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International Joint Ventures: Managing Successful Collaborations

Haydn Shaughnessy

International joint ventures have a practical and a moral dimension. Management does need to become involved in helping define the moral framework; to do this means being prepared to accept that best practice may rest elsewhere. There is small chance of a shared commercial ethos protecting the joint venture deal.

Failures occur when there is no recognition of the management imperatives. The most important prerequisite for success in an international joint venture is that the parties should share the same objectives and to do that without ensuring that each partner's total objectives and goals match is to invite disaster. In the case of Unisource, the external goal appeared rational in terms of strategy but irrational as a way to solve the company's problems. The question to have asked Sabena at the time of the merger talks with KLM was whether it could reconcile meeting the needs of the Flemish and the Walloons and strike a commercially viable deal. The Royal Bank of Scotland and Banco Santander set up CC Bank Belgie. By trying to position itself for both a Belgian and an international customer base, CC Bank served neither adequately.

Ideally, an international joint venture should be supported by a partnership philosophy. Pre-contract partner training needs to look at communications goals, performance goals, how to resolve disputes, how to evaluate and ways to ensure commitment. Agreements should ensure that rewarding partners' performance is a key element. Creating bonds between offices through initiating friendship activities such as encouraging visits and regular secondments, helps to strengthen the venture. Nor must the need to undertake a thorough risk assessment as a collaborative process be overlooked.

Often international joint ventures have the same basic characteristics as major projects—and this should be reflected in the approach to managing the joint venture. Management needs to bear in mind designing-in career development opportunities. Failure to do so can result in potentially damaging employee dissatisfaction. Training must cover adequately cross-cultural relationships and should encompass non-traditional forms of dispute resolution.

There are nine guidelines to improve negotiations. These include ensuring ease of exit, blending complementary skills, control of the quality and costs of inputs, allowing for equitable net gain and extraordinary rewards, avoiding exploitation, linking into 'normal' communications channels, appropriate and shared evaluation procedures and, most importantly, developing scenarios of the future to ensure as few surprises as possible. New thinking on international strategic alliances abounds. Management must recognize that assumptions and techniques will be challenged. Differences will have to be resolved.

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The idea that cultural differences are an especially problematic area of international joint ventures is well established. However, cultural differences are often used as an excuse for problems rather than being their real source. In different fields of management and various industrial sectors there is a growing literature on how partnerships can be managed and in most cases these techniques are suitable for transfer to the international joint venture arena. International joint ventures are a product of the drive towards regionalization and globalization. We have to recognize that as such they inherently involve differences of opinion. This article touches on some of the major problems that arise in international joint ventures, commonly held but mistaken assumptions that parties to a venture tend to adopt, and new techniques for partnership management, both in national and international contexts.

LIKE MANY ASPECTS OF modern business, international joint ventures have both a practical and a moral dimension. While this article concentrates on the practical, it is worth considering for a moment the moral framework in which they are forced to take place.

The merger and acquisition boom of the 1980s has given way in the 1990s to the growth of international joint ventures as a means of achieving a range of corporate objectives. There is a famous and irritatingly vague statistic which holds that the majority of joint ventures fail. How and where this view originated is not at all clear. However its uncritical acceptance in the literature illustrates an acceptance also that successfully achieving the objectives set in many joint venture strategies is a difficult business. Precisely what are these difficulties? What experience exists to guide management towards greater success? Are there suitable checklists of appropriate ways to manage collaboration?

Mistakenly, many companies still believe that the essence of successful collaboration management is a quick course in cultural training. Teach your executives to mind their manners in front of a French or Japanese manager and you are half way there. To say that, really, the issues are more complex, is not to be wilfully obtuse. It is to draw attention to a more sophisticated moral environment which has actually been created by the globalization and privatization of business.

Even the company which never strays outside its national boundaries is now infected with a multitude of new cultural ideas, if only because its markets are likely to be eroded by competitors from abroad who 'do things differently'.

