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# Impact of Culture on 'Partner Selection Criteria' in East Asian International Joint Ventures

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**Impact of culture on ‘partner selection criteria’ in East Asian international joint ventures**

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**Ravinder K. Zutshi · Wee Liang Tan**

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**Abstract** Selecting the right partner is important for the success of alliances and joint ventures. For international joint ventures (IJVs) from diverse cultures partner selection process can become complicated. Prior studies have investigated the alliances and joint ventures to develop a set of objective criteria for evaluate potential partners. This paper reports the study of IJVs formed by Singapore firms in Peoples Republic of China and India. The intent was to develop a methodology for identifying partner selection criteria in a cross-cultural setting. The findings reveal that the partner selection process follows a different logic in Confucian societies. Trust has been established to be essential for developing enduring co-operative relationships. The paper explores the concept of trust in relation to commitment and control in the context of the Confucian culture. We discover that trust is critical to partner selection cultural differences do not significantly alter the partner selection criteria for Singapore firms. Result support the view that while Chinese may depend on networks for social solidarity, social trust does extends beyond the family and is necessary for harmonious and successful joint ventures.

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**Keywords** International joint ventures · Singapore · India · China · Confucian society · Alliances · Partner selection · Trust · Commitment

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**Introduction**

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Compelling arguments are made for resorting to partnerships and international joint ventures (IJVs) in emerging economies, which offer tremendous market opportuni-

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ties. Khanna and Palepu (1997) argue that in emerging economies markets for capital, labor, and goods and services are often underdeveloped and local firms can be efficient providers of intermediary services. Local firms can contribute value-adding services to the joint venture, which would otherwise be unavailable to the subsidiary of a foreign firm. IJV is thus a most effective entry mechanism (Beamish and Banks 1987). In East Asia, China in particular, joint ventures with local partners have been advocated as being critical to doing business (Tsang 1998). The accepted wisdom is that in order to operate in Asia one has to be plugged into the Chinese business networks (Vanhonacker 1997).

In an inter-firm co-operative arrangement trust is essential for developing enduring relationship (Carney 1998; Doney et al. 1998; Reed 2001). In environments, which are complex and uncertain, trust allows firms to reduce transaction costs (Noordewier et al. 1990; Williamson 1985). Trust facilitates long-term relationships between firms and is important for the success of IJVs (Browning et al. 1995; Gulati 1995; Madhok 1995).

Chinese societies are culturally distinct (Chen 1995; Fukuyama 1995; Lal 1998; Redding 1995; Weidenbaum and Hughes 1996; Whitley 1992); even the logic for network formation is somewhat different. It has been argued that in Chinese culture there is low predisposition to trust, “there is a strong inclination on the part of the Chinese to trust only people related to them, and conversely to distrust people outside their family and kinship group (Fukuyama 1995, p. 75).” Chinese business communities operate primarily through networks (Kao 1993; Redding (1995). Confucian ethics provide the necessary glue binding Chinese communities not only along cultural, social and economic but also along historical and institutional lines (Chen 1995; Fukuyama 1995; Luo 1998; Oh 1991). Lal (1998) attributes this co-operative feature of transacting business in Chinese societies to the cosmological beliefs of the Chinese civilization.

The business systems, embedded in networks and alliances that have evolved in countries like Taiwan, Hong Kong, Korea and Singapore, are unique (Hamilton and Biggart 1988). The continued economic growth in People’s Republic of China (henceforth called China) and the emergence of very efficient Chinese production and trading networks (Carney 1998), have prompted many to suggest that the influence of Confucian ethics has ramifications on Chinese business practices (Hicks and Redding 1983; Redding 2002) and needs to be better understood.

If the traditional Chinese business networks were built around family and ethnic links, Singapore has attempted to extend this model of strategic cooperation beyond its borders into the non-Sinic regions. Schein (1996) identifies a number of major development eras in the evolution of Singapore. In 1965 attracting MNCs (multinational corporations) and 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 Corporatist State had taken definitive steps toward forging strong economic linkages with the neighboring countries.

This study reports the findings of Singapore joint ventures in China and India. China and India represent two dissimilar cultures, one is Confucian and familial and the other individualistic (Hofstede 1993). Both countries offer large markets, high growth rates and are major destination for foreign direct investments. Singaporeans

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are well acquainted with both countries through social, cultural and economic ties over a long period. Ethnic Chinese in Singapore account for over seventy-seven percent of the population and dominate the business sector. Ethnic Indians represent less than ten percent of the population and have limited presence in business.

While IJVs account for a significant share of foreign direct investments in Peoples Republic of China (Beamish 1993) the advantages of partnership are not easily obtained. International joint ventures require mutual accommodation on the part of the partners. When access to local knowledge is the driving force, it can be learnt and internalized. In India both Coca Cola and Procter and Gamble used IJV as an entry vehicle, but the partnerships were short lived. Shaw and Meier (1994) found that the first generation MNCs operating in China claimed not to benefit greatly in the way of connections from their IJVs. Studies (Luo 2002) indicate that in China the percentage of investments made through wholly owned subsidiaries has increased in recent years.

We investigate the motivation for cooperation, the partner selection process, the structuring of the joint ventures and its implication on the success of the joint ventures. Studies have identified partner selection criteria and it is argued that the success rates of alliances and IJVs would improve if firms could apply systematic and analytical methods for partner selection. Since partner selection criteria are influenced by a number of contingency factors developing a universal set of criteria is not feasible. We develop a relational model which explains how partner selection criteria evolve from firm's assessment of its internal position and its perceptions of potential partner's commitment and trust, factors which are considered culture bound. The model outlines an approach firms can use to develop criteria for partner selection.

The relational logic is then applied to the data collected. How does the cultural heritage and values that the Singapore Chinese share with their counterparts on the mainland influence the IJV formation process and the subsequent relationship with firms in China? Would one expect Singapore firms to pursue a more cautious approach when forming IJVs in India? This comparative study, of IJVs formed in two dissimilar cultures, contributes to our understanding of influence of culture on IJV formation in East Asia, particularly, in the partner selection. We explore the issue of trust and our data tends to support recent revisionist position that trust in the Chinese society does extend beyond the family (Boisot and Child 1996). The paper is divided into four sections. In the first section we review the literature and develop some propositions. Section two presents the research methodology. Third section presents the findings. Discussion and conclusions are presented in the final section.

