Achieving Growth through Corporate Partnerships and Joint Ventures: Will Singapore's Strategic Leap into the Region Work?

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ACHIEVING GROWTH THROUGH CORPORATE PARTNERSHIPS AND JOINT VENTURES: WILL SINGAPORE’S STRATEGIC LEAP INTO THE REGION WORK?

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Paper presented at SMEs in East Asia in the aftermath of the Asian financial crisis, 16-17 June 2000, Wollongong, Australia, International Business Research Institute

Track: Managing in a Global Economy

Type: Paper proposal

Key words: Economic Development  
Singapore  
International Joint Ventures  
Alliances  
Confucian Ethics
ACHIEVING GROWTH THROUGH CORPORATE PARTNERSHIPS AND JOINT VENTURES: WILL SINGAPORE’S STRATEGIC LEAP INTO THE REGION WORK?

Introduction

One of the characteristic features of the East Asian economic development strategy has been the interventionist role of the government in the economic sphere (Amsden 1989; Kwon 1994; Wade 1990; Zutshi and Gibbons 1998). Governments in East Asia have traditionally, worked closely with the private sector. As a result unique business systems embedded in networks and alliances have evolved in countries like Taiwan, Japan, Korea and Singapore (Hamilton and Biggard 1988).

Singapore has attempted to extend this model of strategic cooperation beyond its borders into the region. Schein (1996) identifies a number of major development eras in the evolution of Singapore. In 1965 attracting MNCs (multinational corporations), and thus foreign direct investment, was critical to its export-led growth strategy. But after the recession of 1987 the emphasis shifted to building an external wing for the Singapore economy. By 1990 the Corporist State had taken definitive steps toward forging strong economic linkages with the neighboring countries. Singapore foreign direct investments in 1995 were to the tune of $48.5 billion of which almost 60% were invested in the region (Department of Statistics, 1996). Apart from direct investments Singapore has also partnered with the industrial development authorities in the region to promote industrialization. It set up a growth triangle with Malaysia and Indonesia and forged a number of joint ventures with local authorities in China, India, Vietnam and Myanmar in the development of industrial estates.

Concurrently, Singapore government coaxed its local firms to venture into the region, form alliances and become integrated with the Chinese business networks (Lew Kuan Yew as quoted in, The Economist 1993). Singapore Prime Minister (Singapore Economic Development Board 1993) in his address to the Regionalisation Forum gave the analogy of using the “onslaught of the chasing tigers to somersault up the cliff”. By interlocking activities with the emerging opportunities, Singapore, instead of being threatened by the new competition, could experience tremendous growth rates in future.

Is Singapore’s regionalization strategy, based on cooperation and networking a pointer to the evolution of multi-country network organizations in Asia? In recent years the Asian financial crisis has prompted many to dismiss such cooperative arrangements as crony capitalism. But many Asian scholars argue that Confucian ethics provide the necessary glue binding Chinese communities not only along cultural, social and economic but also along historical and institutional lines (Luo 1998; Oh 1991; Chen 1995). Senior Minister Lee Kuan Yew of Singapore has been an ardent advocate of “Asian Values” (Zakaria 1994) which distinguish Asian business practices from those in the west (Lee 1994). Redding (1995) provides an account of the Chinese diaspora that led to the development of the Chinese communities in Asia outside China. It is in these communities that the overseas Chinese business networks that Kao (1993) refers to as the world-wide-web exist.

This study reports the findings of Singapore joint ventures in China. We examine the motivation for cooperation, the exercise of control and the incidence of conflicts in IJVs between partners of Chinese descent: Singapore Chinese and their mainland counterparts. As the partners share a historical and cultural heritage, it is anticipated that the shared values would transcend the self-interest. Since they share the guanxi principle there should be less emphasis on control, less conflicts and greater satisfaction with the IJVs. The study contributes to our understanding of the firm level behavior in alliance formation between culturally similar Chinese cousins. It also provides a perspective on the Confucian values and the Chinese networks. The paper is divided into three sections. In the first section we review the literature and develop some propositions. Section two presents the research methodology and the findings. The discussion and conclusions are presented in the third section.

