



## THE AFFECT OF CHANGED CULTURAL AND POLITICAL FORCES ON RECONFIGURATION OF JOINT VENTURES

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### ÖZET

*Bu makale, değişen politik ve kültürel etkenlerin çokuluslu şirketlerin kendilerini yeniden düzenlemelerini nasıl gerekli hale getirdiği konusu üzerine ışık tutmayı amaçlamaktadır. Açıklayıcı bir çalışma bağlamında makale, ortak girişimler ve kültür konusunda varolan literatüre ek olarak bir model geliştirilmiş olup; makale, yazarın bazı izlenim ve önerileriyle sonuçlandırılmaktadır.*

### THE AFFECT OF CHANGED CULTURAL AND POLITICAL FORCES ON RECONFIGURATION OF JOINT VENTURES

**This paper aims to explain how changed cultural and political forces make it imperative for multinational firms to re-configure themselves. As an explanatory study, the paper follows prior literature on joint ventures and culture and concludes with some suggestions of the author.**

### THE NEED FOR GLOBALIZATION

Global strategies are those which recognize that competition can no longer be confined to a single nation's boundaries. Industries become global

for many reasons, such as meeting challenges, gaining competitive advantages, and other reasons including economics of scale, technological innovation, and new sourcing arrangements as a means of meeting the global challenges. When the need for globalization arises, firms must re-examine their assumptions concerning how competitive advantage can be gained by integrating the operations diverse geographic locations. Perhaps firms may use joint ventures to co-ordinate their activities within a global system.

## JOINT VENTURES: AN INTERNATIONALIZATION TOOL

### Definition of Joint Venture

"Operating joint ventures are partnerships by which two or more firms create an entity, a 'child', to carry out a productive economic activity".<sup>1</sup> A similar definition defines joint venture as "a joint venture is a separate corporate entity jointly owned by two or more parent organizations".<sup>2</sup> Operating joint ventures could include manufacturing arrangements, distribution arrangements, or research and development (R&D) arrangements. Each party of joint venture makes a contribution in the form of capital and technology, marketing experience, and personnel assets.

### Reasons for Entering Joint Ventures

The major reasons and benefits for entering joint ventures include:

- Faster and easier access to the local market and the distribution system; Many countries have imposed restrictions on foreigners doing business in their countries. To deal with such restrictions foreign organizations form a joint venture with a local company.
- Sharing of risk; Because of the big risk involved in certain projects, many organizations prefer to enter a joint venture in these situations.
- A joint venture can allow an organization to benefit from economies of scale.
- Needs of some organizations for certain resources and markets, such as a firm possesses a product and wants to sell it abroad. A joint venture with a partner abroad provides it access to a distribution system together with a knowledge of local business practices, customs, and institutions.
- Improved access to local human resources, including managers and labor.

<sup>1</sup> Peter J. Buckley and Pervez N. Ghauri, *The Internationalization of the Firm: A Reader*. Academic Press, 1993, pp. 138.

<sup>2</sup> Lloyd L. Byars, *Strategic Management*, Harper Collins Publishers, 1991, pp. 112.

- Improved knowledge of the local economy, politics, and culture.

### Strategies Used in Joint Ventures

At this stage, it is useful to explain which strategies used in joint ventures to understand how initial configuration of them occurs. Understanding of the initial configuration of joint ventures is important to differentiate it from reconfiguration of joint ventures which will be examined in the form of effects of changed cultural and political forces. There are three basic types of strategies that have been used in joint ventures include:

1. **The Spider's Web Strategy:** in this strategy, a small organization enters a joint venture with one organization in an industry and then, in order to avoid being absorbed, enters a new joint venture quickly with another organization in the same industry.
2. **Go Together-Split:** in this kind of strategy, two or more organizations cooperate for an extended time and then separate. This strategy is appropriate especially for construction projects that have time limitation.
3. **Successive Integration:** This strategy starts with a weak joint venture relationship between the organizations, becomes stronger, and ultimately may result in a merger.<sup>3</sup>

### INITIAL CONFIGURATION OF A JOINT VENTURE:

There are three major considerations seem important in forming a joint venture. What the first consideration is to choose a partner to cooperate. The issue of cultural difference arises immediately in that different approaches frequently are taken in selecting a joint venture partner. For example, A German organization's objective may be to enter a new market, whereas the objective of its joint venture partner, may be to gain access to German technology.

