arrow, 1974). Prior experiences are important because while the building of trust between partners is a slow process, it can be destroyed quickly (Fukuyama, 1995). Therefore, the degree to which the individuals creating the alliance have a history of trust and co-operation can significantly influence the degree of trust in the alliance (Park & Ungson, 1997). Gulati (1995) found that “repeated alliances between two partners are less likely than other alliances to be organised using equity”, suggesting that mutual trust resulting from prior relationships reduces co-operative uncertainty. The trust derived from good relationships increases the willingness of partners to share

knowledge which helps sustain trust and maintain the relationship (Butler, 1991; Morgan & Hunt, 1994; Kanter, 1994).

The level and type of information shared by alliance partners is a function of the strength of their relationship and also fosters trust because communications help in resolving disputes and aligning perceptions and expectations (Burt & Kenz, 1996; Moorman, Deshpande & Zaltman, 1992; Morgan & Hunt, 1994). Over time, the partners in a relationship can build up a level of understanding such that the exchange of information becomes routinised (Geringer & Hebert, 1989). A good relationship increases the willingness to transfer knowledge between IJV partners. Increased trust derived from a good relationship makes IJV partners more willing to transfer knowledge needed by their counterparts. The social structure of the relationship also makes the partners realise that knowledge sharing is a reciprocal process essential to sustaining individual ties (Powell, 1990).

A good relationship also improves the infrastructure for knowledge exchange between partners. As a source of enduring commitment from each party over time, a good relationship helps create a repository of reliable information on both the future needs for and the current strengths of knowledge, along with increased familiarity with the methods of communication that are effective and accentuate the ability to transfer knowledge (Zaheer & Venkatraman, 1995). A good relationship also helps smooth out the process of knowledge exchange by facilitating the transformation of interpersonal links into interorganisational links. These micro-macro links are important in knowledge sharing because this knowledge is often embedded in the organisation or group. A good relationship creates a stable context within which interorganisational trust is developed and operational routines are institutionalised

(Zaheer, McEvily & Perrone, 1998). According to Kanter (1994) a “chemistry” should exist between the partners and a good rapport between senior executives creates a good will that can be tapped into if tensions develop. Therefore, strong relationships help resolve conflicts before they escalate.

A positive relationship between trust and performance has been empirically supported in a variety of intra-and interorganisational contexts and also suggested in cross-border partnerships (Crosby, Evans & Cowles, 1990; Robicheaux & Coleman, 1994; Madhok, 1995; Parkhe, 1993).

Due to the uncertainty as to the factors and processes that create trust, and the extended time period over which it develops, trust may be difficult for competitors to imitate and can therefore represent a considerable source of competitive advantage (Dyer, 1997).

The literature suggests that the dynamics of these relationships become even more fundamental in a cross-cultural setting, in which international co-operative ventures encounter more obstacles (e.g. institutional volatility, cultural barriers) than do domestic ones.

If companies want to gain market share in foreign markets the fact that IJV partners are different should not be considered a problem as suggested in previous literature since the potential to learn and gain access to organisational knowledge is an advantage to the alliance. The objectives of all the IJVs in this study are marketing and in some cases IJV partners are from different industries as well as being from different nationalities. Because they are culturally different there is the opportunity to gain both economic advantages as well as social advantages such as learning which can be a

source of strength to the alliance bringing a broader range of skills and attributes. Different cultures can offer unique competencies to partners in an IJV from which partners can learn. All the IJVs in this study are IJVs where each partner contributes unique strengths and resources valued by the other partners, in effect, there is a combination of both economic and social advantages to be gained. For example, the aim of IJVA is to become the second Italian operator in the field of fixed telephony by offering telecommunications services to the Italian business sector. IJVA benefits from its first Italian partners knowledge of both the Italian business environment and from its revenue. IJVA also benefits from the use of one of the Italian partners fibre optic networks and it benefits from the UK partners expertise in world wide communications through global networking as well as its knowledge in marketing skills. The UK partner allows the first Italian partner to develop its own network in order to provide the opportunity to offer value added communications services such as telephone banking.

Convergence i.e. the effect of technology bringing many markets together, is also taking place with companies in the European telecommunications industry and there have been many new alliances formed between companies from different industries within the EU in order to exploit new markets, acquire new skills they do not have and acquire knowledge they do not have (Ungerer, 1995). This can be seen in most of the IJV selected for this study where IJV partners are from a variety of sectors. IJVA is an IJV where the UK partner is a telecommunications company, its first Italian partner is a bank, the second Italian partner is from the television business and the third Italian partner is an oil and gas company. IJVB is an IJV where the UK partner is a telecommunications company and the Danish partner is an IT supplier serving shipping,

logistics and aviation companies. IJVC is an IJV where the UK partner is a telecommunications company, the German partner is an energy, chemical, packaging and logistics company, and the Norwegian partner is a telecommunications company with a strong focus on mobile, Internet and broadband services. IJVE is an IJV where the UK partner is a telecommunications company, and the Dutch partner runs the national railway network in the Netherlands.

IJVD is the only IJV where all the partners are from the same industry i.e. telecommunications.

In cross cultural alliances, relationship building does not occur but is developed through a continuous commitment to nurturing the interorganisational exchange (Beamish & Inkpen, 1997). When there are cultural differences between IJV partners, building interpersonal ties depends on knowledge about respective social norms, cultural standards, individual preferences and skills. At the same time, an individual's commitment and behaviour in cultivating a good relationship is shaped by the strategic needs of the organisation he or she represents. When organisational needs and objectives differ substantially between two firms, the relationship will suffer.

However, the marriage of firms from different cultures as well as creating a potential for learning also creates a potential for opportunism, conflict and mistrust. Without cultural sensitivity to each other, partners fail to work out problems. The development of trust is a complex process (Butler, 1991) and is further complicated by cultural distance between IJV partners. In the absence of trust they retreat to their own companies or cultures, leaving issues unresolved and feeling that the venture is not worth the effort (Johnson, Cullen, Sakano, Takenouchi, 1996). Having an awareness

that alliance partners are different is an important factor in building trust (Barber, 1983; Howarth et al, 1995). The development of cross cultural business relationships is affected by psychic distance (Hallen & Wiedersheim-Paul, 1984; Kogut & Singh, 1988, Johanson & Vahlne, 1977). According to Meschi and Roger (1994) during the process of interaction the greater the perceived cultural distance the more difficult it is to develop the relationship. However, as the relationship develops psychic distance can be reduced over time. In order to manage cultural differences IJV partners need to develop an understanding of the partners cultures which requires investment in time and managerial effort (Johnson, Cullen, Sakano & Takenouchi, 1996).

Cultural distance between partner firms is a strong form of internal uncertainty for IJVs (Kogut & Singh, 1988) because it implies differences in managerial values, mind-sets and norms (Hofstede, 1983). It may also lead to cultural ambiguity and process losses when IJV partners from different cultures work together. Group homogeneity theorists claim that having culturally similar group members prevents losses in coordination, information flow, and communication within organisations (Shenkar, 1995). A high cultural distance between partners is likely to affect the establishment of personal relations between their IJV partners and knowledge sharing between them. Transferring competencies and capabilities is more difficult when cultural barriers are greater (Kogut & Singh, 1988). People whose cultural backgrounds are very different find it hard to communicate, share their experience and verify each others credibility (Carroll & Teo, 1996). Therefore, sharing skills between IJV partners may be problematic when cultural distance is high. The ability to build personal relations is itself influenced by cultural distance. Knowledge of or skill at cultivating and developing personal relations is a form of cultural capital (Burt, 1997) that is embodied

in those who know how to build, strengthen and maintain interpersonal connections. According to Aulakh, Kotabe and Sahay (1996) trust development not only varies between individuals but also varies between nationalities. Parkhe (1993) argues trust in IJV relationships may vary depending on the internal culture of the organisation as well as the macro cultural environment surrounding the IJV.

Lin and Germain (1998) argue that culturally similar partners or psychically close partners choose to resolve conflicts in a particular way i.e. conflict resolution mediates the effect of cultural similarity on performance and cultural similarity stimulates a problem-solving approach to resolving conflicts i.e. IJV performance is better when partners are psychically close. According to O'Grady and Lane (1996) because cultures are psychically close does not necessarily mean that they are easy to manage. In their study O'Grady and Lane (1996) found that despite American and Canadian cultures being perceived as being psychically very close many ventures failed because partners did not learn about each others cultural differences. Partners assumed that cultures were similar and did not always expect or recognise that cultural differences existed, this resulted in people not learning about these differences which may have prevented failure.

