

International Joint Venture System Complexity and Human Resource Management*

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An increasing number of organizations are entering new global markets as they seek to develop and sustain a competitive advantage in today's highly competitive global environment (Taylor, 2004; Ernst & Halevy, 2004). To accomplish this international expansion, organizations can and do use many different market entry strategies (Narula & Duysters, 2004; Briscoe & Schuler, 2004; Beamish & Kachra, 2003; Newbury & Zeira, 1998; Child & Faulkner, 1998). Prior research has shown that cross-border alliances, particularly international joint ventures (IJVs) are perhaps the most popular means of international expansion (Ernst & Halevy, 2004; Briscoe & Schuler, 2004; Schuler, Jackson, & Luo, 2004).

Despite their popularity, however, IJVs are difficult to develop, organize, and manage. Research has shown that a majority of IJVs fall short of their stated goals leading to costly failures (Schuler et al., 2004; Luo, 2000; Evans, Barsoux, & Pucik, 2002). While external environmental forces like the legal system, political system, state of the economy, and organizational forces like partner differences and contract terms contribute to failures, a large proportion of IJV failure can be attributed to inefficient management of human resources (Arino & Reuer, 2004; Beamish & Kachra, 2003). Human resource problems stem from, among many things, the fact that IJVs involve managing the goals of two or more partner organizations, while simultaneously maintaining a competitive strength in multiple global markets (Arino & Reuer, 2004; Bouchet, Soellner, & Lim, 2004). Despite their difficulties, however, IJVs have the potential to produce great benefits for companies (Bouchat et al., 2004; Schuler et al., 2004; Briscoe & Schuler, 2004; Evans et al., 2002). Accordingly, they remain a common choice among firms seeking to enter overseas markets, and an important area for scholarly study (e.g., Zeira,

Yehekel, & Newbury, 2004; Lajara, Lillo, & Sempere, 2003; Loess & Yavas, 2003; Chen & Wilson, 2003; Chiah-Liaw, Petzall, & Selvarajah, 2003; Petrovic & Kakabadse, 2003).

IJVs typically represent a long-term collaborative strategy and require active day-to-day management of a wide variety of human resource (HR) issues (Narula & Duysters, 2004; Evans et al., 2002). *HR issues* are critical organizational concerns and problems for which human resource management expertise is required to provide effective solutions. This expertise is represented in a variety of human resource management activities. Some of the HR issues that are critical to the success of equity-based IJVs may also arise in other forms of alliances but are likely to be less central to their success (Narula & Hogedoom, 1999; Schuler & Tarique, 2005). In IJVs, however, long-term success is impossible unless HR issues are managed effectively. While there are many lessons that can be transferred from our discussion of IJVs to managing HR issues in other forms of alliances (Schuler & Tarique, 2005), most of our discussion focuses on describing the challenges of managing human resources in IJVs. More specifically, we focus on international joint ventures by presenting a more detailed conceptualization of the IJV system and highlight its growing complexity.

Human Resource Management

Every IJV, from the smallest to the largest, engages in a variety of human resource management activities. *Human resource management activities* include formal policies and everyday practices for managing people and addressing HR issues. *HR policies* are statements that offer a general statement of how people will be managed. *HR practices* then take the next step and provide a more specific statement of how people will be managed. Seen another way, HR policies are the guidelines and HR practices are things that are actually implemented.

In the remainder of this chapter, we describe some HR issues that arise in several different types of IJVs and discuss their implications for a variety of human resource management activities (Schuler et al., 2004). It is through an understanding of the HR issues and their specific implications that we are able to craft the most effective HRM activities for IJVs and then to identify critical research issues. In this chapter we develop a typology of IJVs as a way of illustrating the variety and complexity of IJVs and the challenge of crafting an effective set of HRM activities. Suggestions for research are made through the development of propositions based upon several theoretical perspectives.