It is not too great an exaggeration either to say that in today's privatized commercial world, managers are forced to accept a role in defining the moral framework in which we live. Politics is no longer the arena in which radically new ideas are discussed. The boardroom and the management seminar are where to go for controversial thinking. To be faced with alternatives, to question the accepted norms, to acknowledge that best practice may lie elsewhere, are some of the prerequisites of collaboration manage-

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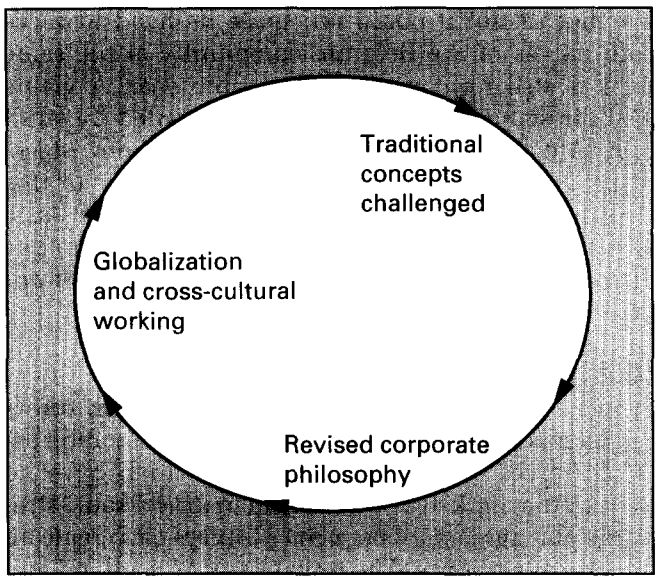


Figure 1. Globalization and the moral aspects of business feed into each other.

ment. To accept that there is little that is rational about commercial logic is also important. The mixing of cultures in all fields of activity consistently demonstrates that what we see as 'logic' is really grounded in another prejudice.

If we take a recent example of a doomed international joint venture we can illustrate the point. When BMW took over Rover cars, the German car maker potentially gained access to Japanese production techniques and a useful, existing joint venture. When cautioned that the Japanese car maker Honda may not wish to continue its joint venture with Rover following the takeover, the BMW chairman announced his confidence in the commercial logic of his deal: we are, after all, all businessmen.

Defying commercial logic as perceived by the German company, Honda almost immediately decided to pull out of its fifteen year partnership with Rover. The CEO of one of Europe's most successful companies got it wrong.

Executives in much less illustrious companies make the same fundamental error of assuming that their particular international joint venture is protected by a mystical 'commercial logic'. In a recent deal that my company has been brokering, a German software house and a UK hardware supplier have been attempting to provide a new innovative package for car-park managers. The system could speed up entry and exit times, create far greater customer satisfaction, yield valuable management information on car park use and reduce fraud dramatically. In short it could provide near perfect competitive advantage for the client.

The contract is so valuable to each party that it is totally illogical for either side to fall down on the job. No surprise then that the partners are currently struggling to prove their system to their major customer. Neither party anticipated that the relationship and the work quality of each party would need continuous management.

In fact all aspects of an international joint venture have to be managed with a vengeance because of the inherent wish to assume that a shared commercial ethos will protect the deal. It costs money to manage joint ventures, takes more time, causes more trouble. It is easier to depend on assumptions about the other party's commercial interests; easier also to find others to blame when things go wrong. In this particular case, both sides wanted to assume that the other party would deliver because it was so clearly in their commercial interests for them to do so. They neglected to manage the process of collaboration and instead the Germans blamed the lax English attitude to deadlines and quality and the English wonder why they have to work with a German company in the first place. The partnership became the excuse. Neither side recognized the management imperatives, and to be fair to both neither had the experience to recognize that new management techniques are available.

The remainder of this article will focus on practical illustrations of the skills required to deal with international joint ventures. These practical points are, however, set against the continuing development of a new business ethos. International joint ventures should not be separated from the process of change which internationalization helped to trigger.

Matching Objectives and Goals

There are many uses of international joint ventures. Being so varied it is difficult to identify techniques that apply across the board. Joint ventures are used variously for: know-how and patent licensing, manufacturing and construction sub-contracting, logistics, product sharing, management contracts, franchising, leasing, shared R&D, procurement, and marketing amongst many other purposes.

Of course the most important prerequisite for success is that two or more parties convince each other that they share the same objectives. A shared external goal is not necessarily the same as shared objectives. It is relatively easy to identify and share a goal but quite difficult to match the existing objectives of two or more firms, and to utilize this shared ground in a way that guarantees a profitable outcome.