Cultural difference can compliment the IJV and contribute to its success which has been cited by respondents in this study. Cultural difference also allows the partners to learn from one another as well as learn and acquire knowledge regarding new markets. Many respondents felt this to be the case. Cultural differences can be a source of competitive advantage if partners recognise, appreciate and regard them as an opportunity to learn and thereby expand the capabilities of the organisation. This can

be a source of strength to the IJV. Barkema, Bell and Pennings (1996) believe that learning between partners can compensate for cultural differences.

IJV partners from different countries may perceive each other to be similar attitudinally and behaviourally, which is especially true with a mutual learning process which brings about a common or intermediate set of values and norms between different partners (Parkhe, 1991). Technological development and globalisation are bringing a converging commonality are leading to cultures becoming similar (Levitt, 1983). Findings suggest this does not always bring a positive influence to the IJV. Some respondents did not believe that cultural homogeneity was always a positive attribute. The belief that cultural diversity has a positive or negative effect is influenced by the cultural perspective of the respondents. Cultural differences in this study are seen as important to the IJV relationship but that they do not necessarily lead to a negative effect on IJV performance.

Shenkar (2001) suggests that globalisation and convergence are mechanisms which can reduce cultural distance. Globalisation allows individuals to have more opportunities to live and work within cultures different to their own and this leads to a better understanding of cultural values (Groeschl & Doherty, 2000). Therefore, employees can act as a mechanism for closing cultural distance.

For instance, Hofstede (1985) and Shenkar and Zeira (1992) suggest that having partners from both “feminine” and masculine” cultures (national) may benefit the IJV. The aggressive attitude of one partner (aimed at individual achievement and performance) and the relationship orientation of the other (Hofstede, 1980) may complement each other rather than have a negative impact.

Subjective cultural factors related to social integration may be as important as the economic objective and strategic compatibility of firms. That is, even if the relationship is logical from a business point of view, it may not work without cultural sensitivity and the eventual resulting trust. A relationship without trust makes partners tentative in their involvement and reluctant to reveal their true motives or share knowledge.

According to Peters and Waterman (1982) corporate cultures include ideologies and values that characterise the organisation. Lane and Beamish (1990) argue that the difficulties in cross-cultural interactions conflict between IJV partners can lead to IJV failure. Conflict prevents the development of norms of fair exchange and reciprocal trust necessary to support an enduring relationship (Buckley & Casson, 1988; Lane & Beamish, 1990). Meschi and Roger (1994) claim that different cultures in IJVs can lead to a number of unproductive behaviours that reduce the social effectiveness of the IJV and lead to failure. This therefore suggests that a separate corporate culture could aid the IJV relationship.

In this study a major finding has been that parent corporate cultures should not integrate. The development of a unique corporate culture is a factor highlighted by respondents as having a positive effect of IJV performance. Many respondents felt that the IJV should establish its own distinct cultural identity at start the of the relationship and that, the integration of parent corporate cultures is not necessary to enhance IJV performance and could actually hinder IJV progress.

This contradicts existing literature which states corporate cultures should integrate for an IJV to be successful (Harrigan, 1988; Kogut, 1988, Brown, Rugman & Verbeke, 1989, Lane & Beamish 1990; Meschi & Roger, 1994). Respondents believe that it is not the differences in national culture that cause problems for the IJV but it is the

differences in corporate culture that bring a negative influence to the IJV. The literature suggests that national culture causes friction within the IJV and that corporate cultures should integrate for the IJV to be successful. This is not the case in this study.

According to Littler and Leverick (1995) alliance partners need to have a working style which is complementary in the way decisions are made and conflicts resolved.

A unique corporate culture would benefit the IJV in a number of ways by reducing conflict, by establishing common rules and values etc., allowing the development of the IJVs own mechanisms for dealing with problem solving and conflict resolution that have been developed taking account of parent cultures. If conflict did arise then the IJVs unique corporate culture would allow the situation to be resolved, however, if the corporate cultures were integrated then conflict may be resolved in the manner of one of the parent companies. This could then cause problems in the IJV relationship.

The creation of a “corporate consciousness”, awareness and sense of belonging, and the maintenance of organisational bonds is another advantage of a unique corporate culture. Respondents’ view was that the IJV should be separate from its parents in order to gain the greatest degree of knowledge from all sides. When an IJV creates its own unique cultural identity separate from its parents conflict can be avoided as neither parent company can impose its corporate culture on the other partner(s).

All these factors in effect encourage the building of trust within the relationship and thereby improve performance. A unique corporate culture helps IJV partners develop a common culture that nurtures mutual learning and knowledge exchange.

Compatible goals and objectives were generally felt by respondents to enhance IJV performance. The failure to recognise each others objectives can cause friction and have a negative impact on performance. The lack of goal compatibility creates a

climate where an alliance cannot succeed. Understanding the objectives of each partner within an IJV is a function of communication.

A strong form of trust between partners results from the common vision, objectives and standards that partners have for the alliance (Barney & Hansen, 1994). Partner commonality in terms of behavioural patterns and objectives promotes effective communication, which leads to lower costs of co-ordination and a reduced need for formal governance safeguards (Whetten, 1981). Differences in strategic goals and values lead to a loss of partner trust and can seriously impede the ability to work together (Parkhe, 1991).

Vision is a new important variable that has been highlighted by a majority of the respondents to affect the performance of IJVs, however, the concept of vision has not been cited in previous literature.

Vision provides the IJV with a sense of direction which many respondents believed had a positive influence on IJV performance. Vision is an intangible concept which enables decision making to be formulated in an environment that incorporates all the facets that encompass objectives, goals and strategies of the IJV. IJV partners want a common vision that is different to that of their parents. This is somewhat similar to the IJV partners expressing a wish for a unique corporate culture i.e. to be separate from the parents and have their own IJV identity. Hills (1998) refers to vision as an important part of a "corporate consciousness" and it is seen as being just as important as having common goals and objectives by respondents. Vision, common goals and objectives are connected to each other and influence the performance of the IJV.

All the factors that have been discussed in this section i.e. trust, a good relationship, the establishment of a unique corporate culture, common goals and objectives, and

vision are all a product of communication. Communication helps develop the social processes that lead to the building of trust, social bonds and the creation of a unique corporate culture, common goals, common objectives and vision. The presence of psychic distance and cultural distance within an IJV relationship means that communication becomes more important. Lin and Germain (1998) state that the higher the cultural distance in the relationship the more difficult it is for the relationship to develop and therefore, the development of a good relationship depends on effective communication which fosters trust and commitment between partners. The next section discusses the impact of ICTs on these factors. When partners understand cultural differences in the IJV, the ability to communicate effectively increases. Effective communication means that problems can be solved, decision making is shared and misunderstandings avoided and conflicts reduced (Datta & Rasheed, 1993).

ICTs are powerful tools which have the ability to overcome time and distance barriers (Wigand et al, 1997; Alexander, 1997) but they lack the ability to communicate non-verbal cues which are an important element in building trust. Verbal cues and emotions are absent in ICTs and they cannot be as easily transmitted as they can be in face-to-face communication and the interpretation of these cues will differ from culture to culture (Jarvenpaa & Leidner, 1998; 1999). This is emphasised by respondents in the study. Since non-verbal cues and emotions are critical to the communication of trust this is a limitation to the value of virtual relationships (Walter & Tidwell, 1995).

According to Fuehrer and Ashkanasy (2001) both verbal and non-verbal cues are necessary in order to communicate trust and face-to-face communication is the most effective way to achieve this (Nohria & Eccles, 1992; Grundy, 1998). If there is little chance for face-to-face meetings then actors need to transmit as many non-verbal cues

as possible if the communication of trust is to be achieved. Trust can be maintained if actors communicate enthusiastically, however, to ensure effective organisational functioning emotional expression is required (Wicks et al, 1999). This is highlighted by respondents in this study.

Takeuchi and Nagao (1993) conducted research on how to compensate for the lack of non verbal cues and emotion in ICTs. They found that facial displays partially facilitated computer human interaction and that facial displays also improved subsequent interactions. The lack of informal communication in a virtual relationship can also be compensated for by placing support mechanisms in order to facilitate informal communication thereby helping people to create a common identity as a means to foster trust (Cohen, 1997). There are also other means by which emotion and non-verbal cues can be communicated for example, in e-mail messages such as the use of lexical expressions and the use of “emoticons” (Walter & Tidwell, 1995; Rivera, Cooke & Bauhs, 1996). Emoticons can clarify a point or avoid misunderstandings and allow positive and negative messages to be interpreted as intended.

