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A light gray world map is centered in the background of the cover page, showing the outlines of continents and major islands.

Critiques on Learning in International Joint Ventures: The Neglected Role of Culture as an Important Determinant

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Abstract

Knowledge acquisition is regarded as an important motive for forming international joint ventures (IJVs). There are various propositions for improving management of the process of organisational learning between IJV partners; however, very few studies attempt to focus on the cultural dynamics and the impact on organisational learning. This paper develops a critical assessment of the neglected role of culture in the current perspective by discussing the biases in the teleological, ontological, epistemological and technological assumptions. It is argued that the dominant perspective concentrates only on the structural issues, neglecting the cultural forces underlying the partner interaction process. A culturally sensitive approach is perhaps more relevant in undertaking future research into learning in international joint ventures.

Introduction

International joint ventures (IJVs) are established by organisations due to a range of motives. (Contractor & Lorange, 1988; Glaister & Buckley, 1996; Spekman *et al*, 1998). Risk diversification, market access, economies of scale and scope, conforming to government policies and building vertical linkages are the most often-cited motives for joint venture partners in both home and host countries. Recognition of the importance of organisational learning in a joint venture setting, however, was emphasised by Kogut (1988) in his discussion of the theoretical foundations of JVs. In addition to the objectives of minimising transaction costs and improving the strategic positions vis a vis competitors, Kogut argues that knowledge acquisition and transfer between joint venture partners is the third necessary imperative in the establishment of any inter-organisational arrangement (p.323). Access to the market knowledge, technological expertise and managerial know-how of its IJV partners is a substitute for an organisation having to develop its own core competency (Westney, 1988; Lei & Slocum, 1992).

Studies of learning in IJVs began to flourish after the publication of Hamel's (1991) seminal paper on the determinants of competence building in strategic alliances. Since then, IJVs have been considered an effective means of overcoming skill asymmetries between venture partners. From Hamel's perspective, partner organisations seem to be engaged in a competitive race, trying to out-perform other companies through skills acquisition and knowledge transfer. Hamel's contribution has had a significant impact on shaping the course of research direction in organisational learning, leading to a primary focus on understanding and mastering the mechanisms and processes of knowledge acquisition (Inkpen, 1996, 1998a).

The literature stresses the importance of exploring various structural and organisational determinants of learning effectiveness between IJV partners (Larson *et al*, 1998; Kumar & Nti, 1998; Inkpen, 1996, 1998; Simonin, 1999). For example, prior collaborative experience of parent firms is argued to have a positive effect on stimulating learning behaviour in IJV settings (Inkpen, 1995; Simonin, 1997), which in turn will strengthen the learning capacity of the IJV partners. Each partner's ability to value, assimilate and commercialise new knowledge is determined by its previous knowledge-base (Cohen & Levinthal, 1990) and by the relevance of knowledge types, compatibility of management practices and similarity of organisational problems between partners (Lane & Lubatkin, 1998). Learning in an IJV is a bilateral process in which each partner will have specific learning intent (Hamel, 1991) to

acquire knowledge from their counterparts. The importance of the knowledge management process and its associated facilitating factors is acknowledged in Inkpen's (1996) synthesis.

One particular stream of research undertakes a more dynamic point of view, perceiving learning in IJVs as an interactive and on-going process (Doz, 1996; Arino & Torre, 1998; Lei, Slocum & Pitts, 1997). Various viewpoints are suggested to identify the factors facilitating or hampering the learning process, such as initial conditions (Doz, 1996), assessment of partner's contribution and reward (Arino & Torre, 1998), transparency (Hamel, 1991), the balance between exploiting partner's knowledge and the protection of competencies, and the control mechanism (Makhija & Ganesh, 1997). Failure to achieve satisfaction on both processes and outcomes (Kumar & Nti, 1998) may lead to instability in the venture, or even the early dissolution of the IJV.

In view of the relative fragility of the IJV relationship, a number of suggestions have been put forwarded to manage the inter-partner co-operative behaviour. For instance, Dodgson (1993) argues that inter-organisational trust is crucial in establishing a sustainable relationship between IJV partners. Gulati *et al* (1994) emphasise the benefits of initiating a "unilateral commitment" to overcome the opportunistic behaviour of IJV partners, while maintenance of an equitable and efficient atmosphere is beneficial to all parties (Arino & Torre, 1998).

