

**International Joint Ventures as an International Business Mode:
A Study of Australian-Indian Joint Ventures in India**

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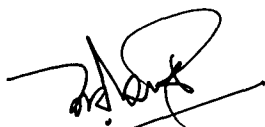
Management

**Submitted in fulfilment of the requirements for the degree of Doctor of Philosophy
University of Tasmania
August 1999**

**Dedicated to the memory of my late mother,
Syeda Afroze Chowdhury**

Declaration

I declare that this thesis is my own work and it has never previously been submitted for any other degree or diploma. To the best of my knowledge and belief, any previously written or published materials used in this thesis by way of background information, are duly acknowledged in the text of the thesis.



Md. Sharif Nafe As-Saber

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Md. Sharif Nafe As-Saber
30 August 1999

Abstract

In recent years, India, the world's second most populous country, has been emerging as one of the fastest growing economies with enormous market potential. Since the beginning of India's economic liberalisation in the late 1980s, it has been attracting foreign investment from around the world. However, for many foreign companies, forming international joint ventures (IJVs) with a local partner remains the preferred international business mode for entering the Indian market. Based on nine Australian-Indian IJVs, this thesis empirically examines three major areas of the IJV literature, viz., factors influencing the motivation to form IJVs with a local partner, the complexity and the extent of the firm's involvement in the IJV formation process and the factors responsible for IJV success during the implementation stage.

Multiple case study method was used to conduct the research. A combination of deductive and inductive processes was applied to capture the complexity and dynamism of the real world situation. Primarily, the context of the research is presented as it is reflected in the extant literature and the available market information. The conceptual framework, research question and proposition sets were framed on the basis of this research context. In-depth, face-to-face interviews were conducted with the management of nine IJVs, their Australian parents and their Indian hosts. Prior theories were employed as templates for measuring outcomes. Direct observations, company documentation and other secondary information were used to assist in the interpretation of the primary data.

This research has determined that IJVs are an important means of Australian companies doing international business in India. It has established that the motivation to select IJVs as an international business mode is influenced by a host of environmental and organisational-specific variables. However, the extent of this influence varies with the relative importance of each of these variables. This study also has demonstrated that the IJV formation process between an Australian company and an Indian host is a complex and time-consuming one. It is ascertained that the Australian-Indian IJVs face fewer difficulties during the implementation stage than anticipated earlier at the IJV motivation stage. Nonetheless, the research has confirmed the need for assistance from local partners in overcoming any environmental or organisational-specific difficulties. In addition, this research offers a range of implications relevant to policy analysis and development, management practice and theory development. Possibilities of further research, based on the findings reported here, are suggested.

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As-Saber, S.N., Dowling, P. J. and Liesch, P. W. (1998), The Role of Human Resource Management in International Joint Ventures: A Study of Australian-Indian Joint Ventures, *International Journal of Human Resource Management*, Vol. 9(5), October, pp. 751-766.

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GLOSSARY OF TERMS

ABS	Australian Bureau of Statistics
ACC	Associated Cement Companies Limited
ANZUS	Security Treaty between Australia, New Zealand and the United States of America
AP	Australian Parent
APEC	Asia Pacific Economic Cooperation
ASEAN	Association of Southeast Asian Nations
ASEM	Asia Europe Meeting
A\$	Australian Dollar
Austrade	Australian Trade Commission
BHP	Broken Hill Proprietary Company Limited
BIFR	Board of Industrial and Financial Restructuring
BJP	Bharatiya Janata Party
CAD/CAM	Computer Aided Design/Computer Aided Manufacturing
CEO	Chief Executive Officer
CER	Closer Economic Relations
CMIE	Centre for Monitoring the Indian Economy
CPCB	Central Pollution Control Board
CRA	Conzinc Rio-Tinto Australia
EAEC	East Asian Economic Caucus
EU	European Union
FDI	Foreign Direct Investment
FIPB	Foreign Investment Promotion Board
GDP	Gross Domestic Product
GEC	General Electric Company
GIC	General Insurance Corporation of India
GNP	Gross National Product
GPTL	Godrej Pacific Technology Limited
GSSL	Geometric Software Services Limited
HCN	Host Country National
HDI	Human Development Index
HR	Human Resource
HRM	Human Resource Management
IH	Indian Host

IMD	Institute of Management Development
IJV	International Joint Venture
IL&FS	Infrastructure Leasing and Financial Services Limited
IOR-ARC	Indian Ocean Rim Association for Regional Cooperation
IPR	Intellectual Property Rights
LIC	Life Insurance Corporation of India
KFC	Kentucky Fried Chicken
MNC	Multinational Corporation
MRTPC	Monopolies and Restricted Trade Practices Commission
MOU	Memorandum of Understanding
N/A	Not Available
NAFTA	North American free Trade Agreement/Area
NRI	Non-Resident Indian
OECD	Organisation for Economic Cooperation and Development
OIC	Organisation of Islamic Countries
PCN	Parent Country National
PPP	Purchasing Power Parity
R&D	Research and Development
RBI	Reserve Bank of India
Rs.	Indian Rupees
RSS	Rastriya Swayamsevak Sangh
SAARC	South Asian Association for the Regional Cooperation
SEBI	Securities and Exchange Board of India
SIA	Secretariat of Industrial Approval
SJM	Swadeshi Jagran Manch
TCN	Third Country National
UCL	Union Carbide (India) Limited
UK	United Kingdom
UK£	British Pound Sterling
UN	United Nations
UNCTAD	United Nations Conference on Trade and Development
US	United States of America
US\$	United States Dollar
USSR	Union of Soviet Socialist Republics
VSAT	Very Small Aperture Terminal

VSNL	Videsh Sanchar Nigam Limited
WEF	World Economic Forum
WOS	Wholly Owned Subsidiary
WTO	World Trade Organisation

CHAPTER I

INTRODUCTION

The Indian economy is like a sleeping giant which, if awakened, could by itself transform the face of the global economy. India has the potential to form an independent economic bloc on her own, without too much dependence on anybody else.

- Senior Minister and former Prime Minister of Singapore,
Lee Kuan Yew, at the World Economic Forum in Davos, 1994.

1.1 BACKGROUND TO THE STUDY

Until the late 1980s, India's economy was burdened with a constellation of highly interventionist and inward-looking policies governed by the Industrial Policy Resolution 1956, which envisaged a mixed economy and a planned development of industries regulated by the government in the national interest (Lall, 1985; Price Waterhouse, 1993). The Indian economy was more in conformity with the Soviet bloc than with the West (Gordon, S., 1993). The breakdown of communism in Eastern Europe and the demise of the Soviet Union have dramatically changed the international strategic order bringing an end to the Cold War era.

This transformation has led to a redefinition of India's strategic position in both the global and regional contexts. Pakistan has lost its importance as the protector of Western interests in this region and India, with its enormous market potential, has become attractive to Western governments and firms ever vigilant for extended new markets. In addition, India has become especially important to the US in order to counter-balance the supremacy of China in this region (Gordon, 1993). India has responded to these changes positively announcing the New Industrial Policies in July 1991. The economy has been significantly deregulated, which has allowed an

increasing role for the private sector, and emphasis has been given to foreign investment (Price Waterhouse, 1993). With an estimated population of 973.5 million persons, India has emerged as an attractive destination for foreign investment (Dowling *et al.*, 1999; Tait, 1995). Since the announcement of New Industrial Policies in 1991, the World Bank has named India as one of the world's best performing economies (World Bank, 1997).

Despite the ongoing economic liberalisation in India, a number of difficulties still remain. Political unrest, religious rivalry, cultural differences, relatively high interest rates as well as inflation rates, excessive bureaucracy, and a very large underprivileged segment of the population are some of the major concerns which impact foreign firms. Moreover, government restrictions have not altogether been withdrawn. Local competition, in addition to the already established foreign companies, is also to be considered.

Once a firm decides to invest in a country such as India, it must select an internationalisation strategy which successfully matches its resources with the available external environmental opportunities. This strategy should be used to reduce, or possibly neutralise, the impact of potential threats in order that the investor achieves a competitive advantage and strategic fit (Porter, 1990). The choice of market entry mode is a core strategic decision in a firm's drive for internationalisation. The type of entry strategy selected will determine market entry success.

Among the various entry modes, international joint ventures (IJVs) have long been considered as a popular means of establishing cross-border business relationships as this entry mode enables firms to share the risks and the resources required to enter an international market (Enen, 1991; Hill, 1997). IJVs also assist firms overcome country-specific difficulties with the active participation of a local partner familiar with the local business environment. Thus, when managed well, joint ventures can increase the probability of a foreign firm's overall success in a new market environment (Lei & Slocum, 1992).

In this context, India's prevailing business environment with its perceived attractiveness and its recognised difficulties is likely to determine that in order to successfully access the Indian market, formation of IJVs with prospective local partners can be a considered option for an interested foreign firm. According to de Jonquieres (1996) and Hodgetts & Luthans (1994), for example, IJVs are particularly suitable as a means for doing business in emerging market economies such as India. These authors have also indicated a prevalence of IJVs as a *modus operandi* used by the foreign firms in the newly emerging economies generally. Consistent with these observations, there has been a particular enthusiasm among the foreign firms investing in India to establish international joint ventures (IJVs) with Indian partners (As-Saber *et al.*, 1996a; Geissbauer & Siemsen, 1996; Tomassen *et al.*, 1997). Alongside this trend, in 1993, laws on foreign investment in India were changed to allow greater ownership by foreign investors. Despite this change, for many foreign companies, IJVs remain a popular means of entering the Indian market (Banks & Natarajan, 1995).

Australia, historically a Western ally, maintained a restrained political and economic relationship with India during the Cold War period (Gordon, A., 1993). The repositioning of the Indo-West relationship following the end of the Cold War has improved the Australian relationship with India. In addition, India's ongoing economic liberalisation has ushered in a more favourable investment climate for foreign companies, including those from Australia. Also, Australia's geographic proximity to India and recent emphasis by the Australian government on the potential of the Indian market have attracted many Australian companies to invest in India (East Asia Analytical Unit, 1994). Nonetheless, Australian companies, like their other Western counterparts, have not considered the business environment in India adequately supportive of direct foreign investment. This has been reflected in the recent trend of the reliance on IJVs by Australian investors as a preferred *modus operandi* to service the Indian market (Hook, 1995).

Despite an increasing interest from researchers in a variety of academic disciplines on the rapid growth of IJVs as an organisational form, "... academic understanding of joint ventures is still limited in scope and in depth" (Yan & Gray, 1995, p. 92). Moreover, there is a dearth of empirical research on IJVs located in developing countries, such as India (Sim & Ali, 1996). Consistent with these observations, studies addressing various aspects of Australian-Indian joint ventures appear to be relatively sparse (As-Saber *et al.*, 1998). In addition, few studies completed in this area have offered adequate attention to a range of areas, such as the factors motivating Australian firms to joint venture in India, the IJV formation process and the factors

affecting successful implementation of the Australian-Indian IJVs (As-Saber et al., 1996a; Dowling *et al.*, 1996; Geissbauer & Siemsen, 1996; Vicziany 1993; 1994). The increasing number of Indo-Australian IJVs, in addition to the paucity of research on these core aspects, have motivated this study. India will remain an attractive destination for foreign investment, including Australian investment, and increased understanding of the IJV mode in this context will assist in better ensuring the success of these ventures.

1.2 RESEARCH QUESTION AND OBJECTIVES

In this study, it has been assumed that the Australian firms initially were attracted to invest in India in order to exploit the potential Indian market. This research aims at examining the influence of various factors which motivated Australian firms to joint venture with their local partners. It seeks to understand more about the IJV formation process and it explores the implementation activities of the selected IJVs. Given the above background, the major objectives of this study are to investigate:

- (a) the influence of various environmental and organisational-specific issues that are conjectured to impact the decision of Australian companies to joint venture with an Indian partner in India;
- (b) the process of forming IJVs between Australian and Indian firms;
- (c) factors responsible for the successful implementation of the Australian-Indian IJVs; and
- (d) how the factors influencing the selection of the IJV mode and its formation contribute to the effective implementation of these IJVs.

In aggregate, the general research questions framed for this study are

1. *What are the considerations that an Australian firm will bring to bear on the decision to choose the IJV as an international business mode of operation in another country, specifically India?*
2. *What are the processes of formation and implementation of that decision?*

To achieve this understanding and to identify whether the three participants in an IJV, the two parent firms and the IJV management, converge or otherwise in these matters, all three groups are investigated. This is a study of Australian firms joint venturing with Indian firms in India.

1.3 APPROACHES AT INQUIRY

This is an exploratory, empirical study. It is couched in a research process that is framed on existing knowledge and postulated relationships, yet being receptive to new patterns, relationships and phenomena learned through the data assembled. During the entire course of the study, a qualitative inquiry is adopted and implemented through the use of multiple case study method. As reported by Patton (1990), the depth and detail of qualitative methods typically derive from case studies.

By adopting an in-depth, comparative case study method, this research investigates the various issues in relation to nine Australian-Indian IJVs in India. This methodology is primarily based on direct face-to-face interviews. However, multiple sources of evidence are used simultaneously (Yin, 1989). Direct observation of the real-life situation and the use of secondary materials, such as written documents and records are taken into consideration. Multiple case studies are conducted in order to avoid possible single-case bias and to gather better insights about all relevant issues. The

cases were selected from different industries, rather than concentrating on one particular industry. This was considered appropriate as this approach would strengthen the possibility of generalisation from the available data. According to Gersick (1988), a strategy of diverse sampling should be adopted to enhance or improve generalisation from the research findings.

A combination of deductive and inductive reasoning processes was used in order to capture the complexity and dynamism of the real life context. This permits the researcher to engage the scenario more realistically and with flexibility (Perry & Coote, 1994). Prior theories were employed as 'templates' for determining the empirical case study outcomes. In this sense, the existing theory helps in the interpretation of the results (Manicas, 1989).

Every study has its limitations. The scope of this study is limited to IJVs in a single emerging economy, India. Moreover, by its nature, this study is selective and does not purport to be comprehensive. That is, not all of the issues relating to IJVs between Indian and Australian firms are considered. A selected number of issues only are taken into consideration. With respect to the methodology, a number of limitations need be mentioned. First, selection of the cases was constrained by a relatively small initial population of only 17 Australian-Indian IJVs (Austrade, 1995). The choice was clearly limited.

Second, because of the considerable geographic distance from the researcher to all the companies under investigation, only a limited amount of time could be spent in each

of the firms and repeated visits could not be undertaken. Third, some of the measures employed are perceptual in nature which could lead to a concern about the subjectivity of responses. However, most of the limitations including the lack of rigour and possible research bias can be minimised by careful case design and protocol (Yin, 1989). In addition, multiple case studies enable analysis of each of the cases in the light of others to strengthen the reliability and validity of the findings (Eisenhardt, 1989).

1.4 INTERNATIONAL JOINT VENTURE: DEFINITION

“There is no single agreed-on definition of an IJV” (Schuler *et al.*, 1991, p. 53). According to Williamson (1975), IJVs lie somewhere along a continuum with purely arm’s length exchange at one extreme and with a fully internalised organisational structure at the other extreme, and while sharing features of both, this diversity makes IJVs difficult to define precisely. Broadly, IJVs may be defined as a partnership endeavour between two or more firms from at least two different countries, whereby resources, capabilities, and core competencies are shared to establish a separate organisational entity to pursue a common objective based on a set of mutual benefits. It is generally a new venture that was not a part of either partner’s portfolio of businesses before that venture began (Hitt *et al.*, 1995). It is “... a new legal entity with full status as a corporate entity in which both partners share equity” (Osborn & Baughn, 1990, p. 61). A joint venture parent can be an individual or a family group, or a legal entity such as partnership firm, company, government body, or a consortium of firms, governmental or financing bodies (Ali, 1995). The headquarters of at least one of the parent firms is located outside the country of operation of the joint venture.

Therefore, in an IJV, "... one of the partners is an international company and the other is a national of the host country" (Phatak, 1997, p. 262).

Sometimes IJVs are known as "... opportunistic alliances" which are based on the opportunities perceived by the particular organisations to gain a competitive advantage through the formation of alliances (Kanter, 1989, p. 125). According to some network theorists, IJVs are production networks where firms share resources in producing goods to enter a market (Sloan *et al.*, 1994). In strict economic terms, an IJV involves equity participation. It is a foreign subsidiary in which local participation in its ownership is material (Brooke & Remmers, 1970; Vicziany, 1993).

IJVs are not well defined in Indian law (Price Waterhouse, 1993). In India, an IJV generally implies an equity participation by two or more parties in a business operation established as a partnership or a company (SBP Board of Consultants and Engineers, 1995). On the basis of Indo-German joint venture experience, Geissbauer & Siemsen (1995, p. 32) defined an IJV as

... a company with equity participation by at least one Indian and one foreign partner, both of whom put together their contractually agreed shares of capital and services as well as know-how. The liabilities, share in profits and joint management rights of the two partners correspond as a rule to the proportion of the share capital held by each of them.

The rights and duties of the IJV partners are generally negotiated by the parties involved and are spelled out in the IJV agreement. Any matter not covered by the agreement may be resolved in accordance with the Indian Partnership Act 1932 and/or the Indian Contract Act 1872.

For this study, an IJV is defined as an international business operation established by two or more parent firms from at least two different countries, whereby they share resources and capabilities to create a jointly owned separate entity. This definition excludes pure trade agreements, technical assistance and management contracts. In the present Indian context, the IJV will be examined as an international business mode for Australian firms to access and invest in the potentially lucrative Indian market.