International Joint Ventures

International joint ventures are legally and economically separate organizational entities created by two or more parent organizations that collectively invest financial as well as other resources to pursue certain objectives. IJVs are typically used when the required integration between the partners is high and the venture business is characterized by uncertainty and decision making urgency (Doz & Hamel, 1998; Luo, 2000; Arino & Reuer, 2004). Although an overwhelming majority of international joint ventures involve only two parent firms (one from a foreign country and the other from the local country), some ventures may consist of multiple participants (Schuler & Tarique, 2005). Joint ventures that are launched by home-country based (foreign) and host-country based (local) firms are the dominant form of joint venture partnership (Bouchet et al, 2004). Because the creation of an IJV involves establishing an independent organization, the need to establish a separate set of HR policies and practices is particularly evident.

Reasons for International Joint Ventures. International joint ventures have become a major form of entry into global markets (Ernst & Halevy, 2004; Evans, et al., 2002; Barkema et al., 1997). Luo (2000), Schuler et al. (2004), and Harrigan (1986) suggest that there are many reasons that companies form IJVs.

---Knowledge and Learning. Of the many reasons, a particularly important reason, as far as HRM is concerned, is knowledge sharing and transfer (Sparrow elsewhere in this book; Foss & Pedersen, 2002; Reid, Bussier, & Greenway, 2001; Child & Faulkner, 1998; Kalmbach & Roussel, 1999; Shenkar & Li, 1999). In many industries, increasing global competition and unabated technological advancement have resulted in a wide range of cross-border collaborative partnerships intended to access knowledge, skills, and resources that cannot be internally produced by organizations in a timely or cost-effective fashion (Narula & Duysters, 2004).

Organizational learning has long been considered a key building block and major source of competitive advantage. An IJV is not only a means by which partners trade access to each other's skills but also a mechanism for actually acquiring a partner's skills (Luo, 2000; Inkpen & Tsang, 2005). In bringing together firms with different skills, knowledge bases, and organizational cultures, IJVs create unique learning opportunities for the partner firms. By definition, IJVs involve a sharing of resources. This access can be a powerful source of new knowledge that, in most cases, would not have been possible without the formal structure of an IJV. As such, IJVs are no longer a peripheral activity but a mainstay of competitive strategy (Bouchet, et al., 2004; Taylor, 2004). IJVs forge new knowledge transfer pathways, across both technologically and traditionally linked positions (Inkpen & Tsang, 2005). Kalmbach and Roussel (1999) showed that firms that formulated explicit learning objectives in their alliances generated twice the market values compared to those of non-learning-oriented alliances.

---Efficiencies and Economies. In addition to the growing importance of learning from IJVs another significant reason is to gain and retain management and organizational efficiencies and economies. These efficiencies and economies can result from combining operations, building upon the experiences of existing management and taking advantage of the latest in technologies, e.g., when establishing a new facility (Luo, 2000; Newburry & Zeirra, 1997).

While there are several other reasons for establishing and operating IJVs, we propose to use these two as a basis for our initial extension of the relationship between IJVs and HRM to other forms of alliances because they are closely aligned with the rationale that link and differentiate varying forms and types of IJVs is developed below. But in proposing these two reasons we are obliged to incorporate two other considerations into our extension and these considerations are the need for the parent(s) to exercise control over the IJV and yet cooperate with the other partners and even the IJV itself (Luo, 2000; Geringer & Frayne, 1990, Frayne & Geringer, 1990).

---Control. Without the ability to exercise control, it can be more difficult for a parent to establish conditions to maximize learning for itself, and its partners, or perhaps even the IJV system, and to also gain and retain the managerial and organizational economies of scale and efficiencies, and to also protect shareholders' assets and "brand image," as in the very unfortunate situation at the Union Carbide Corporation (UCC) operation in Bhopal, India that was an IJV (50% UCC) in which parent company's shareholder value and its reputation, as well as thousands of lives, were lost (Harry, 2004). As a consequence, parent companies engage in numerous strategies to maintain control (Narula & Duysters, 2004; Luo, 2000; Robson, Leonidou & Katsikeas, 2002).

---Cooperation. As Narula and Duysters (2004) indicate, “globalization has affected the need of firms to collaborate, in that firms now seek opportunities to cooperate, rather than identify situations where they can achieve majority control” (p. 199). Thus, while control is important, cooperation is equally critical in helping to enhance the IJVs chances of successes and the learning opportunities of the parents (Inkpen & Tsang, 2005). Further in pursuing efforts of cooperation and attempts to control is the element of trust. Indeed, trust is also central to learning and management efficiencies. While an important need, the treatment of trust is left for further discussion in another chapter. It is, however, found in all stages of the four stage model of IJVs.