Effective communication of trust is critical for trust building and requires appropriate and reliable ICTs and a means to transmit human emotion and feelings. Trust development further requires a common business understanding to ensure the effective functioning of the organisation. Fueherer and Ashkanasy (2001) state that in a virtual relationship communication of trust is facilitated by reliable ICTs, a common business understanding, and a strong sense of business ethics among virtual collaborators, in particular, means to enable expression of non-verbal and emotional cues in ICTs is an important element in the process of communicating trust. Support mechanisms such as chat rooms provide further means to establish trust. These facilitate creation of a

common identity and business understanding, including business ethics needed to build and maintain virtual relationships. These factors contribute to creation of a high level of trust within an interorganisational virtual organisation this in turn, facilitates realisation of the potential advantages of these organisations: flexibility, responsiveness and, ultimately, competitive advantage (Barney & Hansen, 1994).

Relationship building has been highlighted in this study as a factor that affects IJV performance. A good mutual understanding between IJV partners is critical in maintaining trust in the relationship and therefore, in influencing performance. This requires communication and interaction at a deeper level which cannot be achieved through the use of ICTs but through the use of rich media and personal interaction. A high reliance on ICTs results in a negative impact in terms of damaging the relationship between IJV partners. There is preference amongst many respondents for face-to-face communication as it builds trust and a good relationship. Trust is a critical component of interfirm relationships and is essential for the development of enduring partnerships (Moorman, Zaltman & Deshpande, 1992; Morgan & Hunt, 1994; Madhok 1995). The use of ICTs leads to reduction in personal interaction, creation of mistrust, too much information being counterproductive and the requirement for discipline.

It is evident that different nationalities accept and adopt the use of ICTs allowing certain nationalities to be divided into technosceptic or technophiles.

If IJV partners are aware of the attitudes a particular nation may have towards the use of ICTs then they can better understand the most appropriate way of communicating with them.

Partners need to be aware and sensitive to cultures that are not comfortable with using ICTs and prefer face-to-face communication. The UK partner of IJVA was aware of the cultural differences and had adapted his behaviour by not using ICTs. The successful use of ICTs depends on the culture of the partners in the IJV. ICTs have not been shown to improve performance in IJVA but in IJVB they are used extensively, so much so that respondents believed they could not live without it.

From social construction theories technology is influenced by “social agents” and the role and proper use of any technology can affect its actual usage within the organisation. According to Contractor and Eisenberg (1990) communication technology’s functionality is altered by the process of use by people. Cultural sensitivity provides a foundation for trust development in the IJV because it strengthens communication effectiveness in the IJV. A lack of cultural sensitivity can lead easily to misunderstandings in cross-cultural relationships (Datta & Rasheed, 1993). When a firm understands and bridges cultural differences in the IJV, the ability to communicate effectively increases substantially. With effective communication, problems are solved, decision making is shared and expectations clarified. Good communication contributes to trust building and neutralises the effects of conflict and misunderstandings. The firm’s sensitivity to its partners culture removes a significant barrier to communications and therefore, to trust building.

Understanding cultural differences comes through personal interaction and trust.

In achieving a unique corporate culture, ICTs such as the Intranet can communicate a common identity that can be communicated throughout the IJV. Intranets have the ability to build a culture of sharing and collaboration by improving communication,

allowing the sharing of knowledge and collaboration and facilitating learning and organisational bonding.

They can help build a “corporate consciousness” (Hills, 1998) bonding geographically dispersed units of the organisation together by effectively communicating vision, goals and strategies to all parties involved. ICTs can aid the creation of a unique corporate culture however, whether this impacts on IJV performance needs further investigation.

ICTs can affect the way in which vision can be communicated within the IJV with the aid of an Intranet. ICTs such as the Intranet provide employees with supportive messages that may be contained in the organisation’s mission, vision, corporate goals, strategies and operating procedures. Intranets provide information about the organisation and thereby promote cultural shared norms and values (Dewett & Jones, 2001). Intranets facilitate communication, enable knowledge sharing and collaborations, learning and organisational bonding, allowing the organisation to communicate its visions, goals and strategies.

Compatible goals and objectives are a function of communication and failure to understand both the common and disparate objectives may lead to poor IJV performance. It is doubtful that ICTs could bring any benefit to the partners in realising each others objectives and having any effect on performance.

However, according to Fuehrer and Ashkanasy (2001) a common business understanding and strong business ethics are other factors that have an impact on the development and acceptance of trust in interorganisational relationships. This common business understanding can be facilitated by ICTs. According to Scott and Lane (2000) a common business understanding requires the creation of a shared vision, in combination with the communication of mutual aims through clear definition of the

roles and expectations within the team, especially in the early stages of the relationship. Mechanisms that can establish a common business understanding in a virtual relationship include an organisation handbook (Faisst, 1997) or the design of a mutual Internet site chat room (Johnson, 1997) these effectively create a common identity and business understanding. The creation of a sense of meaning, member identification, and mission identity, especially in the early stage of the partnership facilitates collaboration at an individual level and the operation and productivity of the interorganisational virtual organisation as a whole. As a result, common business understanding provides an essential condition for the development of trust within the organisation. Wiesenfeld et al. (1998) state that understanding fosters mutual goal setting and the willingness to collaborate and to share information, and the creation of interpersonal trust. According to Zucker, Darby, Brewer and Peng (1996) a common business understanding provides the virtual organisation's member's with an opportunity to create and share their perceptions of the organisation's defining features, and creates a feeling of ownership and trust.

For example, in IJVB a business deal was done almost entirely by using ICTs where a virtual organisation was created and allowed the flattening of structures. This particular IJV has been successful in utilising ICTs and creating trust in a virtual organisation.

6.8 Chapter Summary

This chapter has presented the results of the study and analysed the results by undertaking both within and cross case analysis of the data. The discussion highlighted

common themes and patterns as well as emerging ideas providing evidence for theory development. When analysing each research question comparisons were made with conflicting and similar literature allowing the proposition for each of the research questions to be answered.

The aim of the following chapter is to draw conclusions from the study.

CHAPTER 7

CONCLUSIONS AND RECOMMENDATIONS FOR FUTURE RESEARCH

7.1 Introduction

This chapter presents the final section of this thesis. This includes a summary of the research objectives and methodology followed by the major findings of the research. Emergent themes and theory that have been developed from the research will be highlighted in the contributions of the study and any limitations will also be identified. Finally, recommendations for future research will conclude this thesis.

7.2 Summary of the Research Objectives

It is the nature of business to exploit the opportunities in the global environment and with increasing competition, IJVs present a useful strategic option for global expansion (Harrigan, 1987[b]). Also, technological advances, the convergence of technologies and market globalisation are three major factors identified by Gulger (1992), as being behind the growth of alliances such as IJVs. The strategic benefits of collaboration includes such factors as a reduction in risk, the achievement of economies of scale and technological exchanges. Organisational benefits also include gaining access to

organisational knowledge and learning. These factors make IJVs an attractive option. These benefits enable firms to build competitive advantage by increasing their knowledge and experience base through extending their existing core competencies and skills into new or unrelated domains. However, the increasing popularity of IJVs is not without risks. High failure rates indicate that IJVs are a risky form of business, with estimates of unsatisfactory performance ranging from 37% to over 70% (Janger, 1980; Killing, 1983; Stuckey, 1983; Reynolds, 1984; Beamish, 1985; Harrigan, 1985; Kogut, 1988; Coopers & Lybrand and Skelly & White, 1986, Park & Ungson, 1997).