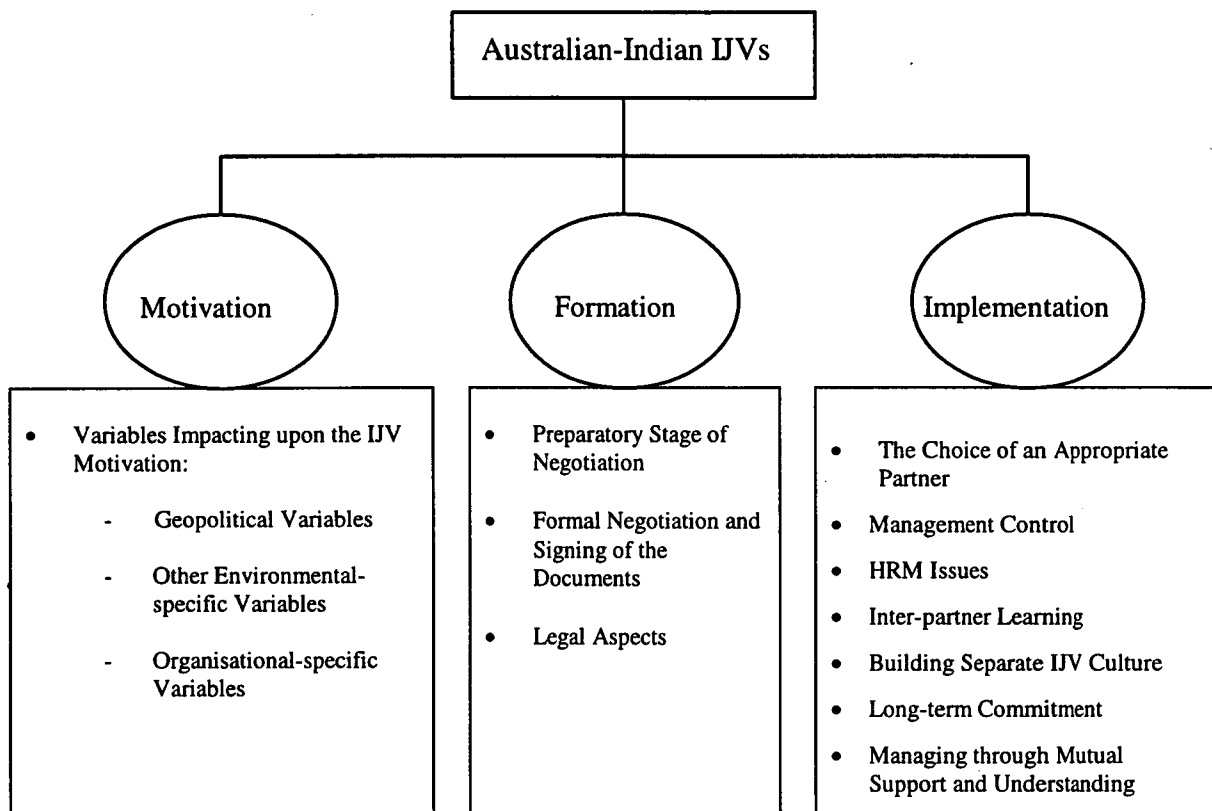
1.5 ORGANISATION OF THE THESIS

In chapter I, the research is introduced. This chapter sets out the background and objectives of the study and presents a preliminary framework for the adopted approach at inquiry. The term, 'international joint venture', as an international business mode, has been defined for the purposes of this study. On the basis of the extant literature and other available information, a conceptual framework is developed at chapter VI that reflects the organisation of the thesis. For an initial appreciation of the thesis organisation, the conceptual framework is also presented below.

In chapters II, III and IV, the contextual background of this study is presented focussing on the conceptual developments of the various aspects of international joint ventures. On the basis of extant literature, these chapters provide an overview of the major environmental and organisational-specific variables that are likely to influence a firm's motivation to form an IJV relationship with a local partner while investing overseas. Specific reference to Australian firms investing in India is maintained throughout these chapters. A major environmental context for this study, geopolitics, is introduced in chapter II, while reviews of other environmental variables which are

likely to influence Australian firms' decisions to joint venture are undertaken in chapter III. The focus of chapter IV is upon organisational-specific variables, undertaken from a similar perspective.

Figure 1.1
Conceptual Framework



The IJV formation and implementation processes are established in chapter V with specific emphasis on Australian-Indian IJVs. This chapter shows the complexity of these processes, the basis of which is drawn from the extant literature relevant to the study.

This is important to note here that this thesis considers three different stages of IJV, e.g., motivation, formation and implementation. During the implementation stage, it only considers the factors responsible for the IJV success. It does not incorporate IJV failures or termination as a part of IJV evolutionary model prescribed by Ariño & de la Torre (1998), neither it include the concept of IJV life cycle established by Kogut (1988). It does not consider any factor responsible for IJV termination or failure. The body of literature (e.g., Ariño & de la torre, 1998; Dymsha, 1988; Kogut, 1988a; Osborn and Hagedoorn, 1997; Park & Ungson, 1997), addressing these issues is not discussed in details. There are two main reasons behind this. First, as revealed from the initial information provided by the Austrade (1995), most of the IJVs between Australia and India had recently been formed or were still in the process of formation. This might, eventually, make it difficult to find any data suggesting any conclusions towards the failure or the termination of an IJV. Second, within the limited scope of the thesis, it is not possible to cover the entire gamut of the IJV literature.

Based on the discussion in the preceding chapters (chapters II, III, IV and V), a conceptual framework, the research question and proposition sets are established for the study and these are provided in chapter VI. The research design and methodology utilised in this study are detailed in chapter VII.

The results of the study are presented in chapters VIII, IX, X, XI and XII. The empirical evidence gathered through in-depth face-to-face interviews, personal observation, and the examination of available documents and relevant literature is used in the analyses of the various issues as depicted in the research question and the

proposition sets. In chapter VIII, an examination is undertaken of the level of influence that geopolitics has had on the Australian firms' decisions to joint venture with a local partner while investing in India. The influences of a host of environmental-specific issues (other than geopolitics) are investigated in chapter IX. The likely impact of organisational-specific variables on the Australian firms' decisions to joint venture is analysed in chapter X.

In chapter XI, an examination of the level of complexity of IJV negotiation and formation processes is undertaken. The various issues relevant to the implementation process of the Australian-Indian IJVs are addressed in chapter XII. On the basis of the empirical data, an examination of the difficulties faced by these IJVs and their partners are also undertaken in this chapter. In addition, the role of local Indian partners in overcoming these difficulties is investigated. Finally, a summary of the findings, implications of the outcomes, limitations of the study, and the need for further research are presented in the concluding chapter XIII.

CHAPTER II

GEOPOLITICS AND ITS IMPACTS ON INTERNATIONAL BUSINESS OPERATIONS

It is geography that determines economic and political strategy and geography that determines cultural and military tactics. Only geography provides complete models of the world in which decisions are made; only geography focuses on the relationships between culture, economy, society, and polity, to model the whole landscape (Slowe, 1990, p.1).

2.1 INTRODUCTION

Geopolitical elements constitute an important dimension of the external environment affecting international business operations. They may influence, in particular, the choice of the *modus operandi* of a company investing abroad. However, there appears to be very few studies highlighting the geopolitical milieu that affects foreign investment patterns.

Much emphasised in the literature on international politics (Brucan, 1978; Dougherty & Pfaltzgraff, 1990; Reynolds, 1980), the term 'geopolitics' sometimes is used sporadically by the economic historians to explain international economic relations (e.g. Gordon, A., 1993; Gordon, S., 1993). In the international business literature, Dunning (1977; 1979; 1986; 1988; 1995; 1998) for example, while explaining the location of international production, has mentioned a number of the political and geographic tenets as country-specific determinants of location-specific advantages. However, it seems that he did not consider these sufficiently significant to influence the structure of international production. In addition, he has given little emphasis to

the changes that are regularly taking place in the international political as well as economic orders, e.g., the impact of the Cold War and the implications of colonial legacies that regularly influence international business dynamics. However, the existing international business scenario suggests that the geopolitical variables are important for the companies to consider while deciding on the *modus operandi* for their foreign investment. The preference of many Australian companies to form international joint ventures (IJVs) with the host partners while investing in India may be partially explained from this perspective.

This chapter addresses the way in which the geopolitical variables contribute to the motivation of Australian companies to form IJVs with Indian partners. At the beginning, an attempt will be made to define the term 'geopolitics' that will provide a better understanding of the issue in the research context at hand. It will be followed by a discussion on the impacts of geopolitical variables from three dimensions which are: (a) the *time dimension*, highlighting the historical perspective, including such impacts as the colonial, Cold War and post-Cold War eras; (b) the *place dimension*, focusing on natural resources, geographic proximity and regionalism; and (c), the *demographic dimension*, emphasising the role of population size, supply of labour, and ethnic and religious groups. Subsequently, an attempt will be made to establish a geopolitical paradigm of international investments focusing the impacts of geopolitics on international investment patterns. Then, the role of the geopolitical variables in motivating Australian companies to joint venture with the local partners while investing in India, will be discussed.

2.2 'GEOPOLITICS' DEFINED

Geography has long been considered as an important aspect of international business. Location, being the thrust of this consideration, asks questions, such as, "... Why are things located where they are? How do different places relate to each other? How have geographic patterns and relationships changed over time (Baerwald, 1996, p. 23)? Location-specific aspects as mentioned in these questions include various issues relevant to international business. These also provide guidance towards revealing the extensive nature of geography and its impact upon other environmental-specific variables, e.g., local politics and culture. Changing nature of these variables within a geographic context is also focussed in these questions.

Nevertheless, there is no universally accepted definition of the word, 'geopolitics' (Encyclopaedia Britannica, 1971). Etymologically, the word denotes location-specific factors that affect political disposition. According to Kristof (1994), 'geopolitics studies the geographical aspects of political phenomena'. However, since its first use by a Swedish geographer, Rudolf Kjellen in 1900, the study of geopolitics has been viewed, evaluated and contributed to from different perspectives. Kjellen (1917) used the term to describe the geopolitical basis of national power. Karl Haushofer, a German political scientist further expanded this idea as a relationship between political phenomena and geography. He considered that geographic variables had a direct bearing on national power (Haushopher, cited in Whittlesey, 1943).

During the inter-war period, the concept of geopolitics was used by Haushopher, Carl Schmitt and other German geopoliticians to develop 'geostrategy' as a military

science. At that time, the importance of geographic location and size, and their impacts on the political power of a nation were at the core of the German geostrategy. This was reflected in the subsequent policy of expansionism by the Nazi Germany. Later, Harold Sprouts and Margaret Sprout further advanced the theory of geopolitics. According to the Sprouts, geography affects all human and nonhuman, tangible and intangible phenomena. They believed that every political community had a geographic base that might affect most of the transactions among nations (Sprout & Sprout, 1968).

Merritt (1969), in his study of territorially discontinuous polities, considered physical distance as an external environmental factor affecting the political relationships among nations. According to him, there is the likelihood of greater communication with neighbouring than with physically distant nations. Following the oil crisis of 1973, the emergence of a new set of geopolitical and geostrategic relationships was recognised by a number of political scientists (e.g., Kemp, 1977, 1978; Reynolds, 1980). Of special importance are

... resources and the increased vulnerability of oil supplies and vital raw materials to disruption either at their source or in transit from producer to consumer states (Dougherty & Pfaltzgraff, 1990, p. 73).

Therefore, the controlling of resources and the resource-import relationship added a vital dimension to the study of geopolitics.

Another important dimension of geopolitics is that of regionalism. In essence, at the end of the World War II, the geopolitical scenario of the world substantially changed. The colonial control around the globe declined facilitating the creation of a large

number of newly independent states. Consequently, the USA and the USSR emerged as two super powers. Both of them started expanding their sphere of influence around the globe to contain each other geographically, economically and politically. Such rivalry continued until the collapse of the Soviet Union in 1990. This long span of time, popularly known as the Cold War period, crystalised the idea of regionalism in the geopolitical milieu.

During this period, the entire world was mainly divided into two groupings under the two super powers (Gottmann, 1971). Each of these formed a number of regional blocs in the form of security pacts and/or economic associations. Primarily, these were aimed at containing each other's expansion in different geographic regions (Liska, 1977). They were motivated more by geographic importance of political interests than by other considerations. Nevertheless, the process of economic integration among regional economies started during this period. The end of the Cold War with the collapse of the USSR was followed by deeper regional integration in Europe, North America and Asia (Arndt, 1993).

Nonetheless, in relation to the study of international business operations, the definition of the term geopolitics is not straightforward. Previously, it has not been defined from this perspective. Throughout this study, the term refers to the environmental geopolitics, and this emphasises physical and economic geography seen as opportunities or limitations affecting the political domain, that, in turn, influences the motivation for, and structure of an international business operation. Kristof (1994) defined geopolitics from a somewhat similar perspective.

2.3 THE ROLE OF GEOPOLITICS IN INTERNATIONAL BUSINESS OPERATIONS

A host of geopolitical variables has been playing an important role in conditioning the international business environment. Apart from geographic distance, these variables include the consequences of colonial, Cold War and post Cold War outcomes, regionalisation, the distribution of the global population and the impacts of these on international business operations. Apparently not classified as 'geopolitical', many writers on international business have, nonetheless, mentioned most of these variables in their international business research (e.g. Baerwald, 1996; Chisholm 1977; Dunning 1977, 1979, 1988, 1995, 1998; Dunning & Narula 1996; Mabogunje 1977; Morrison *et al.*, 1991). The particular emphasis of the present discussion will be on the impacts of geopolitical variables as they influence the structure of international investments. Specifically, attention will be given to the influence of geopolitics on the motivation of Australian firms to form international joint ventures in India with Indian partners.

In light of the above discussion, various geopolitical phenomena may be grouped into three different dimensions that may affect international business operations. These are presented in Figure 2.1.

2.3.1 Time Dimension

The international distribution of power among states shifts continually as one historical period gives way to another (Wallerstein, 1980, cited in Dougherty & Pfaltzgraff, 1990). Similarly, the international geopolitical environment has been

changing constantly (Cohen, 1963) affecting international business dynamics. Any specific change in this environment at a particular point of time may influence the operations of international business within, as well as beyond, that time frame. It is important, therefore, for the international business firm to follow such changes and to respond to them effectively and in a timely manner.

Figure 2.1
Geopolitical Variables

I. Time Dimension

Period until the World War II
Cold War Period
Post-Cold War Period

II. Place Dimension

Natural Resources
Geographic Proximity
Regionalism

III. Demographic Dimension

Size of the Population
Supply of Labour
Role of Ethnic and Religious groups

However, there is little comprehensive research investigating the importance of this time dimension within the domain of international business studies. Although there is mention of one or more of these time periods in some studies (Ball & McCulloch, 1993; Buckley & Casson, 1981; Czinkota & Ronkainen, 1990; Dunning, 1995; Garnaut & Drysdale, 1994; Hadjikhani, 1997), their roles in motivating firms to choose a particular mode of international operation, at a particular point of time, has not yet been systematically explored. The following discussion will attempt to unravel the major time frames in a sequential manner that have long been affecting the international business scenario. Figure 2.2 provides a sketch of the various time frames discussed in this section.

Figure 2.2
The Time Dimension

-
- | | |
|------|---|
| I. | Period until the World War II
16 th Century – 1945 |
| II. | Cold War Period
1945-1991 |
| III. | Post-Cold War Period
1991- |
-

Period Until the World War II From the reign of Henry IV of France at the close of the 16th century until the First World War, the political components of power, external to the nation states, mainly comprised of their relationships with colonies and trusts. With the emergence of the Soviet Union and the formation of the British Commonwealth of Nations (at the outset of the decolonisation process), this relationship pattern began to change in terms of structure and objectives that embraced more extensive and varied territories than before (Cohen, 1963). However, the colonies and colonial legacies remained in the helm of such relationships until the end of the Second World War.

In this chapter, the colonial period will broadly be extended up to the 1940s. Despite the existence of a few colonial territories beyond that period, it may be considered insignificant compared to the situation earlier to that. Also, this time frame may broadly be recognised as the pre-World War II period. Within the colonial setting, any international business was primarily performed between the colonial powers and the territories controlled by them. The controlling of resources and the 'resource-import' relationship were the two most important determinants of international business. At that time, business operations outside the colonial relationship were

likely to be very limited. Therefore, most of the international investments were restricted to the colonial territories and were performed primarily to benefit the colonial powers. The economic rationale of the British and Japanese colonial expansions may be seen from this perspective. There were significant levels of British investments in India and Japanese investments in Korea during the colonial rules (Franko, 1976; Petri, 1994). It was difficult at that time to find local partners within those territories to form IJVs.

During that period, there was a notable existence of international investments among the colonial powers and other developed economies, the extent of which used to depend on geographic proximity and political relationships. For example, during the late 19th and early 20th centuries, there had been a considerable number of foreign investments in the US by the Europeans and vice versa (Ball & McCulloch, 1993). It may be argued that the US's earlier colonial experience with a number of European countries might have influenced the establishment of such business relationships. In addition, the physical proximity mattered.

In the inter-war period, the emergence of the (British) Commonwealth of Nations made a major breakthrough in the history of geopolitical relationships among nations. The colonial legacies acted as the most important determinants for its emergence, and this redefined the international economic order. This may be considered as one of the most important steps towards the formation of international cooperative frameworks (not as a mere security bloc). Although politically motivated, this grouping set the foundation for economic relationships among independent countries. During that

period, the need for raw materials, and trading of semi-finished and finished goods dominated the economic aspect of their relationships. To some extent, the Commonwealth was formed with a view to maintain and protect the interests of the previously established British investments in the newly independent countries and to preserve an opportunity for the future British trade and investments.

Cold War Period At the end of the World War II, the United States emerged as a major power with global interests and commitments (Dougherty & Pfaltzgraff, 1990). A clear-cut division between the US-led Western alliance and the Soviet-controlled communist countries started to exist as a new geopolitical landscape. The principal objective of the Western alliance was to contain communism, physically and economically. On the other hand, the Soviets tried to extend their sphere of influence around the world through ideological manoeuvring. This rivalry resulted in huge but wasteful military build-ups by both the blocs. It was a tense situation - a war of nerves.

Popularly known as the 'Cold War', this was a competition between the two blocs to outperform each other and to gain supremacy in terms of military capability and economic performance. Initially, this 'war of nerves' resulted from a myriad of disagreements during a number of wartime conferences among the allied powers regarding the future restoration of the war-torn Europe to a condition conforming to their perceptions of an ideal world (Graebner, 1977). Basically, Soviet concerns about Western supremacy and the US and British interests to safeguard the West from the

threats of communism led to a massive divergence in purpose that gradually disintegrated into the Cold War.