Despite the fact that cultural differences are likely to arise in an IJV setting, very few studies have been conducted to explore the cultural dynamics between IJV partners and the resultant impact on organisational learning. Hamel (1991) explains that one of the reasons for the asymmetry of learning outcome between Japanese and European partners is difference in learning intent. Japanese employees are said to be more aggressive in capturing knowledge than their western counterparts. Child and Markoczy (1993) identify a tendency of Chinese managers to avoid making decisions in Sino-foreign joint ventures. However, no systematic framework has yet been developed to diagnose the cultural influences on organisational learning in an IJV.

This paper develops critiques of the oversight of the cultural dimension in the literature and argues that research should not focus only on structural and managerial mechanisms in enterprises for maximising potential knowledge acquisition. More attention should be paid to the influence of cultural aspects, such as inter-cultural communication and inter-cultural assumption compatibility, on the effectiveness of knowledge management in IJVs.

The critiques contained in this paper are developed by focusing on the bias in four theoretical assumptions proposed by Easterby-Smith *et al* (1998) addressing the divergence of practices in the discipline of organisational learning. The four questions of *why*, *what* and *how* of organisational learning in IJVs, and *which* appropriate research approach, are utilised to provide an alternative perspective. The intention is not to over-rule the dominant research tradition but rather to propose a more culturally sensitive approach to future research on learning in IJVs.

Teleologies: Why organisational learning in IJV?

According to Easterby-Smith *et al* (1998), teleologies address the questions of “what do theories aim to do and whose purposes are these theories apparently serving?” (p. 261). The predominant focus of mainstream research in IJVs is the provision of insight for partner organisations into methods of winning the “learning race” (Hamel, 1991). Influenced by the transaction costs literature, IJV partners tend to adopt opportunistic behaviour to outlearn competitors during the co-operative process (Williamson, 1985; Hennart, 1988; Kogut, 1988). Attention is paid to overcoming the underlying tensions of balancing the accessibility of one’s internal core skills/capabilities and one’s ability to absorb the partner’s critical information (Larsson *et al*, 1998). Any discrepancy in achieving one’s learning objective will lead to re-evaluation of the co-operative arrangement on both equity and efficiency grounds (Doz, 1996; Arino & Torre, 1998), which results in the shifting of bargaining power between partners (Inkpen & Beamish, 1997). This will subsequently affect the stability of the IJV and therefore an effective control system is required to ascertain that learning in fact takes place (Makhija & Ganesh, 1997).

However, the perception of the IJV as a “competition for competence”, in Hamel’s (1991) words, over-stresses the opportunism embedded in the inter-firm relationship, while omitting the benefits of maintaining an on-going relationship with partner firms. Gulati *et al* (1994) offers a counter argument, proposing that the pay-offs from a sustainable co-operation are greater than the short-term gains obtained from a traditional “prisoner’s dilemma” situation. A long prior history of co-operation can increase the trust between partners, thereby alleviating somewhat the fear of opportunism and reducing the transaction costs involved for protecting the core competence. It is argued that attention should be drawn away from out-performing the partner in short-term knowledge acquisition processes towards maintenance of a stable and continuous relationship in the long run. Relationship building and management are seen as equally important to the learning race.

Learning in IJVs should be considered as an on-going and persistent process between partners to overcome the diversity embedded in societal, national and organisational contexts (Parkhe, 1991). A higher degree of diversity will affect the longevity of the IJV, unless it is mediated by some organisational measures. A major challenge lies in the process of managing the intercultural differences of learning styles, as the IJV setting provides a melting pot for people from different cultures with vastly different cognitive and behavioural tendencies. Recognising the importance of and adaptation to the counterpart’s cultural differences will affect the modes of managing and organising, which are crucial in the collective learning process (Liu & Vince, 1999). Sources of cultural differences from national, organisational, occupational or group levels can impede or facilitate the propensity to learn in the IJV (Levinson & Asahi, 1995). Organisational learning in IJV should be seen as an adaptive process to overcome the partner’s asymmetry in terms of management practices cultural values and institutional norms.