Communication is a variable that has been highlighted as having a significant effect on the performance of IJVs (Geringer & Hebert, 1989; Lane & Beamish, 1990; Parkhe, 1991; Kanter, 1994; Littler & Leverick, 1995; Brown & Pattinson, 1995). According to Dodgson (1993[b]), effective communication channels are essential to IJV success. Communication amongst IJV partners represents the underlying “soft” infrastructure of social relations among the partners of an IJV. Communication develops the key social processes that contribute to the construction of trust, social bonds i.e. relationships, mutual goals and operational expectations of the relationship (Harvey, Griffith & Novicevic, 2000). The ability of the IJV to develop stronger relations is reliant upon its ability to effectively communicate with its partners. Through successive communication interactions and adaptations to mutual communication needs relationships and trust can be enhanced and conflict minimised (Moorman, Deshpande & Zaltman, 1992; Morgan & Hunt, 1994). Communication is intrinsically required in all units of an organisation and is particularly important in IJV relationships where partners are not just geographically dispersed but are culturally diverse both in terms of national and corporate culture. Communication is therefore fundamental not only in

building strong relationships in an organisation but also in overcoming the boundaries that are inherent in international alliances. The role of ICTs in today's business environment has transformed from a vehicle which automates tasks to one that can enable organisational networked relationships, providing support for and improving communication between partners within an organisations network and allowing it to become virtual in nature. Cultural difference (national and corporate) is another variable cited as having an influence on IJV performance (Harrigan, 1988; Geringer & Hebert, 1989; Parkhe, 1991; Kanter, 1994, Brown, Rugman & Verbeke, 1989, Shenkar & Zeira, 1992; Meschi & Roger, 1994; Barkema & Vermeulen, 1997; Lin & Germain, 1998). The development of the IJV relationship is complicated in a cross cultural setting where psychic and cultural distance are apparent (Hallen & Wiedersheim-Paul, 1984; Kogut & Singh, 1988; Johanson & Vahlne, 1977) and when partners are geographically dispersed. The existence of cultural and psychic distance affects the establishment of personal relationships between IJV partners (Kogut & Singh, 1988). Communication is crucial in the development of business relationships and trust (Anderson & Weitz, 1989). Thus, communication becomes more important when cultural distance is apparent between the IJV partners. The greater the cultural difference between the partners the harder it is for the relationship to develop (Lin & Germain, 1998). As a result the ability to communicate effectively between partners can affect the outcome of an IJV (Geringer & Hebert, 1989; Kanter, 1994; Littler & Leverick, 1995). According to Parkhe (1991) the cultural gap that exists between IJV partners may be bridged by effective communication.

Therefore, ICTs have become a mechanism that may have significant effects on inter-organisational relationships such as IJVs and therefore warrant some form of

investigation, with particular emphasis on whether the use of ICTs in communication channels can affect performance in relation to the communication and culture dynamics.

Therefore, the objectives of this study has been to establish the following:

- i) Whether the use of ICTs impact on communication channels in IJVs.
- ii) Whether the use of ICTs can help to bridge the cultural gap between IJV partners.
- iii) Whether performance of IJVs is affected by the use of ICTs in communication channels.

7.3 Summary of the Methodology

This study has been of an exploratory nature and has adapted Eisenhardt's (1989) model for developing theory from case study research and incorporates both deduction and induction within the framework. Therefore, this research was carried out using the multiple embedded case study approach, which according to Parkhe (1993), can facilitate a deeper understanding of soft variables and key relationships that exist in IJVs. It was felt appropriate to use the case study methodology since Parkhe (1993) argues that there has been an overemphasis in many IJV studies to focus on the outcome of IJVs which has resulted in the neglect of the social processes that underlie the IJV relationship. Many IJV studies also do not recognise the connection between the outcome and the process (Parkhe, 1993). Parkhe (1993) argues that past empirical work ignores the critical issues pertaining to the IJV relationship process such as "soft" variables like trust. These "soft variables are at the heart of IJV relationships and have

a significant influence on the dynamics and eventual performance of the IJV. Case studies allow a deeper insight into these issues. Kanter (1994) has a similar opinion and claims that there is a preoccupation with the economics of the alliance and a neglect towards the political, cultural, organisational and the human aspects of collaboration. The use of multiple case studies can capture the “soft” issues and link data to theory in an inductive process moving towards the generation of an empirically valid theory that is subject to testing and refinement through replication logic.

The initial research questions and theoretical constructs were formulated through a process of deduction using relevant IJV and ICT literature. Three research questions were developed to assess the impact of ICTs on communication channels and their effect on the performance of IJVs, which were:

1. How does the use of ICTs impact on communication channels between partners in IJVs?
2. How is the cultural diversity that exists between partners affected by the use of ICTs in communication channels?
3. How is performance of an IJV affected by the use of ICTs in communication channels?

The sample of case studies used for this research project were selected for theoretical reasons, in order to allow replication and thereby extend theory. The sample selected focused on IJVs created between UK and other EU companies within the telecommunications sector of the EU during the time period 1995-1997.

Data collection incorporated both qualitative and quantitative measures, which included in-depth interviews and the use of secondary data. Interview data was collected from each partner in the IJVs that were selected. This provided an element of consistency and also contributed to the ability to carry out cross-case comparisons of all the IJVs available for investigation. The interviews assessed the subjective opinions of both the UK and European partners towards the impact of ICTs on communication and culture and subsequently, in relation to IJV performance. For this research, IJV duration was selected as the main objective measure of IJV performance and satisfaction expressed by the alliance Directors of the IJV, as the main subjective measure of performance.

The results of the study were analysed by undertaking both within and cross case analysis of the data obtained from the interview transcripts. This highlighted common themes and patterns as well as the emergence of new ideas, providing evidence for theory development. This allowed the generation of unique theory with constructs that can be tested, and provided hypotheses that can be proven false.

The analysis was then discussed and comparisons with conflicting and similar literature were identified. This process allowed each research question to be answered in turn and enhanced the validity, generalisability and the theoretical level of theory development.

7.4 Summary of the Major Findings

This study has enabled several conclusions to be drawn from the research objectives discussed in Chapter One, Chapter Five and also summarised earlier in this chapter.

The major conclusions with relation to each of the research propositions are as follows:

Research Proposition No.1

The first proposition that the use of ICTs leads to improved communication channels between partners in IJVs, has been supported to a certain degree as ICTs enable greater efficiency, they enable the creation of a virtual organisation and they promote knowledge sharing and learning. It has been shown, however, that the utilisation of certain communication media is affected by the purpose or importance of the interaction required, or the hierarchy of issues.

There are both positive and negative connotations to the impact of ICTs on communication between IJV partners. The positive implications can be divided into two categories i.e. an increase in efficiency and an improvement in the relationship between IJV partners. Factors that lead to an increase in efficiency include a reduction in time and distance barriers, an increase in information gathering, the creation of virtual networks, an increase in knowledge sharing and the generation of more productive meetings. It is a combination of these factors that lead to an improvement in the relationship between IJV partners.

It is possible to divide the negative implications into two categories also, which are, that the use of ICTs can have damaging consequences on the relationship between IJV partners and that preferences for face to face contact exists among the respondents. Factors that have led to a preference for face to face contact have been cited by respondents to depend on the issue at hand, its benefits in meetings and its capacity to build trust and cement relationships. Factors that can lead to damaging the relationship

between IJV partners as a result of using ICTs have been cited by respondents as being a reduction in personal interaction, the creation of mistrust, excessive amounts of information being counterproductive and the requirement for discipline.

It is clear that there is a preference for utilising ICTs or face to face communication depending on the importance of the issues to be discussed. At an organisational level where minor decision making is involved there is a preference for communicating through ICTs. At a strategic level where major decision making is involved there is a preference for face to face communication. New technologies are not favoured as a substitution for personal contact in for example, maintaining a strong relationship between IJV partners or in high level and strategic decision making. ICTs are an important tool for most of the IJVs in this study but they in no uncertain terms would substitute communication on a face to face basis for electronic forms of communication especially with regards to the establishment and maintenance of a good working relationship. A good relationship between IJV partners is an important element that suppresses opportunism and enhances trust and thereby encourages learning and knowledge sharing. The absence of a personal relationship means that interaction between IJV partners is more of an economic rather than a social process.

Figure 6.5 illustrated the interaction of communication channels upon IJVs. It linked the medium preferred for communication to the issues that were being communicated and the subsequent effect on the IJV.

If the communication medium chosen best matches the message to be conveyed then this ultimately leads to an improvement in communication between the partners within an IJV. There is a preference for a face to face meeting when a strategic decision is

involved, but at an organisational level, day to day communication can be transmitted through the utilisation of ICTs. An improvement in communication between the partners leads to greater efficiency, greater knowledge sharing and learning and also results in an increase in trust and aids the building of relationships. Trust between IJV partners is important as it helps reduce uncertainties and as a result the fear of opportunism is reduced (Parkhe, 1993; Morgan & Hunt, 1994).