The ideological struggle between the Soviet communism and the Western democracy had enormous impact on the growth and patterns of international business for more than 45 years. Being threatened by the Truman Doctrine and Marshall Plan, the USSR negotiated a number of restrictive trade agreements with the countries of Eastern Europe in 1947. In like manner, the outflow of the US goods and dollars in the form of world trade and investment created an international prosperity and an unprecedented American influence throughout the world (Graebner, 1977). Nonetheless, certain percentages of the Soviet and American aid to their respective allies were used as investment capital in the receiver countries.

The international business dynamics were redefined reflecting this changing scenario. The regional security arrangements were established to contain each other's supremacy. The Western sponsored international trade and investment patterns, instituted during this period, reflected the freedom of decision making by different countries, and participation by both the private and public firms, whereas under the Communist system, such business decisions were primarily determined by the State. Nonetheless, during the Cold War period, international trade, as a whole, gained momentum. By 1990, the volume of international trade in goods and services measured in current dollars had surpassed \$4 trillion (Ball & McCulloch, 1993). In the West, there was a rapid growth of foreign investment during the first twenty years since the end of the World War II (Brooke & Remmers, 1970).

A major development during this period was the significant increase of private investors and the rise of multinational corporations (MNCs). By the 1980s, the annual volume of sales of the 10 largest MNCs was greater than the gross domestic product (GDP) of 87 countries (Dougherty & Pfaltzgraff, 1990). This reflects the extent of across-the-border trade and investments promoted by these multinationals. MNCs also established themselves as powerful international entities capable of influencing government policies in their favour. In addition, through their presence in terms of trade and investments, Western MNCs have become useful instruments of development in the developing world. IJVs, at this stage, became popular among the Western firms as a means of investing in the developing world (Tomlinson, 1970).

However, during the Cold War period, there had been a number of countries that initially tried to uphold neutrality in the world politics. Not being involved in the East-West rivalry, those countries attempted to maintain an equidistant position from both of the super-powers in order to safeguard their interests and self-respect. As early as October 1949, Nehru of India outlined the program of neutrality. He declared the main objectives of that policy as

... the pursuit of peace, not through alignment with any major power or group of powers, but through an independent approach to each controversial or disputed issue (Nehru, cited in Graebner, 1977, p. 81).

The spirit of neutrality was institutionalised under the banner of the 'non-aligned movement' in 1955. A number of countries restrained themselves from formally joining any of the blocs. However, almost each of them had a tilt towards either of the blocs. Many of the so-called non-aligned countries including India did not receive

any special aid package under the Truman Doctrine or Marshall Plan. Nor did they receive any substantial level of Western foreign investments. This positioning adversely affected these countries in relation to their inward foreign investments.

The Cold War also ushered in the era of regionalism. With its roots in the regional security arrangements determined by the Cold War rivals, the concept of economic integration was established through creating regional trade blocs based on the special provisions to enhance intra-regional trade and investments. Regionalism will be elaborated upon later in this chapter.

Post-Cold War Period The international geopolitical scenario experienced a major shift with the collapse of the Soviet Union and the democratisation of Eastern Europe putting an end to the Cold War. This particular event created enormous business opportunities for Western firms to invest in those markets. This geopolitical shift impacted on many developing economies throughout the world. With the end of the Cold War, these developing countries realised the need for more openness of their economies to attract foreign investments. Accordingly, they began to assign greater emphasis to economic liberalisation systematically. India, in this respect, is illustrative. Once a Soviet ally, India began to open its economy after the end of the Cold War.

This new geopolitical order had significant impact on regional groupings. Now, geographic proximity, and the national as well as regional economic and political interests constitute the core of their cooperation instead of any competitive ideological

imperatives (as prevailed during the Cold War). However, in many of these groupings, the Cold War legacies still effect a significant role. Already established regional forums are in many respects reluctant to change their existing structure and to include new members who were not previously included due to their strategic positioning. The European Community's reluctance to include most of the East European countries is illustrative in this respect.

Nevertheless, the present geopolitical state is not a stagnant one. It continues to change. For example, Naisbitt (1995) considers that the present economic, political and cultural trends will lead Asia, in a near future, to become the dominant region of the world. He, thus, indicates another major shift in the international geopolitical order. The rise of Japan as an economic giant, the newly industrialised countries of the South-East Asia, the economic boom in China, and the economic liberalisation in India and Vietnam are some of the recent developments in Asia that may support Naisbitt's views. However, this remains a mere prediction. The changing nature and the volatility of the present geopolitical scenario may even produce a different future - a new time frame.

Overall, the changing geopolitical scenario has impacts on the structure of international business operations. Supporting this proposition, Buckley & Casson (1981) projected that firms will change entry mode over time with changes in market conditions. Also, it may be argued that due to the changing nature of the global geopolitical makeup, many firms would prefer to share the risks and uncertainties of

international venturing through the formation of international joint ventures while investing abroad, rather than 'going it alone'.

2.3.2 Place Dimension

From the geopolitical perspective, relationships among states are influenced by an area's strategic value (Cohen, 1963). This value, however, depends on the importance of an area in terms of its natural resources, size, proximity and future prospects in relation to other countries. For example, Australia's relationship with New Zealand bears more strategic value than its relationship with Sri Lanka. Because of the geographic proximity of Australia to New Zealand, their relationship in terms of each other's political, economic and security interests is more critical than Australia's relationship with many other countries.

In addition, the size of the countries matters. Indonesia, one of the most populous countries in the world, and largest among Australia's neighbours is very important to Australia. In addition to its large population base, Indonesia is rich in natural resources. However, geographically, Australia belongs to the larger Asia-Pacific region. Geographic consideration in terms of proximity, convenience and strategic directions such as long-term prospects and transactions cost factors are vital in explaining this regional setting. Based on the ideas of Sprout & Sprout (1968), Dougherty & Pfaltzgraff (1990, pp. 67-68) has explained the place issue of geopolitics in a comprehensive manner:

...every political community has a geographical base. Each political community is set on a territory that is a unique combination of location, size, shape, climate and natural resources. Thus most transactions among nations entail significant, even crucial, geographical considerations.

Three major aspects of the place dimension - natural resources, the geographic proximity and regionalism are discussed now.

Natural Resources Availability of natural resources is a significant geopolitical variable. The primary thrust of colonial excursions was to search for and exploit these resources. Dunning (1979; 1988; 1998) considers the availability of natural resources as an important location-specific advantage that attracts above-average inward investments. Foreign companies find it convenient to invest in countries with these advantages because it significantly reduces their transactions costs of importing raw materials.

Geographic Proximity Physical distance is generally considered to be one of the major factors that constitutes the core of the geopolitical dimension. It is likely that the geographic proximity enables companies from neighbouring countries to engage in international business activities more frequently than their physically distant counterparts. According to Kaynak & Stevenson (1982), the countries within a close proximity are considered to be psychologically 'near' to each other, facilitating trade and investment among themselves. That is, foreign companies often reach out to do business in another country that falls within a close physical proximity.

For example, the largest and fourth largest trading partners of the US - Canada and Mexico are located on its borders. Many American plants are located on the Mexican side of the common border (Ball & McCulloch, 1993). These business arrangements require relatively lower transactions costs, without facing any major change of socio-

cultural environments. The level of investments by Australian companies in New Zealand are often considered as a mere extension of the Australian firms' domestic operations. Market similarity allows Australian firms to adopt business strategies in New Zealand similar to the strategies they use in their home market. Considering the small size of the New Zealand market, these operations are sometimes short-term and ad-hoc. The Australian firms know that if necessary, it should not be too difficult to retreat from the New Zealand market because their involvement is one of low transactions costs.

Geographic distance has an impact on the ownership structure of the international business operation. A study undertaken by Larimo (1993) explained geographic distance as an expansion barrier for firms willing to operate internationally. Due to the lack of familiarity with the geographically distant market, firms may attempt to reduce the riskiness and uncertainty of such a barrier through the formation of IJVs with a local partner. In addition, learning how to operate in other markets can be enhanced through the support of a local partner.

There are other factors that may influence these business relationships. For example, despite the geographic proximity, in the post World War II Europe, the relationships between the East and the West were primarily determined by ideological strategies. However, following the end of the Cold War, geographic proximity has been reestablished as one of the most important factors in defining the relationship dynamics within that region. According to Donges & Wieners (1994), with the continuing reform process in the Eastern Europe, the pre-socialist geographical and

cultural links are likely to be revived and contribute to a new engagement among the traditional trading partners in the region. In the subsequent paragraphs, the role of geographic distance will be unravelled further while discussing other geopolitical issues such as regionalism.

Regionalism Despite the reality that communication has overcome many of the restrictions formerly dictated by distance (Cohen, 1963), regionalism has gained momentum during recent years. Now, the boundaries of regional entities are larger than before, primarily a result of improved communication and transportation systems. Intra-regional trade and investments are becoming increasingly popular due to preferential trade advantages. For example, more than 95% of the world's recorded foreign direct investment (FDI) flows from countries that are members of the Organisation for Economic Cooperation and Development (OECD), and about three-quarters of this total is invested in other OECD countries (Spero, 1985). Because of the presence of special privileges for the investors from within a regional forum, intra-regional FDIs are also prevalent in the other regional forums, such as the Asia Pacific Economic Cooperation (APEC), European Union (EU) and North American free Trade Agreement (NAFTA) (Graham, 1997). These figures suggest that regionalism encourages foreign investments within the region, and that the firms are less inclined to invest in a country in a different region, *ceteris paribus*.

Present day regionalism has its roots in the Cold War period which started with the formation of regional security blocs prompted by the super-power rivalry. Since the end of the Cold War, the US, no longer concerned with the geostrategic alignments,

has been insisting on more favourable trading and investment relations, creating special post-Cold War tensions (Falk, 1995). This is a turning point in the regional and bloc approaches that has ushered in the new geopolitics of inter-regional relationships (Huntington, 1993). From the business perspectives, growing regionalism may be explained as a response to the possible adverse impacts of increasingly volatile global market forces. Because of the presence of preferential trade and investment agreements among the countries within a regional grouping, the regional firms tend to avoid direct competition from their rivals outside the region. Falk (1995, p. 3) defined it as a process of "... containing negative globalism".

2.3.3 Demographic Dimension

Cohen (1963) described population as a geopolitical variable. He considered its various characteristics, particularly qualitative and ideological, as the major demographic factors that influence the geopolitical milieu. According to Baerwald (1996), the population characteristics of a place is important because the skills, educational qualifications, productivity and the cost of labour play a role in determining how a place fits into global business environment. The ethnic and religious features of a population may affect the bilateral or international relationships of a country. The Tamil movement in Sri Lanka or the Jammu and Kashmir disputes in India may be explained from this perspective. Also, the size of a population matters. These demographic factors have been contributing substantially to the motivation for opting for a particular mode of international business operation. Discussions on these issues follow.

Size of the Population The size of a population may be considered an important motivator for international business growth. With a population of around 18 million persons, Australian businesses have limited scope to grow domestically and this motivates many Australian firms to invest overseas (Edwards & Buckley, 1996). It may affect inward investments as well. The small population base of New Zealand (about 3.5 million) has been shown as the primary reason for the limited long-term business growth and decreasing Japanese investments in New Zealand (Task Force on Japanese Direct Investment in New Zealand, 1991). On the other hand, the huge population base in India is a motivator for foreign investors to invest there on a long-term basis (Geissbauer & Siemsen, 1996; Jacob, 1992; Vicziany, 1993).

Supply of labour Supply of labour is another demographic variable closely related to the population size. It is perceivable that a larger population will produce a larger supply of labour, that in turn, will create a competitive labour market and low labour costs. According to Dunning (1979), countries with low labour costs are regarded as attractive locations for foreign investors. However, labour productivity is also important to consider. In 1871, Ricardo (cited in Meier, 1998) identified labour productivity and wage rate as two determinants of a country's comparative advantage. Technologically developed countries have a pool of labour more productive than those of the developing countries, whereas, the labour force in the developed countries tend to be more expensive than those in the developing countries (Fatehi, 1996). The human development index (HDI) developed by the United Nations provides an insight of the quality of life across the nations of the world. Based on indicators, such as literacy rates, the number of people per doctor, infant mortality rates, life expectancy,

calorie (food) consumption per capita, car ownership per 1000 people, and education spending as a percentage of GDP, HDI also reflects the quality of labour in a particular country (Hill, 1997).

In this context, it may be argued that because of the availability of cheaper labour in India, Australian companies may consider India as an attractive investment destination. Also, India has a big pool of technologically skilled people (Jacob, 1992). However, low productivity of the Indian labour forces is always a concern for the foreign investors (East Asia Analytical Unit, 1994). In 1994, India had an HDI of only 31 which was much lower compared to Japan (98), Mexico (81), Malaysia (79), China (57) and Indonesia (51) reflecting the poor quality of its labour force (Hill, 1997).

Role of Ethnic and Religious Groups This is another demographic factor that may affect the international business environment. The conflicts between Serbs, Croats and Muslims in Bosnia-Harcegovina epitomises the effects of ethnic and religious conflicts on a national economy as well as the risks associated with international business ventures in such an economy. From some 180 nations in the international system, only a small number are ethnically homogeneous. A recent survey conducted by the Minorities at Risk Project (cited in Carment, 1994) indicates that the ethnic groups are currently involved in over 80 protracted conflicts throughout the world. Ethnic conflicts in a particular area may embitter the relationships between the countries supporting or opposing the ethnic causes. A classic example is the rivalry

between Greece and Turkey over the ethnic conflicts in Cyprus with consequent adverse effects on the business relationships between Greece and Turkey.

However, the ethnic population may also have positive effects on a country's relationships with others. It may help build business relationships among nations. The ethnic Chinese population in the US and the South East Asia are the major sources of inward foreign investments to China. A considerable share of foreign investments in India comes from non-resident Indians (Barnathan, 1995). The formal and informal contacts of the overseas Indians and Chinese immigrants with their countries of origin constitute the foundation of this business relationship. The cultural bondage is a major bedrock of this relationship pattern.

2.4 THE ROLE OF GEOPOLITICS IN INDO-AUSTRALIAN BUSINESS RELATIONS: A HISTORICAL PERSPECTIVE

Geopolitics has been playing an important role in moulding India's international business relations for a long time. Geopolitics has constituted the core of the relationship between Australia and India (As-Saber *et al.*, 1996b). Gordon (S, 1993, p. 3) described the dynamics of the relationship between these two countries as "... an accident of geopolitics and history". An historical perspective on the geopolitical realities encountered by India may be divided into three major phases: the colonial period under the British raj, characterised by the alignment of both India and Australia with their colonial master; the Cold War (post-colonial) era, influenced by the super-power rivalry and their thrusts for security in the Asia-Pacific region; and the post-

Cold War period, marked by the sway of market forces and the evolution of economic rationalism in the domain of international business relations.

Colonial Period India was under British colonial rule for about two hundred years until it became independent in 1947. As a British colony, most of India's foreign trade and investments were guided by British interests. In essence, India's commercial links were primarily maintained with its colonial master, its allies and other sister colonies. India's business links with British Commonwealth member, Australia, can be traced to 1801, when Australia's first commercial export anywhere was a shipment of coal to India (Gurry, 1993). Since then, a consistent trade relationship had been maintained between these two economies, yet, there was no evidence of any foreign investment flow from either of these nations towards each other's market during the British India period. However, throughout the period, both countries developed the common heritage of a business, legal and institutional setting through the British colonial experience (East Asia Analytical Unit, 1994). Also, at that time, the future potential of the Indo-Australia relationship was identified. In 1893, Alfred Deakin, before he became Prime Minister of Australia, asserted that:

...the future relations of India and Australia possess immeasurable potencies. Their geographical proximity cannot but exercise a very real and reciprocal influence upon forces of national life in each (cited in Australian Senate Standing Committee on Foreign Affairs and Trade, 1990, p. 10).

Cold War Era Preceded by the termination of the second World War, the gaining of independence in 1947 is a turning point for India's relationships with the rest of the world. Subsequently, India experienced the rise of communism in China in its

neighbourhood within two years of its independence. Coupled with the inter-war development in Eastern Europe and the Korean war [1950], the world was partitioned into two blocs: Western liberal economies on the one hand, and the communist countries on the other. The rivalry between these two blocs, popularly known as the 'Cold War', began influencing the foreign economic relations of both India and Australia.

Initially, in India, the Congress Party and its leader Jawharlal Nehru took up a pro-socialism stand. Immediately after the independence of India in August 1947, Nehru and the ruling Congress Party decided that the State, not the private sector, would play the decisive role in the production and distribution of material goods. Later, this message was reflected in the constitution in the form of Directive Principles of State Policy (Thakur, 1993). However, India did not formally join any of the political groupings of nations patronised by the two super-powers, viz., the US and the Soviet Union. Rather, India opted for the policy of non-alignment with 'a Soviet tilt'.

There were a number of reasons which contributed to this tilt. Since the independence of India, Pakistan had been the greatest enemy of India. India fought two major wars with Pakistan in 1965 and 1971. Moreover, Pakistan joined the Western alliance, which made it difficult for India to maintain a non-aligned policy. At the same time, India's relations with the communist China were facing substantial setback. India fought a major war against China in 1962. This situation forced India to opt for a 'decided tilt' to Moscow. The signing of the Treaty of Peace, Friendship and Co-

operation between India and the Soviet Union in 1971 confirmed this position (Gordon, S., 1993).

Australia was fully committed to the Western alliance under the leadership of the United States. Australia maintains close links with the United States through the ANZUS alliance and by hosting important US facilities (Gordon, S., 1993). Australia has viewed India as a country not committed to the cause of anti-communism. This perceptual difference has contributed to a lack of enthusiasm on Australia's part for any sort of expanded relationship with India. According to Grant (1982), a former Australian High Commissioner to India, Australian responses were determined not by international politics, but by 'loyalty' to the West. From India's viewpoint, Australia was seen as "...little more than a satellite of the United Kingdom and the United States" (Australian Senate Standing Committee of Foreign Affairs and Trade, 1990, p. 11).