The concern for prevention of opportunistic behaviour by the IJV partner tends to shift attention away from managing and adapting the partner diversities and towards maximising the short-term gains. Failure to appreciate the long-term payoffs from the IJV operation underlies the competitive and fragile nature of this inter-organisational arrangement, obscuring the process of mutual adjustment in managing the IJV relationship. Instead, a more culturally sensitive and evolutionary approach is

proposed to uncover the clashes in management styles that might affect the sustainability of the co-operative venture.

Easterby-Smith et al's (1998) second teleology question refers to the identification of the main actors engaged in the learning venture. With a preponderance of studies focused on prescribing the optimal governance structure for the IJV partners to facilitate learning, the analytical focus tends to concentrate on the firm level. The firm is considered as a unified unit possessing cognitive skills to make intelligent decisions (Huber, 1991). Various measures are formulated to increase the "absorptive capacities" (Cohen & Levinthal, 1990) of IJV partners and to determine the relative conditions affecting the acquisition process (Lane & Lubatkin, 1999). The focus has been on identifying various factors facilitating or hindering the firm's ability to learn (Hamel, 1991).

A contrasting view, conceptualising firms as constellations of different cultural groupings (Cook & Yanow, 1993), regards organisational learning as a group level construct. Different cultural, occupational and organisational groups share different identities (Child & Rodrigues, 1996) and demonstrate different communities of practice (Brown & Duguid, 1991). Knowledge is situated and distributed in different social groups and the acquisition process mainly takes place through participation in various situational contexts (Lave & Wenger, 1991). A critical challenge for the IJV manager is to realise and appreciate the socially embedded nature of knowledge (Lam, 1997). Certain facilitating mechanisms must be present to reconcile the differences in the work system of the various cultural groups.

Ontology: What is organisational learning in IJV?

The questions of ontology are "what is organisational learning and where does it take place?" (Easterby-Smith *et al*, 1998). Despite a typology prepared by Shrivastava (1983) to classify the perspectives of organisational learning into four types, the primary focus of IJV research tends to emphasise the development of a knowledge base through the processes of access, acquisition and transfer (Inkpen, 1998a, 1998b). Differences in the skills and knowledge base of the IJV partners provide unique learning opportunities within the partnership.

Although learning through alliances can and does occur successfully, it is a difficult, frustrating and often misunderstood process. The primary obstacle to success is a failure to execute the specific organisational processes necessary to access, assimilate, and disseminate alliance knowledge.

(Inkpen 1996, p.124).

Opportunities to access and acquire knowledge from the local IJV partners help to overcome the location-based disadvantages of the parent company (Makino & Delios, 1996) and this motive may be more relevant for the IJVs in transition economies. Si and Bruton (1999) conducted a survey of Sino-foreign JVs in China and identified three important categories of knowledge sought by the foreign MNCs. It is considered that the acquisition of knowledge about the host government regulatory environment, local culture and market conditions may be beneficial to the foreign partners operating in the Chinese context. The desire to learn from local venture partners or the ability of some organisations to recognise the importance of such learning is open to conjecture.

A number of suggestions have been put forward to facilitate the knowledge transfer process. Pucik (1988) articulates the role and contribution of human resource

management practices in overcoming obstacles in the learning process. The use of expatriates as key agents of knowledge transfer is examined by Tsang (1999). Other structural and organisational characteristics, such as the learning capacity, learning objectives and the reported involvement of the parent firms, are considered to affect the knowledge acquisition process.

The characteristics of the knowledge can also hinder or facilitate the knowledge acquisition process. Kogut and Zander (1993) distinguish between information and know-how. While the former is merely a "factual statement" (p.631), the latter details the procedures to conduct some activities. The factors of complexity, tacitness, and specificity can all contribute to the knowledge ambiguity, thus affecting the transfer process (Simonin, 1999). Inkpen and Dinur (1998) argue that the personal interaction is more suitable for transferring the tacit knowledge, whereas explicit knowledge can be easily transmitted across organisational boundaries through a certain structural and organisational mechanisms.