The Four-Stage Model of IJVs. The human resource issues in IJVs are clearly very extensive (Child & Faulkner, 1998; Schuler, 2001). Because these issues also reflect characteristics and qualities of the organization that are themselves closely associated with human resources, we included them together in our discussion of the four stages of IJVs. While there is an extensive set of organizational and HR issues in IJVs, they can be refined and categorized into several stages, beginning with the development of the IJV itself by the two (or more parents) and going through the advancement of the IJV itself (Evans, et al., 2002; Schuler, 2001). The four stages of the IJV process are shown Exhibit 1 representing the entire IJV *system*. Shown in each stage are the organizational and human resource issues most applicable to the IJV system. These in turn become the basis for identifying the HR implications for each stage. We propose that aspects of these stages are applicable in varying degrees to all forms of IJVs (Isabella, 2002). That is why we highlight them briefly here. Greater detail is provided elsewhere (Schuler, 2001; Schuler & Tarique, 2005). Another reason is to provide an update of the existing literature on HRM in IJVs. Future research can then tailor these HR implications to the organizational and human resource issues that are uniquely associated with varying forms of IJVs.

Insert Exhibit 1
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The four stages include the activities even before the IJV itself is formed and concludes with the relationship among the three entities, two (or more partners) and one IJV. While the literature generally treats one partner as being in the same country as the IJV, this need not be the case in this model. A three (or more) country IJV, however, makes the entire process more complex, and the human resource management activities more extensive and important. For another discussion of the formation and development stages of the IJV process see Lei, Slocum and Pitts (1997) and Makhija and Ganesh (1997). For more details of each stage see Schuler (2001) and Schuler et al., (2004)

Stage 1- Formation: The Partnership. To manage an IJV for success, it is important to understand joint venture formation as including the several aspects shown in Exhibit 1. Potential partners in an IJV need to separately determine their reasons for using an IJV as part of their business strategy. Early planning in joint ventures is especially important in order that differences in cultural and management styles between the parents and the venture are considered (Loess & Yauas, 2003; Datta & Rasheed, 1993). Without planning the likelihood of reaping the gains from the IJV is diminished (Cyr, 1995; Pucik, 1988). Differences in partners on such qualities as culture (country and organizational) can be part of an HR plan that includes an audit of these qualities (Schuler, et al., 2004; Pucik, 1988).

The perspective on IJVs reflected in the discussion and propositions in this chapter and the current literature is that IJVs are intended for the longer term (Doz & Hamel, 1998; Child & Faulkner, 1998). While they may involve cooperative or competitive partners, it appears that

cooperative partners may help increase the chances of success, and the effectiveness of the learning process itself (Narula & Duysters, 2004; Isabella, 2002; Child & Faulkner, 1998; Doz & Hamel, 1998; Cyr, 1995). Consensus has it that the very nature of joint ventures contributes to their failure: they are a difficult and complex form of enterprise (Shenkar & Zeira, 1987) and many companies initiate IJVs without fully recognizing and addressing the major issues they are likely to confront (Morris & Hergert, 1987; Arino & Reuer, 2004). Success requires adept handling of least three key issues: control, trust and conflict. Control, along with trust and learning, is one of the most important and most studied topics in the alliance literature (Luo, 2000; Schuler et al., 2004; Geringer & Hebert, 1989; Yan & Gray, 1994; Inkpen & Currall, 1999). Control is defined as a purposeful and goal-oriented activity that influences the acquisition, interpretation and dissemination of information within an organizational setting (Simons, 1987, 1994). This definition highlights the information/knowledge qualities of IJVs. Thus, not surprisingly, Hamel (1991) and Doz & Hamel (1998) suggest that learning can be the most important lever in IJV control. Nooteboom et al., (1997) suggest that trust may become a substitute for control and that as trust increases the need for formal control mechanisms decreases.