In spite of this difference, both countries continued to maintain a trade relationship, but at a moderate level. There have been a number of important advances in the India-Australia trade relations since the early 1970s. A bilateral trade agreement was signed in 1976. Within this agreement, a Joint Trade Committee was established that, theoretically, meets annually to discuss bilateral trade developments (Australian Department of Foreign Affairs and Trade 1995). However, this trade relationship has not been frictionless. Australia's preoccupation with the global balance-of power has led Australian policy makers to consider the Indian Ocean only in global strategic

terms. Accordingly, priority was given to developing relations with China. In the mid 1970s, Australia's China policy was driven by the consideration that China's positioning as a suitable Western ally due to its anti-Soviet attitude should be wooed accordingly (Gurry, 1993). Pakistan was also considered as a strategically more acceptable partner in the wake of the Soviet invasion of Afghanistan in 1979.

However, Prime Minister Hawke's visit to India in 1989 was a turning point in the bilateral relationship between India and Australia. Moreover, bilateral trade increased substantially from a level of less than A\$100 million in 1963-64 to more than A\$800 million in 1990-91 (Gordon, S., 1993). At this point, however, the relationship experienced a crisis with the sale of fifty Mirage jets by Australia to Pakistan in May 1990 (*Aircraft and Aerospace*, 1990). India protested the sale, as the deal was directly against the policy thrust of improving their bilateral relationship with Australia (Gordon, S., 1993). Despite this temporary setback, during the last decade of the Cold War period, Australian investment in India registered some progress.

The abolition of exchange controls in Australia in December 1983 contributed significantly to this development. It is to be noted here that Australian investment abroad was of minor importance prior to this regulatory change. Since then, it has become a major feature of the development of the Australian economy (Garnaut, 1990). With the easing of the Indo-US relationship and the decline of the tension between the super-powers, Australian companies began investing in India more actively, raising the value of Australian investment in India significantly over the

period to date since 1985 (Vicziány, 1993). However, the operating mode Australian companies prefer in India still reflects their caution in doing business in India. During 1985-90, most Australian investments in India have been of a collaborative nature, with a significant proportion being IJVs. For example, the number of Indo-Australian collaborations was just 50 during the period 1985-90 of which around 30% were IJVs (derived from Vicziány, 1993). The balance were mostly technical collaborations which are a more conservative mode of foreign investment based on the transfer of technological know-how only.

Post Cold War Period The breakdown of communism in Eastern Europe and the demise of the Soviet Union has dramatically changed the international strategic order. It put an end to the Cold War era. India responded to this change immediately. Garnaut & Drysdale (1994) consider that India's new international orientation from the early 1990s was partly a response to the geopolitical realignment associated with the collapse of the Soviet Union and the end of the Cold War. This transformation has redefined India's strategic position in the global, as well as the regional context. Pakistan has lost its importance as the local regional protector of Western interests and India, with its enormous market potential, has moved toward the West with Western governments and firms ever vigilant for extended markets.

Recently democratised East European nations, including Russia, have become rivals with India in attracting Western technology and capital. However, India has attracted special attention from the US in order to counter-balance the supremacy of China in

the region. There are reasons behind the change of US attitude. Strategically, India holds a superior position compared to other South Asian countries, including Pakistan. India ranks above its South Asian neighbours both in terms of economic strength and military power (Gordon, S., 1993; Gordon, A., 1993; Australian Senate Standing Committee on Foreign Affairs and Trade 1990). The repositioning of the Indo-West relationship has improved the Australian relationship with India. Simultaneously, the cloud of mutual suspicion has disappeared. In addition, the ongoing economic liberalisation initiated by the Rao Government has ushered in a more favourable investment climate for foreign companies. Nonetheless, Australian companies, like their Western counterparts, have not considered the business environment in India adequately supportive of foreign investment. This has been reflected in the recent trend toward the reliance on IJVs by many Australian investors as a preferred *modus operandi* to service the Indian market (Hook 1995).

The colonial and the Cold War legacies and the stereotypes about India in Australia can be advanced as two important reasons for the evolution and continuation of such a trend. Although geographically India and Australia both are Indian Ocean littoral countries, the Australian focus is often directed at its southeast and the northeast Asian neighbours. This observation has been supported by Vicziany & McPherson (1994) following the publication of an Australian Government sponsored report on Northeast Asia entitled, *Australia and the Northeast Asian Ascendancy*. Australia also has its traditional relationship with Europe and North America (Australian Department of Foreign Affairs and Trade 1994). It maintains close economic relationships with the West through the OECD and it has similar relationships with

the Asia-Pacific countries through the APEC. India is not included in any of the major economic/security forums in which Australia participates. In spite of its geographical proximity to Australia, India has not been successful in attracting the attention of the Australian government, nor the Australian business community, until recently.

Essentially, during the Cold War, India's long isolation from the West and its allies has created a stereotype about the difficult investment environment in India. Also, despite the economy having been liberalised substantially since 1991, sentiments unfavourable to outsiders and foreign investment still prevail in India as a residual effect of the colonial as well as Cold War legacies. Such a scenario has made potential Australian investors extremely cautious and this has resulted in the selection of IJVs as their preferred investment mode in India, as a mechanism to diffuse this riskiness. IJVs with Indian partners enable foreign investors an opportunity to accommodate such country-specific risks through the collaboration of their local partners. According to Thompson & Strickland (1990, p. 168), formation of IJVs with local partners is sometimes "... the only or best way to surmount nationalistic political interests and cultural roadblocks".

2.5 REGIONAL ARRANGEMENTS AND THEIR IMPACTS

Australia and India are members of wider regional communities. These communities primarily serve the interests of their respective regional constituencies. Australia enjoys the benefits of being an active member of the Asia Pacific Economic

Cooperation group (APEC), the Organisation for Economic Cooperation and Development (OECD) and benefits from cooperative arrangements with New Zealand and the US (ANZUS). Australia has also a closer economic relations (CER) trade agreement with New Zealand. India, on the other hand is a member of the South Asian Association for the Regional Cooperation (SAARC) and a dialogue member of the Association of Southeast Asian Nations (ASEAN). India is not a member of APEC, OECD or ANZUS. At the same time, Australia does not belong to SAARC. Another forum, the Asia-Europe Meeting (ASEM) has recently emerged with its first meeting held in Bangkok in March 1996. However, both Australia and India were excluded from this forum.

The regional interests of these two countries are often disparate, although India is showing keen interests in joining with APEC. This interest was reflected in a recent comment by the Indian High Commissioner in Australia, in which he mentioned that the possible preferential trade agreements among the APEC member states will exclude and isolate India which will adversely affect India's interests (Parthasarathy 1995). He also warned that as a consequence, India may join APEC's potential rival, the East Asian Economic Caucus (EAEC) promoted by Prime Minister Mahathir of Malaysia (Barker, 1995).

However, recently, an Indian Ocean trade group has been formed including both Australia and India with its first meeting in Mauritius in September, 1996 (Dwyer, 1996). This group, identified as the Indian Ocean Rim Association for Regional

Cooperation (IOR-ARC), is still in its infancy (*Australia-India Focus*, 1998). The relationship of this group with SAARC, APEC and ASEAN is not clearly defined. Most of the ASEAN, APEC and SAARC members are not included in this trading bloc. It has been argued that the political tensions among South Asian countries may cause ongoing problems for any move to use the IOR-ARC to formalise trading relations in the Indian Ocean rim (Dwyer, 1996). Nevertheless, the formation of this group will usher in a new dimension in the Indo-Australian economic relationship which is likely to affect future investment patterns between them, and it is difficult at this stage to evaluate the prospects of success for this forum.

It is apparent that regional cooperation allows the participating countries to enjoy some benefits in terms of region-wide lower tariffs or extended incentives such as taxation holidays for foreign investments within that region. Such arrangements boost the investors' participation in a foreign country. The absence of any effective regional arrangements with a common membership of Australia and India is an inhibitive factor for Australian investments in India. In this circumstance, it is likely that Australian companies will be more inclined to invest within the regional economies in which Australia holds regional group membership. This may be evidenced from the Australian foreign investment figures. For example, in 1994, Australian investment in India was only US\$118 million which was small in relation to the Australian investment in any of the APEC countries (ABS, 1995).

In an interview with *Business India*, Button, a former industry and trade minister from Australia, pointed out that Australian firms are already committing 60% of their

overseas business to the Asian region, whereas Australian investment in India is not even a minuscule percentage of that amount (cited in Rajshekar & Raman 1994). Outside of these regional priorities, Australian investors appear cautious toward extensive and deepening involvement. In the Indian context, this caution is reflected in Australian investors choosing to form IJVs with Indian partners. IJVs allow these investors to service a perceived difficult market like India without committing themselves entirely, through sharing the inherent risks and uncertainty.

2.6 ROLE OF NON-RESIDENT INDIANS

Non-resident Indians (NRIs) play an important role in investing in the Indian market. In terms of actual foreign investment flows to India, the NRIs were the largest investors in the year 1994, followed by the UK and the US (Australian Department of Foreign Affairs and Trade, 1995). They also act as catalysts for foreign investment. Currently, the NRIs from around the world account for an estimated total income of around US\$340 billion (Barnathan, 1995). The presence of a strong group of NRIs in a foreign country may help to augment the bilateral relations between India and their country of residence. The potential of the NRI network for investment in India is more or less similar to the overseas Chinese investment trend in China.

In a recent interview, the author of *Megatrends 2000*, John Naisbitt mentioned that China's long-term potential is not simply as a nation state. According to Naisbitt, the Chinese potential rests with the overseas Chinese network which accounts for 80% of all foreign investment in China (Pickett, 1996). The NRIs, at present, have a strong

presence in the US, UK, Persian Gulf countries, South Africa and Singapore (Barnathan, 1995). It is revealed from the foreign investment figures that these investors are the leading foreign investors in India along with the NRIs (Australian Department of Foreign Affairs and Trade, 1995).

Within the Australian domestic context, the Indian community is not as involved as they are in other Western economies. For example, in the US, Indians are now one of the most successful minority groups involved in business and other social and economic activities (Clad, 1990). Indians in Australia are overshadowed by far more numerous Chinese, Vietnamese and Philippino communities (Gordon, S., 1993). Like the overseas Chinese, Indian migrants, by nature, are inclined to maintain their links with their motherland. The experience from North America and the UK suggests that the maintenance of these linkages has resulted in a higher level of bilateral activity in trade, investment and in every area of human endeavour (Gordon, S., 1993).

In Australia, Indian migration is growing but at a slow rate (Garnaut, 1990; Gordon, S., 1993). Hence, from a global perspective, the North American and other Western countries, and countries such as Singapore are in a more advantageous position than is Australia as they are utilising the NRI connections to invest in India. Nonetheless, Australian companies, scanning investment prospects in India, still require prospective Indian partners to overcome Indian country-specific difficulties if they are to extend their investment interests into India.

2.7 RISE OF THE “HINDUTVA” AND “NEO-SWADESHI” MOVEMENTS

The recent rise of the Hindu religious fundamentalism, *Hindutva*, and the revival of the *Neo-Swadeshi* or indigenisation movement has adversely affected the investment climate in India contributing to the slow growth of foreign investment. According to Thakur (1995), foreign investment in India is well below the levels flowing into other emerging national markets. In addition, these movements are likely to influence the mode of foreign investment in India. Geopolitical realities have an intrinsic impact on the evolution of this recently emerged dimension.

The *Swadeshi* movement was originally launched by Gandhi during the independence movement of India in the 1930s which called for non-cooperation with the British India Government and rejection of British goods. The advocates of the *Neo-Swadeshi* movement are spreading a similar message of rejecting foreign consumer goods (*The Economist*, 24 June, 1995, pp. 29-30). The rise of Hindu nationalism, as reflected in the *Hindutva*, has its roots both in the past and the present. The extent of intolerance of Hindu nationalism can be understood from the assassination of Gandhi by a Hindu fanatic due to his policies of non-violence and peaceful coexistence of Hindus and Muslims (Grant 1982).

In essence, the end of the British colonial rule signified the establishment of two different countries in the sub-continent, on the basis of religion (Hindu India and Islamic Pakistan). Although, at independence, secularism was adopted as one of the State principles in the constitution of India, the Indian Hindus who constitute more than 80% of the population, have been favoured *vis-à-vis* the rest of the population

(Rajshekar, 1994). At the same time, a large proportion of the Hindu population is antagonistic to the Muslims and other minority groups.

The geopolitical rationale of this behavioural pattern may be attributed to a number of past events. India was ruled by the Muslims from Central Asia for hundreds of years, and then followed by the British (Taylor, 1991). Both of these periods were characterised by widespread humiliation of the Hindus and their mass conversion to Muslim and Christian religions. Moreover, the strained relationship between Hindu India and Muslim Pakistan has had an effect on the Hindu nationalistic revival. Pakistan's support for the Muslim militants in Kashmir remains another factor complicating these relationships (*The Economist*, 19 August, 1995, pp. 25-26).

In addition, during all of the major crises between India and Pakistan (including the wars of 1965 and 1971), the Organisation of Islamic Countries (OIC), including the oil-rich Muslim countries of the gulf, supported the Pakistani positions. Alexander Gordon (1993) termed it the 'Pakistan-Gulf nexus'. The alleged illegal migration of Muslims from Bangladesh is also a subject of irritation between India and its Islamic neighbour, Bangladesh (*The Economist*, 19 August, 1995, p. 25). All of these issues have assisted in India's stated principle of secularism which has been diluted into the emergence of Hindu nationalistic ideals. Since the 1980s, this particular sentiment has been capitalised upon by the Bharatiya Janata Party (BJP).

Since then, the BJP had been considered as the only credible alternative as a national government (Desai, 1994). Recently, in March, 1998, they came to power in the central government jointly with *Shiv Shena* (Soldiers of *Shiva*, a Hindu God) and other minor parties committed to *Hindutva*. The BJP is a right wing nationalistic party. Previously, they formed a minority central government in 1996 which did not survive. They possess a sense of grievance against Muslims and other non-Muslim groups like the Anglicised upper middle class - the class of the Nehru family - which has long dominated the civil service and the politics of India (Mendelsohn 1991).

Together with the *Neo-Swadeshi* slogans, the BJP have been espousing the *Hindutva* as a political force able to capture the Hindu majority of India. The BJP are describing Hinduism as a *swadeshi* (home-grown) religion, while most of the other major religions are imported ones. Along with the *Swadeshi Jagran Manch* (SJM, Swadeshi Revival Forum) and *Rastriya Swayamsevak Sangh* (RSS, National Self-reliance Party), the BJP shares the view that local investors should be given priority over foreign investors. SJM and RSS have the reputation of being the parties consisting of Hindu extremist elements.

These parties have adopted the strategy of targeting multinationals in the sensitive consumer goods industries. According to the BJP, the consumer goods sectors should not be opened to foreign investments (*The Hindu*, 20 November, 1993; Patnaik, 1998). In maintaining this position, the BJP and its allies have been seeking to draw the attention of the Indian consumers to the scepticism about foreign goods that

derived from the *Swadeshi* movement during the long anti-British campaign. Also, the *Neo-Swadeshi* movement has its roots in the Cold War. As a close ally of the then Soviet Union, an anti-West sentiment had been developed and nurtured within a vast majority of the Indian people (*The Economist*, 12 August, 1995, pp. 25-26).

The Cold War relations between the West and India's arch rival, Pakistan are also vital in explaining this trend. It has been observed that many well-known Western consumer goods brands including McDonalds, Coca Cola, Pepsi, and KFC are facing problems from the proponents of the *Neo-Swadeshi* movement (As-Saber, Dowling and Liesch, 1996). However, the *Neo-Swadeshi* risk may be minimised substantially through the formation of IJVs with the Indian partners. The recent controversy of the BJP led Maharashtra Government with the American company Enron exemplifies such an observation. The newly elected State government of Maharashtra cancelled the biggest ever foreign investment in India, to be built and run by Enron, an American company. This cancellation was based on a number of unproven charges. Later, the project was revived after a number of conditions were imposed, one of which required Enron to operate as a joint venture with an Indian partner (*The Economic Times*, 1996; *The Hindustan Times*, 1996). It could be argued that Enron might not have encountered such problems if it had chosen an Indian partner initially. In similar power generation projects, IJVs entered into by Siemens, GEC, AES Transport and Rolls-Royce with their Indian partners survived without facing the problems experienced by Enron (*The Economist*, 29 July, 1995, p. 52; 12 August, 1995, pp. 25-26).

Hence, it might also be argued that the political uncertainty due to the rise of Hindu chauvinism and the *Neo-Swadeshi* movement is another major impediment to foreign investment in India. Whenever the law and order situation breaks down due to the rivalry between Hindus and Muslims, the country's two major religious populations, this impacts on the Indian investment climate. More than 60,000 people have reputedly been killed in communal violence since independence (Taylor, 1991). However, risks such as these may be minimised substantially through the formation of IJVs with a local partner. The local knowledge and familiarity of a partner firm may help overcome problems related to such religious and nationalistic intricacies. Mr. Jay Dubashi, a senior economic advisor of the BJP, emphasises that cooperation from the local people is the most important precondition for the successful operation of foreign investments in India (McDonald, 1995). The choice of IJVs by the Australian companies operating in India is, at least in part, a response to the activities of these local movements.

2.8 CHAPTER SUMMARY

Despite significant changes in the bilateral business environment between India and Australia at the end of the Cold War and the subsequent liberalisation of the Indian economy, Australian companies have not significantly increased their investment in India. The Cold War legacy, along with the participation of India and Australia in different regional organisations with diverse interests, has made it difficult to advance the relationship in favour of increased business arrangements. Moreover, the small numbers of NRIs in Australia has not enhanced the possibility of their performing a

catalytic role of increasing the confidence of Australian investors in India. In addition, the rise of the *Hindutva* and the revival of the *Neo-Swadeshi* movement are concerns for Australian companies seeking to advance their interests in India. In response, the formation of IJVs with local Indian partners has been determined by many Australian companies as a preferred mode of business enterprise to service the Indian market.

CHAPTER III

THE IMPACT OF OTHER ENVIRONMENTAL VARIABLES ON THE FORMATION OF IJVs

Anybody can make a mistake with a gift. Letitia Balridge, who was social secretary to President Kennedy and assistant to ambassadors in Paris and Rome, once delivered six dozen signed photographs of the Kennedys to the U.S. embassy in New Delhi, all beautifully framed in dark blue cowhide and stamped with the presidential seal. They were to be presented to the officials all over India during the Kennedys' official visit to Prime Minister Nehru in 1962. But the gifts were totally unacceptable. Hindu officials would have been aghast to receive anything made with the hides of cows (which are sacred in India). Within forty hours, silver frames were substituted (Copeland & Griggs, 1986, p. 169).