**Relevant literature**

Varieties of reasons have been forwarded to explain the growth of strategic alliances and international joint ventures. According to the resource dependency view, firms possess asymmetrical abilities, and partnerships allow firms to access or acquire resources that they do not possess. This would include technology, management expertise and other strategic and operational capabilities (Hamel et al. 1989; Hamel 1991; Lei and Slocum 1992; Parkhe 1991; Pfeffer and Salancik 1978; Thompson 1967). It is argued that the primary objective of the upsurge in strategic alliances and

IJV activities with competitors or prospective competitors, in the triad (US, Europe and Japan), is acquisition of competencies. The intention of cooperation is to compete, which represents a change in tactics, not competitive goals (Hamel et al. 1989, Hamel 1991).

Organization learning perspective suggests that firms, especially those in knowledge intensive industries develop alliances and joint ventures to acquire valuable knowledge (Powell et al. 1996). For example, in US–Japanese alliances research suggests that the Japanese partners were often motivated to form the joint venture with the specific purpose of learning from the partner. 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.

Market power theory posits that to compete successfully firms have to strengthen their market position. Strategic alliances are thus 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 form joint ventures thereby strengthening 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, and yet reduce organizational complexities and avoid the uncertainties and difficulties associated with mergers (Mariti and Smiley 1983).

### Partner selection

While alliances and IJVs are growing, studies suggest that the rate of success of such partnerships is low (Harrigan 1988; Kanter 1988; Lorange and Roos 1991; Parkhe 1993; Shaw and Meier 1994). Research on IJVs has also produced mixed findings regarding their performance outcomes (Oslan 1996). Some studies suggest that less than half of all alliances perform satisfactorily (Das and Teng 2000).

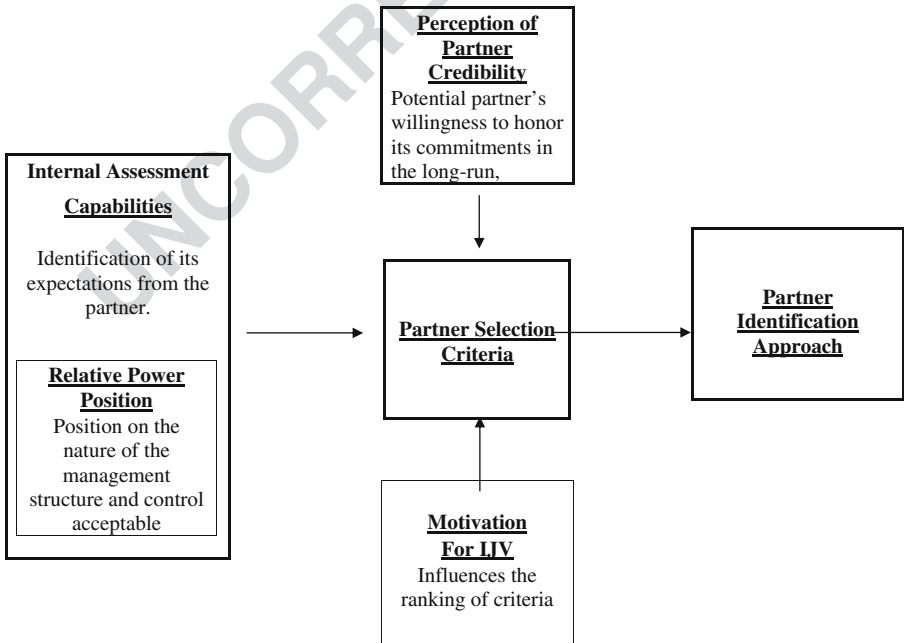
The decision to internationalize is a difficult and complex, with firm wide implications on management. Partnering further complicates the problem. In an IJV situation, the firm not only has to achieve internal agreement on the motives and purposes, it also has to make an intelligent assessment of the potential partner’s intent and capabilities. Selecting the right partner is, therefore, critical to the establishment of a successful IJV (Arino et al. 1997; Buono 1997; Cavusgil and Evirgin 1997; Geringer 1991; Glaister and Buckley 1997; Harrigan 1985; Killing 1983; Luo 2002; Tatoglu 2000).

Numerous studies have focused on partner selection process with the assumption that developing a more systematic and analytical process can help firms improve the success rates of IJVs. Partner selection models have been developed in different contexts, such as, purchase relationships (Ellram 1991), supply chain management

(Motwani et al. 1998) and alliance formation (Lambert et al. 1999). The process, however, is not a linear, hierarchical process as some of these models would suggest. Another favored approach is to focus attention on identifying partner selection criteria. Prior studies on partner selection have emphasized the importance of identifying a limited set of criteria, which are quantifiable and can be generalized with the intent of developing an objective approach to evaluating potential partners. Normative models and rule-based expert systems have been proposed (Cavusgil and Evirgin 1997) but there is no evidence of such systems being operationalized.

This study is an attempt to investigate how motives, capabilities, management philosophy and cultural values influence partner selection criteria of a firm. Partnerships involve commitment by at least two parties, to invest resources and cooperate in decision making over an extended period of time, with the intention of sharing risks and rewards. The mutuality of interest in achieving a favorable conclusion implies that each partner will enter into negotiations with a clear understanding of his strategic intent, a fair idea of the extend of resources that the firm is willing to invest and some idea of what resources they expect the partner to bring to the IJV. The firms would also have developed some criteria for partner selection, formally or intuitively. Logical relationships as developed and represented diagrammatically in Fig. 1, suggests that the partner selection criteria are derived from four different independent assessments. A brief explanation is in order.

1. Theorists agree that accessing complementary competencies is what drives firms to seek partnerships. Internal assessment of its capabilities is the first step in