Not surprisingly, the quality of IJV contract negotiations during the IJV formation can have an impact upon three consequences of importance: IJV formation satisfaction; IJV process performance; and IJV overall performance (Luo, 1999; Lei, Slocum & Pitts, 1997; Arino & Reuer, 2004). Central to the quality of the contract negotiations are the bargaining processes and strategies used by each of the partners (Aldrich, 1979; Green & Walsh 1988; Yan & Gray, 1994; Arino & Reuer, 2004). The characteristics of the contract negotiator(s) can also have an impact on the success of the IJV. These characteristics include country cultural similarities, personality

and skills, and loyalty. Selecting on these characteristics and ensuring that they are supported and rewarded are important human resource management contributions (Arino & Reuer, 2004).

Stage 2- Development: The IJV Itself. Once the IJV process has been formed, there are several important activities that must be addressed in the development of the IJV itself as shown in Exhibit 1 (Isbella, 2002; Child & Faulkner, 1998). Where to locate is an important decision. It can be decided to locate the IJV itself in a third country or in the country of one of the partners. Locating in a third country may diminish “the home field advantage” for either partner, however, it may increase the complexity and complications and need for more information gathering and broader expertise because several of the local stakeholders, e.g., trade unions, political officials, members of society, and regulators, may be unknown to foreign partners (Schuler & Tarique, 2005; Narula & Hagedoorn, 1999). Locating in the country of one partner, however, may give a “local knowledge” and control advantage. If, however, this knowledge is shared with the other partner, the advantage can move to the partnership and the IJV itself rather than one partner.

When both parents are interested in the IJV and want it to succeed, they appear to get involved in all the key decisions made early on as reflected in the contract negotiation (Arino & Reuer, 2004). Under these conditions, the board of directors is likely to be composed equally of representatives of the parents and the IJV (internal and external to these entities). The chief operating officer, if not the managing director/general manager may be selected from the source providing the most experience with the operation of the IJV. Of course, the more parents involved, the more complex and complicated all of this becomes.

Stage 3- Implementation: The IJV Itself. The implementation stage of the IJV process involves the four sets of activities shown in Exhibit 1. The vision, mission, values, strategy and structure of the IJV need to support, encourage, and reward learning and the sharing of knowledge

(Slocum & Lei, 1993). They also need to support the other needs of the business, the needs of the parents, and the needs of the other multiple stakeholders, in other words, the IJV system. With a high quality top management team in the IJV, the vision, mission, values, strategy and structure are more likely to be crafted to fit the local needs as well as those of the parents. At this point, it is clearly not in the interest of the IJV to ignore the linkages with the parents. For the parents, willingness to trust the IJV top management team to act in their interests and at the same time the interests of the IJV is critical (Child & Faulkner, 1998; Schuler, Dowling & De Cieri, 1992; Schuler & Van Sluijs, 1992; Van Sluijs & Schuler, 1994; Inkpen & Dinur, 1998).

The entire set of the HR policies and practices needs to be created for the IJV. The factors that these policies and practices need to reflect include the IJV's: (a) vision, mission, values, culture, structure, strategy; (b) labor market; (c) need for global integration with parent(s) such as for knowledge transfer; and (d) differences between the country cultures of the parents and the IJV (Schuler & Tarique, 2005). As shown in Exhibit 2, acceptable human resource policies and practices may vary substantially based upon the cultural dimension of the countries (Hofstede, 1993; Rosenweig & Nohria, 1994). Thus the more countries involved in the IJV system, the more variation in HR policies and practices that would be expected. And the greater the differences in country cultures, the more significant the implications for HRM policies and practices are likely to be (Robson, et al., 2002).

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Who actually develops the HR policies and practices can range from one of the parents to the IJV exclusively. The more that the development is left with the IJV, the greater likelihood that

the practices will be effective for local adaptation, but not as effective for the parents, global integration and learning transfer (Child & Faulkner, 1998). High quality top managers, however, are likely to develop locally responsive HR policies and practices with sensitivity to the parents' considerations. Possibly some policies will be non-negotiable and have to meet parents' standards, e.g., ethical, safety/environmental whereas other policies, e.g., working hours, compensation and benefits, can be much more locally adaptable. Again, the more parents, the more likely that a variety of standards will exist that have to be addressed.