3.1 INTRODUCTION

Apart from geopolitical variables, there are various other environmental variables that may affect international business operations (Czinkota & Ronkainen, 1990). A number of these variables are considered to have the potential to contribute to a firm's motivation to form IJVs. These include, the economic conditions, cultural setting, legal structure, political situation, availability of market information and human resource management practices in the host-country.

As some of these factors, such as the cultural and political variables seem to be overlapping with the geopolitical variables, it appears to be appropriate to focus separately on the bunch of literature that already exist within the domains of culture and politics. When these two variables (culture and politics) are dealt with independent of their geographic connotations, it may not affect business in the same

Figure 3.1
Other Environmental Variables

I.	Economic conditions Inflation and Exchange Rate Fluctuations Transactions Costs Minimisation Market Competition Uncertain Demand Condition Market Access
II.	Cultural setting Cultural Distance and Unfamiliarity Dealing with Corruption and Bureaucratic Culture
III.	Legal structure Import Duties and Tariffs Taxation Laws Foreign Investment Policies Public Sector Monopoly of the Insurance Industry Intellectual Property Rights Automatic Approval Procedures Changing Regulatory Environment
IV.	Political situation Frequent Change of Governments Ongoing Separatist Movements Ongoing Religious Rivalry Protests from the Environmentalists
V.	Lack of market information Lack of necessary market information
VI.	Human resource management practices in the host-country Low Labour Productivity Lack of Consistent Exit Policy 'Militant and Obstructionist' Nature of the Indian Labour Force Lack of High Quality Local Staff

way as geopolitics does. With this view in mind, these factors are also incorporated in this chapter.

In general, various environmental variables have considerable impacts on the local business environment that, in turn, may influence the foreign firm's *modus operandi* in that market. Various environmental variables are presented in Figure 3.1. This chapter will focus on the impact of these variables in motivating the Australian firms to joint venture while investing in India.

3.2 ECONOMIC FACTORS

The economic environment of the host country is critical for a company's international market entry choice (Ball & McCulloch, Jr, 1993; Dunning, 1986; Hill, *et al.*, 1990; Kim, 1993). According to Dunning (1986, p. 2), "... the level and pattern of international production, like trade, both influences and is influenced by country specific development strategies". This implies that the economic policy of a country is a key to create a congenial atmosphere for foreign investment. Any change in government policy thus affects not only the role of inward and outward investment, but changes the character and composition of such investment (Balassa, 1979). India used to maintain a set of 'highly interventionist' and 'inward-looking' policies (Lall, 1985). It has been liberalising its economy since 1991 which has increased inward foreign investment substantially. However, factors such as the presence of a very large poor segment of the population, higher inflation rate along with a relatively high rate of interest are still concerns for foreign investors. Also the extent of local competition as well as the already established foreign companies must be taken in account in foreign investment decisions.

Major economic variables influencing foreign investments include the level of inflation and exchange rate fluctuations, transactions costs minimisation, market competition, uncertain demand conditions and market access.

3.2.1 Inflation and Exchange Rate Fluctuations

India's inflation rate has been rising during the last few years. It remained above 11% for most of 1994 and early 1995 (Mohan 1996; *The Economist*, 25 March, 1995, pp.

32-33). The inflation rates in the two previous years, 1992 and 1993 were 9.6% and 7.6% respectively (*Asian Business Review*, June, 1995, pp. 22-24). Although it dropped to around 6% in January 1996, the inflation rate in India refers only to wholesale and not to retail prices. Consumer price inflation continues at a double digit level. It has been argued that the current level of inflation has been artificially suppressed and therefore, is not sustainable. To demonstrate a low inflation rate, several administered prices have not been raised. Among these, the petroleum product prices have not been revised for the last two years even though the rupee has been devaluated by 15%. Similarly, this has been the case for the pricing of a number of consumer items, including foodgrains, sugar and railway freight charges. It has been argued that once these are taken into account, there is not much scope for complacency about the inflationary situation (Mohan, 1996; Roy *et al.*, 1996; *The Economist*, 25 March, 1995, pp. 32-33). Despite recent efforts by the Indian government, inflation remains as a problem (Aiyar, 1997). This inflationary situation along with a continuous devaluation of the Indian Rupee tends to put pressure on interest rates. Since the Indian currency, rupee (Rs.), was floated in 1993, it has continually been losing value against the US dollar (Rekhi, 1997).

As of April, 1996, India had a short term interest rate of about 13% (*The Economist*, 6 April, 1996, p. 118). According to a survey of 267 Indian companies, growth of interest costs during the first half of 1996-97 was as high as 40% above the previous year (Jain, 1997). The World Bank (1997) considers high interest rates as an indication of stress on domestic resources. According to many, reflecting the risk, interest rates for Indian ventures have risen (Hirsh & Majumdar, 1995; *The*

Economist, 6 April, 1996, p. 118). Formation of IJVs may reduce the level of borrowing requirements by the foreign companies from Indian financial institutions. Such borrowing can be perceived to be risky with the existing high rate of interest.

3.2.2 Transactions Costs Minimisation

According to Hennart (1991) and Williamson (1994), transactions costs is an important factor that affects the governance of any contractual relationships such as an IJV. In general, every international business operation involves transactions costs. IJVs may substantially minimise environmental-specific transactions costs through sharing them between partners. According to Root (1990), transactions costs include, but are not limited to, the costs of physical transfer and costs associated with government regulation of international trade. Generally, physical transfer costs are transportation costs for raw materials, machineries and industrial parts. Costs associated with government regulations are tariffs, import duties and quotas. Also, the bureaucratic costs and the cost to overcome cultural barriers should be included as transactions costs.

Following Dunning (1988), these costs may result from two types of structural market failures, (a) natural which include transportation costs; and (b) artificial which include import controls. The firm is said to economise on transactions costs once it internalises transactions (Koenig & Thiétart, 1990). However, the process of internalisation itself may involve substantial levels of costs. Dunning (1995) suggests that internalisation costs may be lower with cooperative modes, such as joint ventures, than with either independent or integrated modes. This is particularly critical for

medium and small firms operating internationally. Australian firms, in this respect, tend to be smaller than the average Western firms, such as those from the US and the UK (Dunning, 1979). It is difficult for these firms to incur the huge capital requirements to internalise transactions costs substantially. Sharing these costs with the local IJV partners is likely to minimise such costs. However, Dunning & Pearce (1985) argue that the level of internalisation will be higher for the firms with more international experience and capacity. According to these authors, the more multinational a firm becomes, the more it is inclined to engage in internalised trade.

For Australian companies investing in India, the costs of internalising environmental-specific transactions costs are substantial. Transportation costs from Australia to India are considerable. In addition, tariffs, import duties and quotas are still high despite the presence of an ongoing economic liberalisation in India (As-Saber *et al.*, 1996a). These can be minimised substantially through incorporating an Indian partner for investing in India. This may offer access to the local partner's resources, reducing the need to transport production materials as an example. In addition, through these arrangements the foreign firms may share other transactions costs with the local partner.

3.2.3 Market Competition

Another macroeconomic variable is the extent of competitive forces in the Indian market. It is difficult for a foreign company to earn above-average profits in a volatile competitive market (Ball & McCulloch, 1993). Since the beginning of the reform process in 1991, foreign investments in India have been increasing at an accelerating

pace (*Asian Business Review*, June, 1995, pp. 22-24). Foreign as well as local investors have been jockeying hard to survive amidst an intense competitive atmosphere.

Many of the Indian companies such as Tata have been facing serious challenges from both foreign and local competitors (*The Economist*, 9 April, 1994, pp. 76-78). For foreign companies, formation of IJVs with a local partner represents an effective way of coping with such competitive challenges (Perlmutter & Heenan, 1986). It may also be considered as a way for a company to switch an adversary to an ally and therefore "... avoid predator and/or wasteful competition within a new market" (Hitt, *et al.*, 1995, p. 152). The host firm's knowledge of the local competitive conditions and the synergy created by the pooling of both partners' resources and capabilities enable the entity to compete more effectively.

3.2.4 Uncertain Demand Conditions

Consumer demand conditions are another vital economic issue. Although India has a large middle class, the disposable income level of this emerging class is still quite low compared with the more developed countries in the Asia-Pacific region (*Asian Business Review*, June, 1995, pp. 22-24). In 1995, the Indian GDP per capita was US\$370 (*Asia & Pacific Review*, 1997). India has a very large poor segment. About 80% of its total population falls into the low or lower middle income group (East Asia Analytical Unit, 1994, p. 32). The number of jobless people, officially estimated at 30 million (which is widely regarded as substantially underestimated) is as high as that of

the whole OECD (East Asia Analytical Unit, 1994, p. 32; *The Economist*, 9 April, 1994, pp. 76-78).

According to a recent business survey, India's GDP per head at purchasing power parity (PPP), is significantly lower. The survey found that India's GDP at PPP was lower than countries such as Sri Lanka, Pakistan, Bangladesh and the Philippines (*The Economist*, 9 March, 1996, pp. 1-34). These findings point to a high level of market demand uncertainty in India. Research has shown that IJVs are often used to reduce such demand uncertainty (Burgers *et al.*, 1993). Foreign companies, along with the local IJV partners may try to influence market demand through improving product quality, or creating products which are more market-oriented, in addition to employing intensive advertising campaigns. Howarth *et al.* (1995) considers that such alliances help to increase response to consumer demands.

3.2.5 Market Access

Another element of competitive dynamics is the timing of entering a foreign market. In the global economy, speed in entering an emerging market like India is critical to a firm's efforts to establish a sustainable competitive advantage and superior profits (Hitt, *et al.*, 1995). Beamish, *et al.* (1994, p. 126) defined these emerging economies as the "... markets of the future". They considered IJVs as a way to establish an early market position in these "...attractive" markets (Beamish, *et al.*, 1994, p. 126). IJVs may provide immediate availability of specialised skills, technology and organisational structure to access an unfamiliar overseas market like India (Anderson, 1995; Lewis, 1991).

PepsiCo's entry into the Indian market in 1990 with a local partner substantiates this argument. However, the experience of PepsiCo indicates that gaining market share in India is not easy as the local companies defend market share vigorously (*Financial Times*, 17 April, 1991, p. 18). Speed of entry may help offset the future prospect of another foreign company in the same industry. Rapid market entry is especially important for organisations whose major products have short life cycles (Howarth, *et al.*, 1995). Formation of IJVs helps foreign firms to gain rapid market access and to withstand intense market competition (Berlew, 1984; Tichy, 1988). It may also benefit a foreign firm to establish its position with a comfortable market share prior to the entry of other major international competitors. Therefore, the IJV mode may be considered as one of the best early market development tactics within an emerging but highly competitive market, such as India.

3.3 POLITICAL FACTORS

Political factors may have enormous impact on the international business environment. According to Hadjikhani & Håkansson (1996, p. 431), "...an important aspect of international business is the interplay between political and business dimensions." Political turmoil in the host country may greatly affect business and investment conditions (Boddewyn, 1988; Hadjikhani, 1997; Jeannet & Hennessey, 1992; Schneider & Frey, 1985; Solnik, 1991). In a study of nine Swedish MNCs in Iran, Hadjikhani (1997) has indicated that political instability and turbulence in the host country are likely to influence the level of commitment by the MNCs, which, in turn, impact upon the extent of their involvements in such a market. There is a

negative correlation between the level of turbulence and the extent of involvement. The more turbulent is the market, the less is the level of involvement by the foreign firms that impacts upon their *modus operandi*. Cosset & Suret (1995), in a longitudinal study involving thirty six countries, found India as a country with considerable political risk. Thakur (1993) has described India as a country with a hostile political culture which is volatile, anti-growth, anti-technology and anti-investment. In the World Economic Forum (WEF) meeting held in December, 1997 in New Delhi, political uncertainty and slow policy change were identified as two major irritants for foreign investors in India (Rekhi, 1997). Major political factors affecting foreign investment in India are frequent change of governments, ongoing separatist movements, ongoing religious rivalry and protest from the environmentalists.

3.3.1 Frequent Change of Governments

Political uncertainty due to frequent change of State and Central governments has recently evolved as a major issue (Zubrzycki, 1995). According to the Political and Economic Risk Consultancy (cited in *The Economist*, 27 May, 1995, p. 71), the biggest risk firms face in a country like India is its changing politics. In a recent election held in March 1998, an alliance led by the Bharatya Janata Party (BJP) came to power. It is the fifth government in India in the last two years. However, such uncertainty and riskiness may be shared through forming an IJV relationship with a local Indian partner. The local partner's familiarity and experience may be used to understand and overcome any complexity derived from this changing political scenario.

3.3.2 Ongoing Separatist Movements

Separatist movements are present in a number of Indian states, and their presence impacts on the business environment. One of the former Prime Ministers of India, Indira Gandhi was assassinated by the Sikh (Punjabi) separatists who were demanding their own homeland independent of India. The Punjab Chief minister was killed by the same group of militants on 31 August, 1995 (*The Economist*, 9 September, 1995, p. 35). In the state of Jammu and Kashmir, the separatist militants have kidnapped six tourists as hostages (of whom, one was murdered) to compel the government to fulfill their demands (*The Economist*, 19 August, 1995, pp. 25-26). Recently, these separatists have killed twenty-three innocent Hindu pundits to demonstrate their wrath and strength (Nandi and Baweja, 1998). To reinforce their demands, the separatist militants may pose a threat to foreign businesses as well. Expatriates, in particular, are at considerable risk. Establishing IJVs with local partners may minimise these risks. Because of the familiarity and involvement of the local partner with the local political conditions, any such threat from the militants may be prevented.

3.3.3 Ongoing Religious Rivalry

Religious and ethnic rivalry has long been a major concern in India (Ansari, 1989; Bharucha, 1998; McDonald, 1995; Nauriya, 1996; Philip, 1995). As mentioned previously, the followers of two major religions, Hindus and Muslims, frequently engage in rivalries resulting in killings and creating panic among the business people. The emergence of *Hindutva* in recent years has worsened the situation (Bharucha, 1998; Nauriya, 1996). The religious sentiment of the Hindus (the majority of the

Indian population) has been capitalised upon by the BJP through the spreading of the ideals of *Hindutva* and using anti-Muslim rhetoric. The formation of IJVs may assist the foreign investors to manage any such problems with assistance from their local partners familiar with the local religious sentiments.

3.3.4 Protest from the Environmentalists

Environmentalists in India are active in safeguarding their environment. In 1984, in the Union Carbide (India) Limited (UCL) pesticide plant in Bhopal, leakage of a large amount of a lethal gas, methyl isocyanate, caused havoc in the plant's neighbourhoods, injuring and killing people (Srivastava, 1997). Since this tragic incident, the environmentalists in India are much more concerned about the environmental degradation caused by the multinationals. The environmentalists and social activists have forced DuPont to relocate a nylon plant, and are agitating against a paper plant being built by Sinar Mas, an Indonesian company (*The Economist*, 12 August, 1995, pp. 25-26). Under constant threats from the environmentalist groups, the Central Pollution Control Board (CPCB) of India has told more than 9,000 factories either to shut down or move out of New Delhi, the world's fourth most polluted city (*International Business Asia*, 1995). India has enacted environmental legislation for water, air, hazardous waste and industrial effluent (*Australia-India Focus*, 1998a). A local partner may substantially minimise the risks from the environmentalists through their familiarity and access to these groups.

In a report published in July 1995, Hong Kong's Political and Economic Risk Consultancy ranked India a higher investment risk than China and 10 other Asian

countries. "... India's social situation is much more volatile than China's", the report noted (Hirsh & Majumdar, 1995, p. 67). According to *The Economist* (16 September, 1995, p. 78), "... American and Japanese companies do not find India an easy place to do business. Both expect a more ordered society than India provides". Despite the existence of this scenario, foreign companies do undertake business in India, but with necessary caution. In such a context, it is always prudent for a foreign company to team up with a strong local partner capable of managing the changing political scenario (Thompson & Strickland, 1990).

It may help the joint venture entity to maintain good relationships with the major stakeholders such as the governments, political parties, labour unions, customer groups, environmentalists and social activists (Czinkota & Ronkainen, 1990). Formation of IJVs with the host partners may also reduce the possibility of excessive political influence on the part of the foreign investors (Carbaugh, 1989). To rely on local partners with excellent contacts to the host country governing elite is a strategy that has been used effectively by many companies (Jeannet & Hennessey, 1992). According to Backman (cited in Kim, 1993), such a strategy helps to avoid local discrimination against foreign companies. India is no exception.

3.4 LEGAL AND REGULATORY FACTORS

India's regulatory environment is a complex one with a myriad of rules and regulations controlling foreign investments. A survey, conducted by Banks and Natarajan (1995), indicates that despite a considerable change in the foreign investment laws in India, many companies entering India opt for IJV arrangements

because IJVs help in dealing with the numerous government organisations and regulations that still impede entry to the Indian economy. Major regulatory factors to be considered while investing in India are, import duties and tariffs; taxation; foreign investment policies; public sector monopoly of the insurance industry; intellectual property rights; automatic approval procedures; and the constantly changing regulatory environment. These are discussed next.

3.4.1 Import Duties and Tariffs

A survey by Banks & Natarajan (1995) found the level of import duties, tariffs and quotas to be highly restrictive in India. According to another recent survey on the Indian economy, it is found that India has one of the highest merchandise trade tariffs with an average of around 45% (*The Economist*, 22 February, 1997, pp. 13-19). Long customs clearance time is also a problem. Moreover, it is currently difficult to be competitive with products possessing low local content due to import duties that must be paid. In the recent budget [1996-97], a 2% surcharge on all imports has been declared increasing the rate of maximum import duties from 50% to 52% (*The Economist*, 27 July, 1996, p. 26). In addition, due to import delays, higher than normal stock levels must be maintained, adding to the cost of doing business in India (Banks & Natarajan, 1995). According to Carbaugh (1989), IJVs may be viewed as a means of forestalling protectionism against such imports. IJVs may be regarded as an effective way to overcome tariffs and other import barriers in India.