Case 1. Unisource

Take the case of Unisource, the joint venture originally agreed between the Dutch Royal PTT and the Swedish Televerkert. The explicit goal of the original members was to allow two relatively small national

telecoms operators to compete in the global marketplace for private network services. Behind this explicit goal each company had a range of objectives which the new company Unisource is ill-placed to meet. Both companies are ultimately threatened, not in the global marketplace, but in their home markets as the telecommunications industry in Europe faces increasing deregulation.

A hidden part of the original agenda was in fact a total merger of the two companies through a complex pattern of cross shareholdings. To achieve its objectives in the global marketplace Unisource has had to admit new joint venture partners, making a difficult joint venture more complicated.

Another part of the agenda was to prepare for privatization for which the Royal Dutch PTT desperately needed to shed large parts of its overmanned workforce, a politically sensitive issue for a former state company and one which is not advanced by its joint venture. Arguably staff reductions could be made more palatable in the context of a quasi-merger where the demands of global competition could be turned into critical commercial imperatives. However the result has been that many insiders at the Royal Dutch PTT have been resentful of Unisource and see in it an obfuscation of the real issues facing the company. A secondary consequence is that Unisource became a very difficult joint venture to manage. Despite sharing Televerkert's goal, Royal Dutch PTT had an overcrowded internal agenda which was more pressing. The external goal is apparently rational in terms of the prevailing strategic mood of the 1990s but irrational as a means of solving the company's problems.

Case 2. Sabena–KLM

Other considerations lay behind the proposed merger of Belgium's Sabena World Airlines and KLM of the Netherlands. Both had discussed possible mergers with the UK's British Airways and rejected it. They have discussed merger with each other and rejected this also. Both are loss-making and feared absorption by British Airways. For Sabena to merge with KLM, however would create a predominantly Dutch speaking company, something which proved politically unacceptable in bilingual Belgium. Sabena had to bow to domestic political pressure and pull out of the deal.

Political considerations are transparent when the companies involved are national flag carriers. They are nonetheless important for smaller scale deals. The political atmosphere in Belgium makes collaboration between companies like Sabena and KLM an issue for many people who work for the companies. Smaller scale deals will be affected by cultural loyalties. Companies who seek out partners in different EU states have to ask how these will affect partnerships. The question to have asked Sabena at the start was whether or not it could reconcile its need to serve both halves of the Belgium community at the same time as strike a commercially viable deal. A viable deal for some companies will not be ruled by strict commercial criteria. Looking into a partners' objectives should therefore raise questions, if not of this heightened political nature, then at the very basic level of: *Given that the rationale of this company includes non-commercial criteria can they meet our expectations?*

Case 3. CC Bank Belgie

Even when objectives appear to be matched, errors can be made. The very fact of agreeing a common set of objectives can lead to decisions which have no basis in the market, or which lead to unworkable strategies. But agreement between partners can create an illusion of certainty. The Royal Bank of Scotland and the Spanish Banco Santander have been collaborating for a number of years. As two smaller banks in their national markets both are aware of the danger of their home markets being successfully penetrated at some stage, for some forms of specialist services. Equally they are unable to contest for world status. Fortunately they share an innovative approach to product and service development. Their strategy covers a number of areas but most important for this discussion is their strategy towards third markets.

The two banks thought they had identified a need for a new bank offering services to members of the international business community—people who, for example, work in known international centres such as Brussels or Geneva. The theory was that these people needed a different kind of banking service, one which acknowledged that the customer would have two separate geographical locations where he or she would wish to conduct financial transactions—their home base and their new, perhaps temporary place of work. To serve these customers, the banks established a separate bank—CC Bank Belgie. Five CC Bank branches were set up around Brussels, a city with many thousands of expatriates.

After four years, CC Bank Belgie was closed down. Although the customer need may have been accurately defined, the form of collaboration chosen could certainly not satisfy it. A separate bank with a different name had to establish itself from scratch and then stand its ground in a highly competitive market. Some errors of detail were also made. First of all CC Bank Belgie employed mostly French speaking Belgians in its front of house positions. This meant there was a low level of competence in the respective languages that should have been the initial target market—British and Spanish expatriates. Although Belgian people are usually very competent in foreign languages, CC Bank Belgie typically employed people whose preferred language was French (since neither side could hope to communicate in Belgian's second

language, Dutch). But the French speaking Walloons are notoriously unwilling to speak other languages.