There are many organization and HR issues that unfold as the IJV gets set up, including: the assignment of managers, managers' time-spending patterns, top management evaluation, managing loyalty issues, and career and benefits planning (Briscoe & Schuler, 2004; Zeira & Shenkar, 1990). The substance of these issues needs to be addressed explicitly by any IJV (Luo, 2000; Lorange, 1986). Each partner may place differing priorities on the joint venture; therefore, a partner may assign relatively weak management resources to the venture. And the more partners there are, the more likely this may occur. To be successful, the assigned managerial resources should have not only relevant capabilities and be of adequate quality, but the overall blend of these managerial resources should reflect a balance of the interests of both parents and of the IJV. Because these assignments could be perceived as attempts to control the IJV (Pucik, 1988), it could be argued that the IJV's top management should have the final say in the staffing of any positions within the IJV itself. Sources for staffing for the IJV include parents, local country nationals, third country nationals, international itinerants (independent expatriates for hire), competitors, suppliers, customers and universities (Harry & Banai, 2005). The selection criteria certainly include knowledge of country culture and the ability to manage cultural differences (Harvey, Spier & Novicevic, 1999; Child & Faulkner, 1998).

Stage 4: Advancement – The IJV and Beyond. The advancement stage of the IJV process involves: learning from the partners, transferring knowledge and learning to the parents, and transferring knowledge and learning to other locations. As the IJV becomes established, the partners' relationships continue to evolve (Child & Faulkner, 1998). In the views of Luo (2000) and Doz and Hamel's (1998), learning and adjustment by the partners are the key to IJV longevity and the avoidance of premature dissolution.

In general, mechanisms for knowledge and information transfer that can be used include top management support, staff rotation, staff training and development, site visits, rewards and recognition, repatriation management (Lei, Slocum & Pitts, 1997; Inkpen & Currall, 1997; Inkpen & Crossan, 1995; Cyr, 1995; Collins & Doorley, 1991). Again, the more parents there are, and more country cultures involved, the more complex this is likely to be.

Thus far, learning and knowledge transfer have occurred from one partner to others and from the IJV itself to the parent. In both cases the parent organizations are gaining new learning and knowledge that can be used for their internal operations or for their next IJV process (Child & Faulkner, 1998; Doz & Hamel, 1998). While consideration for transferring this learning and knowledge to future IJV will enter into the complexities of partner selection described in the first stage, transferring learning and building social capital to other units within the organization may be more straight forward and more under the control of the organization (Inkpen & Tsang, 2005). Nevertheless, this may become more challenging with multiple partners and multiple country cultures.

Proposed Application of the Four-Stage Model to Varying Forms of IJV

The organizational and human resource issues in IJVs are clearly very extensive (Child & Faulkner, 1998; Schuler, 2001). Thus far, they have been categorized into several stages that

begin with the development of the IJV system itself. While some variations of the two-parent IJV were mentioned, the four stages described have been created around a generic and somewhat limited type of IJV. This appears, however, to understate the realities of the IJV system. For example, IJVs can be differentiated on the basis of many important characteristics such as the number of partners (parents), the number of countries represented in total by the IJV system and the extent of country culture differences represented by parents in the IJV system (Beamish & Kachra, 2004; Das & Tsang, 1996). Using these characteristics we propose that IJVs can be distinguishable on the basis of the environmental differentiation, complexity and potential for conflict. Furthermore, this distinction can be depicted on a continuum beginning with a simple two-party, two-country, two country-culture-IJV system and going to the most complex multi-party, multi-country and multi-culture-IJV system. Regardless of the particular point on the continuum, any IJV system can still be described by adapting the four stage generic model. Simultaneously the organizational and HR issues can be described and the implications and significance of HR policies and practices can also be seen. The general relationships between the type of IJV system and the implications for and significance of HR policies and practices is shown in Figure 1.

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We propose that the organizational and HR issues and the resulting HR implications and significance can be more specifically developed by expanding on the four stage model of the generic IJV system. Some possibilities for this have been suggested in the description of the

generic four-stage model above, but these are developed further through the explication of researchable propositions based upon several theoretical perspectives.