Relevant literature

In response to the global competition firms are increasingly relying on co-operative strategies to enhance their competitive capabilities (Hamel, Doz and Prahalad 1989; Harrigan and Newman 1990). Varieties of reasons have been forwarded to explain the growth of strategic alliances.

The resource dependency-view points out that firms possess asymmetrical abilities and partnerships allow firms to access or acquire resources that they do not possess. This could include technology, management expertise and other strategic and operational capabilities (Hamel, Doz and Prahalad 1989; Hamel 1991; Lei and Slocum 1992; Parkhe 1991; Pfeffer and Salancik 1978; Thompson 1967).

Strategic alliances are also formed to alter the basis of competition (Porter and Fuller 1986). To remain competitive or to eliminate competition, firms may enter into strategic alliances and thus strengthen their market position (Ouchi and Bolton 1988). Collaboration provides an efficient mechanism for firm’s growth, especially in the context of economies of scale, where efficiencies are critical. IJVs allow firms to reduce organizational complexities and avoid the uncertainties and
difficulties associated with mergers (Mariti and Smiley 1983). In intensely competitive environments, the fact that the productive-technical competencies have become globally dispersed, cooperative strategies become necessary for advancing innovative capabilities (Teece 1992).

Since alliances are in-between the hierarchy and the market, transaction cost theory posits that it can also provide cost effective solutions to a firm venturing into new territory (Killing 1983; Kogut 1988). Firms establish foreign facilities in conjunction with a partner rather than license or trade to obtain “transactional advantages” (Williamson 1985; Caves 1982). Beamish and Banks (1987) suggest that IJVs may sometime be an ideal mode of operations in the context of transnational activities.

In East Asia international joint ventures (IJVs) have been advocated as the appropriate entry mechanism. Most of the foreign direct investment in China has taken the form of IJVs (Beamish 1993). Many MNCs do resort to IJVs to accommodate local government policies regarding foreign investments (Contractor and Lorange 1988), particularly in China where IJVs are favored by the government in some sectors. But the reason IJVs are the most popular mode of entry in East Asia lies with the accepted wisdom that there is a Chinese informal business network (Redding 1995; Kao 1993) and in order to operate in Asia one has to be plugged into these networks (Vanhonacker 1997). The IJVs provide foreign joint venture partner access to the “guanxi” (i.e. connections) which exist not only in Mainland China but also amongst the overseas Chinese dispersed among South East Asia.

Reasons for Success and Failure

Despite the tremendous growth of strategic alliances, the rate of success of such partnerships is rather low (Harrigan 1988; Kanter 1988; Levine and Byrne 1986; Parkhe 1993; Shaw & Meier 1994; Lorange and Ross 1992). Research on IJVs has also produced mixed findings regarding their performance outcomes (Osland & Cavusgil, 1996). Three major reasons have been forwarded for the failure of alliances.

First, it is argued that firms in the developed world form strategic alliances with competitors or prospective competitors with the main objective of acquiring competency, i.e., cooperate to compete (Hamel 1991). In many US-Japanese Alliances for the Japanese partner, the alliance represented a change in tactics not competitive goals (Hamel, Doz & Prahalad 1989). When the strategic intent differs firms engage in opportunistic rather than cooperative behavior. As a consequence, to guard against encroachment and opportunistic behavior, firms may shirk from investing critical resources into an alliance leading to conflicts and failure.