Q2 **Fig. 1** Logical relationships

- identifying what the firm needs from the partner. Numerous studies (Tomlinson 190  
 1970; Adler and Hlavacek 1976; Awadzi 1987; Geringer 1991; Glaister 1996;  
 191 Cavusgil and Evirgin 1997; Al Khalifa and Peterson 1999) have focused on this  
 192 issue, and identified partner's resource position as an important criterion for  
 193 partner selection. Geringer (1991) classifies these criteria as "task-related"  
 194 factors. 195
2. Firms generally, opt for an IJV because they are in the host country to stay and 196  
 IJV helps enhance their competitive position. For success partners have to 197  
 commit to the management of the IJV. Partners develop positions on the extent 198  
 of their commitment, the nature of the management structure acceptable and the 199  
 control they would like to exercise in the IJV. The role that a firm will play in 200  
 managing the IJV and its expectations from the partner will be defined by the 201  
 relative power position that it is willing to accept. Relative power position of the 202  
 partners is influenced by partner's size, corporate culture, management structure, 203  
 style and managerial capabilities. Prior studies suggest that similarity in size 204  
 (Adler and Hlavacek 1976; Al Khalifa and Peterson 1999; Daniels 1971), 205  
 corporate culture (Cavusgil and Evirgin 1997; Geringer 1991; Glaister 1996;  
 206 Spekman et al. 1998), management style and capabilities (Dacin et al. 1997) are  
 207 some of the factors that firms consider when evaluating partners. Geringer  
 208 (1991) in his typology classifies these criteria as "partner-related" criteria and  
 209 points out that they are relevant only when IJV is formed. 210
  3. Is the potential partner willing to honor its commitments in the long-run? In a 211  
 joint venture resource commitments can be agreed and formalized through 212  
 contracts, and a control mechanism can be put in place for ensuring compliance. 213  
 However, institutionalized controls, or organizational structures, which are 214  
 negotiated, elaborated, reproduced and transformed (Gouldner 1973; Lane and 215  
 Bachman 1998) are inadequate to ensure compliance. Fox (1974) suggests that 216  
 trust is a discretionary resource and that there will be a whole series of 217  
 contingent negotiated trade-offs within reciprocal relations, in which diffused 218  
 obligations are promised and expected and some specified exchanges and 219  
 outcomes that are contracted and enforced. From a realistic perspective (Reed 220  
 2001) trust and control are not two sides of a coin, instead the trade-offs are 221  
 between commitment and compliance. Commitment can lead to trust and 222  
 controls may force compliance but the relationships are not linear. In Geringer's 223  
 typology commitment is one of the "partner-related" criteria. 224

To assess the commitment of potential partner to a conceptual entity is 225  
 difficult and in the final analysis is based on perceptions and expectations. The 226  
 public posture of the potential partner may be far different from its strategic 227  
 intent. A priori, one can assess the potential partner's commitment and reliability 228  
 on the basis of past association (Awadzi 1987; Tomlinson 1970). Reputation 229  
 (Tomlinson and Thomson 1977), relatedness of partner's businesses (Awadzi 230  
 1987) are other ways of assessing commitment. 231

  4. Finally, there is the question of firm's motivation. Alliances and IJVs are formed 232  
 for a variety of purposes. Motivation or strategic intent has an overarching 233  
 influence on IJV formation (Gibbons et al. 1994). It sets the goals and provides 234  
 a framework to guide managers involved in IJV formation and negotiations. 235

Strategic intent is also a statement of top management’s commitment to the IJV.	236
Firm’s motivation to form an IJV allows managers to assign importance weights	237
to the partner selection criteria and helps in ranking the criteria. For example, if	238
the motive is to enhance firm’s market power in the host country and the	239
partner’s distribution system is critical it will be reflected in the criteria’s	240
importance weight. And if the strategic intent is to form an IJV with a limited	241
purpose of gaining partner’s knowledge of the local market then the rankings of	242
the criteria would change accordingly.	243
The context	245
Prior studies have focused on IJVs between firms in two countries. Study of the IJV	246
formation process in three different countries allows grounding of some variables	247
and simplifies situation for sense making. Singapore provides an ideal setting for	248
cross-cultural studies in strategic alliances and IJVs. Singapore government’s	249
regionalization strategy is based on cooperation and networking and aims to help	250
local firms extend their operations by partnering with business in the region. It	251
argued that instead of being threatened by the new competition firms could	252
experience tremendous growth rates by interlocking activities with the emerging	253
opportunities (Singapore Economic Development Board 1993).	254
China and India are both emerging economies that offer not only large markets but	255
are also better endowed with raw materials, technological and human resources. While	256
Singapore has achieved the status of a developed economy its firms are not global	257
players and manufacturing in Singapore is still dominated by MNCs. Economic	258
development is associated with modernization and technological superiority. Past	259
studies on IJVs between developed and emerging economies suggest that market	260
access is a dominant motive for firms from developed economies.	261
<i>Hypothesis 1A</i>	262
Singapore firms will form IJVs in China and India to access the host country	263
markets and not for enhancing the firm’s managerial or technological	264
capabilities.	265
<i>Hypothesis 1B</i>	267
No significant difference is expected between Singapore firm’s motivation to	268
form IJV in India and its motivation to form IJV in China.	269
In Geringer’s typology “task-related” criteria are derived from firm’s capability	270
assessment and its need for acquiring complementary assets. These criteria would be	271
neutral to host country culture. However, task-related criteria, as discussed, would be	272
influenced by strategic intent or motivation. If the motivating factors for forming	273
IJVs in China and India are similar, as hypothesized, then it is expected that the	274
differences in “task-related” criteria will be insignificant.	275



<i>Hypothesis 2</i>	276
If factors motivating IJV formation in India and China are similar then the importance assigned to “task-related” criteria will not differ significantly.	277 279
Chinese culture and its influence on partner selection	281
Some characteristics of the partner are easy to ascertain. Firm size, reputation, structure and managerial culture, are relatively easy to figure out, indirectly from prior knowledge, consultants, suppliers, buyers, competitors and other public sources, and directly by seeking such information from the potential partner. Prior studies, suggest that factors, such as, relative size and cultural similarity influence the management structure and systems of the IJVs and hence their success. Geringer classifies them as “partner-related” criteria.	282 283 284 285 286 287 288
Chinese in the Confucian tradition place great importance on a person’s place in social hierarchy (Hofstede 1993). Those outside the Chinese cultures, such as a prospective foreign joint venture partner, who do not fit in the hierarchy would find it difficult to become a part of the network (Volery and Mensik 1997; Yeung and Tung 1996). The mode of association is based on family and ethnic ties. For those outside the family entry into the business relationships or networks would depend on, whether there is a “connection” (gaunxi) between the outsider and a member of the family or someone with whom the family has “guanxi”. It is crucial in business dealings (Swanz 1995). Given the Singapore firms in our sample have ethnic ties with people in China firms will place greater importance to “task-related” criteria. In India on the other hand, the cultural distance would imply that Singapore firms pay greater attention to “partner-related” criteria.	289 290 291 292 293 294 295 296 297 298 299 300
<i>Hypothesis 3</i>	301
Because of cultural proximity to China, Singapore firms will assign lower relative importance to “partner-related” criteria when assessing IJV partners in China as compared India.	302 303 304
It is argued that culture influences trust building process. Hence cultural similarity will result in convergence, facilitate mutual understanding and reduce conflicts (Doney et al. 1998; Doz 1988). Johnson and Cullen (1996) found that while trust begets trust, how trust is reciprocated was culture dependent. In their study of Japanese and US alliances they discovered that among the Japanese there was a pressure to seek a win–win situation (Axelrod 1984) and if the Japanese perceived violation of trust, the cycle quickly turned into distrust (Brown et al. 1989).	305 306 307 308 309 310 311
Prior studies have cited cultural differences as a reason for the failure of IJVs. Cultural proximity on the other hand is conducive to the adoption of similar communication patterns, cultural beliefs and decision-making styles (Chen and Boggs 1998). 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	312 313 314 315 316 317

partners to understand each other and to resolve differences. Conflict leads to social and economic costs and reduce the level of partner commitment (Cullen et al. 1995). Alliances in the Confucian societies are thus expected to be more enduring.