3.4.2 Taxation Laws

Indian taxation law is another concern for foreign companies. Despite ongoing reforms, taxation remains an extremely complex area (East Asia Analytical Unit, 1994). There is no tax concession especially enacted to attract foreign investors to India (Price Waterhouse, 1993; Srinivasan, 1996). Taxes and levies are payable both to the federal government and to the states (Banks & Natarajan, 1995). The World Bank (1997) recommended an extensive taxation reform to make the business environment in India more attractive to foreign investment. Local IJV partners, through their experience and expertise may provide substantial help in dealing with the complex mix of Indian taxation laws.

3.4.3 Foreign Investment Policies

Since the late 1980s, the Indian government has been gradually liberalising its economy to attract more foreign investment (Dunung, 1995). Still, numerous government organisations and regulations impede entry to the Indian economy (Banks and Natarajan, 1995). Moreover, the economic reform process is considered to be slow and piecemeal (Rekhi, 1997). In addition, the reform process across the country is not a uniform one. It has been centred on the central or the federal level, with little being done to reform policy at the state level (*Asian Business Review*, 1995). That is, policies and laws welcoming foreign investors at the national level have not always been so warmly embraced by state governments (*The Economist*, 9 April, 1994, pp. 76-78).

The Indian government's rule limiting foreign equity to 51% in a number of industries means investors are still required to joint venture with local companies while investing in selected industries (Banks & Natarajan, 1995; East Asia Analytical Unit, 1994; Jacob, 1992; Thakur, 1993). In other industries, where this limitation does not apply, most of the foreign companies still prefer to enter the market via an IJV mode because of the assistance provided from the Indian partners in overcoming policy-related problems (As-Saber *et al.*, 1996a).

3.4.4 Public Sector Monopoly of the Insurance Industry

There remains certain areas completely untouched by regulatory reforms. The insurance industry is one example. India's insurance market was closed to private and foreign participation after nationalisation in the 1950s (*Australia-India Focus*, 1997). Since then, India's insurance industry has been an inefficient public sector monopoly with strong trade union workplace practices (*The Economist*, 27 May, 1995, pp. 70-71). There are only two insurance service providers, viz., the Life Insurance Corporation of India (LIC) and the General Insurance Corporation of India (GIC). Because of the lack of competition in this important sector, it is not cost-effective for foreign investors to maintain insurance in India (Letiche, 1996). This is one of the major concerns for foreign companies. However, foreign companies may minimise such a risk by sharing it with their local partners who are familiar with this industry.

3.4.5 Intellectual Property Rights

Intellectual property rights involve the protection of intangible assets such as know-how, processes, trade names and trade secrets (Khambata & Ajami, 1992). A major

concern for foreign investors in India is the lack of enforcement of intellectual property rights (IPRs). India's failure to effectively enforce IPRs is reflected in a formal complaint by the US and EU involving patent protection for pharmaceuticals and agricultural chemicals which has recently been referred to the WTO Dispute Settlement Body (Asian Development Bank, 1997). The absence of effective enforcement of IPRs in India inhibits foreign investment in high-tech and advanced knowledge projects (Banks & Natarajan, 1995).

It may, however, be argued that the establishment of an IJV may help guard these rights more efficiently than other arm's-length arrangements, such as licensing and technical collaboration. A strong and reliable IJV partner may assist the foreign firm to safeguard its intellectual property through its familiarity and influence in the local market. A local partner, being one of the beneficiaries of such a proprietary interest, is likely to protect it from being pirated. Hence, IJVs, with a joint control, are in a position to safeguard intellectual property rights more effectively in a country such as India.

3.4.6 Automatic Approval Procedures

Another regulatory factor to be considered by foreign investors is government approval for foreign investment. All foreign investments in India require government approval (East Asia Analytical Unit, 1994). Due to excessive bureaucracy, it may sometimes become very difficult and time-consuming to obtain the necessary approvals. However, from January 1993, Indian firms have been enjoying the right to enter into IJVs without requiring government permission (Thakur, 1993). In addition,

foreign companies are allowed an automatic approval of up to 51% equity participation in a number of selected industries (*Asian business Review*, 1995). These two regulatory changes have made the formation of IJVs even more attractive than they were previously.

3.4.7 Changing Regulatory Environment

Overall, because of the constantly, albeit slowly, changing regulatory environment in India (East Asia Analytical Unit, 1994; Rekhi, 1997), it has always been a difficult task for foreign companies to keep themselves abreast of the day-to-day changes and implications of these. Teaming up with local partners gives foreign companies the ability to know, understand and interpret the changing scenario more effectively.

In addition, if the local partner can bring political influence to the undertaking, the new venture may be eligible for government support (Czinkota & Ronkainen, 1990), and may sometimes help influence the government to change or amend regulations in favour of such an entity (Bradley, 1977). Formation of IJVs with local partners may offer the foreign companies a significant advantage in overcoming the regulatory and legal environment in an emerging economy such as India. Harrigan (1986) considers the formation of IJVs by foreign companies, as they enter such markets, 'insurance' against domestic trade barriers.

3.5 HUMAN RESOURCES ISSUES

Human resource management (HRM) practices have increasingly been recognised as a critical segment influencing international business operations (As-Saber *et al.*, 1998;

Dowling, 1999; Dowling *et al.*, 1999; Milliman *et al.*, 1991; Schuler *et al.*, 1993). Local HR issues, in this respect, are important to consider. This section will deal with the HR issues external to an organisation and how these impact upon the organisational decision making process in selecting a *modus operandi* while investing overseas. In the Indian context, the regulatory environment is a major concern for foreign investors with a relatively large number of laws regulating HRM practices. Major issues with respect to the HRM practices are low labour productivity, the lack of a consistent exit policy, the 'militant and obstructionist' nature of Indian labour forces and the lack of high quality local staff.

3.5.1 Low Labour Productivity

Although India has a large pool of educated people (*Asian Business Review*, June, 1995, pp. 22-24; Jacob, 1992), the proportion of unskilled labour is high (East Asia Analytical Unit, 1994). A poor labour market selection decision may result in low productivity and administrative problems. According to the Australian Department of Foreign Affairs and Trade (1996) and *India Today* (1996), poor productivity is a common complaint amongst existing manufacturers in India. The low levels of capital employed per worker and a work culture which does not encourage high performance work practice are mainly responsible for the low labour productivity (Australian Department of Foreign Affairs and Trade, 1995).

3.5.2 Lack of Consistent Exit Policy

For any company operating in India, it is difficult to dismiss workers in order to become more efficient. According to the provisions of the Industrial Dispute Act,

1974, it is illegal in India to close a business with more than 100 employees without official approval, even if it is bankrupt (*The Economist*, 9 April, 1994, pp. 15, 76-78). However, such approval is very difficult to obtain (Australian Department of Foreign Affairs and Trade, 1995). The Board of Industrial and Financial Restructuring (BIFR) is entrusted with the responsibility of handling the exit of 'sick' (struggling) firms in the private as well as public sector (Letiche, 1996). However, BIFR cannot intervene unless an industrial unit is seven years old and the net worth of an enterprise is negative (Ratnam, 1995). Moreover, it is not straightforward to wind up any such business operation. As observed by Sen and Vaidya (1997, p. 128),

BIFR rarely suggests winding up a sick unit. Even if winding up is recommended this is an extremely time-consuming and complicated process which could take as long as ten years.

This is ironic that such exit restrictions are still in place in a country, such as India. Despite the Indian government's recent attempts to create an investment-friendly business environment, an absence of a consistent exit policy seems to be a real impediment to foreign as well as domestic investments. Although there are legal loopholes to overcome these inconsistencies, it is not easy to understand and manage these legal matters (Ratnam, 1995). Especially for a foreign firm, it is more difficult to understand these intricacies while investing in India as a stand-alone company. A local partner, familiar with the Indian labour relations may assist in managing such issues, while sharing the risks and uncertainties derived from such complexities.

3.5.3 'Militant and Obstructionist' Nature of Indian Labour Forces

The labour force in India has a reputation of being militant and obstructionist (Thakur, 1993). In addition, most of the Indian labour unions have strong links with political parties and many politicians are current or former union leaders (Clarke & Von Glinow, 1996). National and state-wide calls for strikes (popularly known as *Bandhs*) by the trade unions are common in highlighting trade union demands (*India Today*, 1997). Moreover, often several trade unions compete for the loyalty of the same body of workers in a particular workplace and their rivalry usually ends up being bitter and sometimes violent (International Labour Organisation, 1992). In addition, the unions sometimes bring pressure to wrest undue advantages from the employers. For example,

...when a company becomes bankrupt due to mismanagement etc., employers have to yield to union pressure to give up control and may be forced to accept employee buy-outs by worker cooperatives (Ratnam, 1995, p. 293).

Dealing with these labour union demands may require familiarity and skills. To this end, the local firm's expertise may be of substantial importance for a foreign firm confronted with trade union demands.

3.5.4 Lack of High Quality Local Staff

Despite the fact that India has a pool of competent managers able to handle complicated company matters (Jacob, 1992), it is not easy to find and recruit high quality local staff. Since the initiation of economic liberalisation in the early 1990s, there has been an unprecedented rise in demand for quality people. A rapid rise in investment by foreign as well as local investors during the recent years is mainly

responsible for this increased demand. This, in turn, is putting increased and upward pressure on the compensation packages of the qualified managers and skilled workers. According to a survey conducted in October, 1996, Indian managers' real salary rises (adjusted for expected inflation) were forecast to be 23% in 1997 (*Business Week*, 1996). This trend is also reflected in a recently published report by the International Labour Organisation (1998).

Because of their experience with the Indian labour market, it is easier for the local companies to identify a suitable workforce. Also, the IJV may use the existing human resources (the internal labour market) of the local partner which has a known efficiency level. In utilising this opportunity, this may, in turn help minimise the need for sending high-cost expatriate managers to India. Also, with the active collaboration of the local partner, it should be easier to resolve other HR-related problems, such as training requirements, wage disputes, labour unrest and working hours. According to Dowling *et al.* (1996), IJVs may work as an ideal vehicle to offer a skills-based approach that contributes to an improved HR management.

3.6 LACK OF INFORMATION

The lack of relevant information is an important factor to be considered by foreign investors. Drucker (cited in Schuler *et al.*, 1991, p. 53) has argued that the recent popularity of IJVs is "... not because of cost, but because of information". In India, according to Rajshekar & Raman (1994), information barriers are a difficulty for foreign companies. Foreign investors in India do not always get a helpful response when they ask for information (Rajagopal, cited in Rajshekar & Raman, 1994). A

survey conducted by the East Asia Analytical Unit (1994) suggests that it is a very difficult task for a foreign company to collect necessary market information in India. The government sources are often not reliable. Government agencies sometimes publish data contradictory to each other.

For example, while the Ministry of Commerce showed India's trade deficit to be US\$4,539 million on merchandise account for the fiscal year, 1995-96, the Reserve Bank of India (RBI) puts it at US\$8,983 million, almost twice as reported by the former (*The Daily Investor*, 1996). Even an institution such as the Foreign Investment Promotion Board (FIPB) did not have any published guidelines until January 1997 (World Bank, 1997). It may be a costly as well as time-consuming exercise for foreign companies to assemble necessary information on their own. However, collaboration through the formation of IJVs can give foreign firms the opportunity to access information more easily. This can be particularly helpful because of the local partner's knowledge of the market, expertise and capacity to interpret day-to-day market information. Howarth, *et al.* (1995, p. 166) have described such a process as "...learning through alliances" for foreign companies.

3.7 CULTURAL FACTORS

Cultural differences among nations are important for managers to understand while engaging in international business. Despite the presence of numerous definition, of culture, it is not easy to define culture from a cross-cultural perspective (Hill, 1997). From this context, Hofstede (1984, p. 21) defined culture as

‘...the collective programming of the mind which distinguishes the members of one human group from another...Culture, in this sense, includes systems of values; and values are among the building blocks of culture’.

Hofstede (1980; 1984; 1994) argues that culture-specific attributes have significant impacts on management practice. According to Kogut and Singh (1988), cultural difference and national attitude towards uncertainty avoidance influence international business entry mode choice. It is important for foreign companies to develop an understanding of cultural differences and learn how to take advantage of the opportunities that cultural diversity may provide. In the relatively unfamiliar and culturally distant locations, investing firms are likely to adopt the IJV mode as a preferred entry option (Awadzi, 1987; Barkema *et al.*, 1996; Benito & Welch, 1994; Dowling *et al.*, 1999; Kogut & Singh, 1988). According to Benito & Welch (1994, p. 11), “... in the culturally less familiar locations there tends to be less confidence and a stronger feeling of needing local partners in order to successfully adapt”.

In the Indo-Australian context, there are a number of cultural issues that may influence the investment pattern of foreign companies in India. These may be grouped into two different sets of variables - favourable and inhibitive. The favourable issues, in brief, include the strong influence of Western culture in many of the Indian cities; a growing Western-style business culture in the aftermath of economic liberalisation; cultural as well as business links established by the non-resident Indians (NRIs) and their extended family members (Barnathan, 1995; Motwani, 1993, cited in East Asian analytical Unit, 1994); and widespread use of English (East Asia Analytical unit, 1994). In Bombay, for example, Western influences are already strong as can be seen by the thriving, Western-style

entertainment industry (East Asia Analytical Unit, 1994). A *Financial Times* (24 February, 1994) article, 'Indian Yuppies' noted the changing lifestyles among the Indian middle-class in response to the liberalisation policy. It illustrated the increasing popularity of Western-style shopping centres, apartments and the demand for Western consumer goods.

The inhibitive issues, on the other hand, are numerous. They include the presence of ethnocentrism and the rise of Hindu religious fundamentalism, *Hindutva*; widespread corruption as a cultural norm; and the revival of the neo-*Swadeshi* (indigenisation) movement. Ethnocentrism has been defined as an exaggerated tendency to believe that one's own way of doing things is superior to that of others (Hodgetts & Luthans, 1994). A recent revival of Hindu nationalism or *Hindutva* is an ominous sign of ethnocentrism in modern India (Desai, 1994). Most of these issues have been introduced in the previous chapter. The focus of this section will be on the inhibitive issues as they hinder foreign investment in India. These issues will be considered next in two separate groups, viz., cultural distance and unfamiliarity; and dealing with corruption and bureaucracy.

3.7.1 Cultural Distance and Unfamiliarity

India has one of the largest and most diverse populations in the world. Racially, the bulk of the population is descended from Caucasoid (white), Negroid (black), Proto-Australoid and Mongoloid (yellow) stocks. They represent both the pre-historic native population and later mass migrations from other areas (Katz, 1967). It consists of a variety of social types and languages. There are 14 principal languages spoken in

India, with over 800 different dialects (East Asia Analytical Unit, 1994). Only 3% of Indians speak English (Bhattacharya, cited in Australian Senate Standing Committee on Foreign Affairs, Defence and Trade, 1990, p. 40). Indeed, the many languages currently spoken in India are a striking reflection of the country's cultural diversity (Katz, 1967). Also, religion has a strong influence on social and business activities (Copeland & Griggs, 1986). For foreign investors, some local customs are critical as ignorance of them can offend people while doing business locally. Any mistake, in this respect, may have disastrous consequences.

The main destination of Australian investments remain the culturally more familiar markets of the UK, US and New Zealand (Edwards & Skully, 1996). However, in recent years, Australian firms have been showing increased interests in the culturally less familiar markets in Asia. It may be argued that the host-country cultural environment is likely to influence the Australian companies in their adopting a *modus operandi* while investing in different Asian destinations, such as India. Although very few, there are some cultural elements which are common in both India and Australia and these stem from the dissemination of the British colonial culture (Nair & Schuler, 1993). However, the extent of British influence differs.

Indian culture is less affected by the British colonial era than is its Australian counterpart. Widespread use of English among the Indian business community and elites may be cited as an example of such influence. Also the existence of a significant number of Christians in the population is predominantly the product of the British colonial era in India. Currently, India has a Christian population of about 21

million (Biswas, 1995). However, India's geographic isolation from Australia remains a major contributory factor in maintaining a level of cultural divergence. Little interaction between these two cultures happened until the late 1980s (Australian Senate Standing Committee on Foreign Affairs, Defence and Trade, 1990) barely leaving any scope for convergence. According to Barkema *et al.* (1996), cultural distance is generally related to geographic distance (however, they mentioned the US-Cuba and Australia-UK relationships as clear exceptions).

Due to a very low level of historical interaction between Australia and India, perceptions about each other's countries are biased by ill-informed stereotypes. Apart from India's reputation for playing cricket, most of the Australians generally view Indians as "...supposedly lazy, religious, fatalistic, other-worldly, corrupt, poor, inefficient, unreliable and fertile" (Australian Senate Standing Committee on Foreign Affairs Defence and Trade, 1990, p. 8). Indians, on the other hand, generally consider Australia as a cricket-playing nation with an expertise for making good television programmes and movies. These perceptions have affected business relationships between these two countries. Historically, private business investors from both countries did not seriously consider business in each other's country.

Since the 1980s, attempts have been made from both India and Australia to bridge this information gap (East Asia Analytical Unit, 1994; Australian Senate Standing Committee on Foreign Affairs, Defence and Trade, 1990). With the opening up of the Indian economy in the early 1990s, this information gap has started to close gradually. With the formation of different bilateral organisations in both India and Australia,

such as Australia-India Council, Australia-India Business Council and the Australia-India Chamber of Commerce, and with the active presence of the Australian Trade Commission (Austrade) in India, both countries have become more knowledgeable about each other's culture.

Australians, however, have received mixed impressions about India as a newly liberalising economy, impressions containing both positive and inhibitive cultural elements. Australians have realised that there are opportunities available in India, it being one of the world's most populated economies. At the same time there are endemic cultural problems that inhibit foreign investment. In this context, many Australian companies have considered IJVs as their preferred entry mode for investing in India. It is argued that the IJV mode serves to minimise the level of cultural uncertainty and riskiness (Czinkota & Ronkainen, 1990). IJVs allow the foreign firms to understand and exploit the host culture more realistically through the support and guidance from their local partners.