While the dominant viewpoint of learning in IJV concentrates on the process of knowledge acquisition and transfer, we argue that the construct should adopt a wider scope and encompass the other three perspectives of organisational learning, which are adaptation, institutionalised experience and assumption sharing (Shrivasta, 1983). A restricted view of learning in IJV as merely knowledge development tends to obstruct the theory development process and more emphasis should be paid to the behavioural and cultural dynamics of the IJV setting.

The perspective of organisational learning as a process of social and cultural dynamism highlights the importance of routine formation, norm building and assumption sharing between different cultural groups during the learning process (Markoczy, 1993) and is analogous to the three-layer construct of organisational culture (Schein, 1985). According to Schein (1985), it is relatively easy to initiate changes in artefacts rather than the espoused values and underlying assumptions. The interplay of these three underlying forces determines the methods of adopting and sharing the organisational learning practices in the IJV.

Examples of cultural discord on the impact of routine formation occur frequently among the JV partners from different stages of economic development. In a study of five IJVs in Hungary, Markoczy (1993) reports that the problems facing foreign managers in transferring western management practices are mainly in decision making, communication and HRM practices. There is a tendency for the local employees to evade responsibilities and look for excuses to avoid solving problems. The willingness to share information is very low and foreign managers find it necessary to introduce performance-related reward systems. It is argued that changes in previous management practices occur without too many difficulties but a substantial effort is needed to modify previous underlying values and overcome the conflict potential of different cultural groups. A similar phenomenon is also identified in Sino-foreign IJVs (Child & Markoczy, 1993).

Changes in learning routines require a more fundamental transformation of the underlying values and philosophies governing behaviour in partner organisations. In the context of East and Central Europe, Cyr and Schneider (1996) demonstrate the difficulties for the host country partner to discard the legacy of the previous communist ideology in order for the new learning to take place. There are also problems caused by the foreign partner not delegating enough responsibilities to the host country partner because of the lack of trust and failure to appreciate local cultures. Inkpen and Crossan (1995) argue that the importance of "casting off" certain managerial and cultural beliefs is essential in improving the effectiveness of

organisational learning in IJVs. Therefore, it is necessary to overcome the misunderstanding of the “theory of action” (Argyris & Schon, 1978) of each partner and understand the rationale behind the proposed change.

Child and Rodrigues (1996) conceptualise the IJV as an alliance between two groups of contesting social identity with asymmetric power relations. Managers from different parent companies tend to develop a defensive behaviour in adopting the organisational practices from another culture, thereby distancing themselves from other cultural groupings. This defensive behaviour tends to be self-reinforced in a high-pressure situation. Easterby-Smith and Wu (2000) revealed the unconscious acts of the Swedish manager in putting the blame on Chinese managers for the unnecessary delay of a construction project in a Sino-Swedish IJV. The consequence of this self-imposed tendency of social division may lead to management conflicts and loss of loyalty.

From a comparison of four different theoretical orientations of organisational learning proposed by Shrivasta (1983), it is evident that the role of culture has been underplayed by the dominant perspective of knowledge management, which tends to emphasise only the characteristics of knowledge and the transfer process. The organisational dynamics involved in changing the organisational routines, modifying the underlying values and reconciling different social entities reveal the importance to study the cultural dimension of the learning in IJV.

Epistemology: Modes of enquiry

Epistemology is concerned with the right approach to the study of a phenomenon. The dichotomy of the positivist and social constructionist research traditions of studying learning in IJV is a reflection of the differences in ontological assumption (Easterby-Smith *et al*, 1998). The concern for diagnosing the factors affecting the effectiveness of knowledge acquisition and transfer necessitates the establishment of a causal relationship between variables. For instance, Lyles and Salk (1996) seek to confirm the positive impact of knowledge acquisition on performance from a sample of Hungarian IJVs. Other studies try to establish the link between ownership types and the efficiency of knowledge transfer (Mowery *et al*, 1996; Kogut & Zander, 1993). These studies are usually conducted on a cross-sectional basis involving a large sample set. The abstract constructs and complex concepts are operationalised into measurable variables and a statistically significant relationship is established between these variables through the application of various regression techniques (Shenkar & Li, 1999; Mowery *et al*, 1996), or even more complicated structural equation modelling analysis (Simonin, 1999).