*Hypothesis 4*

Since Singapore firms, share a common Confucian culture with firms in China the conflicts encountered in IJV management will be low as compared to conflicts encountered when dealing with partners in India.

Conflicts can be managed either by right selection of partners or through controls. Numerous studies have examined the relationship between conflicts, control (Cullen et al. 1994; Gulati et al. 1994; Mohr and Spekman 1994; Lane and Beamish 1990; Kogut 1988), ownership (Pan 1996) and IJV success. Control refers to the decisional power of a partner and can be affected through various mechanisms of which equity ownership is one (Stopford and Wells 1972; Franko 1971; Gomes-Casseres 1989). The other approach is to incorporate control features into the joint venture contract and the joint venture operating structure.

Firms focus on control in a joint venture to counteract any opportunistic behavior. When both firms are intent on learning from each other, the firm that is lagging behind in knowledge will gain disproportionately more. The asymmetrical pattern of pay-off can lead to situation, analogous to prisoner's dilemma, where there is incentive to shirk or cheat, and pursue individual interests at the expense of the other (Buckley and Casson 1988; Parkhe 1993; Williamson 1985). 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. Appropriate design of control mechanisms is important for the success of an IJV.

There are many schools of thought on this issue, some advocating dominant control to be vested in the foreign partner (Harrigan 1985; Gugler 1992) while others argue for balanced control (Eiteman 1990; Lane and 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. Control, however, implies lack of trust and counters transactional benefits that may accrue due to the alliance.

Cultural influences on control have been widely studied (Tse et al. 1997; Kogut and Singh 1988). Tse et al. found that partners from a high power distance culture preferred equity joint ventures as an entry mode. The need for control is also greater when the parties encounter cultural differences and are not familiar with each other. Other studies suggest that as cultural differences increase, the investment in non-deployable assets becomes riskier (Kogut and Singh 1988) and foreign firms may prefer less equity involvement. 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. Prior results are inconclusive. We would, however argue that a firm's equity investment in an IJV would be influenced by its motivation (strategic intent). Considering that the government in Singapore has been encouraging the domestic firms to regionalize through IJVs it is expected that Singapore firms would be looking at the long term perspective when investing in the IJVs.

<i>Hypothesis 5</i>	362
Since Singapore firms share the Confucian culture with Chinese firms they would place less importance on dominant control when forming IJVs in China as compared to India.	363 364 365
<i>Hypothesis 6</i>	367
Singapore firms will seek majority equity stake in its IJVs in China and India.	368
<b>Research methodology</b>	371
This study focused on the Singapore partners in the IJVs formed by Singapore firms in China and India. The research population and sample consisted of Singapore-owned firms known to the Singapore Trade Development Board (STDB) to have joint ventures in China and India. 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 295 Singapore firms who had IJVs in China and 80 Singapore firms who had IJVs in India. Covering letters requested that they return the questionnaires within a month in the enclosed business reply envelopes and a letter from the STDB, a partner in this research, was enclosed. Responses were received from 64 firms with joint ventures in China and 35 Singapore firms with joint ventures in India, which amounted to a response rate of approximately 20.34% (China sample) and 43.75% (India sample). Out of these responses, ten (China sample) and seven (India sample) had to be discarded as being unsuitable or incomplete.	372 373 374 375 376 377 378 379 380 381 382 383 384 385
The research instrument used relevant existing instruments with minor amendments being made to the scales whilst maintaining construct equivalence. A questionnaire developed by Demirbag et al. (1995) was used to measure reasons for venturing into China and India. For measuring motivation for forming the joint ventures the questionnaire developed by Hung (1994) was used. The list of criteria for partner selection was adopted from Geringer (1991) questionnaire. 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. This scale was simplified and reduced to eight conflict issues. Control indicates the extent of influence the Singapore partner exercise over decisions. Respondents were asked to comment on the extent of control that they liked to exercise in the IJV. Control is also 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).	386 387 388 389 390 391 392 393 394 395 396 397 398 399 400 401
The questionnaire was translated into Mandarin for use with Chinese-educated respondents who had formed joint ventures in China and back translated, for content validity. Both the English and Chinese versions of the questionnaire were pre-tested;	402 403 404

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 Singapore dollar, were included in the questionnaire so as to capture the profile of the Singapore firms investing in China and India.

**Findings**

Even though manufacturing in Singapore is dominated by MNCs the local manufacturing firms form the major group investing in IJVs in China. Singapore firms' investments in China as well as in India are predominantly in manufacturing, transportation and logistics (Table 1). They are also mostly SMEs. More than two third (72.2%) of the firms in our sample, investing in China, reported turnover volume of less than Singapore \$100 million and 42.6% of the firms employed less than 100 employees. The firms investing in India were larger, more than 60% of the surveyed firms reported turnover of more than Singapore\$ 100 million and 71.4% of the firms employed more than 100 employees.

Emerging markets of India and China have been attracting large inflows of FDI (foreign direct investments). In China a significant share of these inflows were from the countries in Asia and primarily because of the potential size of their markets. Singapore investments in these countries are also primarily market driven. It suggests that Singapore Government's initiatives and its regionalization drive has had a positive impact on the outflows of FDI.

**Table 1** Business of joint venture

Industry	China (missing=4)			India (missing=3)		
	Number of firms	Percentage	Ranking	Number of firms	Percentage	Ranking
Metal fabrication and machinery	13	26.0	1	2	8.0	3
Real estate	9	18.0	2	2	8.0	3
Others	9	18.0	2	9	36.0	1
Transportation, logistics and warehousing	8	16.0	3	5	20.0	2
Construction	3	6.0	4	1	4.0	4
Trading	3	6.0	4	0	0	-
Business/engineering services	2	4.0	5	0	0	-
Hotels and lodging	2	4.0	5	0	0	-
Chemicals, petroleum, rubber and plastics	1	2.0	6	2	8.0	3
Food and beverages	0	0	-	2	8.0	3
Paper, printing and publishing	0	0	-	1	4.0	4
Computer software	0	0	-	1	4.0	4
Total	50	100.00		25	100.00	

Miss value=4

Motivation for joint venture formation

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That Singapore firms would form IJVs with the local partners with the intent of enhancing their market power in the host countries (Hypothesis 1A, 1B) is supported. Findings indicate that, in both countries, IJVs were formed primarily to utilize partner's knowledge of local market and to gain better access to local markets (Table 2). The position that motivation to form IJVs is a strategic decision driven by financial and competitive considerations and should not be influenced by cultural factors is maintained. Local partners in emergent economies are similarly drawn by their own strategic considerations and often form IJVs with the intent of obtaining access not only to capital but also to technology and export markets. Conflicting strategic intents suggest that Singapore firms should find it problematic to find right partners.