Theoretical Perspectives for HRM-IJV Relationships

We suggest that expanding upon the work of many researchers including Beamish and Kachra (2003) and Osborn and Hogendoorn (1997) is useful in describing the relationships between HRM and IJV types. We propose to do that by using several theoretical perspectives. In the previous works, the most prevalent theoretical perspectives were: systems theory, transaction costs, agency theory, resource based, organizational learning theory, and cooperation theory (Inkpen & Tsang, 2005; Narula & Duysters, 2004; Robson, et al., 2002). For the purposes of this initial explication of possible relationships between HRM and IJVs we focus on transaction costs, organizational learning, and cooperation perspectives (Schuler & Tarique, 2005).

Transaction Costs Theory. Transaction cost theory assumes that business enterprises choose governance structures that economize transaction costs associated with establishing, monitoring, evaluating, and enforcing agreed upon exchanges. The theory has direct implications for understanding how HR activities are used to achieve a governance structure for managing the myriad implicit and explicit contracts between employers and employees in an IJV system (Schuler & Tarique, 2005; Wright & McMahan, 1992). IJV partners try to establish contractual relationships with each other to reduce their transaction costs but they find that the preferences for explicit versus implicit contracts is likely to be influenced by country culture.

Organizational Learning Theory. According to the organizational learning theory perspective (Kogut, 1988), prior learning facilitates the learning and application on new, related knowledge (Cohen & Levinthal, 1990). This idea can be extended to include the case in which the knowledge in question is itself a set of learning skills constituting the absorptive capacity of the

IJV parents. This capacity increases as a function of the previous 'IJV formation' experience, its learning processes, and the need for information the IJV system considers lacking in order to attain its strategic objectives.

Cooperation Theory. Narula and Duysters (2004) suggest that globalization encourages firms to seek cooperative alliances and partnerships. This reflects the almost growing necessity to work, cooperate with others in order to survive and compete in the global environment, particularly in capital and knowledge intensive industries. Because international joint ventures offer one possible way of dealing with "imperative of globalization," working cooperatively becomes a significant activity for firms seeking partners for international joint ventures. Cooperation theory suggests that both partners are more likely to have successful venture relationships if they engage in cooperative rather than competitive behaviors (Loess & Yavas, 2003; Narula & Hagedoorn, 1999; Narula & Duysters, 2004; Inkpen & Tsang, 2005). Based on these three theoretical frameworks we propose the following propositions.

Propositions and Research Directions

As suggested earlier the four stage model of the IJV system may have application to many forms of IJVs because the differences among them are more of degree rather than of kind with exception. Further illustrating this is Figure 1 that depicts the relationships between HR policy and practice significance and implications and type of IJV. These relationships are proposed because as the IJV form moves from a simple two-country, two-partner, two country-culture-IJV to a complex multi-country, multi-partner, and multi- country cultural-IJV, the amount of differentiation, complexity, and conflict increase and the potential for further conflict, uncertainty, and instability also increase (Bouchet, Soellner & Lim, 2004; Luo, 2000; Schuler, et al., 2004; Osborn & Hogedoorn, 1997). These relationships are proposed to have a one-to-one

relationship as we move from the simplest IJV to the most complex IJV (Narula & Duysters, 2004; Narula & Hagedoorn, 1999). Indeed as shown in the three dimensional Figure 1, there is a significant distinction between IJVs that have multiple country cultures and multiple partners and those that have only two country cultures and two partners. Many of the specific steps in the four-stage model for IJVs (Exhibit 1), however, are still likely to exist, but their complexity and complications are expected to be significantly less, thus their significance and importance are substantially less (Luo, 2000).

Propositions

Based upon the description of Figure 1 and the three theoretical perspectives, we propose five general propositions for future research. Building upon the work of Loess and Yavas (2003), Narula and Hogedoorn (1999) and Narula and Duysters (2004), we suggest that including more partners from more countries and with more cultural distance is likely to increase the amount of differentiation, complexity and potential conflict within the IJV system.

Proposition 1: The greater the number of partners, countries, and cultures involved in an IJV, the greater the differentiation, complexity and potential for conflict with the IJV system.