The bank's customers frequently could not communicate with branch staff at the level of fluency needed to conduct and control their financial affairs. An additional problem was that neither bank thought through the strategy of targeting a specific niche market. There was confusion from the customers' point of view. The bank was identified as a Belgian Bank because of its name. But Belgium is already over-banked—local banks have too many branches. By trying to position itself for both the Belgian and the international customer base, CC Bank Belgie served neither adequately and tried to compete in a market with which neither of the founding banks was really familiar.

These examples illustrate the complexity of agreeing external goals and matching these to the internal objectives of different companies. They also illustrate something of the illusion created by international joint ventures. The very fact of reaching agreement between themselves, persuades companies that they are right about the market.

It is futile to argue that these problems can be overcome by greater openness on the part of partners to an international joint venture. That openness is beneficial is a statement for the ideal world. Companies will continue to operate hidden agendas. It is of marginally more use to say that companies ought to take a more critical stance in the evaluation of the benefits of an international joint venture. It is the responsibility of management to evaluate critically. What is needed however is an technique for evaluating the culture of a potential partner company—a cultural audit that exposes the partners hidden agenda and aspects of its corporate culture which are likely to make a deal unworkable.[1]

The Partnership Philosophy

Ideally an international joint venture should be supported by a partnership philosophy. We have already noted that joint ventures are so varied in their objectives as to make generalizations difficult. Simplifying the case, any joint venture, whether national or international, will lie on the continuum illustrated in Figure 2.

The case of one-off contract partnerships is a good source of new thinking about developing successful partnerships. These kinds of contracts can come from the construction industry, R & D, or, for example, weapons development programmes. Each is a source of new ideas and techniques. Summarizing these briefly:

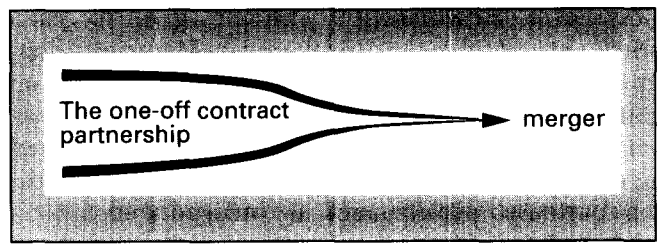


FIGURE 2. From one-off contracts to total mergers.

Partnering Contracts. The construction industry is dogged by disputes between contractors and between owners and contractors. These lead inevitably to delays and expensive litigation and are not unlike the international joint venture which goes badly wrong. In the American construction industry an increasing number of companies are turning to partnering seminars as a prelude to collaboration. The partnering seminar tends to be relatively short—two days—and aims at fostering the means by which parties to a venture can anticipate and deal with problems. A typical partnering seminar run by the New Jersey-based consultancy Neilsen-Wurster compels employees to engage in practical workshops covering five problem areas.

TABLE 1. Five areas for pre-contract partner training.

Communication goals—this comprises training in interpersonal relationships and conflict management
Performance goals—shared goals are identified and developed
Dispute Resolution—consideration is given to the need for timely resolution of disputes
Evaluation—both parties agree to a continuing evaluation of the team's performance during the length of the contract
Commitment—to a partnering agreement that embodies the spirit of collaboration and which is separate from the venture contract.

The partnering seminars have demonstrably helped one-off projects to meet contract obligations and they hold lessons for international joint ventures simply because of the way they encourage all parties to acknowledge, anticipate, and resolve the dangers inherent in cross-cultural working.

[1] Some elements of this can be found in H. Shaughnessy, Management Morals and the Cultural Audit, In H. Shaughnessy (ed.), *Collaboration Management: Inter-cultural Working—New Issues and Priorities.* John Wiley, New York (1994).