Partner selection

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Studies in the developed countries suggest that in order to reduce uncertainties implicit in the partner selection process, a formal approach is warranted (Mitsuhashi 2002). Luo (2002) also suggests a systematic analysis of the prospective alliance partners for the success of the joint ventures in China. But the majority of Singapore firms in our sample stated that they adopted an incremental approach to partner selection and identified partners primarily through their personal contacts and networks in both countries (Table 3). The approach to partner identification will be primarily dependent on how easy it is to obtain reliable information about the

**Table 2** Motivation for joint venture formation

t2.1

Motivation	China		India		T test	
	Mean	Rank	Mean	Rank		
1 Gain better access to local market	2.25	1	1.57	1	-1.588	t2.4
2 Exploit new investment opportunities	2.27	2	2.46	4	0.733	t2.5
3 Meet existing government requirements	2.55	3	2.18	3	-1.398	t2.6
4 Utilize the partner's knowledge of the local market and business practices	2.68	4	1.75	2	-2.116	t2.7
5 Utilize the partner's operational capabilities	2.80	5	3.04	10	0.979	t2.8
6 Utilize the local technical capabilities	2.84	6	3.32	11	1.940	t2.9
7 Obtain preferential treatment by the host government	2.88	7	3.00	8	0.494	t2.10
8 Spread the risk of establishing an enterprise	2.94	8	2.54	6	-1.581	t2.11
9 Develop cultural familiarity	2.98	9	2.54	5	-1.942	t2.12
10 Secure projects from the local authorities	3.02	10	3.57	13	1.807	t2.13
11 Become 'global' more quickly	3.10	11	2.96	7	-0.445	t2.14
12 Minimize capital investment	3.16	12	3.00	8	-0.607	t2.15
13 Utilize the partner's contribution in terms of management expertise	3.18	13	3.32	11	0.578	t2.16
14 Generate new ideas for our company	3.41	14	3.68	14	1.010	t2.17
15 Acquire the host country technology	3.82	15	4.29	15	2.060	t2.18

Significant at 5% level of confidence  
 / very important, 5 not important

t2.19

**Table 3** Partner identification approaches

Partner identification	China		India		T test	
	Mean	Rank	Mean	Rank		
	1	2.29	1	1.89		
2	2.35	2	2.07	2	-1.366	t3.5
3	2.35	3	2.33	3	-0.077	t3.6
7	2.45	4	2.37	4	-0.377	t3.7
10	3.00	5	3.59	6	2.214	t3.8
11	3.08	6	3.52	5	1.705	t3.9
4	3.59	7	3.74	8	0.688	t3.10
8	3.80	8	3.73	7	-0.350	t3.11
9	4.06	9	3.93	9	-0.621	t3.12
5	4.10	10	4.11	11	0.048	t3.13
6	4.14	11	4.07	10	-0.278	t3.14
Confidence interval=95%						t3.15
I strongly agree, 5 strongly disagree						

potential partner. In the case of large public listed firms, in environments where regulators are demanding, information is easier to obtain than it is in emerging markets and about closely held and family owned SMEs.

Partner selection criteria

It is argued that selection of “task-related” criteria, derived as they are from firm capabilities and expectations, are influenced by motivation for forming IJVs (Franko 1971; Harrigan 1985; Killing 1983). Findings (Table 4) reveal that the rank ordering of “task related” factors for IJVs formed in China and in India are similar and the t tests do not demonstrate significant difference. Hence “task-related” criteria are culturally neutral supporting Hypothesis 2. However, we do not find support for Hypothesis 3. As far as “partner-related” criteria are concerned, contrary to what the literature suggests, we found country level differences on some criteria but not all. On factors, such as, corporate culture, national culture, and firm size the rankings as well t-tests showed no significant difference between the two samples.

The variable, on which there was significant difference between the two samples, was partner’s ability to use “guanxi” or connections in aid of the IJV. This suggests that the need for “guanxi” is well accepted by Chinese firms. We elaborate on this point later in discussion section. The other variables, which registered significant differences, were (a) the possession of licenses, (b) favorable location, and (c) the venture’s ability to secure projects from the local government.

We decided to check the validity of applying Geringer’s typology to our sample. Factor analysis and review the factor loadings produced three rather than two underlining factors (Table 5). Partner’s strong commitment to the IJV and its willingness to use its reputation capital to the advantage of the IJV obtained high

**Table 4** Partner selection criteria

Partner selection criteria	China		India		T test		
	Mean	Rank	Mean	Rank			
	2	Helps comply with government requirements/pressure	1.87	1			2.11
22	Has the ability to make use of “guanxi” to secure business	1.94	2	2.59	7	3.053	t4.2
16	Seems to have a strong commitment to the venture	2.08	3	1.85	1	-0.995	t4.3
8	Has access to marketing or distribution systems	2.13	4	2.27	4	0.519	t4.4
13	Understands the business	2.17	5	2.41	5	0.970	t4.5
6	Possesses needed licenses, patents, know-how, etc.	2.20	6	2.93	14	2.392	t4.6
7	Controls favorable location (e.g. for manufacturing)	2.27	7	2.97	15	2.374	t4.7
12	Will enable the venture to produce at lowest cost	2.36	8	2.88	12	1.749	t4.8
14	Is in the same core business	2.38	9	2.88	12	1.745	t4.9
20	Has had satisfactory prior association with our firm	2.38	9	2.81	9	1.507	t4.10
15	Enhances venture’s ability to secure projects from the local government	2.45	10	3.14	18	2.529	t4.11
1	Enables venture to qualify for subsidies or credits	2.48	11	3.00	16	1.991	t4.12
3	Will provide financing/capital to venture	2.51	12	2.89	13	1.469	t4.13
10	Has valuable trademark or reputation	2.57	13	2.85	10	0.929	t4.14
11	Enhances perceived local or national identity	2.60	14	2.46	6	-0.513	t4.15
9	Has access to post-sales service network	2.62	15	2.88	11	0.923	t4.16
17	Possesses management style that are compatible with ours	2.63	16	2.25	3	-1.804	t4.17
4	Can supply technically-skilled personnel	2.81	17	2.74	8	-0.306	t4.18
21	Has similar corporate culture	2.87	18	3.23	19	1.590	t4.19
18	Has similar national culture	2.92	19	3.33	20	1.826	t4.20
5	Can supply general managers to the venture	3.33	20	3.04	17	-1.210	t4.21
19	Is similar in size	3.35	21	3.58	21	0.936	t4.22