Second, in learning situation the firm, which is lagging behind in knowledge, will gain disproportionately more from the alliance. The asymmetrical pattern of pay-off can lead to prisoner’s dilemma game, wherein there is an incentive to shirk or cheat, i.e., pursue individual interests at the expense of the others (Williamson 1985; Buckley and Casson 1988; Parkhe 1993). When the positional payoffs (Tucker 1991) favor one partner and the principle of strict reciprocity breaks down firms may put in place elaborate systems of controls. However, control implies lack of trust and counters any transactional benefits that may accrue due to the alliance. As Williamson (1991, 291) points out, “although the efficacy of all forms of governance may deteriorate in the face of more frequent disturbances, the hybrid model is arguably the most susceptible.”

Third, prior studies have cited the differences, in the cultures of joint venture partners, as a reason for the failure of the venture. Culture may affect the incidence of conflicts and the extent of control desired by the partners. It has been found that the foreign partners’ home country culture influences the control that they seek in a joint venture (Tse, Pan & Au 1997; Kogut & Singh 1988). Tse et al found in their study that partners from a high power distance culture preferred equity joint ventures as an entry mode. Conflict creates social and economic costs for a joint venture relationship, hence reducing the level of partner commitment (Cullen, Johnson and Sakano 1995).

The successful management of strategic alliance, therefore, requires the parties to address the issues of conflict and control in decision-making. It is no surprise then that numerous studies have examined the role of conflicts and control (Cullen, Johnson & Sakano 1994; Gulati, Khanna & Nohria 1994; Mohr & Spekman 1994; Lane & Beamish 1990; Kogut 1988), and ownership on the success of joint ventures (Pan 1996). How control is exercised by the partners, is thus seen as an important factor in the success of a strategic alliance. Control refers to the decisional power of a partner in the IJV and can be effected through various mechanisms of which equity ownership is an important method (Stopford and Wells 1972; Franko 1971; Gomes and Casseres 1989). One approach to overcoming the problems inherent in joint managing is to incorporate control features into the joint venture contract and the joint venture operating structure. Such an approach has been referred to as the ownership-centered approach (Madhok 1995). There are two schools of thought on this issue, some advocating dominant control to be vested in the foreign partner (Harrigan 1985; Gulger 1992) while others argue for balanced control (Eiteman 1990; Grow 1986; Lane & Beamish 1990; Bleeke and Ernst 1991). Proponents of dominant control suggest that this approach prevents opportunistic behavior of partner(s), ensures that the joint
venture is managed in one style, and minimizes or resolves conflicts efficiently. Bleeke and Ernst (1991) found that joint ventures with an even split of ownership are more likely to succeed as opposed to those in which one partner holds a majority equity stake.

**Cooperative Arrangements in Confucianist Societies**

But alliances in the Confucian societies are expected to be far more enduring. A firm’s business activities are influenced by its home country characteristics (Kogut & Singh 1988; Hofstede 1980). As cultural differences increase the investment in non-deployable assets becomes riskier (Kogut and Singh 1988; Gatignon and Anderson 1988) and foreign firms may prefer less equity involvement. Chen & Boggs (1998) argue that, "Cultural similarity between joint venture partners is conducive to the adoption of similar communications, patterns, cultural beliefs and decision making styles. These similarities can increase mutual understanding between joint venture partners and reduce communication barriers and management conflicts. When conflicts do arise, cultural similarity makes it easier for firms and their partners to understand each other and to resolve differences."

**Proposition 1:**
Since the IJV partners in our sample are from Confucian culture, it is argued that there would be limited conflicts (Chen & Boggs 1998):

The Chinese, as with most other Asian cultures, place great importance on a person's place in social hierarchy. The family business enterprise is the central business organization in Chinese societies (Weidenbaum and Hughes 1996; Redding 1990; Fukuyama 1995). In such situations reputation capital becomes important. Face is an individual’s public image and is hence contextually an important concept in Confucian societies (Chen 1995).

Another feature that links the Confucian societies in Asia is guanxi (Yeung & Tung 1996). The word guanxi has been defined as connections and is identified as being crucial in business dealings in China (Swanz 1995). However, guanxi is more than just connections it is “friendship with implications of continued exchange of favors” (Tsang 1998: 65). It implies reciprocal obligations and in the context of conflicts it implies mutual accommodation keeping long-term relationship in view. The difference, between guanxi and the old boys network, is in the reciprocity required in the relationship, the long term perspective adopted by the parties, and the underlying ethical notion that a party to a guanxi relationship should behave uprightly (Yueng & Tung 1996).