Measuring cultural distance is a difficult task given the abstract nature of the variables concerned (Ali & Sim, 1996; Dowling, 1999). Hofstede's (1980) study, *Culture's Consequences* presents one of the most comprehensive attempts to measure cultural distance between nations. To examine its reliability, Hofstede's measurement criteria had already been tested and replicated on several occasions (Hofstede & Bond, 1984; Hoppe, 1990; Kogut & Singh, 1988; Shackleton & Ali, 1990; Shane, 1992) and this scrutiny has made these dimensions more acceptable to researchers. Hofstede (1980) referred to India as a country with large power distance (i.e., perceived high degree of

inequality among different social groups), weak uncertainty avoidance (i.e., more tolerance for future uncertainty and risk), dominant collectivism (i.e., more emphasis on group-orientation and hierarchical framework), and masculine dominance. India's bureaucracy and the social class system are two best examples in this respect.

Hofstede's study was conducted during the 1970s (Hofstede, 1980). During the subsequent two decades, cultural attitudes to uncertainty and risk in India have been changing significantly. As previously mentioned, in a report published in July 1995, the Political and Economic Risk Consultancy rated India as a high-risk country with a substantial level of uncertainty (cited in Hirsh & Majumdar, 1995). This analysis of business risk may also indicate a cultural shift to a high uncertainty avoidance level i.e., less tolerance towards ambiguity and risk in contemporary India. According to *The Economist* (3 February, 1996, p. 22), Bal Thackeray, a 'leading Hindu chauvinist' and the leader of the India's ruling political party threatens the country's tradition of tolerance and secularism through his public criticism and antipathy towards the Muslim minority. He also remains equivocal about foreign investment and calls for protecting Indian industries.

India's large power distance, which is reflected in the existence of social inequality through status hierarchies and the caste system, may further be examined in order to advance the rationale for the motivation of foreign companies to prefer the IJV mode while investing in India. Shane (1994) considers that the extent of power distance to have a negative correlation with the level of trustworthiness, i.e., the higher the power distance, the lower the trust. According to him,

... under conditions of complete trust, no hierarchies would be needed to monitor workers since they would never act opportunistically. Under conditions of no trust, hierarchies would always be needed to monitor workers since workers would always act opportunistically (Shane, 1994, p. 628).

He further argues that licensing accepts less monitoring of people in the host country than does foreign direct investment (FDI) since it requires less interaction with host country personnel. On the basis of these premises, Shane (1994) suggests that in high trust cultures (where monitoring is less necessary), there should be the presence of more licensing relative to FDI. If Shane's correlation is measured through a continuum using Hofstede's power distance indices, then three distinct groups may be identified. Countries such as Austria, Israel, New Zealand and Sweden will fall within the group where power distance is very low, while countries such as Malaysia, Mexico and Venezuela have relatively high power distance societies.

However, countries such as India, Nigeria and Yugoslavia fall between these two groups. Although, according to Hofstede's (1980) study, India's power distance index (77) is much higher than the mean (56.8), during the past few years it might have been reduced to a certain extent with the influence of the imported Western culture and its liberalising economy. Nevertheless, India's holding a medium rank in terms of power distance, may not represent total trustworthiness. It should not be considered as a country without trust either. With partial trustworthiness, India, in that case, may be a suitable destination for IJVs as foreign companies will require to monitor their Indian operation only moderately.

Another criterion for explaining the relationship of Hofstede's typology of national cultures is the perceived psychic distance between the countries. On the basis of Hofstede (1980) and Hofstede & Bond (1988), Fletcher (1996) has prepared an index of psychic distance of countries in relation to Australia. In this respect, he found India more distant from Australia than were many other countries including, New Zealand, the US and most of the Western European countries. This suggests that due to a relatively high psychic distance, Australians are likely to be reluctant to fully commit themselves to the Indian market. However, due to an enormous market potential of India it is difficult to ignore that market altogether. The trade-off is to establish IJV operations with local partners.

According to Czinkota & Ronkainen (1990, p. 488),

... the greater experience - and therefore greater familiarity - with the local culture and environment of the local partner may enable the joint venture to be more aware of cultural sensitivities and benefit from greater insights into changing market conditions and needs.

Harris & Moran (1987) note that recognising host cultural complexities and mixing with the host nationals are two major preconditions for an overseas business success. For foreign companies in India, these preconditions may be best achieved through the formation of IJVs with local partners who can assist in overcoming cultural barriers.

3.7.2 Dealing with Corruption and a Bureaucratic Culture

Corruption is supposedly so endemic in Asia that it has made puritanism a competitive issue (*The Economist*, 27 May, 1995, p. 71). According to a survey of expatriate managers (mainly from Europe and America) carried out by the Political

and Economic Risk Consultancy (cited in *The Economist*, 27 May, 1995, p. 71), India is among the three most corrupt countries in Asia. India's public sector suffers from management that is parochial and obstructionist (Thakur, 1993). In a recently published paper in *Business India*, a former Indian bureaucrat, Shantonu Sen notes,

... corruption has spread deep penetrating all segments of Indian society whether it is the bureaucrat, the educationist, the medical practitioner, the judge, the businessman or the industrialist. This dangerously afflicted society of ours appears to be courting disaster. Corruption among politicians is so widespread that no party, including the Left, is free of it (Sen, 1996, p.186).

It is even almost impossible to punish senior bureaucrats and politicians for any of their wrong-doings (*Economic and Political Weekly*, 1997). Rather than corruption itself, what bothers managers most in a country such as India, are the infrastructure shortcomings such as the lack of a reliable legal system and a poor pay structure for civil servants which has allowed corruption to flourish (*The Economist*, 27 May, 1995, p. 71; 15 July, 1995, p. 22). In another survey conducted by Roper Starch Worldwide Inc. (cited in Rajshekar & Raman, 1994), 41% of the respondents cited 'red tape' to be the most significant problem in conducting business in India. In India, according to Singh (1997, p. 60), "... all progress, growth, prosperity is strangled by red tape". Excessive controls and unfulfilled demand for goods and services have led to widespread corruption in the Indian economy (East Asia Analytical Unit, 1994, p. 45).

In an interview, India's former Finance Minister Manmohan Singh estimated 'black' income at 20 to 40% of GDP (cited in East Asia Analytical Unit, 1994, pp. 44-45). In a poll conducted by the *Times of India* (cited in Spaeth, 1996), 98% of respondents

said they thought politicians were corrupt. Due to allegations of corruptions, the previous Congress Prime Minister Rajiv Gandhi, had to quit power in 1989 (Spaeth, 1996). More recently, a number of cabinet ministers have had to resign due to specific corruption charges against them (*The Economist*, 2 March, 1996, p. 28). Graft, it has often been said, lubricates the wheels of government in India (Thakur, 1993). It is also a topic of public debate and widespread concern (*Asian Business Review*, 1995).

Corruption, therefore, has become a norm rather than an exception in India and has already been ingrained into its culture. For a foreign company, it is difficult to deal with such corruption and bureaucratic practice. IJVs provide an opportunity for the foreign firm to understand and manage these situations with utmost caution. Dealing with corruption may also be considered risky as well. The local partner, through their familiarity and experience, may deal with this issue on behalf of the IJV.

3.8 CHAPTER SUMMARY

The above-mentioned environmental variables are likely to play a significant role in motivating Australian firms to establish IJVs with Indian partners while investing in India. Despite India's ongoing economic liberalisation along with the considerable extent of regulatory changes relaxing bureaucratic control over foreign investments, a number of inhibitive variables still exist as the source of concerns for foreign investors. India, one of the poorest countries in the world, has been encountering frequent political turmoils, macroeconomic problems and cultural drawbacks. Low labour productivity and the difficulty in accessing necessary information remain major concerns for foreign investors. The legal and regulatory atmosphere is yet to be

amenable for inward foreign investment. Apart from the fact that Australia shares some cultural heritage with India, Australian firms are likely to face similar cultural intricacies as encountered by other foreign companies investing in India. It is suggested that the formation of IJVs may help Australian firms to overcome the above-mentioned environmental-specific enigmas with the active collaboration of local Indian partners who are familiar with the promising but volatile business environment of India.

CHAPTER IV

ORGANISATIONAL-SPECIFIC VARIABLES THAT INFLUENCE THE MOTIVATION TO FORM INTERNATIONAL JOINT VENTURES

In the 1990s and beyond, managers will be evaluated in terms of their ability to identify, nurture, and exploit firm-specific core competencies (Hitt et al., 1995, p. 70).

4.1 INTRODUCTION

Organisational-specific variables are significant in that they affect a firm's ability to survive and prosper in a highly competitive global environment (Buckley & Casson, 1995; Dunning, 1995; Lado, *et al.*, 1992; Ulrich & Wiersema, 1989). Together with the previously mentioned environmental factors, these variables are likely to play an important role in motivating a firm to adopt the IJV mode while investing in a foreign market. The major organisational-specific variables that may influence the motivation for IJVs are economies of scale, minimisation of transactions costs, access to a distribution network, sharing of resources and capabilities, organisational-specific HRM issues, and inter-partner learning. This chapter will elaborate on these variables in the context of the foreign firm's joint venturing in India with their local partners.

4.2 ECONOMIES OF SCALE

Hill (1997, p. 363) describes the term economies of scale as "...the reductions in unit cost achieved by producing a large volume of a product". This is one of the major organisational-specific variables, which could motivate foreign companies to establish an IJV relationship with local partners (Enen, 1991; Howarth, *et al.*, 1995). The IJV could help create efficiencies of large-scale production that reduce the per-unit costs

(Gullander, 1976; Harrigan, 1988). It may be argued that with assistance from the local partners, the IJVs are able to reach core customers in the host markets that would be difficult to achieve as a stand-alone company. Moreover, there is a possibility of exporting a certain percentage of IJV products back to the parent country. In the presence of an enormous market in India, foreign companies may consider large-scale production which, in turn, is likely to minimise per-unit production costs. This is especially relevant to the consumer-product market in India.

In addition, it may also be possible to export a particular percentage of those products to other overseas markets at a competitive price. This should further increase the production volume reducing the per-unit costs. India has considerable economic links with other trading nations that provide a conduit for an expanded trade to a third party. During 1995-96 financial year, India's two-way trade was worth about US\$89 billion (Calculated from a World Bank country study on India) (World Bank, 1997). The two-way trade includes exports of US\$40.2 billion and imports worth US\$48.8 billion. There are, in addition, Indian government taxation incentives for export-oriented private investments (Government of India, 1995). The larger the export share, the lower the tax paid. Partially due to such economies of scale, many foreign companies entering India opt for joint venture arrangements. However, the bigger the involvement, the greater the resource commitment. As a consequence, many firms cannot afford to establish large-scale production facilities on their own because of their limited financial ability. These companies might opt for joint venturing with a local partner in order to share the costs and to achieve economies of scale (Anderson, 1995).

For many Australian companies investing overseas, it is difficult to achieve economies of scale as a stand-alone company. IJVs are a viable option, in this respect. According to Howarth, *et al.* (1995, p. 173), the economies of scale that flow from such alliances are "... particularly important for Australian industries who often lack the size to compete in global markets". In addition, because of the economies of scale, it is possible to reach a break-even level of production relatively sooner. A survey conducted by Banks & Natarajan (1995) supports this view. At least 60% of the IJVs operating in India achieved break-even within a mere four years of their operation (Banks & Natarajan, 1995).

4.3 MINIMISATION OF TRANSACTIONS COSTS

Buckley & Casson (1976), Dunning (1988), Grubaugh (1987) and Solocha, *et al.* (1990) contend that transactions costs in servicing a foreign market may be considerable for a firm. These costs include gathering information about the foreign market and adapting the product to that market through resource commitments. Dunning (1988) included most of these organisational-specific transactions costs (e.g., resource commitment, search and negotiating costs) in his 'factor endowment/market failure' paradigm as a consequence of transactional market failure. However, he considered the costs of 'proprietary privileged access to inputs', (e.g., knowledge) as a consequence of structural market failure.

The decision to internalise or not to internalise transactions costs is an important consideration for firms investing overseas (Dunning, 1979; 1988). As mentioned in

chapter III, however, the costs of internalisation can be substantial. Nevertheless, by choosing the IJV as their mode of entry into foreign markets, foreign companies may substantially reduce such transactions costs. According to Kogut (1988) and Kogut & Singh (1986), the possible costs of unrelated activities and the costs of internal development may also be minimised through the formation of joint ventures. On the basis of the observations made by Buckley & Casson (1976), Grubaugh (1987) and Solocha, *et al.* (1990), it may be argued that multinational firms can exploit their firm-specific assets through IJVs, especially if transactions costs impede exports or a wholly owned subsidiary, factor prices are different, or collaborative ventures are more profitable than other forms of international investments. According to Carbaugh (1989, p. 199), the IJV may achieve "... cost reductions that are unavailable to either parent as a stand-alone company".

The transactions-specific issue is an important issue that supports the competitive advantage of IJVs for the Indian market. There are a number of transactions costs which influence the profitability of a foreign company willing to enter the Indian market. The major transactions costs are the costs of obtaining necessary information, search and negotiating costs, hiring managerial expertise, paying taxes and buying capital equipment and raw materials. It may be argued that a foreign company can substantially minimise transactions costs by adopting the IJV mode to enter the Indian market. It may be easier for foreign companies to obtain necessary information via its local IJV partner. Cherrett (1994) and Kogut & Singh (1988) argue that the IJV option is less costly than acquisition in terms of organisational integration in a distant culture.

4.4 ACCESS TO A DISTRIBUTION NETWORK

Access to the partner's existing distribution network is an important motivation for foreign firms to establish IJVs with local partners (Anderson, 1995). A distribution network is critical for doing business in India. India has a population of around 900 million living in 3,700 towns and 560,000 villages (Jacob, 1992). It also has a fragmented market with a number of large regional markets. Each of these regional markets has different characteristics with different cost implications. The distribution of product from state to state and throughout India is not a straightforward matter. Lack of infrastructure along with tariff barriers between regions, municipal taxes, differential sales tax, and packaging requirements are some of the major internal market factors that must be taken into consideration while investing in India (Banks & Natarajan, 1995).

In these circumstances, it is difficult to reach a target market in India without an established and well-organised distribution channel. Accessing the existing distribution channels of the Indian partners is another incentive for a foreign company to operate as an IJV in India. Moreover, a new distribution network may be developed jointly by the IJV partners. In either case, the familiarity and expertise of local partners are important considerations. Local partners may assist in identifying the most efficient way of distributing the products. Distribution channel maintenance costs in a vast country such as India may be substantial as well. By establishing an IJV, the foreign companies can share these costs with its local Indian partner.

4.5 SHARING OF RESOURCES AND CAPABILITIES

The sharing of resources and capabilities with local partners is one of the major motivations for firms to joint venture (Anderson, 1995; Beamish, 1994; Harrigan, 1986; Roulac, 1980). These resources and capabilities may be grouped into two major areas, viz., sharing of technology, and sharing of establishment costs and research and development (R&D) expenses.

4.5.1 Sharing of Technology

Sharing technological knowhow may influence a firm to joint venture (Hagedoorn & Schakenraad, 1990; Harrigan, 1986; Lan, 1996; Perlmutter & Heenan, 1986). According to UNCTAD (1990) and Oman (1989), the formation of IJVs is one of the most appropriate mechanisms to transfer technology. Being the world's 9th largest manufacturing economy, and the home of one of the largest pools of scientists and engineers in the world, India has advanced technological competence in selected industries (East Asia Analytical Unit, 1994, Mathur, 1994).

With the availability of world-class facilities for research and engineering education, India has technological strength in information technology, electronic engineering, shipbuilding, military equipment and construction engineering (Confederation of Indian Industry, 1996; Kohli, 1996a; Lakha, 1993; Mathur, 1994; Vittal, 1996). On the other hand, Australia, as a developed economy, has the technological expertise in various industries, such as telecommunications, food processing, information technology, mining, electrical and electronic engineering, chemical engineering,

storage handling and warehousing, construction and railway engineering (East Asia Analytical Unit, 1994).

Nonetheless, it may be expensive as well as difficult to procure a leading-edge technology directly from the owner of such capabilities. IJVs may be used to share and/or procure such technologies while in alliance with companies having these capabilities (Hagedoorn & Schakenraad, 1990). Through the formation of IJVs, foreign companies may also share the expenses of procuring any such technology with their local partners. In addition, for foreign companies, forming IJVs in an emerging economy often assists them to extend the life of their technology which has become obsolete in other developed markets. Technological contribution to the IJV can be regarded as a shared contribution from the parent firms, thereby requiring lower or, possibly no cash in consideration. Moreover, learning from each other's technological competence is considered as one of the major motivations for firms to joint venture (Hagedoorn & Schakenraad, 1990).

4.5.2 Sharing of Establishment Costs and R&D Expenses

The sharing of establishment costs and R&D expenses is another major factor to be considered by foreign companies. Contractor & Lorange (1988) argue that a joint venture allows firms to pull assets together relatively quickly and easily. The cost of establishing a business in India is substantial. For example, rental costs of commercial property in Bombay are more expensive than they are in most of the cities in the world. Annual office rental rates per square foot in Bombay are higher than

those of Hong Kong, Tokyo, Paris, Shanghai, New York, London, Moscow, Frankfurt or Singapore (*Business Week*, 16 June, 1997, p. 28).

Increasing business activity and a shortage of supply are driving prices and rents in Bombay to extreme levels. According to a recent survey, from among the world's emerging economies in Asia, Africa, Europe and Latin America, the most expensive space is in Bombay, followed by Hong Kong, Moscow, Delhi and Singapore (*The Economist*, 16 August, 1997, p. 82). These high establishment costs can be shared and minimised through partnering with a local firm. The expertise and local knowledge of a local partner simplifies the search for the most suitable and competitive prices for these facilities.

Sharing the costs and facilities for research and development (R&D) is another critical factor motivating the formation of IJVs (Katz, 1995). Because of the considerable costs involved, it is often difficult for firms to manage R&D expenses. In addition, combining partner's capabilities could create synergy in the area of research and development. A study involving 600 firms in 20 countries has found that neglecting R&D components may put a global firm at risk, regardless of economic region or industry (Ettlie, 1998). For Indian partners, access to foreign parent's R&D, design engineering and product innovation capability is a major motivator to form IJVs.