Significant at 5% level of confidence t4.26

1 very important, 3 moderately important, 5 not important

ranking which suggests that firms value “trustworthiness” when deciding on who to partner with. This is a matter of perception and fits in with our conceptualization as presented in Fig. 1. Thus in their search for partners in China, there is a need to ascertain that the firm in question possesses “guanxi” and that the connection would be to the benefit of the IJV. In the context of Confucian societies, this concept of “guanxi” is more than just connections; it is “friendship with implications of continued exchange of favors” (Tsang 1998, p. 65). Commitment to the IJV and the willingness to use its “guanxi” for the benefit of the JV thus implies acceptance in the network. Geringer’s classification, which has been widely used by researchers, it would appear has limitations when applied to East-Asian context and needs revision.

Finding a trustworthy partner with compatible objectives was also rated as the most problematic issue in IJV formation (Table 6). The results are contrary to expectations. Singapore firms claimed that they had found it more difficult to find a trustworthy partner in China than in India. The expectation that cultural similarities would cement ties, build trust and make it easier to for, IJVs does not appear to hold true in our study. Findings (Table 6) suggest that Singapore firms find it harder to negotiate with Chinese than they do with the counterparts in India. It may be argued that institutional systems, a well developed legal system which Singapore shares in common with India, is a source of trust.

**Table 5** Rotated factors for partner selection criteria

Partner selection criteria category	Rank	Factor 1 Resource contribution	Factor 2 Trustworthiness	Factor 3 Management systems	
Enables venture to qualify for subsidies or credits	14	0.60 <sup>a</sup>	0.53	-0.01	t5.4
Provide financing/capital to venture	12	0.58 <sup>a</sup>	0.31	0.15	t5.5
Can supply technically skilled personnel	20	0.69 <sup>a</sup>	0.05	0.02	t5.6
Can supply general managers to the venture	22	0.67 <sup>a</sup>	0.04	0.11	t5.7
Possesses needed licence, patents, know-how, etc.	6	0.70 <sup>a</sup>	0.23	0.14	t5.8
Controls favourable location	9	0.54 <sup>a</sup>	0.24	0.32	t5.9
Access to marketing or distribution systems	5	0.52 <sup>a</sup>	0.36	0.35	t5.10
Access to post-sales service network	17	0.72 <sup>a</sup>	0.19	0.33	t5.11
Valuable trademark or reputation	15	0.62 <sup>a</sup>	0.22	0.23	t5.12
Enhances perceived local or national identity	16	0.54 <sup>a</sup>	0.26	-0.01	t5.13
Enable the venture to produce at lowest cost	10	0.45 <sup>a</sup>	0.50	0.21	t5.14
Helps comply with government requirements	1	0.39	0.68 <sup>a</sup>	-0.10	t5.15
Understands the business	4	0.10	0.69 <sup>a</sup>	0.32	t5.16
In the same core business	7	0.19	0.71 <sup>a</sup>	0.36	t5.17
Enhances venture's ability to secure projects from the local government	11	0.26	0.63 <sup>a</sup>	0.30	t5.18
Seems to have a strong commitment to the venture	3	0.10	0.70 <sup>a</sup>	0.23	t5.19
Has had satisfactory prior association with our firm	8	0.18	0.62 <sup>a</sup>	0.23	t5.20
Has the ability to make use of guanxi to secure business	2	0.37	0.46 <sup>a</sup>	0.20	t5.21
Possesses management style that are compatible with ours	13	0.08	0.32	0.67 <sup>a</sup>	t5.22
Similar national culture	18	0.17	0.27	0.83 <sup>a</sup>	t5.23
Similar in size or corporate structure	21	0.47	0.04	0.67 <sup>a</sup>	t5.24
Similar in corporate culture	19	0.11	0.29	0.81 <sup>a</sup>	t5.25
Eigenvalue		8.81	1.95	1.41	t5.26
Pct. of var.		40.00	8.90	6.40	t5.27
Cum. pct.		40.00	48.90	55.30	t5.28

<sup>a</sup> Factor loading ≥ 0.50 t5.29

Management style and control 489

How do Singapore firms deal with the issue of management and control? Firms were asked to state their preferred approach to ensuring a degree of control on their IJV investments. In both samples, firms stated that they preferred dominant control, i.e., a major say in the strategy formulation and implementation (Table 7). Need for dominant control may imply lack of trust. It has been argued that firms from similar cultures may be willing to share control. Our findings do not support this position since Singapore firms opted for dominant control both in India and in China. Hypothesis 5 is rejected.

When asked about their equity investments, more than half (54%) of the respondent firms reported that they have majority equity holding in the IJV



**Table 6** Problems encountered in identifying and selecting a partner

Problems	China		India		T-test
	Mean	Rank	Mean	Rank	
2 In finding a trustworthy partner	2.04	1	2.69	1	2.101
1 In finding a partner with compatible objectives	2.35	2	3.08	4	2.762
9 In meeting local government's legal restrictions on collaborative agreements	2.55	3	2.72	2	0.662
5 In agreeing with partner on how alliance is to be managed	2.58	4	3.24	6	2.885
6 In agreeing with partner on how future benefits are to be shared	2.73	5	3.48	10	3.362
4 Due to lack of human resources to enter into alliances	2.74	6	3.38	8	2.106
10 In agreeing with partner on each party's contribution to the alliance	2.75	7	3.36	7	2.648
8 Due to differences in corporate culture/organizational structure hampering formation negotiations	2.83	8	3.12	5	1.286
7 Due to differences in personal social/cultural attitudes hampering formation negotiations	2.98	9	3.00	3	0.083
11 In finding a partner with compatible size and bargaining strength	3.06	10	3.40	9	1.361
3 Due to lack of funding to search for alliance partners	3.45	11	3.81	11	1.331

Confidence interval=95%  
 1 strongly agree, 5 strongly disagree

(Table 8). This finding is consistent with their preference for dominant control (Table 7). It is also in keeping with the findings (Tse et al. 1997) that firms from high power distance societies prefer majority equity holding and dominant control and Hypothesis 6 is supported.