A second consideration is the question of control over the joint venture. An Organization can have a majority, an equal, or a minority participation in the equity capital of the joint venture. A foreign country may have legal restrictions (in constitutions, specific laws, or government policy) on the degree of control. "Negotiations between prospective joint ventures over the control issue have often resulted in failure."<sup>4</sup> it is a general belief that the greater firms' resources, the greater their bargaining power. But the greater

-> Byars, pp.113.

<sup>4</sup> Byars, pp.114.

their need to cooperate, the less their bargaining power will be in negotiating the configuration of the joint venture.

A final consideration involves the management of the joint venture. Both parties should be interested in having the quality of management necessary to ensure the joint venture's success. There are two approaches to deal with this issue: One approach is to allow staffing of all key positions in the joint venture to be limited to citizens of host country. Another approach involves requiring managers from two companies in the joint venture to be familiar with the language and culture of their partner. This approach is very useful because it allows the managers adapt to cross-cultural management decisions.

The joint venture (JV) is the result of the bilateral bargaining power of its parents. Its form, inputs, outputs, and control mechanisms are defined by a bargaining agreement. This agreement also specifies the JV's outputs, such as technological innovation, economies of scale, and faster entry to markets. The purpose of the JV's existence is defined by these outputs. To attain its objectives the JV needs inputs which may be provided by its parents or from outsiders. The bargaining agreement also specifies the control mechanisms that parent firms will use it to ensure that the benefits they desired were received.

#### THE NEED FOR RE-CONFIGURATION

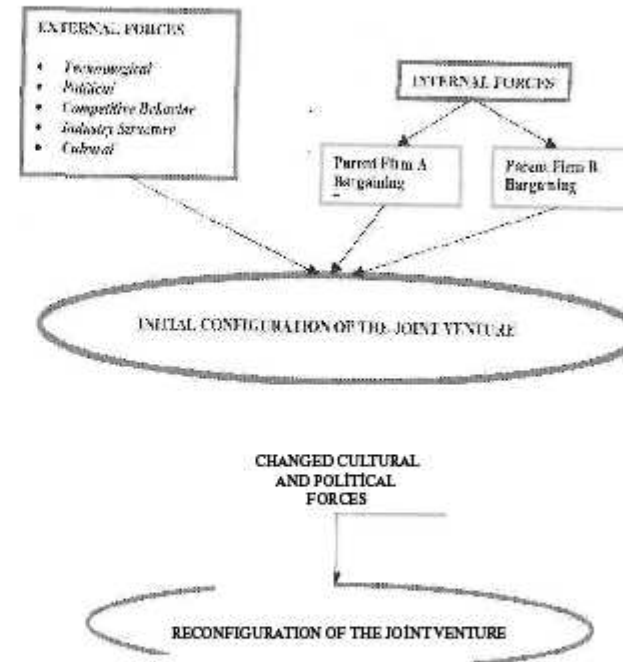
There are barriers in forming and in re-configuring joint ventures. These barriers include internal and external ones. Internal barriers include firms' unwillingness to see that their industries have become global creates barriers to firms' uses of joint ventures or other adaptive strategies. The principal barriers to forming joint ventures are strategic in nature. Uncertainties regarding their abilities to manage operating joint ventures also erect barriers to joint venture formation. The high entry barriers to a new market are also important when forming a joint venture. Externally imposed barriers include political restrictions on ownership, patent restrictions, and other conditions. These may be easier to overcome than firms' own attitudinal barriers. "A major cause of conflict in JVs is that the relative contributions and comparative advantages of the joint venture partners change continually, whether due to exogenous events or due to internal dynamics, for example differential rates of learning by both partners."<sup>1</sup> "This influences the evaluation of a firm's contribution".<sup>2</sup>

<sup>1</sup> Hamel Gary, Competition for Competence and Interpartner learning within International Strategic Alliances, *Strategic Management Journal*, 1991, 12 (special issue), pp.83.