The trust derived from a good relationship increases the willingness of partners to share knowledge which helps sustain and maintain the relationship (Butler, 1991).

Research Proposition No.2

The major findings in relation to the second research proposition, that the use of ICTs helps to bridge the cultural gap that exists between partners in an IJV, has again been supported to a certain degree.

The way in which ICTs can bridge the cultural gap were found to consist of four main issues.

Firstly, ICTs transcend national and cultural boundaries; secondly, they incorporate English which is the universal business language; thirdly, the processes of ICTs are uniform and universal and, finally, these all combine to encourage learning. The ways in which ICTs do not bridge the cultural gap consist of the belief that personal interaction creates better learning, and that ICTs do not necessarily override national cultural boundaries but instead, lower everyone to a common denominator, that is of the dominant culture.

ICTs affect the cultural diversity that exists between IJV partners but only by influencing the superficial values of national culture. For example, English has become the universal business language and the processes developed for ICTs as a medium are uniform and universal enabling a homogenisation of business culture. However, this does not penetrate the core embedded values of national culture which can only be fully appreciated through personal contact. Hofstede (1980, 1991), states that differences between national culture are still applicable despite attempts by critics such as Levitt (1983) to suggest otherwise. The need to understand cultural differences is still required to maintain a relationship such as an IJV, and this is acknowledged in this study to be of importance. The dynamics and development of an IJV relationship are further complicated in a cross cultural alliance where cultural and psychic distance exists (Hallen & Wiedersheim-Paul, 1984; Kogut & Singh, 1988; Johanson & Vahlne, 1977). A high cultural distance between partners affects the establishment of personal relations (Kogut & Singh, 1988) and therefore, building relationships depends on a knowledge about cultural standards and social norms. The development of trust is a complex process and is difficult to achieve due to cultural and psychic distance (Ford, 1980; Hakansson & Johanson, 1988; Butler, 1991). Having an awareness and cultural sensitivity that the alliance partners are different is important in building trust (Barber, 1983; Howarth et al, 1995). The building of good relationships is also influenced by cultural distance and developing these relationships is a form of cultural capital (Burt, 1997).

Factors such as technological development and globalisation are bringing a converging commonality and are leading to cultures becoming similar or homogeneous. Findings of this study suggest that this does not always bring a positive influence to the IJV.

Cultural differences were seen to be important in IJV relationships as IJVs are formed to gain the different attributes of the parents, i.e. to gain knowledge and skills or to gain access to culturally different markets. Many researchers (Geringer & Hebert, 1989; Harrigan, 1988; Kogut, 1988; Brown, Rugman & Verbeke, 1989; Lane & Beamish 1990; Meschi & Roger, 1994; Littler & Leverick, 1995; Lin & Germain, 1998) assert that the existence of cultural differences contribute to reduced IJV performance, however this study recognises the idea that cultural differences do not necessarily lead to a negative effect on IJV performance but in fact partner differences can compliment each other and contribute to its success. Indeed, cultural differences can be a source of creativity and competitive advantage if partners recognise, appreciate and regard them as an opportunity to learn and expand the capabilities of the organisation.

The study has also revealed the differences with which certain nationalities accept and adopt the use of ICTs. For example, from this study, the Italian respondents stated that they did not utilise ICTs or new technologies as they felt that nationally they have a greater tendency towards face to face communication. The remaining nationalities exhibited more positive attitudes to ICTs, utilising them more frequently and with greater enthusiasm, although to differing degrees. This allowed the identification of two distinct categories i.e. Technosceptic cultures and Technophilic cultures.

Also by extending Hofstede's work, it was possible to link the acceptance and adoption of new technologies to particular organisational cultures. Accordingly, there was found to be a correlation between those nationalities exhibiting high or low levels of "power distance" (organisational culture) and "uncertainty avoidance" (societal culture), furthering the development of these technophilic and technosceptic national

characteristics in relation to the use of ICTs (see Figure 6.6). Specifically, the Italians can be seen to be technosceptic, whereas for example, the Norwegians can be seen to be technophilic.

In terms of corporate culture this study has also highlighted two unexpected findings. Firstly, the belief that the parent corporate cultures should not integrate was unanimous and secondly, the view that the IJV itself should establish its own distinct cultural identity was widely commented upon by the respondents. In fact, it has been stated that the integration of the parent corporate cultures is not necessary to enhance performance and could actually hinder the IJVs progress. This contradicts existing literature which states that the integration of the parent corporate cultures is necessary for an IJV to be successful. As there is very limited literature on this subject, the impact of ICTs on the creation of a unique corporate culture has not previously been studied. There is, however, literature that suggests that ICTs may help foster an environment in which objectives and vision can be communicated and enables bonding between different entities within an organisation especially when geographically dispersed. In this study this notion has been applied to IJVs where it may help to establish a unique corporate identity since IJVs are created from a number of parents with different attributes that the IJV has inherited. Thus, ICTs e.g. through the use of an Intranet may enable the IJV to incorporate these aspects and communicate them effectively, promoting an identity different from that of its parents. These themes have not been previously considered in IJV research. In this study it has been the differences in corporate culture that have been highlighted as bringing a negative influence to the IJV and it is not the differences in national culture that cause problems within the IJV.

Research Proposition No.3

The major findings in relation to the third and final proposition in this study, that the use of ICTs leads to the enhanced performance of an IJV, has received little support. In assessing performance of IJVs objective measures have been found to be of limited benefit to this particular study. Determination of the success of an IJV from the analysis of duration did not reveal whether the IJV had achieved its objectives or whether it was considered to be successful by partners. The subjective measure of performance provided more meaningful results in particular in terms of highlighting the social factors respondents felt influenced IJV performance. The interviews generated in-depth discussion with respondents revealing new concepts and providing reliable data in order to evaluate IJV performance.

Factors stated by respondents which affect IJV performance in this study were communication, relationship building, trust, compatible goals and objectives, a common vision and the creation of a unique corporate culture. The latter two factors, a common vision and establishing a unique corporate culture have been revealed as two new and important variables affecting IJV performance. These have not been cited in previous research.

IJV performance was not indicated by the respondents in terms of financial or objective measures such as profit and market share, but, in terms of the subjective concepts listed above. These concepts cannot be measured quantitatively in terms of their effect on IJV performance and similarly, the effect of ICTs as a technology on them cannot be measured quantitatively. However, by correlating the subjective concepts stated by

the respondents with the analysis from the previous research questions it can be seen that ICTs have only a limited impact on IJV performance.

Firstly, in terms of communication channels within an IJV, ICTs for example, improve efficiency and provide tools for greater information gathering and knowledge sharing, thereby supporting the relationship between the partners, however, the respondents felt that communication enhances performance not in terms of efficiency but more in terms of facilitating its ability to develop and maintain a good relationship and trust within the IJV. As stated in Research Question No.1, a “rich” form of communication media can enable a greater level of mutual understanding. ICTs, whilst improving communication does so only at a superficial level since it lacks media “richness”. This “richness” is only gained through a combination of face to face communication and direct personal contact. This is particularly important when the issue to be discussed requires a greater social presence. In conclusion, ICTs have a certain impact on communication between IJV partners but in terms of ICTs having a major or significant impact on IJV performance, this has not been determined in this study. Whilst ICTs improve communication between IJV partners, they do not significantly affect the areas of communication i.e. “rich” forms of communication, that positively effect IJV performance. Communication facilitates the development of good relations between partners creating trust in the organisation, enabling the sharing of common objectives, a common vision and the establishment of a unique corporate cultural identity. These are the prime variables that affect performance.

Secondly, with regards to relationship building, a good mutual understanding between IJV partners is fostered not only to achieve an objective but is critical in maintaining

trust in the relationship and therefore, in influencing performance. Again, this requires communication and interaction at a deeper level which cannot be achieved by using ICTs alone and is better achieved through the use of "rich" media. A good relationship between IJV partners suppresses opportunism, enhances trust and prevents dissolution. It also encourages learning and knowledge sharing (Beamish & Inkpen, 1997; Kanter, 1994). In conclusion, the use of ICTs has a very limited impact in the building and maintenance of a good relationship between IJV partners and thereby, its effect on performance has been found to be minimal in this respect.