**Conflicts**

The respondents were asked to comment on the frequency of conflicts encountered. As shown by the mean values (Table 9) all of the listed conflict types were reported to be less than moderately frequent in occurrence. Partner's handling of financial matters was rated the most frequently encountered cause of conflict in both samples. Interestingly even though 29% of the IJVs in China were in the manufacturing sector, product related conflicts were ranked as the least of causes of disagreement. Again we see very little difference in the responses in the two samples.

**Table 7** Singapore firm's preferred style of management control

Management	China (missing=3)			India (missing=1)		
	Number of firms	Percentage	Ranking	Number of firms	Percentage	Ranking
Dominant	32	62.7	1	20	71.43	1
Shared	9	17.6	2	3	10.71	3
Minority	8	15.7	3	0	0	-
Independent	2	3.9	4	4	17.86	2
Total	51	100.00		27	100.00	

**Table 8** Equity level of Singapore parent firm in the joint venture with Indian and Chinese firms

Ownership	China (missing=2)			India (missing=2)		
	Number of firms	Percentage	Ranking	Number of firms	Percentage	Ranking
Less than 25%	9	17.0	3	3	11.5	3
26%-50%	14	26.7	2	8	30.8	2
More than 50%	29	56.3	1	15	57.7	1
Total	52	100.00		26	100.00	

Success of the IJV

The perceived success was measured on a number of dimensions (Table 10). We asked the respondents to comment on the overall satisfaction with IJV and on the average they were indifferent. This was again true for both the samples.

**Discussion**

The primary intent of this research was to determine the impact of culture on partner selection in East Asia. Our research focused on the following: (1) establishing how partner selection criteria are derived from the firm's internal capabilities, its limitations, its expectations from the partner, its perception of potential partner's trustworthiness and its motivations, (2) how firms select their partners, and (3) the influence of Chinese familial culture on partner selection process, the structure of IJVs, the management of IJVs and the success of IJVs.

Finding trustworthy partners

Perception of credibility and trust rather than "task-related" factors appear to be the determining factors for partner selection. Trust appears to be central to understanding

**Table 9** Types of conflicts

Problems	China (N=49)		India (N=24)		T test
	Mean	Rank	Mean	Rank	
The partner's handling of financial matters	3.20	1	3.24	1	0.756
The placement of parent company personnel in JV	3.31	2	4.04	8	-2.229
The partner's attempt to control key decisions in the JV	3.41	3	3.44	2	-0.450
Expansion strategies and plans in the JV	3.42	4	3.50	3	0.358
The partner's attempt to make changes in the terms of the JV contract	3.50	5	3.60	4	-0.157
The division of benefits between the partners	3.51	6	3.76	6	-0.609
Separating the operations of the JV from those of the parent company	3.67	7	3.80	7	0.337
Product proliferation	3.78	8	3.68	5	0.947

Confidence interval=95%

1 always disagree, 5 never disagree

**Table 10** Perceived success of the joint venture

Problems	China		India		T test
	Mean	Rank	Mean	Rank	
	1	2.08	1	2.04	
2	2.28	2	2.19	3	-0.427
3	2.42	3	2.12	2	-1.431
5	2.51	4	2.38	6	-0.554
4	2.55	5	2.31	4	-1.065
6	2.64	6	2.35	5	-1.063
11	2.75	7	2.92	10	0.628
8	2.75	7	2.58	8	-0.677
10	3.02	8	2.81	9	-0.824
9	3.02	8	2.4	7	-2.559
13	3.17	9	3.21	11	0.160
12	3.24	10	3.25	12	0.022
7	3.32	11	3.44	13	0.403

Confidence interval=95%

1 strongly agree, 5 strongly disagree

<sup>a</sup> 1 strongly disagree, 5 strongly agree

the formation of alliances and IJVs. The multiple definitions of trust offered by scholars can cause confusion (Butler 1991; Hosmer 1995; Reed 2001; Shapiro 1987; Zucker 1986). Lewicki and Bunker (1995) distinguish between three types of trust: calculus-, knowledge-, and identification-based trust. Larzelere and Huston (1980) propose two qualities which define trust: benevolence and honesty. Sitkin (1995) distinguishes between: competency-, benevolence-, and value-based trust. Doney et al. (1998, p. 604) define trust as, “a willingness to rely on another party and take action in circumstances where such action makes one vulnerable to the other party”.

These conceptualizations of trust are built around two factors, a cognitive component, which focuses on the calculative aspect and a behavioral component, which addresses the issue of “benevolence” or “integrity” (Bigley and Pearce 1998; Johnson and Cullen 1996; Ganesan 1994). Calculus-based trust implies that trust is a calculated decision to cooperate with specific others, based on information about other’s personal qualities and social constraints (Gambetta 1988). Calculative trust assumes a value-free rationality and would be culturally neutral. The implication that as knowledge increases trust will beget trust (e.g., Blau 1964; Johnson and Cullen 1996; Zand 1972) has not been evidenced in recent empirical findings (McKnight et al. 1998).

Benevolence or integrity is built on the expectation that the exchange partner will not engage in opportunistic behavior, despite short-term incentives and uncertainty about long-term rewards (Bradach and Eccles 1989; Rotter 1967). It is based on shared moral values and norms to support collaboration within uncertain environments (Reed 2001). Game theorists are agreed that reciprocal altruism develops trust and the sociobiologists go a step further to suggest that altruism or empathy is in human genes. Social trust is inherent in communities connected by ethnicity and

culture. Predisposition to trust cannot be overlooked in the partner selection process. 551  
 Low predisposition to trust puts up barriers to inter-firm cooperation hence, as 552  
 Johnson and Cullen (1996) observe, firms in community based cultures, such as 553  
 Japanese, show greater willingness to engage in trusting relationship. 554

There is always the possibility that one of the partners may resort to 555  
 opportunism—cheating, shirking, and distorting information, misleading and 556  
 appropriating partner’s critical resources. Some of these problems can be averted, 557  
 by developing appropriate control systems. Controls increase transaction costs 558  
 (Williamson 1985) and they also surface conflicts. Hence, when seeking joint 559  
 venture partners, firms are likely to partner with firms seen as being trustworthy. 560

Our findings on partner selection criteria depart significantly from Geringer’s 561  
 (1991) classification of “task-related” and “partner-related” factors. His research 562  
 suggests that task-related criteria, which refer to the complementarities of resources, 563  
 are critical to the success of the joint venture. We find that partner’s commitment to 564  
 the joint venture and related criteria are more important. Factor analysis presented a 565  
 three factor solution, which conforms to the logic outlined in the model (Fig. 1). 566