Even though culture is included in the scope of those studies, it is often considered as a moderating variable influencing the flow of knowledge between parent firms and IJVs. Lyle and Salk (1996) argue that cultural differences in conflict handling tools may impede the transfer of knowledge from the parent company. Simonin (1999) proposes that cultural differences between partner firms should be minimised in order to reduce the “knowledge ambiguity” during the process of transfer. Due to the constraints of the research methodology, the impact of cultural influences on learning in the IJV are not fully assessed. The role of culture is mainly regarded as either a facilitator or an impediment to the knowledge transmission process and only the differences in magnitude are considered. Very few attempts are made to document the cultural dynamics between two IJV partners in overcoming differences in learning styles.

A different ontological assumption may call for a different research methodology. In conceptualising organisational learning as an interactive process of routine formation, institutionalisation of value systems and cultural adaptation, it is more suitable to perceive the phenomenon as an intra-firm and interpersonal interaction pattern. A more in-depth qualitative study might explore the building and sharing of meanings, values and behavioural norms from the standpoint of both IJV partners, which is the domain of the social construction approach. The emphasis seems to be more in describing the cognitive and behavioural differences between the IJV partners, rather than in verifying the impact of culture. This kind of inductive research tradition has been relatively neglected in the IJV literature (Parkhe, 1993). However, a good example of such research is Child and Markoczy's (1993) study of the comparison of the managerial learning between Chinese and Hungarian IJVs. They contrast the similarities and differences of the host country's managerial behaviour in decision making, communication and personnel practices and they identify six different types of learning. The national culture, together with the industrial governance, is proposed as a tentative explanation for the behavioural variations.

Technology: How to implement organisational learning in IJV

Technology is related to the discovery of the most effective way to implement the organisational learning activities (Easterby-Smith *et al*, 1998). The previous conceptualisation of learning in IJVs as a firm level construct facilitates the use of an evolutionary model to illustrate various stages involved in the acquisition and transmission of knowledge between partner firms (Doz, 1996; Arino & Torre, 1998). It is assumed that learning in IJVs will be a *sequential* process, starting from pre-conception, learning and operation, evaluation and feedback. The initial conditions of both partners in terms of task definitions, partner's routines, interface structure and own learning objectives will affect the likelihood for learning behaviour to take place. It is only under conditions where the process is conducted in an equitable and efficient manner that the relationship is sustained. Successful cases demonstrate the ability of IJV partners to adapt to each other, to overcome learning inertia and to avoid environmental disturbances (Doz, 1996). Managing the co-operative process requires careful attention to the partners' asymmetric skill base, incompatible organisation routines or incongruent organisational cultures. Unless a climate of mutual trust and respect is established between the partners, a sustainable relationship cannot be achieved (Ring & Van de Ven, 1994).

The emphasis on learning in IJVs as an evolutionary process highlights the importance of both structural and managerial mechanisms to control opportunistic behaviour and amplify the feedback process. Results from the previous learning cycle help to determine the subsequent reactions of the IJV partners to the learning process. Changes in interface structure, movement of personnel, modifications of management practices and withholding resources are some examples of minimising discrepancies in both process and outcome (Kumar & Nti, 1998). No specific attention is paid to cultural issues, as the level of emphasis neglects interpersonal interactions in IJV settings. Structure, co-operative strategy and inter-organisational co-ordinating mechanisms are considered as the issues with more priority.

Contrarily, the proposition of learning in IJVs as a group level construct assumes that the nature of learning to be a *collective* process, with different national groupings carrying their own "communities of practice" (Brown & Duguid, 1991). Difficulties lie in the IJV managers' adjustment processes in order to recognise their own cognitive biases and to forge a unified set of practices (Inkpen & Crossan, 1995). Failure to do

so may result in the “blocking” of certain learning behaviours (p. 600). Therefore, it is necessary to put more emphasis on the identification of the cultural dynamics occurring at the interpersonal level.

The preceding discussions on Teleology, Ontology, Epistimology and Technology are summarised in table 1 below.