Business relationships with those outside the family would depend on, whether there is a "connection" (guanxi) between the outsider and a member of the family or someone with whom the family has guanxi. It is through the networks that a person lower of rung of the ladder can approach another higher on the ladder for a favor or assistance. Given the Confucian tradition (Volery & Mensik, 1997; Yeung & Tung 1996) those outside the Chinese cultures, such as a prospective foreign joint venture partner, would not even fit in the hierarchy and as such would find it difficult to become a part of the network. But the IJV partners in our sample would have little difficulties in joining the network. Gulati (1995) found that as the increased frequency of interactions between firms increases mutual trust and reduces cooperative uncertainty. Guanxi it is argued is a function of long term relationship and is analogous to trust (Tsang 1998).

Firms focus on control in a joint venture to counteract any opportunistic behavior on the part of their partner. The need for control arises because the parties are not familiar with each other and encounter cultural differences. However, in the Confucian societies the cultural artifacts create a common basis upon which the partnerships and relationship are established. There should thus be less need for control.

**Proposition 2:**
Firms in East Asia belonging to the Confucian culture would place less importance on control when forming IJVs.

Singapore’s manufacturing sector is dominated by the multinationals. Singapore’s size and limited human and technical resources, places a constraint on its potential entrepreneurs. The intent of the regionalization strategy was to extend the operating space for the Singapore firms and allow them to access resources from neighboring countries better endowed in technological and human resources, such as, China and India. Since most Singapore firms have limited positional advantages and are not competing with the global firms the need for competing with their partners would be limited.

**Proposition 3:**
Singapore firms will form IJVs with the intent of sharing technology, improving efficiency through operations and enhancing their global competitiveness in the long term.

**Research Methodology and Findings**

This study adopted Buckley’s (1992) definition of strategic alliances - inter-firm collaborations, over a given economic space and time, for the attainment of mutually defined goals. The study focused on the Singapore partners in the Sino-Singapore IJVs. The research population and sample consisted of
Singapore-owned firms known to the Singapore Trade Development Board to have joint ventures in China. However, the population identified is not comprehensive because there is no compulsory registration of overseas investment by Singapore firms. “Singapore-owned firms” are defined as firms, which are at least 51% owned by Singaporeans. Questionnaires were mailed to 215 firms with covering letters requesting that they return the questionnaires within a month in the enclosed business reply envelopes. A letter from the Singapore Trade Development Board, a partner in this research, was also enclosed. Responses were received from 64 firms, which amounted to a response rate of approximately 29.8%; 10 responses were discarded, as they were unsuitable or incomplete for the purpose of the research.

The research instrument used relevant existing measures with minor amendments being made to existing scales whilst maintaining construct equivalence. The instrument was translated into mandarin for use with Chinese-educated respondents with joint ventures in China and back translated, for content validity. Both the English and Chinese versions of the questionnaire were pre-tested; minor changes to the questionnaire format resulted. General questions relating to the Singapore parent, the joint venture and the Chinese partner, such as core business and annual turnover in S$, were included in the questionnaire so as to capture the profile of the Singapore firms investing in China.

Multiple-item constructs were developed to measure conflict management and control. The measure for conflict was based on Habib’s (1987) scale assessing conflict among joint venture partners. Habib isolated fourteen conflict issues in the joint venture relationship relating to, for instance, partner’s handling of financial matters. For the purpose of this report, this scale was simplified and reduced to eight conflict issues. Control indicates the extent of influence the Singapore partner exercise over decisions over a list of seven issues in the management of the joint venture (decision making control). This scale was adapted from Cullen et al. (1995) with some modifications. Control is measured in terms of equity holdings and decision-making authority. Success of the joint venture relationship is measured on a scale of 1 to 5 based on a single construct of perceived satisfaction (Cullen et al., 1995).