While firms in Singapore seek partners who are trustworthy the focus on dominant 567  
 control borders on distrust of others. No doubt trustworthy partners, as they claim, were 568  
 difficult to find. But interestingly the level of difficulty encountered was significantly 569  
 more in China than in India (Table 6). Is Chinese society predisposed to low trust 570  
 (Fukuyama 1995)? The difficulty in finding trustworthy partners may be attributed to 571  
 the fact that majority of firms in our sample were SMEs, dependant on personal 572  
 knowledge rather than impersonal but formal criteria to guide partner selection 573  
 (Table 3). In the face of limited information whose reliability is questionable, firms 574  
 would be circumspect and put high value on credibility. 575

The familial system, conflicts and success of IJVs 576

Why is partner commitment such an important issue for the Singapore firms? In a 577  
 joint venture resource commitments can be agreed and formalized through contracts, 578  
 and a control mechanism can be put in place for ensuring compliance. However, 579  
 institutionalized controls, or organizational structures, which are negotiated, 580  
 elaborated, reproduced and transformed (Gouldner 1973; Lane and Bachmann 581  
 1998) are inadequate to ensure compliance. Fox (1974) suggests that trust is a 582  
 discretionary resource and that there will be a whole series of contingent negotiated 583  
 trade-offs within reciprocal relations, in which diffused obligations are promised and 584  
 expected and some specified exchanges and outcomes that are contracted and 585  
 enforced. From a realistic perspective (Reed 2001) trust and control are not two sides 586  
 of a coin, instead the trade-offs are between commitment and compliance. Controls 587  
 may force compliance but it does not necessarily lead to commitment. 588

Singapore firms in our sample were focused on finding partners who could be 589  
 trusted, not just to comply but to contribute social capital to the joint venture. If 590  
 “guanxi” or connections are important to doing business in China it stands to reason 591  
 that commitment is important. It is therefore, understandable why these rather than 592  
 “task-related” factors were singularly important in partner selection. However, 593  
 having structured the IJV, the Singapore firms reported that the conflicts were low 594  
 (Table 9) and the joint ventures were not perceived as failures (Table 10). 595

This is another reason why obtaining commitment of the partner is important. Concern for order or harmony (Hamilton and Biggart 1988) strengthened by reciprocity and personalism is central to the Chinese value system (Redding 1992). When seeking harmony the concern is with behavior and the issues are primarily of “benevolence” and “integrity”. To obtain commitment firms adopt caution and resort to selectivity in identifying partners. Our findings (Table 3) indicate that the Singapore firms depended primarily on direct personal knowledge or that obtained through business associates to identify the prospective partners. Differences are resolved through mutual accommodation with the intentionality of building trust. Once joint ventures are formed they are enduring. This is supported by studies which report that the IJVs in China have been relatively more stable and successful (Beamish 1993; Davidson 1987; Newman 1992; Yan 1998). Our findings that the level of conflicts is low also suggest that the parties to the joint venture want to maintain a harmonious relationship.

Fukuyama (1995) asserts that familial system limits people to trusting only those related to them and conversely the system develops distrust for people outside their family and kinship group. This assertion does not square with our findings. Singapore joint ventures’ investments in India, as a percentage of total foreign direct investments in India, also compare favorably with Singapore joint venture investments in China as a percentage of foreign direct investment in China.

The assertion that Chinese build networks around family or ethnic groups has been questioned (Li et al. 1999; Boisot and Child 1996). Historically Chinese business in East Asia has prospered not only in States with Chinese majority, such as, Singapore, Hong Kong and Taiwan, but also in Malaysia, Indonesia, Thailand and Philippines, where ethnic Chinese are a minority. In these states the Chinese business forged partnerships with the local business and political elites. What is as significant is that for the Singapore firms it was as easy and as satisfactory to form IJVs in India as in China.

The influence of Chinese culture on firm growth and its competitive behavior has deeper implications. Many scholars (Fukuyama 1995; Jenner 1992; Lal 1998) argue that the familial values has prevented the emergence of modern commercial market economy in Peoples Republic of China, and that the lack of social trust, which is engendered by the familial system, will make it difficult for modern corporate form of business organizations to develop in Sinic cultures.

As we discovered “guanxi” continues to be an enduring concept in Chinese society. The concept of “guanxi” is more than crony capitalism where reciprocity is implicit and there is also an underlying ethical notion that a party to a relationship (*guanxi*) should behave uprightly (Yueng and Tung 1996). As Silos (1998, p. 264) argues the Chinese organization is, “a community in which cooperation, respect, trust, loyalty, interdependence, and similar elements of traditional culture form the backbone on which are fleshed out the strategies and techniques for the attainment of goals.” Confucius’ goal was social solidarity, bringing outsiders into the fold of insiders and his ethics creates an environment where reciprocal obligations and the notion of face (avoiding conflicts) develop trust in relationships. Therefore if Singapore firms place high importance on identifying firms in China which possess “guanxi”, it could be interpreted that they realize the importance of becoming insiders.

## Conclusions

643

Geringer's (1991) typology of partner selection criteria has received considerable attention in the IJV literature. However, our findings did not conform to his typology. In this paper we outline a schema for partner selection (Fig. 1) which has face validity and also conforms to our findings. The typologies differ on two accounts. First, we found that Geringer's "partner-related" criterion was in fact composed of two independent factors. One set of criteria that reflected cultural distance (national and organizational) and the other set was concerned with commitment and trust. Second, in our sample, cultural distance did not merit high rating and significance in partner selection. In the East Asian context commitment and trust appear to be the most important partner selection criteria.

Culture has a determining impact on business systems, particularly, in the context of IJVs. Our findings confirm that Singapore firms seek long-term and harmonious relationships when searching for partners. However, the partner selection process is culturally neutral, guided by commercial interests rather than affinity to a particular culture. The argument that in East Asia connections rather than commercial interests dictate joint venture formation appears to be specious. Singapore firms were as successful in their joint ventures in India as in China. While cultural artifacts influence IJV formation they do not constrain Chinese firms from establishing IJVs outside ethnic boundaries.

Results based on a sample of Singapore firms alone impose limitations on generalizing the findings to the Chinese businesses at large. Do the firms from People's Republic of China follow a similar approach when forming joint ventures in other countries remains a question for future research?

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- Q1. “Hicks and Redding 1983”; “Powell et al. 1996”; “Cullen et al. 1994”; and “Tucker 1991” were cited but were not listed in the references list. Please check.
- Q2. Please check Figure 1 caption if appropriate.
- Q3. “Stuart 1993”, “Weber 1951”, “Whitley 2002”, “Lee and Beamish 1995”, “Lee 1994”, “Levine and Byrne 1986”, “Levine and Renelt 1992”, and “Mayer et al. 1995” were listed in the references but were not cited in the text. Please check.

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