<sup>2</sup> Anoop Madhok, Revisiting Multinational Firms' Tolerance for Joint Ventures: A Trust Based Approach, *Journal of International Business Studies*, First Quarter, 1995, pp.129.

#### K. DEVELIOGLU THE AFFECT OF CHANGED CULTURAL AND POLITICAL FORCES ON RECONFIGURATION OF JOINT VENTURES

**Proposition:** Changed environmental forces make it imperative for joint ventures to re-configure themselves to meet challenges that come from changed cultural and political forces.



1. The Affect of Changed Cultural and Political Forces on Reconfiguration of Joint Ventures

"Both the formation and the stability of a joint venture depend upon the nature of the bargaining agreement that can be struck between parents and the impact of change stimuli upon the perceived attractiveness of the joint venture agreement. Joint ventures are formed within dynamic environments. Environmental conditions may change. Parent firms may change, and the child (the joint venture) itself will evolve over time." Now, Let us examine how changed cultural and political forces made reconfiguration of the joint venture imperative. By the effects of these forces, asymmetries develop between joint venture partners and it becomes clear that the JV could not attain the objectives that were stated in the bargaining agreement, such as lack of harmony between the JV's host country managers and foreign managers, lack of cooperation between managers and workers, and lack of market entry and technological innovation. As a result, it becomes necessary to re-configure joint ventures to attain agreed upon objectives effectively. How joint ventures do this is they change the terms of bargaining agreement which is discussed below. Let us examine, in detail, two of these environmental forces, culture and politics, and understand how they make it necessary for joint ventures to re-configure themselves.

#### CULTURAL ENVIRONMENT

Let us begin, firstly, with the definition of culture. "Culture is a complex whole which includes knowledge, belief, art, law, morals, customs, and any other capabilities and habits acquired by humans as members of a society".\* "Culture is an integrated total pattern of learned behavior shared by members of a society".<sup>7</sup> Culture includes everything that influences an individual's thought processes and behaviors. "Culture operates primarily by setting boundaries for individual behavior and by influencing the functioning of such institutions as the family and mass media. The boundaries or norms are derived from cultural values. Values are widely held beliefs that affirm what is desirable. Culture changes when values change, the environment changes, and when dramatic events occur".<sup>8</sup>

Changes in a culture, such as consumption behavior and gender roles in a society have great effects on JVs performance. When a country's consumer behavior changes; it brings new attitudes toward consumption of some products. For example, if a country's consumption behavior changes from less consumption to more and from some kinds of products to another products, it will bring new opportunities or threats for joint ventures. If a country's

<sup>7</sup> Buckley and Ghauri, pp. 142.

<sup>8</sup> Del I. Hawkins, Roger J. Best, Kenneth A. Couey, *Consumer Behavior*, Irwin, 1995, pp.34.

<sup>9</sup> Vem Teppan, *International Dimensions of Marketing*, Wadsworth Publishing Company, 1988. Pp.36.

<sup>10</sup> Hawkins, Best, and Couey, pp.61.

people consume a kind of product more than before, it will bring new opportunities for the JV and will force it to change its production structure toward mass production. [If consumers' preference change from the product that the JV produces to a substitute one; it makes it necessary for the JV to turn towards production of that product. This change will require managers of JVs parent firms to gather and make changes on initial configuration of the JV. They will, probably, change the JV's objectives that were agreed upon during the initial configuration of the JV and place new ones in the re-configuration process. For example, the JV's parent firms may decide to change its technology to meet challenges that resulted from the change in consumption behavior in the culture in which the JV operates. But it is not very easy to implement, as Gomez-Mejia and Palich indicates "the more complex the cultural landscape facing a firm, the less effective it becomes to implement technology on an organizationwide basis".<sup>11</sup> As a potential result, one of the partners may reject and end up the JV because of high expenditures for the new technology.