The major businesses of the Singapore partners are shown in Table 1. Even though manufacturing in Singapore is dominated by MNCs the local manufacturing firms form the major group investing in IJVs in China.

<table>
<thead>
<tr>
<th>Management Style and Control</th>
</tr>
</thead>
<tbody>
<tr>
<td>To examine the first proposition, the respondents were asked about the degree of control that their firm sought when allying with the foreign companies. Firms were also asked to state their preferred approach to ensuring some degree of control on their IJV investments. Sixty two percent of the respondents stated that they preferred dominant control (Table 3) i.e., a major say in the strategy formulation and implementation.</td>
</tr>
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</table>

<table>
<thead>
<tr>
<th>Conflicts</th>
</tr>
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<tbody>
<tr>
<td>To examine the second proposition, the respondents were also asked to comment on the frequency of conflicts encountered. As shown by the mean values in Table 5, all of the listed conflict types were reported to be less than moderately frequent in occurrence. Partner’s handling of financial matters is ranked as the most frequently encountered type of conflicts, followed by placement of parent’s personnel in the JV. It is interesting to note that though 29% of the JV firms are involved in the manufacturing sector, product related conflicts rank the lowest in terms of frequency of occurrence.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Motivation for Joint Venture Formation</th>
</tr>
</thead>
</table>
| The motivation for joint venture formation is presented in Table 6. The most important motivation was to ‘gain better access to local market’ and this was the only motivation that achieved a scoring of “2” indicating high importance. Other important factors were to ‘exploit new investment
opportunities’, ‘utilize partner’s operational capabilities’ and ‘meet existing government requirements’.

‘Generate new ideas for company’ and ‘acquire host country’s technology’ were the least important
factors for Singapore firms considering business ventures in China.

**INSERT TABLE 6**

**Discussion**

**Control**

It has been argued that relationship and familiarity increases trust (Gulati 1995) and when firms
select IJV partners on the basis of relationships rather than on some objective criteria the need for
elaborate control systems is minimized. Singapore firms, in our sample, selected their IJV partners base
on guanxi networks and one expected that the need for control would be limited. However, the findings
show that Singapore partners prefer to have decision making, as well as, equity control in the IJVs (Tables
3&4). Beamish and Wang (1989) and Lee and Beamish (1995) reporting about IJVs of Hong Kong firms
in China and Korean firms in Asia, respectively, find that these firms held minority shareholding in their
IJVs in China. But Lee and Beamish do point out that the Korean firms did want decision making control
and that the IJV performance was directly correlated with the degree of control exercised by the Korean
firm. A possible explanation, offered by Das and Teng (1998), is that control and trust bear
supplementary rather than complementary relationship, i.e., firms may decide on high level of control
even in high trust situations. They do, however, maintain that formal controls, such as decision making
control, will undermine the level of trust.

An alternative explanation for the need for control rests on the premise – that the joint venture
partners in this study are from low trust societies (Fukuyama 1995). In low trust societies managers are
reluctant to decentralise decision-making. Firms from high power distance countries will seek more
control/ equity ownership (Kogut & Singh 1988). Local firms in Singapore are usually managed in a
patriarchal fashion with decision-making powers residing in the hands of a small clique or a single
individual (The Economist 1966).

The concept of guanxi is often used to provide the logic for network relationship as observed in the
Chinese firms. Tsang (1998) argues that trust and credibility are important ingredients of guanxi. But Shaw & Meier (1994) note that first generation MNCs with operations in China claimed that they
did not benefit from their IJVs greatly in the way of connections. Guanxi is defined as, “friendship with
implications of continued exchange of favours” (p65), and is clearly different from the notion of trust. It
is also important to recognise that low trust does not imply mistrust. Apparently the hierarchy, inherent
in the Confucian societies, creates this need for control.