Table 1: The contrasting nature surrounding the researches on the learning in IJV

	Dominant perspective	Cultural perspective
Teleology 1. What do theories aim to do? 2. Whose purpose are these theories serving?	Reducing Opportunism Facilitating knowledge acquisition from IJV partner Protecting the leakage of core-competency Firm	Overcoming partner’s diversity Trust building, conflict resolution, reconciliation of differences in learning style Social, occupational and cultural groups
Ontology What is organisational learning in IJVs?	Development of knowledge base	Routine formation, institutionalisation of norms and sharing of assumptions
Epistemology What is the right mode of enquiry?	Quantitative: Data, figures, measurement. Causal relationship Cross-sectional Survey	Qualitative: Meanings, interpretation, observation Socially constructed Longitudinal Case studies, ethnography
Technology How to implement OL in IJV?	Incremental learning Information processing	Collective learning Social construction

Conclusions

The recent upsurge of research on learning in IJVs has made a significant contribution to the understanding of the learning imperative for venture partners. In conceptualising the firm as a repository of knowledge (Grant, 1995), various propositions are offered to identify the facilitators/barriers influencing the effectiveness of the process of knowledge management between firms. The main purpose of this approach is to minimise the opportunistic behaviour of partner firms and maximise the potential of knowledge access and acquisition.

Despite the arguments that the IJV management can benefit from a long-term perspective, the focus of previous research has mainly concerned changes of relative bargaining power and the perception of equity and efficiency between partners. Very few studies have touched upon cultural issues and their impact on inter-organisational co-operation (Liu & Vince, 1999; Child & Markoczy, 1993). It is assumed that the firm, as a single coherent unity, can possess the capability to sense, acquire, distribute and store information. Consideration is seldom given to the partners' cultural diversity and the effect of this on the learning process.

This paper expresses dissatisfaction with the dominant perspective of neglecting the importance of social dynamics during the process of learning interchange. A cultural perspective is argued as an alternative choice in conducting future research. Instead of viewing the IJV as a marriage of convenience between two partners, with each partner as a coherent entity, an IJV is organised by a plurality of overlapping but diverse communities, each with their own culture and practices (Brown & Duguid, 1991). Clashes in cultural values and work practices are common sources of problems frequently reported in IJVs but the literature in organisational learning appears to have neglected this phenomenon.

Several suggestions can be made for development of a more culturally sensitive research agenda on learning in IJVs. First, the question of whose mental models or whose competence should be taken to represent the canonical or official body of learning in an organisation is controversial. Most senior executives' reasoning may merely represent one of many forms of mental model existing in an enterprise. There may be other groups or occupational communities in the organisation who possess quite different types of mental models. The assumption that there is a convergence of mental models may be an over-simplified representation of learning in organisations. Extending the analytical sphere of enquiry to probe the experience of lower level staff is, we argue, more likely to reveal that the cultural perspective is more relevant in understanding learning in IJVs.

Secondly, a more refined distinction of knowledge types is required to expose the differing nature of knowledge management processes (Inkpen & Dinur, 1998). From a cultural perspective, the transfer of tacit knowledge would be expected to encounter more difficulties than that of explicit knowledge. Due to the hard-to-articulate nature of tacit knowledge, the transfer process involves not only the sharing of information but also the use of implied meanings, anecdotal experiences and examples, heuristics and metaphors. The communication of these types of implicit data requires an extensive involvement in human interactions, such as dialogues, joint problem-solving, experience sharing, modelling, etc. Communication barriers and misunderstandings that occur during such sharing processes provide another kind of challenge to effective knowledge management in IJVs.

Finally, instead of adopting a structural-mechanistic approach to diagnose the dynamics involved, learning can be created in various communities of practices within and across the IJV partners. The arguments in this paper draw attention to the importance of understanding the cultural dynamics involved in organisational learning in IJVs. We argue that organisation theorists should not focus only on the structural or managerial mechanisms within enterprises for maximising potential knowledge acquisition. More attention should be paid to cultural aspect, such as inter-cultural communication and inter-cultural assumption compatibility in influencing the effectiveness of knowledge management in IJVs.

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