Corporate Rewarding. People give to each other, corporations tend to take away. Many joint venture contracts are designed to extract the maximum compensation for the most powerful party should the venture go awry. There are examples, however, of agreements where the more natural process of rewarding partners' performance is incorporated into a relationship

Case 4. The Delphi Group
The Delphi Group is a small environmental finance consultancy with offices in Ottowa, Toronto, Vancouver, and London. Each individual office is an independent profit centre owned by its consultants. The name provides common purpose and identity and a shared strategy in the market. Offices work together on some projects and refer clients to each other where appropriate. Delphi is exceptional in stipulating in its partner agreement that 10% of each office's annual profits is set aside for rewarding each other for specific referrals or assistance. This is over and above inter-office payments for work done. It is a set-aside; a 'Christmas-box', if you like. And it is used to say *thank you* at the end of the financial year to those offices which have been most helpful.

Friendship Programmes

A related concept is used by the international accountancy firm Nexia.

Case 5. Nexia
In its current incarnation Nexia is relatively new. It has built a network of offices in 60 countries in the space of four years (some of the network existed under the auspices of its major member companies).

In order to create bonds between the offices Nexia has instigated a number of friendship activities. These include:

- On vacation in a partner country a Nexia staff member must visit the local office.
- On business trips this imperative is more vigorously applied.
- Annual partner meetings are attended by spouses.
- When a client has business in a partner country, a Nexia partner will accompany him and make personal introductions to other Nexia staff.
- Regular secondments of staff to partner companies.
- Qualities of internationalism and cosmopolitan expertise in senior management are emphasized and senior managers are used as exemplars of cross-cultural sophistication.
- Using a name which is devoid of any strong western cultural superiority.

Risk Assessment
The development of new weapons systems through international consortia is famously costly. Cost overruns have the side-benefit that they have, at least, stimulated greater interest in proper risk assessment. Similar to partnership agreements, adequate risk assessment at the outset of a joint venture can mitigate dangers that lurk on the horizon.

Risk assessment is now written into the basic project management techniques of any respectable international R & D programme. Developing a risk analysis is a collaborative process, and one which exposes all sides to the dangers of complacency or illusion. By stalling enthusiasm long enough for potential problems to be properly evaluated also creates space for opposing viewpoints to be aired. Handled properly it can be a partnering seminar in all but name.

Human Resource Issues

Many international joint-ventures have the same basic characteristics as major projects. At many points along the continuum illustrated in Figure 2 a joint venture, however long it has been in existence, will be perceived as impermanent. This has important consequences for how it will be managed. Seen as a project—that is, with an identifiable start-point and an anticipated end-point—it requires different management techniques from conventional line management. Fortunately many companies are now organizing their routine operations on a management-by-project basis.

The skills of project managers are grounded in a certain inventiveness. Faced with a blank piece of paper, a project manager has to design a management structure and a mode of operation that satisfies his own company and its partners. Designing projects, like designing collaboration, requires imagination and an appetite for identifying risk and appropriate contingencies. There is growing experience in this area but I want to draw attention to only one problem that is frequently overlooked.

Case 6. Designing-in Career Development Opportunities
In a five country R & D project which my company has been advising on, a particular problem of international collaboration has been its relationship to the companies' human resource planning. In this particular venture the companies were committed to collaborate for a minimum of three years. The problem for the senior technical engineer on the project was that three years felt like a life-time. He was young and ambitious within his core company. Three years out

threatened his perception of his career interests. The result was an unco-operative attitude from a key team member.

It took a long time for the source of this trouble to be identified but when it was the project was reorganized so that the technical function within it was less of an advisory role and more of a key management role. From a totally integrated project with technical advice, the project was restructured into two working groups—one concerned with marketing issues, the other with technical issues. The engineer was appointed technical manager and some of his dissatisfaction removed.

At the outset it had not occurred to any of us that the project should be devised around people's career needs. We were more concerned with harnessing competencies. In the event the project had to be designed around people, and that meant delivering a healthy degree of reassurance about people's places in the parent companies.

A similar problem can arise when staff in an international venture decide that their career prospects are best served by fighting for short term advantages for their own company. The same project experienced this problem. What became apparent was that the venture was perceived as peripheral to core business and staff were busy trying to make themselves seen at head office.

To counteract this, the team members gave a series of presentations to senior management which sought to justify the venture as core rather than peripheral. A line of communication was opened up to the strategy department of the major partner and a list of commercial benefits drawn up as part of a progress report. Many such presentations and discussion were held and documents produced.