As Osborn and Hagedoorn (1997) suggest varying forms of IJVs are linked and differentiated by their amount of uncertainty and complexity and with these, the amount of control that can be exerted over the IJV system. In other words, as the IJV form moves from simple form to a complex form depicted in Figure 1, we propose that complexity, complications, and the potential for conflict uncertainty control and instability increase.

Proposition 2: The challenges to learning, gaining and retaining efficiencies and exercising control increase as the form of IJV moves from simple to complex.

As a consequence of the relationships described in Proposition 1, we further propose that increasing amounts of complexity, complications and potential for conflict, uncertainty and instability will become challenges and potential roadblocks: a) to managing the learning processes in the alliance system; b) to gaining and retaining efficiencies and economies of scale; c) and to exercising control over the IJV system activities. Similarly, the need for and benefit from cooperation will increase.

Proposition 3a: The implications for and significance of HRM increase as the form of IJV moves from simple to complex.

Proposition 3b: The implications for and significance of HRM are much greater for complex IJVs than simple IJVs.

HR policies and practices have the ability of providing clarity, structure and management to organizational and human resource phenomena. Done effectively, they are able to contribute the three needs for managing the learning processes, gaining and retaining efficiencies and economies of scale, and exercising control over the IJV system activities. And as the IJV system moves from simple to complex, these three needs increase, and thus the implications for and significance of HRM will increase. While the separate HR policies and practices will all be

individually and uniquely important, it is proposed that the nature of their significance will increase when done systematically across the forms of IJVs.

Proposition 4: HR issues and implications can be developed into four stages similar for forms of IJVs from simple to complex.

Whether an IJV system is a simple or a complex form, its activities can be categorized or staged in similar ways, each with issues and implications for HRM. For example, the formation of any IJV should be based on identifiable reasons most of which will have implications for HRM. Partners will also have to be found and selected for the various forms of IJVs, learning and knowledge are important and selecting partners one can learn from is important. In the development of any IJV activities about where and how the venture will be located and staffed will arise. A manager for IJV management may be necessary to ensure that the IJV is managed in order to benefit the entire IJV system. In the implementation phase, additional staff may need to be added, either to staff the joint venture (simple or complex) throughout the world. Finally in the advancement stage, all forms of IJVs can be seen (should be seen) as providing learning opportunities and their needs to be done systematically whether it is from a joint venture and/ or other parents. Throughout the various stages, HR policies and practices can help manage the differentiation, complexity and potential for conflict and thereby assist the IJV system in attaining its goals and objectives.

Conclusion

IJVs of all forms are growing in their importance for organizations, and the concern for understanding and managing them as well as possible, is increasing. In this chapter we have tried

to highlight the role of human resource management in varying forms of IJVs. Because of the existing body of work in this area has largely focused on simple two parent- two country – two culture forms of IJVs, this chapter has sought to extend this focus by describing the potential relationships between HR policies and practices and several forms of IJVs from the simple to the complex. This was done by utilizing the four-stage model used to describe the issues and implications for human resource management in international joint ventures.

Along with this model the key underlying phenomena in IJVs were identified, those being complexity and complications; the potential for conflict, uncertainty, and instability, and the need for cooperation, all of which are proposed to increase as the form of IJV moves from the simple to the complex IJV as illustrated in Figure 1. The organizational and HR issues that arise in IJVs result because these underlying phenomena become challenges and roadblocks to what are important needs in all forms of IJVs, i.e., learning, efficiencies, control, and cooperation. In turn, all of them have implications for human resource management which increase in significance from simple to complex IJVs because more is at stake as the IJV becomes more complex.

Based upon the relationships shown in Figure 1, propositions were offered that might form a basis for some further research in the area of human resource management in varying forms of IJVs. These propositions reflect the three theoretical perspectives of transaction costs, organizational learning theory, and cooperation theory. Future research might reflect other theoretical perspectives as well as these three. Future research might also be based upon a generic four-stage model of human resource management in IJVs that is similar, yet distinct from that shown in Exhibit 1.