**Conflicts and Guanxi**

We found that the level of conflict in the Sino-Singaporean IJVs was low (Table 5). An obvious
explanation would be that the cultural proximity between the Singapore and China should lead to low
level of conflicts. However, in the Confucian societies guanxi implies reciprocal obligations and in the
context of conflicts it implies mutual accommodation keeping long-term relationship in view. Thus while
there is low trust in the Chinese society it is possible to manage differences and reduce conflicts by
accommodating each other’s interests. However, it was striking that the areas of conflict were operational
rather than strategic importance, financial matters being the leading source of conflict.

The Singapore firms, like the Japanese firms, find that when conflicts do emerge they are
detrimental to satisfaction or performance (Cullen et. al. 1995). The fear of losing “face” as a result of
confrontation that arises with conflicts can adversely affect the harmony resulting in greater
dissatisfaction with the IJV. Experts agree that “face” is important in Asia and this is, therefore, one of
the important considerations in partner selection. If western firms have experienced greater conflicts it is
because they approach conflict management by developing conflict resolution mechanism, such as, value
congruence, even in China (Shaw & Meier 1994) and thus the dynamics is different.

**Strategic Intent**

An important finding from this study was that the Singapore firms partnered with the firms in
China with the intent of exploiting new investment opportunities and gaining access to the local market.
As against the non-manufacturing firms the manufacturing firms were more likely to be interested in
utilizing the technical capabilities of its partners but learning and enhancing global competitiveness was
not very high on their agenda. The results are not very different from what is reported by Lee and Beamish
(1995) with respect to the Korean firms.

**Conclusions**

The success of the joint ventures in East Asia is critical to the smaller economies, such as,
Singapore. There is far more at stake than financial gains or losses. Singapore has embarked on an
ambitious project of creating Singapore MNCs (Zutshi & Gibbons 1998). It is investing heavily in
promoting technological entrepreneurship. It recognizes the need for human and technical resources and
has used its liberal immigration policies to attract talent. Failure of the joint ventures implies a loss to the economies. Is Confucian ethics and Asian values, that Singapore has been promoting for cooperative venturing, inimical to the expanded role it envisages for its corporations. Clark (1994) argues that the conditions leading to fast growth in Asian NIE's have changed substantially and hence the state intervention and state supported industrial development may not be as relevant or as powerful in charting the course of the enterprises in these countries. Focus on the Confucian ethics provided the State legitimacy in directing firm behavior including promotion of private public cooperation. But outside the national borders the State has limited role to play. Our results suggest that the network relationships developed by the Singapore firms are not learning alliances but only cooperative arrangements for rent sharing.

References


Table 1

<table>
<thead>
<tr>
<th>Industry</th>
<th>Number of Counts</th>
<th>Percentage</th>
<th>Ranking</th>
</tr>
</thead>
<tbody>
<tr>
<td>Manufacturing</td>
<td>17</td>
<td>23.29</td>
<td>1</td>
</tr>
<tr>
<td>Real Estate</td>
<td>14</td>
<td>19.18</td>
<td>2</td>
</tr>
<tr>
<td>Industry</td>
<td>Number of Counts</td>
<td>Percentage</td>
<td>Ranking</td>
</tr>
<tr>
<td>-----------------------------------------------</td>
<td>------------------</td>
<td>------------</td>
<td>---------</td>
</tr>
<tr>
<td>Others</td>
<td>13</td>
<td>17.81</td>
<td>3</td>
</tr>
<tr>
<td>Transportation, Logistics &amp; Warehousing</td>
<td>9</td>
<td>12.33</td>
<td>4</td>
</tr>
<tr>
<td>Trading</td>
<td>8</td>
<td>10.96</td>
<td>5</td>
</tr>
<tr>
<td>Construction</td>
<td>4</td>
<td>5.48</td>
<td>6</td>
</tr>
<tr>
<td>Hotel &amp; Lodging</td>
<td>4</td>
<td>5.48</td>
<td>6</td>
</tr>
<tr>
<td>Business/Engineering Services</td>
<td>3</td>
<td>4.11</td>
<td>7</td>
</tr>
<tr>
<td>Agriculture and Fishing</td>
<td>1</td>
<td>1.36</td>
<td>8</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>73</strong></td>
<td><strong>100.00</strong></td>
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</table>

Note: As some of the respondent firms have significant business interests in more than one sector, the total number of counts exceeds the sample size (53).