It cannot truthfully be argued that this approach met with total success. In reality the major partner had lost its early enthusiasm. Staff felt this and naturally looked for a chance to jump ship. Part of the problem lay in the fact that the major partner's strategy was, because of the recession, suddenly focused on its home market and the international venture looked an increasing liability. The example illustrates that international joint ventures are particularly vulnerable and can become defined as of decreasing importance. The relationship of a venture to its parents therefore has to be structured in such a way that anxieties are diffused and enthusiasm maintained. This takes continuing effort. And it can only be successful if communications lines are well structured and respected.

Another area of human resourse concern is that staff may not cope adequately with cross-cultural relationships. Cultural training is often unconvincing if all it does is teach good manners. The ITIM group based in the Netherlands has developed a system of cultural training which uses five variables to help managers identify where—to use a particularly appropriate piece of jargon—people are coming from. Based on extensive research ITIM's model of cultural behaviour argues persuasively that cultural characteristics can be explained in terms of:

- a power-distance continuum;
- a predisposition towards individualism versus collectivism;
- the degree of emphasis placed on masculine versus feminine virtues;
- the acceptance or avoidance of uncertainty;
- a long term versus short term orientation.

The ITIM model is convincing and any training is better than none. Ultimately, however, the understanding of other cultures comes from experiencing them and also from a degree of confidence in one's own cultural attributes. It is the latter which I have seen lacking in many English managers.

The International Joint Venture Contract

Finally, the area of joint ventures, whether national or international, is seeing an increasing use of non-traditional forms of dispute resolution. What would be a more adventurous and advisable development is a contract which could not be used to extract onerous and undeserved compensation in the event of things going wrong.

It is also the case that many joint ventures begin with abundant goodwill which promptly turns sour when all the contingencies of a contract are set down on paper. Contracts can mark the origins of disagreement.

There are nine points worth bearing in mind as ways of improving the spirit of contract negotiations (see Table 2).

What do these mean in practice?

Build a Silver Bridge: Ensure Ease of Exit

We have found a tendency for organizations to approach a negotiation with one inappropriate priority in mind—making it hard for the other side to back out. In the international setting, it is difficult and costly to make conditions binding. Partners should instead consider carefully how much they really wish to stall exit for themselves or their partners. The Spaniards have a useful way of looking at this and a good catchphrase. In such situations the Spaniards talk about building a silver bridge for a partner, or employee, to walk out on. Not only does this imply seeking ease of exit; it means making exit especially attractive in the event of relationships going wrong.

Table 2. Nine ways to orientate contracts towards good relationships.

- Build a *silver bridge.*
- Focus on the effect of practical *managerial inputs* on *partnership quality.*
- Look for imaginative ways of structuring *fair and equitable control.*
- *Equitable net gain* should involve extraordinary rewards.
- Explicitly prohibit profit margins on internal exchanges of supplies or services. *Avoid exploitation.*
- Tie the venture into normal *communications structures.*
- Make project evaluation part of the contractual relationship. Devise *shared evaluation criteria.*
- Use minimum outcome scenarios to help create *realistic expectations.*
- *Imagine the future.*

Quality and Managerial Inputs

Collaborative agreements ought to blend complementary skills. One of the great risks of a venture is to partner a company which offers inferior products, services, or technology. What is less easy to predict is the quality of managerial inputs you are going to be faced with. In the national context you may be able to rely on informal contacts or press reports to establish an opinion about managerial quality. In the international context you may get a glimpse of it from the negotiation process. But you may possibly find that this is the weakest area of your partner's skill set. Management responsibility should be coupled with discussions about quality issues early on in a potential partnership.

Fair and Equitable Control

Control should reflect the quality and cost of inputs. But control has a price—the company with greater control bears the lion's share of managerial costs. In agreements where partners have equity stakes, fair and equitable control is not such a tricky issue. It can be related directly to shareholding. This does not completely resolve all issues because minority shareholders need to have a say in a venture. There is no partnership if ultimately all decisions can be forced through by the majority shareholder. The minority holding has to be reflected in equitable control.

Achieving equitable control is difficult and it requires a full exploration of each partner's strengths and anxieties. We have seen a two stage management structure working with a minority stakeholder content to cede all strategic decision making to the majority stakeholder (though obviously with full consultation) in return for equal decision making in day to day management. Having made such a concession the minority stakeholder enjoyed a very strong position in day to day affairs, where the short term profit was being made (his major interest).