Thirdly, trust in the IJV relationship is seen as a major factor in IJV success, acknowledged in all the cases within the study. ICTs support a certain level of trust between the partners but it cannot be a substitute for personal interaction. A high reliance upon the use of ICTs in maintaining trust within an IJV relationship can be detrimental to the performance of IJVs in terms of its potential to create mistrust and misunderstandings between partners, thereby, negatively affecting performance. Trust is important between partners in order to reduce uncertainties, if trust is built and sustained then the fear of opportunism is reduced (Axelrod, 1984; Beamish & Banks, 1987; Bradach & Eccles, 1989; Parkhe, 1993). The trust derived from good relationships increases the willingness of partners to share knowledge and this in turn helps sustain trust and maintain the relationship (Butler, 1991; Morgan & Hunt, 1994, Kanter, 1994). In conclusion, ICTs have no or a very marginal bearing on the performance of IJVs as the communication channel utilised in maintaining trust is through the medium of face to face meetings especially when cultural and psychic distance is apparent. Personal interaction can help reduce cultural and psychic distance between IJV partners.

Fourthly, compatible goals and objectives is can also influence IJV performance. They are a function of communication and failure to understand both the common and disparate objectives may cause friction resulting in poor performance. Since it can be assumed that compatible goals and objectives are strategically important in terms of the hierarchy of issues that are communicated within an IJV, the preferred media to be utilised is again one which gives a greater social presence and “richness”. In conclusion, it is doubtful as to whether the use of ICTs could bring any benefit to the partners in realising each others objectives and consequently, having any effect on performance.

Fifthly, the concept of vision having an influence on IJV performance is a factor not previously cited in the literature but has been raised in this study by a majority of the respondents. Vision, again, is a function of communication and gives the IJV a sense of purpose of direction which has a positive effect on performance. The analysis of Research Question No.2 indicates that ICTs can affect the way in which vision can be communicated within the IJV with the aid of an Intranet. The communication of a common vision does not necessarily need a “rich” form of media and so therefore, ICTs could be very a useful tool. The Intranet is a form of ICTs that can facilitate the formulation and communication of vision to all units in the IJV by promoting the shared values of the organisation and creating an environment in which people are aware of and understand organisational issues regardless of their location. In conclusion, ICTs may bring benefits with regards to communicating a shared vision within the IJV, however, since this theme emerged during the analysis of the results and has not been specified in previous literature, it could not be specifically researched. Therefore, because vision has not been determined as a factor affecting performance in

previous studies, it cannot be assumed that the use of ICTs in communicating vision has a subsequent effect on performance without further investigation.

Finally, the development of a unique corporate culture was a factor highlighted in this study as having an influence on IJV performance. There was a general consensus that the integration of the parent corporate cultures would have a negative effect on IJV performance and a distinct IJV culture needed to be developed quickly, separate from that of its parents. This again was an emerging theme that became apparent during the analysis stage of the research. Previous literature has stated that differing corporate cultures have an adverse effect on IJV performance and that in order for an IJV to be successful, parent companies would need to integrate their cultures. In fact, this study has suggested that the integration of IJV parent corporate cultures actually has a negative impact on performance and the development of a unique corporate identity for the IJV will enhance its performance. In achieving an individual corporate culture, ICTs such as the Intranet can create a common identity that can be communicated throughout the IJV. ICTs can help an IJV build a “corporate consciousness” (Hills, 1998), bonding geographically dispersed units of the organisation together by effectively communicating vision, goals and strategies to all parties involved. In conclusion, ICTs can aid the creation of a unique corporate culture however, whether this impacts on the performance of the IJV needs further investigation.

Trust, a good relationship, the establishment of a unique corporate culture, common goals, objectives and a common vision are all a product of communication and the presence of psychic distance and cultural distance within an IJV relationship means that communication becomes more important.

Combining all these variables it can be shown that the impact of ICTs on IJV performance is limited in areas that require a high social presence. The very nature of IJVs means that high social presence will be necessary especially in its infancy to be successful, i.e. for the development of trust and the maintenance of the relationship between the partners and the establishment of objectives etc. Mutual understanding between partners helps maintain trust within the relationship and therefore influences IJV performance. ICTs lack the ability to communicate emotion, and non-verbal cues which are important components of trust building and are more easily communicated in face to face communication. The interpretation of these cues also varies from culture to culture (Jarvenpaa & Leidner, 1998; 1999). Non-verbal cues and emotions are essential for the communication of trust and the development of a good relationship therefore the use of ICTs can be limited in virtual relationships (Walter & Tidwell, 1995). The use of ICTs can be further limited when there is cultural distance between the partners. Fuehrer and Ashkanasy (2001) state that both verbal and non-verbal cues are needed to communicate trust and the most effective way of achieving those is through face to face communication. However, ICTs can and do play a part in the IJV. ICTs do aid communication where the units of the IJV are spread across geographical boundaries, a kind of low level of relationship maintenance in between face to face meetings. ICTs may also be a useful tool for bonding the IJV entities together where face to face communication is not possible by providing a framework for the transmission of visions, goals and objectives and thereby promoting an IJVs individual corporate culture.

7.5 Contributions of the Study

A major contribution of this study has been the identification of areas not previously explored. Two new variables have been highlighted as affecting IJV performance these are, the importance of establishing a unique corporate culture or identity, and the importance of communicating a common vision within the IJV. Alongside these surprising findings was the unanimous rejection of a previous variable i.e. the integration of corporate cultures by the respondents of this study. According to many authors (Harrigan, 1988; Kogut, 1988; Lane & Beamish, 1990; Brown, Rugman & Verbeke, 1989; Meschi & Roger, 1994; Littler & Leverick, 1995), in order for an IJV to be successful it is necessary that the partners should have a good cultural fit, be compatible and integrate. However, the data in this study overwhelmingly indicated that the integration of parent corporate cultures was not necessary to an IJVs success, and could actually hinder IJV performance. This contradicts existing literature which states that the corporate cultures should integrate for the IJV to be successful and that national culture causes friction within the IJV. In this study, respondents did not believe that differences in national culture caused problems in the IJV, but that differences could actually benefit the IJV, through the potential to learn, gain access to knowledge and offer creativity to the IJV. This study has found the need for IJVs to develop their own corporate culture distinct from its parents. This study also highlights the fact that respondents believe that it is corporate culture that causes problems within the IJV, rather than national culture.

The advantage of a unique corporate culture would be that the IJV has its own mechanism for dealing with conflict, and also it would create a “corporate consciousness”, i.e. an awareness and sense of belonging and sustain the maintenance

of organisational bonds. A unique corporate cultural identity also helps the IJV partners develop a common culture that nurtures mutual learning and knowledge exchange, and also prevents one parent's corporate culture becoming dominant.

A common vision is another new and important variable that has been highlighted by many of the respondents to affect IJV performance. This concept has not been cited in previous literature. Vision provides a sense of direction and meaning for the IJV which can have a positive influence on IJV performance. Vision is an intangible concept which allows decision making to be formulated in an environment that incorporates the objectives, goals and strategies of the IJV. It is clear that respondents wish to have an identity separate from their parents through the establishment of a unique corporate culture and a common vision between partners and that these enhance IJV performance.

The study has shown the importance respondents have placed on "soft" variables such as trust and the building of good relationships to IJV performance and this has been achieved through the use of case studies. These findings have been captured due to the use of the case study methodology and shows that many of Parkhe's (1993) arguments regarding the benefits of case studies in IJV research are indeed valid. This research shows how the "soft" variables that Parkhe (1993) refers to, can emerge through the use of case studies and how the social processes such as communication, trust and relationship building which underlie the dynamics of the IJV do affect performance and therefore play an important role in the eventual performance of the IJV. IJV performance is dependent on the structure of social relations between IJV performance and the "connective tissue" which Parkhe (1993) describes as surrounding the IJV encompasses variables such as trust. These "soft" variables are connected to the

economic processes of the IJV and are critical in explaining the success or failure of an IJV.

This study has also contributed to a better understanding of IJV performance by focusing on two variables stated in the literature as having an influence on IJV performance i.e. culture and communication. The literature has looked at these variables previously but has not investigated the relationship between these variables and the use of ICTs.

It is the impact of ICTs on these two variables and any subsequent effect on performance which has contributed to IJV performance theory. With many great benefits to business being attributed to the introduction of ICTs, this study has contributed in debating how far new technologies actually do affect communication problems in IJVs.