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EXHIBIT 1

Organizational/HR Issues and

HR Implications in the Four Stages of the IJV System

<u>Organizational/HR Issues</u>	<u>HR Implications</u>
<p>Stage 1 – Formation</p> <ul style="list-style-type: none"> • Identifying reasons • Planning for utilization • Selecting dedicated manager • Finding potential partners • Selecting likely partners • Handling issues of control, trust and conflict • Negotiating the arrangement 	<ul style="list-style-type: none"> • The more important learning is, the greater the role for HRM • Knowledge needs to be managed • Systematic selection is essential • Cast a wide net in partner search • Be thorough for compatibility • Ensure procedures and communications • More skilled negotiators are more effective
<p>Stage 2 – Development</p> <ul style="list-style-type: none"> • Locating the IJV • Establishing the right structure • Getting the right senior managers 	<ul style="list-style-type: none"> • Concerns of multiple sets of stakeholders need to be considered for long term viability and acceptance • The structure will impact the learning and knowledge management processes. These are impacted by the quality of IJV managers • Recruiting, selecting and managing senior staff can make or break the IJV
<p>Stage 3 – Implementation</p> <ul style="list-style-type: none"> • Establishing the vision, mission, values, the strategy and structure • Developing HR policies and practices • Dealing with unfolding issues • Staffing and managing the employees 	<ul style="list-style-type: none"> • These will provide meaning and direction to the IJV and employees • These will impact what is learned through trust, control and conflict management • Need to design policies and practices with local – global considerations • The people will make the place
<p>Stage 4 – Advancement and Beyond</p> <ul style="list-style-type: none"> • Learning from the partner (s) • Transferring the new knowledge to the parents • Transferring the new knowledge to other locations 	<ul style="list-style-type: none"> • Partners need to have the capacity to learn from each other • HR systems need to be established to support knowledge flow to the parent and learning by the parent • Sharing through the parent is critical

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EXHIBIT 2

Potential HR Policies in Countries with Various Cultural Dimensions

<i>HR Policies</i>	POWER DISTANCE		INDIVIDUALISM	
	LOW	HIGH	LOW	HIGH
Staffing	Select for career progression Joint placement and career decisions	Select for specific job and level Boss places and plans employees' careers	Selection for team players Willingness to contribute to firm	Selection for individual contributions Desire to develop own career
Appraising	Joint problem solving Personal initiative in planning execution 360° feedback	Assign goals One-way communication	Not focus on task accomplishment as much as group membership and loyalty	Individual task accomplishments Set personal goals
Compensating	Employee participation and involvement in reward techniques Profit-sharing; gain-sharing	No employee participation Status distinctions accepted	Group-based contingent rewards Non-economic rewards that satisfy recognition needs	Individual-based contingent rewards Individual praise & recognition
Training & Leadership	Skills for advancement	Skills for present job Direction	Skill improvement to contribute to organization Group skills Consideration	Skill improvement for self improvement Autonomy
Work Design	Provides freedom, discretion and participation	Job structure, feedback and direction by boss	Facilitates work design that includes: teamwork, task significance, feedback from others	Use of task identity, autonomy, feedback from job

<i>HR Practices</i>	UNCERTAINTY AVOIDANCE		MASCULINITY	
	LOW	HIGH	LOW	HIGH
Staffing	No job descriptions General career guidelines	Clear job descriptions Clear career paths Specific rules and policies	Fit into group Fit with organization	Take personal responsibility Ability to do job
Appraising	Set of difficult and specific goals which involve high risk-taking	Set easy goals with low risk taking	Use social benefit, quality of work life and equality	Job tasks & goals Work action plans Performance feedback
Compensating	Link pay to performance External equity Flexibility Broad banding	Limited use of performance-based(at risk) pay Predictability: pay consistency	Use of social benefits, quality of work life, non-zero sum, job security	Use performance-pay Competitive pay, promotion and recognition
Training & Leadership	General application Participative General directions	Task specific Structure and direction	Develop social skills	Develop task skills Initiating structure
Work Design	Challenge Job enrichment; personal intrinsic gain	Simple job design Limited scope of responsibility Enable group interaction	Job context important Colleagues, security and safety	Job content important Challenge, task accomplishment

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Figure 1

Relationships between Type of IJV System Complexity and the HR Policy and Practice Implications and Significance