We have also seen agreements where the issue of minority/majority stakes and control was resolved by creating a two tier profit structure. In this particular case, both parties to an agreement held equal rights to profits at the end of each year, but one partner held 60% of long term equity.

Equitable Net Gain and Extraordinary Rewards

Actually creating equitable net gain appears to be a simple matter in principle. Partners should get out of a venture profits which are roughly in proportion to the resources they have put in. This is a defensible but unimaginative approach to gain. It limits outcome to a predetermined structure, and might be termed a 'minimal engagement' partnership.

Equitable net gain should ensure that both sides feel happy with what they take out of a venture. This is a minimum. But good human relationships do not develop at the base line. Some form of reward structure should be in place.

Avoiding Exploitation

One of the most serious problems with a partnership arises when one or more parties supply the venture with product or services. There is a tendency for companies entering partnerships to see a special opportunity in becoming a supplier to the new venture. It means income without any real marketing or selling—an easy way to shove money through to the bottom-line and a way of taking risk investment back in the short term. In effect such an arrangement is a way of expressing a lack of confidence in the partnership and it has a corrosive effect on a collaborative venture.

Tying the Partnership into Normal Communications Structures

This point has already been touched upon in some detail. Joint ventures, but especially international ones, can easily appear impermanent and even unimportant and that is the fastest way to erode employee commitment.

Appropriate and Shared Evaluation Procedures

We have seen collaborative ventures whose participating companies make no effort to evaluate the return on time and resources invested over and above ensuring that cash flow is positive rather than negative. In difficult times, a contribution to cash flow is welcome but what is the opportunity cost? Is opportunity cost the appropriate evaluation yardstick?

Devising evaluation procedures can be problematic but should not be avoided and is best done at the outset prior to entering a contract.

Using Minimum Outcome Scenarios to Help Create Realistic Expectations

It is not unusual for collaborative ventures to be championed by one or two managers who, like Paul on the road to Damascus, have seen a strange light. It is part of that manager's inner purpose to sell the same vision to everybody else. This is how unrealistic expectations grow. Add to this an enthusiastic partner company which makes more promises than it is possible to fulfil. Selling collaboration to colleagues and at the same time avoiding unrealistic expectations is almost a contradiction.

Senior management have to take direct responsibility for the definition of a realistic approach. It is tempting to see a collaborative venture as a peripheral activity or an exercise that can make or break an ambitious colleague. This kind of approach effectively condemns the venture.

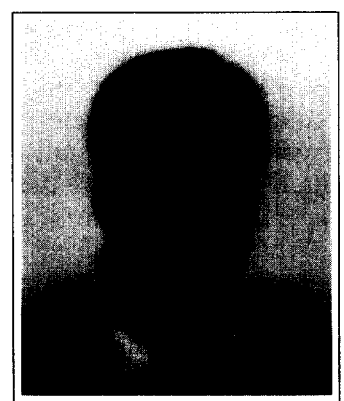
Secondly the company needs to face up to the possibility that some of the gains will be minor and diffuse through the organization. A minimum outcome scenario can be sobering.

Imagining the Future

Take two companies which decide to collaborate in order to build up their international presence. They are both offering services in marketing and each brings an embryonic international client base to the table. The agreement to pool their efforts on international markets, leaving their respective home markets to their existing ventures, is seen as a golden opportunity in the new Europe. The nascent client base is small but seen as adequate as a starting point. The fact is, however, that they have reached an agreement which effectively condemns the new venture to all the problems the partners might wish to avoid in their established companies—growing a new business, entering new and unfamiliar markets, incurring high travel and publicity costs to establish the brand, high upfront acquisition costs, organizing new presentation material, attending conferences, etc. Every new client acquired is going to be a proportionally higher expense than anything either company has so far experienced. The lead time between launch and acquiring a sufficient client base is an unknown. Agreements like this are commonplace. As if a new venture can crack third country markets more effectively than existing companies!

Conclusions

There is an abundance of new thinking on how international joint ventures can be arranged and managed. This is an area which is perhaps under-researched and poorly documented compared to other areas of management. The starting point has to be a recognition that in the international context one's assumptions and techniques will not go unchallenged.



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