Change in gender roles in a society makes it imperative for organizations to take the women's attitudes toward consumption into account. If in a society women start to decide what and how to buy things, the JV has to give a special attention to this change and develop strategies to handle this situation. Change in gender roles may, probably, require change in production techniques and advertisement. The JV management has to be able to predict these potential changes in society and develop appropriate strategies, such as changes in production technology, products, and advertisement. These changes to produce more women appeal products require negotiations between the JV's two, or more, partners. As a result of these negotiations, the JV will be re-configured by changing its initial objectives, such as movement from mass production toward more quality products. More quality means more control on the process of a product's production. Since the change is more difficult in some industries than others, it depends on in which industry the JV operates. As another result of these negotiations, the JV's parent firms decide to end its operations up or to re-configure them.

Differences in verbal communication systems are immediately obvious across cultures and must be taken into account by joint ventures wishing to do business in foreign cultures. It is also an important issue that partners of joint ventures have to give attention to verbal communication. Probably more important and more difficult to recognize are nonverbal communication differences. Major examples of nonverbal communication variables that affect joint ventures are time, space, friendship, and etiquette. Especially time creates very significant problems between partners from east and west cultures.

<sup>11</sup> Luis R. Gomez-Mejia and Leslie E. Palich, *Cultural Diversity and the Performance of Multinational Firms*, *Journal of International Business Studies*, Second Quarter 1997, pp.311.

in east cultures, time is considered as abundant but in west cultures, it is a scarce resource that has to be used carefully. If two partners of a JV did not put any time limitation on their production activities during initial configuration of the JV, by the time, conflict may arise between them because of their approaches to time. To handle time problem, partners of the JV may negotiate each other and agree on a more formalized structure in which each job will have a limited time to be finished. One of the partners of the JV may refuse this re-configuration effort as a result of its approach to time. Partners' approach to time can also create problems between managers of the JV that come from two, or more, different cultures. For example, managers from west culture may give a great attention to be on time for their appointments but managers from east cultures may find it natural to be late to their appointments under some circumstances. Also this kind of cultural problems has to be negotiated and solved in the re-configuration process. As a possible solution to these kinds of problems, training programs can be developed within the JV to operate effectively in complex cultural environments.

#### POLITICAL ENVIRONMENT

Political environment of a host country may also offer opportunities besides threats for joint ventures. Terpstra and David see political environment as "Whether the scope of their operations is domestic or international, politics and the political environment are important to all business firms. There are two fundamental differences. For the international firm, the political environment is more complex and potentially more hostile"<sup>12</sup> in this part of my paper, I will discuss effects of changed political forces on the re-configuration of joint ventures. "A negative political environment can have several different results for the firm in a foreign market, it may encounter restrictions on its marketing program or product line, it may have difficulty getting permits to operate or to remit profits, it may encounter boycotts or bombings or kidnapping of local managers. The ultimate threat, of course, is expropriation and expulsion".<sup>13</sup> According to Brewer, "there are numerous and diverse types of home and host government policies that can be classified as direct and indirect policies."<sup>14</sup> Indirect government policies are monetary policies concerning the money supply, foreign exchange rates, and interest rates. Direct government policies include capital controls and other restrictions on international funds, antitrust (competition) policies, labor relation policies, and intellectual property laws. Political change can be difficult to anticipate and can certainly affect the ability of the joint venture to achieve its goals. If

<sup>12</sup> Ven Terpstra and Kenneth David, *The Cultural Environment of International Business*. South-Western Publishing Co., 1985, pp.206.

<sup>13</sup> Terpstra, pp.43.