The study has also contributed to how different nationalities may view new technologies and the willingness of certain cultures to utilise them. These nationalities were divided into two types, those possessing "Technophilic" characteristics and those exhibiting "Technosceptic" characteristics. These concepts were developed by focusing on Hofstede's (1980) dimensions of power distance and uncertainty avoidance. Based on Hofstede's (1980) dimensions it can be argued that cultures that exhibit high uncertainty avoidance and high power distance are less likely to adopt ICTs since they are more resistant to change and possess a strict hierarchical structure where communication runs vertically through the organisation. In contrast, cultures that exhibit low uncertainty avoidance and low power distance are more likely to embrace ICTs since there is less formality and hierarchy, communication runs both vertically and horizontally and tends to be informal.

7.6 Limitations of the Study

A limitation of the study was the inability to acquire objective measures of performance such as financial measures. Although the duration of the IJV, has been regarded as a sufficient measure of performance in previous research, in this study it was found not to have any particular relevance.

Subjective measures of performance were indicated by the respondents during the interviews. Although these measures were substantiated across the partners in their responses, there is not, as yet, any quantitative data to corroborate the new variables i.e. vision and creation of a corporate culture, developed from this study.

7.7 Recommendations for Future Research

The following are recommendations for future research. These recommendations are based on the immediate needs emerging from the study.

Due to the strong indications between IJV performance and i) the creation of a unique corporate culture or identity and, ii) the communication of vision highlighted in this research, a thorough study on these emerging issues would be worth attempting in future research in order to substantiate or disaffirm these unexpected findings. Furthermore, the impact of ICTs, and, in particular, the Intranet in relation to these new variables could also be explored.

The relationship between various nationalities and organisational cultures, and their attitudes towards and their acceptance of new communication technologies is another

area that requires further exploration. The use of participant observation and direct observation within the methodology could provide quantitative data to gain a better understanding of the use of ICTs within IJVs. This would be particularly useful when comparing the use and acceptance of ICTs by different nationalities.

A similar study could also be extended to other Triad regions i.e. Japan or the United States.

The themes that have emerged from the analysis of the research questions have resulted in new areas that are open to further investigation and which will have the ability to extend knowledge in different fields. For example, the research avenue relating to the relationship between various nationalities and cultures and their attitudes and acceptance of new technologies has a sociological as well as a business studies basis.

This research has made new contributions to the understanding of the relationship between the use of ICTs and their impact on communication channels, cultural diversity and IJV performance. It is anticipated that future studies will emanate from this foundation.

APPENDICES

APPENDIX 1

ANALYSIS OF RESEARCH METHODS USED IN SOME PREVIOUS IJV RESEARCH

DATE	AUTHOR	RESEARCH AREA/TITLE OF ARTICLE	RESEARCH METHOD/INSTRUMENTS
1970	Tomlinson, J	The JV process in International business.	Interviews with managers.
1977	Tomlinson, J., & Thompson, M	A study of Canadian JVs in Mexico.	Interviews with parent company executives.
1982	Killing, P	How to make a global joint venture work.	Used 37 JVs involving N.American and W.European Co's.
1985	Beamish, P.W	The characteristics of JVs in developed and developing countries.	Combination of interviews and questionnaires.
1985	Harrigan, K.R.	Strategic alliances and partner asymmetries.	Interviews, survey questionnaires and secondary data.
1986	Geringer, M.J	Partner selection criteria for developed country JVs.	Interviews with senior executives.
1987	Pekar Jnr, P	Strategic alliances: a new development option.	Interviews and self assessment by companies.
1988	Nueno, P & Oosterveld, J	Managing technology alliances.	Case studies using extensive interviews with managers
1988	Geringer, M.J.	Selection of partners for IJVs	Interviews Canadian & U.S senior executives.
1988	Kogut, B.	A study of the life cycle of JVs.	Questionnaires.
1988	Dymsha, W.A	Successes and failures of JVs in developing countries: Lessons from experience.	Combination of field interviews, personal interviews, supplemented by mail questionnaires.
1988	Koot, W.T.M.	Underlying dilemmas in the management of IJVs.	Case studies . Self assessment followed by in depth interviews which were supplemented with documents.
1989	Killing, P.J.	Understanding alliances: The role of task and organisational complexity.	Interviews with managers plus an extensive review of secondary data.

Year	Author(s)	Control and performance of IJVs	Secondary data collection and analysis.
1989	Geringer, M.J & Hebert, L.	Control and performance of IJVs	Secondary data collection and analysis.
1989	Hamel, G., Doz, Y.L., & Prahalad, C.K.	Collaborate with your competitors and win.	Case Studies of 15 strategic alliances. Observed the interactions of the partners at multiple levels in each organisation.
1990	Anderson, E	Two firms, One frontier: On assessing JV performance.	Secondary data collection and analysis.
1991	Bleeke, J. & Ernst, D.	The way to win in cross border alliances.	Secondary data collection and analysis.
1991	Geringer, M.J., & Hebert, L.	Measuring performance of IJVs.	Data was collected with pre-tested questionnaires, followed by semi-structured interviews to confirm responses.
1992	Gulger, P	Building transnational alliances to create competitive advantage.	Secondary data collection and analysis.
1992	Blodgett, L.	Factors in the instability of IJVs: An event history analysis.	Event history analysis.
1991	Parkhe, A	Interfirm diversity, organisational learning, and longevity in global strategic alliances.	Literature review.
1991	Geringer, M.	Strategic determinants of partner selection criteria in IJVs.	Pre-tested questionnaire followed by semi-structured interviews.
1992	Cattaneo, E.	Managing JVs in Russia: Can the problem be solved?	Interviews with managers.
1992	Lorange, P., Roos, J., & Bronn, S.	Building successful strategic alliances.	Survey questionnaires of 67 Swedish and Norwegian firms, and a survey of between 7 and 10 US firms.
1994	Kanter, R.M	Collaborative advantage.	Observed more than 37 Companies and their partners from 11 parts of the world. Interviews with leaders and staff of both partners.
1994	Meschi, P.X., & Roger, A.	Cultural context and social effectiveness in IJVs.	Interviews and mailed questionnaires .
1994	Pekar Jnr, P., & Allio, R.	Making alliances work - Guidelines for success.	Questionnaires sent to CEOs followed by interviews conducted with executives in 20 Companies.
1995	Schoenberg, R., Denuelle, N., & Norburn, D.	National conflict within European alliances. (Strategic alliances between French & UK Cos; includes related notes on culture clashes.	Used semi-structured interviews with a number of executives. Interviews were based around 2 questions.
1995	Nam, S.H.	Culture, control and commitment in IJVs.	2 sets of data were collected by a questionnaire survey of 200 employees .

1995	Beamish, P., & Inkpen, A.	Keeping IJVs stable and profitable.	Used multiple sources of data. 1. In depth case study with Interviews with managers. 2. Longitudinal case study of 5 developing country JVs in the Caribbean. Interviews with managers plus a questionnaire.
1995	Richter, F.J., & Vettel, K.	Successful JVs in Japan: Transferring knowledge through organisational learning.	Case Studies of 3 German /Japanese JVs.
1995	Kemp, R., & Ghauri, P.	The dynamics of inter-firm cooperation. The case of JV relationship.	One Case study. Used in depth interviews with managers and a study of archives.
1995	Shamdasani, P.M., & Sheth, J.N	An experimental approach to investigating satisfaction and continuity in marketing alliances.	Executive role playing. 221 managers took part from a cross-section of industries.
1995	Dussauge, P., & Garrette, B.	Determinants of success in International strategic alliances: evidence from the global aerospace industry.	Created a database to build a taxonomy of alliances and analysis.
1995	Littler, D., & Leverick, F.	JVs for product development: Learning from experience.	Mail questionnaires and 2 in depth case studies
1995	Shaughnessy, H.	IJVs: Managing successful collaborations.	6 Case studies.
1995	Brouthers, K.D., Brouthers, L.E., & Wilkinson, T.	Strategic alliances: Choose your partners.	Theoretical, empirical research and case studies.
1995	Brown, L., Pattinson, H.	Information technology and telecommunications: Impacts on strategic alliance formation and management.	Case study focused on a chain of Australian hotels. Undertook several interviews and discussions with senior executives.
1995	Cullen, J.B., Johnson, J.L., & Sakano, T.	Japanese and local partner commitment to IJVs.	Questionnaires.
1995	Luo, Y.	Business strategy, market structure, and performance of IJVs: the case of JVs in China.	Secondary data and statistical analysis.
1995	Millington, A.I., & Bayliss, B.T.	Transnational JVs between UK and EU manufacturing Cos and the structure of competition.	Survey questionnaire of 812 UK manufacturing PLCs and case studies in 46 Companies with a total of 69 JVs.
1995	Crossan, M.M., & Inkpen, A.C.	The subtle art of learning through alliances	Research carried out in 2 stages. Data collected through interviews with senior managers. 5 were then selected for in depth case studies.