Table 2

<table>
<thead>
<tr>
<th>Industry</th>
<th>Number of Counts</th>
<th>Percentage</th>
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<tr>
<td>Real Estate</td>
<td>8</td>
<td>17.78</td>
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<tr>
<td>Others</td>
<td>8</td>
<td>17.78</td>
<td>2</td>
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<tr>
<td>Transportation, Logistics &amp; Warehousing</td>
<td>7</td>
<td>15.55</td>
<td>3</td>
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<td>Trading</td>
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<tr>
<td>Construction</td>
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<td>6.67</td>
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<td>4.44</td>
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<td><strong>45</strong></td>
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(Missing values = 8)

Table 3

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<th>Management</th>
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<th>Ranking</th>
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<tr>
<td>Shared</td>
<td>9</td>
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<td>2</td>
</tr>
<tr>
<td>Minority</td>
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<td>4.00</td>
<td>4</td>
</tr>
<tr>
<td>Independent</td>
<td>8</td>
<td>16.00</td>
<td>3</td>
</tr>
<tr>
<td><strong>Total Number of Valid Counts</strong></td>
<td><strong>50</strong></td>
<td><strong>100.00</strong></td>
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(Missing Value = 3)

Table 4

<table>
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<th>&lt; 25%</th>
<th>26% - 50%</th>
<th>&gt; 50%</th>
<th>Missing Value</th>
<th>Total</th>
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<td>14</td>
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<td>53</td>
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<tr>
<td>Percentage</td>
<td>16.9</td>
<td>26.4</td>
<td>53.8</td>
<td>3.9</td>
<td>100.00</td>
</tr>
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</table>

Table 5

<p>| Types of Conflicts | Count = 49 |</p>
<table>
<thead>
<tr>
<th>Conflicts Encountered</th>
<th>Mean</th>
<th>Ranking</th>
<th>Standard Deviation</th>
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<tbody>
<tr>
<td>The partner’s handling of financial matters</td>
<td>3.20</td>
<td>1</td>
<td>1.05</td>
</tr>
<tr>
<td>Placement of parent firm’s personnel in the JV</td>
<td>3.30</td>
<td>2</td>
<td>1.05</td>
</tr>
<tr>
<td>Expansion plans &amp; strategies</td>
<td>3.41</td>
<td>3</td>
<td>0.91</td>
</tr>
<tr>
<td>The partner’s attempt to control key decisions in JV</td>
<td>3.42</td>
<td>4</td>
<td>1.05</td>
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<td>The partner’s attempt to make changes in the JV contract</td>
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<td>5</td>
<td>0.98</td>
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<tr>
<td>Division of benefits between partners</td>
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<td>Separating the operations of JV from those of the parent’s</td>
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<td>Product proliferation</td>
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Note: 1 = always disagree, 3 = moderately disagree, 5 = never disagree

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<th>Motivation</th>
<th>Mfg Mean</th>
<th>Mfg Rank</th>
<th>Non-Mfg Mean</th>
<th>Non-Mfg Rank</th>
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<td>Gain better access to local market</td>
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<td>Utilize the partner’s knowledge of the local market and business practices</td>
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<td>Meet existing government requirements</td>
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<td>Obtain preferential treatment by the host government</td>
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<td>Develop cultural familiarity</td>
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Note: 1 = very important, 3 = moderately important, 5 = not important

* significant at 5% level of confidence.