<sup>14</sup> Thomas L. Brewer. *Government Policies, Market Imperfections, and Foreign Direct Investment*, *Journal of International Business Studies*. First Quarter, 1993, pp. 107.

changes are gradual and evolutionary, if they can be predicted from past trends, the rise in risk is minimal. The JV can make contingency plans.

Instability of political environment makes the JV management's job more difficult to predict consequences and the JV re-organizes itself to make short-term plans not long-term. Under these kinds of situations, the JV's partners can also postpone its new investments or can, completely, cancel it. As a result of this cautiousness, the JV re-organizes itself as a practitioner of some [kind of performances and alters from becoming an active investor, it points out a radical change from initial configuration of the JV.

If the JV experiences a government restriction on its profits and a high degree of capital control, partners of the JV will negotiate each other on initial bargaining agreement and change it to meet these challenges that come from changed political forces. As a result of these forces, if the JV has a profit that exceeds host country government's limitations, the JV re-configure itself and will try to limit its operations and cut expenditures. As another possible result, it will lay off some of its managers and workers. Political forces can also be realized as governmental imposition of high taxes. To balance budget deficits, governments use tax as an easy budget balance tool. The JV can respond host country government's imposition of tax by decreasing its expenditures, such as R&D expenditures. If high taxes make the JV's profitability impossible, partners may decide to end the JV up.

Labor relations policies of governments, such as increased minimum wages and enforced holiday leave, requires the JV to change its labor policy. As a re-configuration effort, partners of the JV may lay off some workers to provide profitability. If the host country government has a policy about limitations of lay offs within organizations, it makes the JV's re-configuration efforts more difficult.

"The re-configuration and ultimate disposition of the child (the JV) depend upon its parents' strategic missions, the strategic importance they attach to the child. . . Possessing alternatives gives parents a new source of bargaining power that may be strong enough for them to change their."<sup>15</sup>

#### CONCLUSION

Since joint ventures operate in a fast changing 20th century environment, it is imperative for them to be able to adapt themselves in this changing environment to survive. They face many challenges that come from many different forces, such as technology, culture, demographics, politics, and so

on: in this paper, I tried to prove how changed cultural and political forces influence re-configuration of joint ventures. Joint venture managers take steps when they face or guess effects of these forces. Joint venture managers take the challenges to their parent firms to be solved or, alternatively, if there is a trust between parent firms and the JV; they try to solve problems by themselves. it can be summarized that change creates change. Since survival requires an adaptability to change, joint ventures can handle this by re-configuring themselves.

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## 19. ASIRDA ULUSLARARASINDA ERMENİ MESELESİNİN ORTAYA ÇIKIŞININ ANALİZİ

Doç. Dr. Mediha AKARSLAN\*

### ÖZET

*Ermeni Sorunu, Islahat Fermanı ile birlikte kendini derinden derine hissettirmeye başlamıştır. Nitekim, 13 Temmuz 1878, Berlin Anlaşması'ndan sonra da enternalize edilmiş bir Ermeni meselesi ortaya çıkmıştır.*

*Ermeniler, Osmanlı Devleti'nde 19uncu yüzyılın ortalarına kadar, devletin en güvenilir unsuru olmuşlardır. Bu nedenle kendi/erine Millet-i Sadıka denilmiştir.*

*Ermeniler Osmanlı imparatorluğu nda önemli ticaret ve yönetim noktalarını ellerinde tutmuşlar, önemli mevkiilerde bulunmuşlardır.*

*19. yüzyılın sonlarında 93 Harbi olarak da bilinen 1877-1878 Osmanlı-Rus Savaşı'nın sonunda ortaya çıkan Ermeni meselesi, Şark meselesinin önemli bir kanadını oluşturmaktadır. Ermeni meselesinin ortaya çıkış nedenlerini tasnif edeceğiz olursak:*

**1- Şark Meselesi ve Ermeni Sorunu,**

**2- Emperyalist güçlerin Osmanlı Devleti'ndeki nüfuz bölgeleri ve yaptıkları gizli anlaşmalar,**

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