1997	Barkema, H.G., & Vermeulen	What differences in the cultural background are detrimental for IJVs.	Secondary data and analysis.
1997	Park S.H., & Russo, M.V.	When competition eclipses co-operation: an event history analysis of alliance failure	Event history analysis.
1997	Park S.H., & Ungson, G.R.	The effect of national culture, organisational complementarity, and economic motivation on joint venture dissolution.	Event history analysis.
1998	Hennart, J.F., Kim, D.J., & Zeng, M.	The impact of joint venture status on the longevity of Japanese stakes in U.S manufacturing affiliates.	Event history analysis.
1999	Hennart, J.F., Roehl, T., & Zietlow, D.S.	“Trojan Horse” or “Work Horse”? The evolution of U.S.-Japanese joint ventures in the United States.	Questionnaires.

Appendix 2a

Number of IJVs formed with European companies between 1992-1997 by industrial sector

YEAR	TELECOMS	ELECTRONICS	COMPUTERS	AUTOMOBILE	PLASTICS	OIL / FUEL	DEFENCE	CHEMICALS	STEEL	FOOD AND DRINK	CONSUMER GOODS	AVIATION	PAPER	TEXTILES	PHARMACEUTICALS	LEAD / GLASS	CONSTRUCTION	ENGINEERING	FINANCIAL	RUBBER	INSURANCE	GAS	RAIL	WOOD	ENTERTAINMENT	
1992	3			2				1		2	1	1													1	
1993	2	1		1			1	2	1				1	1												
1994	4	2		1	2	1	1		2		1				1	1	1	1								
1995	12	2	1	1	2	2		1	1	1		1			1				1	1	1	1	2	1		
1996	2					1	2	1																	1	
1997	1	1			2	1			1	2															1	

APPENDIX 2b

Partner Nationalities of European IJVs formed between 1992-1997 indicating industrial sector

IJV NATIONALITY												
YEAR	UK / EURO	UK / DUTCH	UK / FRENCH	UK / GERMAN	UK / SPANISH	UK / ITALIAN	UK / SWEDEN	UK / DANISH	ALL EURO	EURO / US	EURO / OTHERS	FRENCH / GERMAN
1992			1 Chemical						2 Telecoms 2 Food & Drink 1 Aviation	1 Automobile 1 Consumer Goods 1 Entertainment	1 Telecom 1 Automobile	
1993		1 Chemical	1 Defence						1 Electronic 1 Paper 1 Steel 1 Chemical 1 Textile	2 Telecoms 1 Automobile		
1994				1 Steel 1 Telecom		1 Electronic			1 Steel 1 Plastics 1 Computer 1 Oil/Fuel 1 Automobile 1 Engineering	1 Telecom 1 Plastics 1 Construction 1 Consumer Goods	1 Lead/glass 1 Telecom	1 Defence 1 Telecom 1 Pharmaceutical 1 Electronic
1995	1 Gas 1 Rail 1 Telecom *IJVD		1 Aviation	1 Rail 3 Telecoms *IJVC	1 Insurance	1 Financial 1 Telecom *IJVA	1 Automobile	1 Steel	4 Telecoms 1 Food & Drink 1 Electronic	2 Plastics 1 Rubber 1 Oil/Fuel 1 Chemical 2 Telecoms 1 Electronic	1 Oil/Fuel 1 Wood	1 Telecom 1 Pharmaceutical
1996		1 Defence 1 Telecom *IJVE							1 Rail 1 Chemical 1 Telecom	1 Entertainment	1 Defence 1 Oil/Fuel	
1997								1 Telecom *IJVB	2 Plastics 2 Aviation 1 Food & Drink	1 Electronic 1 Food & Drink 1 Entertainment	1 Engineering 1 Fuel	1 Steel

* IJV = IJV selected for this study

APPENDIX 2c

Objectives of European IJVs formed between 1992-1997 indicating industrial sector

IJV OBJECTIVES					
YEAR	Research & Development	Marketing	Distribution	Supply	Manufacture/Production
1992	2 Automobile 1 Chemical	2 Food/Drink 2 Telecoms 1 Consumer Goods 1 Entertainment			1 Telecom 1 Aviation
1993	1 Electronics 1 Automobile 1 Defence 1 Telecom	1 Chemical 1 Textiles		1 Telecom	1 Paper 1 Chemical 1 Steel
1994	1 Pharmaceutical 1 Automobile 1 Plastics	4 Telecoms 1 Consumer Goods 1 Engineering 1 Electronics			1 Lead/Glass 2 Steel 1 Plastic 1 Construction 1 Oil/Fuel 1 Electronics 1 Defence
1995	1 Pharmaceutical 1 Plastic 1 Automobile 1 Electronics	1 Insurance 1 Financial 1 Wood 1 Consumer goods 1 Telecoms *IJA,C,D	2 Oil/Fuel 1 Computers 1 Rail	1 Plastics	1 Gas 1 Rubber 1 Telecom 1 Food/Drink 1 Electronics 1 Rail 1 Steel 1 Chemical
1996	2 Defence	1 Oil/Fuel 2 Telecoms *LJVE		1 Rail	1 Chemical
1997	1 Aviation	1 Electronics 2 Food/Drink 1 Aviation 1 Entertainment 1 Telecom *LJVB	1 Plastics 1 Entertainment 1 Oil/Fuel		1 Plastics 1 Engineering 1 Steel

*IJV= IJV selected for this study

APPENDIX 3

Interview Schedule

SECTION 1: Information about the IJV

1. What are the main objectives of this IJV?

- marketing (access to new markets)
- R&D
- access to distribution channels
- manufacturing capabilities
- risk reduction
- economies of scale
- technology exchange/developments
- complementarity of partners
- opportunities created by the EU by the liberalisation of the telecommunications sector

2. Why did you choose this particular partner?

- established marketing/distribution channels
- company image
- technology
- financial resources
- personnel

3. What is the equity share of the IJV?

4. Is there dominant or shared management of the IJV?

SECTION 2: The use of ICTs

1. Does your company use the Internet, Intranet or both?

2. What do you use the Internet for?

- access to information on competitors, market trends, latest technology, R&D
- market intelligence
- establishing a web site to present company, product information
- sales promotion

- company publicity
- transmission of data
- external and internal communication

3. What forms of ICTs do you use?

- e-mail
- video-conferencing
- electronic data interchange
- Inter-relay chat

4. Who are you communicating to?

- partners
- customers
- suppliers
- distributors

5. What are you communicating to those you've mentioned?

- customers - company and product information, marketing communication
- partners - financial information, business strategy
- suppliers - orders
- distributors

6. What sort of advantages does using ICTs like the Internet bring?

- efficiency
- lower costs
- bridges distance and time barriers
- knowledge sharing
- competitive advantage
- more access to information
- improves communication
- develop closer relationships with customers
- improves corporate image
- advertising at a minimal cost

7. Are there any disadvantages to using ICTs?

- lack of personal contact
- reliability - privacy, security

8. Do ICTs encourage or discourage communication between partners?

9. Do you prefer communication through ICTs or face to face?

SECTION 3: The use of ICTs and culture

- 1. Does using ICTs like the Internet help to achieve more rapid internationalisation or not?**
- 2. How far does communicating through ICTs overcome foreign language barriers or does it have no effect?**
- 3. Does using ICTs help people in IJV relationships to bridge the cultural barrier or not?**

- national
- corporate

SECTION 4: ICTs and IJV performance

- 1. How important is effective communication in terms of affecting IJV performance?**
- 2. How has the use of ICTs affected IJV performance?**
- 3. Do you feel that the IJV is performing well?**
- 4. What factors in your opinion enhance IJV performance?**

- common set of goals and objectives
- complementary skills
- integration of the parent firms corporate cultures
- similar size of company
- stability (economical, political)
- degree of control (dominant/shared management)
- number of partners
- task complexity
- compatible partners
- trust
- partners with related/unrelated businesses
- sharing information

- 5. Has the use of ICTs helped to achieve objectives or not?**

- profit
- market share and growth

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