Sharing the costs of R&D and using local researchers at relatively lower costs are two motivations for Australian firms to form IJVs with Indian partners. Another incentive for involvement in R&D activities in India is the reduced import duties on equipment

associated with R&D. Commencing in 1994, the Indian government has reduced such duties from 50% to 25% (*India News Network Digest*, 1996). In addition, access to an existing pool of researchers from the local partner's firm may be an incentive for establishing an IJV, an outcome which is particularly prevalent in the computer software industry in India. Dunning (1995) notes that in the context of vertical alliance building, access to R&D is important.

4.6 HUMAN RESOURCE MANAGEMENT ISSUES

Organisational-specific HRM issues must be addressed when the firm invests overseas. Efficient management of these issues in a multicultural context is essential for the success of any international business operation (Nam, 1995). There are a number of HR issues which may require special attention, including, selection and recruitment, training and development, managing labour unrest, performance appraisal and compensation. However, the discussion will be based on the first three components. The selection is arbitrary because of the urge to limit the scope of the thesis (also see paragraph (c) of Chapter 13.4).

4.6.1 Selection and Recruitment

Appropriate staffing in sufficient numbers and quality using PCNs (parent country nationals), HCNs (host country nationals) and TCNs (third country nationals) is one of the major preconditions for the success of an international business operation (Dowling, *et al.*, 1999). In India, the availability of relatively cheap human resources has enabled many foreign companies using HCNs to attain cost advantages over their

competitors (As-Saber, *et al.*, 1998). As mentioned earlier in this thesis (chapter III), the productivity of the average employee in India is relatively low.

The international Institute of Management Development (IMD), in its recent competitiveness report, has put India at the bottom of its human development index following countries such as Malaysia, Russia, Indonesia and China (IMD, 1997). This report examines the competitive advantage of human resources on the basis of various factors, such as skills level, motivation, flexibility, age structure and health of the people. According to the Centre for Monitoring the Indian Economy (CMIE) (cited in *India Today*, 1996), the efficiency level of Indian industries in 1994-95 was below the recorded level of 1989-90 and was not showing any sign of improvement. Poor labour productivity may be considered as one of the major reasons for this disappointing performance. Accordingly, poor selection decisions may result in a poor performance. Formation of an IJV with a local partner may assist the foreign firm to overcome this uncertainty. The host partner's familiarity with the local labour market and the possible convenience of hiring from the partner's existing pool of employees with proven efficiency may ameliorate this problem, at least partially (Dowling, *et al.*, 1999).

4.6.2 Training and Development

The success of an international business operation in part depends on the efficient training and development of its staff. Because of the need for "... different perspectives and skills and much greater tolerance for ambiguity and uncertainty", a comprehensive planning of training and development must be put in place while

managing business internationally (Dowling, *et al.*, 1994, p. 123). In the Indian context, this factor requires attention from the prospective foreign investors. As mentioned earlier, despite the availability of cheap labour, low labour productivity is common within the Indian labour force.

According to the Australian Department of Foreign Affairs and Trade (1995), the low levels of capital employed per worker and a work culture which does not encourage high performance workplace practice are mainly responsible for the low level of labour productivity. As a consequence, an Australian firm wishing to operate in India might be required to undertake extensive training and development programs for its local staff. It could be necessary to train the PCNs and TCNs (if any) to orient them toward the Indian management style and culture. A study by Sparrow & Budhwar (1997) on Indian human resource practices has identified the existing low provision of training and basic levels of education in India that may be considered as concerns for potential foreign investors. In order to achieve a better employee performance level, they have emphasised the need for assessing the employee skills and knowledge along with continuous training and development activities. Lei & Slocum (1991) report that the training and developing of managers is important for an international operation because it enhances managers' skills in negotiation and conflict-resolution, and harmonises management styles i.e., it develops flexibility in managers to cope with unfamiliar HR practices.

Further, the Indian HR environment is not readily understood by a stand-alone foreign company. For example, a large number of laws regulating HRM practices confounds

employment relations in India (Lawler, *et al.*, 1995). Technologies brought in by foreign investors may be completely new and unknown by the existing workforce. To accommodate these issues, staff training and development is an essential and ongoing need for the foreign business operation in India.

A motivation for foreign companies to form IJVs is to organise training and development activities with the active collaboration of their local partners (As-Saber, *et al.*, 1996a). Their experience of the local labour market enables the Indian partners to identify the training and development needs required for the workforce. Local partners, in this respect, may assist the foreign firms with their local expertise and familiarity by indicating the most appropriate training and development requirements for the business operation within the Indian context. Moreover, these activities involve substantial costs. The foreign firms might minimise such costs by sharing these responsibilities with their local Indian partners.

4.6.3 Managing Labour Unrest

Labour unrest is said to be one of the major impediments of doing business in India. As mentioned in the earlier chapter (chapter III), the Indian labour force has the reputation of being militant and obstructionist (Thakur, 1993). Underlying this militancy are wage demands and the demand for the lowering of working hours (Joshi, 1995; Ratnam, 1995; Tayeb, 1996).

Despite an increasing demand for a part-time and contractual workforce, due to the constant pressure from the trade unions, it is often difficult to employ and maintain

such a workforce (Ratnam, 1995). In these matters, state intervention is a norm in the Indian HRM culture (Ratnam, 1995; Tayeb, 1996). However, these interventions generally take the position of the labour movements. This results from the strong links that most of the Indian labour unions have with major political parties, including the party at present holding power (Clarke & Von Glinow, 1996). The relationships between firms and government and other major political parties, along with their expertise in dealing with such issues, are important for a firm's efficient HR management in India. As a stand-alone foreign entity, it is difficult for an Australian firm to manage these HR problems while investing in India. Hence, it may be argued that the establishment of IJVs with an experienced Indian firm may be an appropriate option for an Australian firm to manage these HR related issues (As-Saber, *et al.*, 1997).

4.7 INTER-PARTNER LEARNING

Learning from each other's knowledge-base is another important motivation to form IJVs (Kogut, 1988; Maccoby, 1997). This is critical for all IJV partners. Basically, any such collaboration creates the opportunities for inter-partner learning (Hamel, 1991). Superior information exchange (Harrigan, 1986) among the partners is the core of these learning processes. IJVs are an appropriate vehicle through which tacit knowledge is transferred from one partner to another. Teece (1977) argued that the tacit knowledge is based on the experiential learning which is not readily well-understood because of its intangible nature. It may, for example, relate to the mutual understanding of day-to-day organisational management and capabilities. Both formal and informal mechanisms may be used to acquire these understandings. It does occur

through the exchange and interaction among the technical and management staff from both partners.

These understandings may also transpire through shared training activities. Harrigan (1986, p. 152) mentioned it as a "... cross-pollination process" whereby ideas and information are shared among research, manufacturing, and marketing personnel, and are transferred to owners' organisations as a matter of course. According to Kogut (1988), one of the motivations for joint venture formation is the firms' desires to acquire each other's organisational knowhow. Learning of, and possibly acquiring the other partner's technological competence often motivates the formation of IJVs (Hagedoorn & Schakenraad, 1990). Dunning (1995) considers shared learning and training experiences as one of the key opportunities for such alliance building activities.

In the Indian context, an unfamiliar culture and its impact on Indian management practice is important to consider. A locally-learned and practical knowledge of the diverse market across India is invaluable for foreign companies. Dealing with the bureaucracy and politics is another major learning objective for foreign investors. Moreover, as mentioned earlier, gathering basic market information often becomes difficult for foreign companies. In this context, foreign companies may come to rely on their IJV partners to learn the art of managing these local issues more effectively. According to a study by Tomassen, *et al.* (1998) on selected Norwegian companies in India, accessing Indian partner's local knowledge is a major reason for forming IJVs in India. For Indian companies, IJVs are considered a source of learning and imitating

the superior management practices and technical abilities of their foreign partners. Kogut (1988) confirms IJVs to be a vehicle for exchanging and imitating organisational knowledge.

4.8 CHAPTER SUMMARY

Organisational-specific variables influence the motivation to form IJVs. These variables play an important role in motivating both the host and the foreign companies to engage in IJV relationships. It is difficult to achieve a competitive edge through economies of scale in the potentially vast Indian market as a stand-alone company, while joint venturing with a local partner may help achieve this goal in terms of increased production capacity, lowering marginal costs and a wider market coverage. Accessing the existing distribution network of the local partners in a large and diverse Indian market and the minimisation of transaction-specific costs may be considered motivations to form IJVs.

For the Indian companies, sharing and/or accessing technology is a major motivation to joint venture, while for the foreign companies it often helps extend the life of their technology. Technology contributions can be capitalised as a formal joint venture share contribution from the parent firm, thereby requiring a lower or possibly zero cash contribution to the investment. IJVs also share other resources that reduce the cost commitments of both partners. Managing organisational-specific HRM issues is another critically important consideration which influences the firms' motivation to joint venture for investing abroad. The opportunity for shared learning and training

experiences, another organisational-specific variable, motivates companies to form IJVs.

CHAPTER V

FORMATION AND IMPLEMENTATION OF INTERNATIONAL JOINT VENTURES

The structure of the joint venture must take on a form that is suitable to meet the objectives of the enterprise and those of each of the partners. Good business planning, effective open communication, consideration of cultural sensitivities, and mutual understanding of the reasons for partnership in the first place are essential elements of a successful joint venture. If you have correctly evaluated market potential, selected the right partner, and done your homework with respect to needs of the host country, the joint venture will expand market share for your goods and services and meet your anticipated return on your investment (Enen, 1991, p. 112).

5.1 INTRODUCTION

The formation process of an international joint venture is a critical one. Followed by the selection of potential partners, it begins with a series of formal negotiations between firms and concludes with the finalisation of the IJV agreement by signing legal documents based on a set of mutually acceptable terms and conditions. Negotiation, according to Hodgetts & Luthans (1994, p. 168), "... is the process of bargaining with one or more parties for the purpose of arriving at a solution that is acceptable to all". This is a complicated management process affected by across-the-border cultural diversity and the vicissitudes of firm-specific bargaining styles (Fuller, 1991). This is also the process by which the selection of a suitable partner is concluded. The IJV is formalised through the signing of an agreement following the finalisation of negotiations. However, in the Indian context, it becomes operational only after being approved by the appropriate Indian authority.

Once the IJV is formed and becomes operational, various issues require appropriate attention in order to make it a success. These issues include the decision-making and control process in the IJV, managing cultural differences through inter-partner learning, managing human resources, maintaining a long-term commitment, and resolving problems through mutual support and understanding. This chapter sets out to focus on the IJV formation and implementation process using the available information from the Indian context and the extant literature. The chapter begins with a review of the negotiation process that leads to the formation of IJVs. This is followed by a discussion on the effective implementation of an IJV arrangement and the factors that contribute to its success.

5.2 NEGOTIATION AND FORMATION OF IJVs

Negotiation is generally a lengthy as well as complicated process (Gray & Yan, 1992). An ideal negotiation process involves a number of stages. First, it is essential for the negotiating firms to prepare themselves for the negotiation through identifying their own needs and objectives and those of their respective counterparts. Second, a formal negotiation will be required to decide the mutually accepted terms and conditions. Third, the parties concerned must be informed of the existing laws of the host country regulating IJV operations. In addition, they must scrutinise the agreements thoroughly before they finalise and sign the documents.

In the Indian context, the signed documents come into force only after approval by the competent government authority. It may be a protracted process to finalise the negotiations and to obtain approval from the Indian government. As recognised by

Kohli (1996), negotiating an agreement hastily may result in disastrous consequences for both the parties. The negotiating parties need to understand each other's needs and objectives precisely before they finalise the agreement.

It may be wise, however, to conduct preliminary negotiations with more than one firm in order to choose the best partner. In the Indian context, the Indo-German experience suggests that foreign companies should be encouraged to negotiate with the largest possible number of Indian firms, before deciding on one partner. According to the survey conducted by the Indo-German Chamber of Commerce (Geissbauer & Siemsen, 1996), this helps find the best possible partner with a better insight into the quality norms and potential promise which the potential partners might present.

The foreign firm also needs to adequately understand the Indian laws regulating foreign investment along with the local customs and business culture to achieve long term objectives in the Indian market. Generally, it takes between 6 months to 3 years to conclude the negotiations and to draft the agreement (SBP Board of Consultants and Engineers, 1995). On the basis of the Indo-German experience, Vicziany (1993) mentions similar time frames.

5.2.1 Preparing for the Negotiation

The companies considering joint venturing need extensive preparation before they engage in formal negotiations to establish IJV relationships. According to Richards & Walsh (1990, p. 7), "... effective negotiators carefully think out their own position and that of their opponent". Ill-prepared parties are unlikely to attain a desired

performance level in the negotiation process. At the negotiating table, it becomes difficult for them to precisely spell out their own needs and objectives. Also, they are likely to lack understanding of their counterpart's requirements. To overcome these difficulties and to obtain a desirable outcome, comprehensive and detailed planning is necessary (Urban, 1996; Usunier, 1996).

Richards & Walsh (1990) identify a set of preparatory tasks, from which the following are worth mentioning here: (a) *Determine your own needs*, i.e., the negotiators require to choose, from a host of needs and objectives, the realistic and practical ones; (b) *Check your assumptions*, i.e., the negotiators need to assess the reliability of their assumptions which are guesses based on probabilities. Sometimes they tend to become facts or seem to be facts which may have disastrous consequences; (c) *Stick to the facts*, i.e., extensive research should be aimed at gathering reliable and relevant information on the ability and weaknesses of the counterparts which is the key to successful negotiation; (d) *Define the issues*, i.e., all the important issues should be categorised, clearly defined and understood before the negotiation starts; and (e) *Remember your opponent's needs*, i.e., the negotiators should be ready to appreciate the opponent's legitimate needs with due consideration.

The negotiator should also give due consideration to the appropriateness of the negotiation style. It is important to choose a negotiating style beforehand from a range of possible negotiating styles. Three of them are widely practised (Richards & Walsh, 1990). These are competitive, subordinative and cooperative styles. The competitive style always looks for a superiority and triumph over the opponent. Very

often it involves egos and loss of face. Because of its rigid nature, demonstration of dominance by one party over the others and the lack of flexibility, this is not considered as an ideal mode of negotiation style. The subordinative style, on the other hand, is characterised by regular capitulation to the other side. The negotiators adopting this style are likely to offer concessions which are inappropriate and uncalled for. The third style is the collaborative one. This is known generally as the best possible negotiating style (Richards & Walsh, 1990). It aims at exploiting the strengths and weaknesses of both negotiating teams. This style is characterised by the willingness of both parties to reach an agreement based on mutual trust and respect. With a readiness to offer reasonable concessions, both sides focus on the tangible requirements of joint venture arrangements, rather than the personalities. This style augments better coordination of team efforts and a more equitable distribution of risk and workload.

There is a range of issues which should be considered important during the preparatory stage of a negotiation process. These are, the initial approach to joint venture, number of firms contacted, information gathering, preparation time, appraisal of own as well as partner's needs, the use of additional arguments, number of meetings, financial involvement, pre-contract training and the level of management involved.

Initial Approach To joint venture, the party making the first offer to commence a negotiation process must be carefully scrutinised. Prior to making such an offer, a party must study the market and the suitability of its prospective partner. By acquiring

such information, the initiating party achieves a competitive edge over its counterpart. In addition, this demonstrates the readiness of the party in this respect. Alternatively, a potential partner may be chosen from among the firms with existing business relationships. Because of the presence of such relationships, the approaching firm may need to spend relatively less time and money in gathering information about the suitability of its prospective partner.

Number of Firms Initially Contacted to Select a Partner Fatehi (1996), Geissbauer & Siemsen (1996), Harrigan (1986) and Howarth, *et al.* (1995) confirm that choosing the right partner through an extensive screening process is important for a future joint venture relationship. It is important to consider all possible options before selecting a partner. In this respect, an extensive search for an appropriate partner may involve contacting more than one prospective partner during the screening process. It is particularly important in a country, such as India because the selection of a wrong partner may have devastating consequences on a joint venture arrangement (Geissbauer & Siemsen, 1996).

Major Sources Used to Gather Information About the Prospective Partner It is essential to gather relevant information about a future partner prior to the formal negotiation commencing (Hendon, *et al.*, 1996; Salacuse, 1992). According to Salacuse (1992), a negotiator should learn as much as possible about the other party before making an international business deal. This allows firms to develop knowledge of the negotiation strength of the prospective partners as well as their abilities to contribute to the proposed IJV operation.

Reputation of prospective partner, in this respect, may also be considered important. According to Saxton (1997), a positive reputation may be regarded as a valuable intangible asset for a firm to establish a sustainable competitive advantage. The prospective firm's reputation in the areas of management, product quality and financial position may be worth examining (Dollinger *et al.*, cited in Saxton, 1997).

Successful negotiators, according to Gottlieb & Healy (1990), demonstrate an understanding of the other's position. In the Indian context, it is argued that incorrect or inadequate information about the prospective local partner's strength and weaknesses is one of the major problems faced by foreign firms' willingness to establish IJVs in India (Kohli, 1996).

Period of Time Spent in Preparing for the Formal Negotiation The length of time to be devoted to international business negotiations should be considered carefully by the negotiating parties (Hendon *et al.*, 1996; Usunier, 1996). Time spent during the preparatory stage of negotiations is likely to have important implications for the entire negotiation process because an array of factors require considerable attention at this stage. Among these, collecting information about the prospective partner and their culture, formation of one's own negotiating team, identification of an appropriate objective and strategy, and ensuring monetary as well as moral commitment from the organisation, are critical (Hendon, *et al.*, 1996). Copeland & Griggs (1996) argue that a more considered preparation time allows the firms to get to know their counterparts better, and to revisit details again and again until a total understanding is reached.

Appraisal of Own as well as Partner's Needs According to Casse (1992), it is essential that the negotiating firm has thorough knowledge about its own requirements as well as the expectations of its prospective partner. This understanding helps in examining the objectives of the parties with respect to their respective needs and to determine if these are mutually supportive. Through identifying one's own and the other party's underlying interests, the negotiating teams may decide upon their respective 'bottom lines', i.e., how much they are willing to concede regarding their own objectives and how much they are likely to achieve from the negotiations (Hendon, *et al.*, 1996). If the two parties to the negotiation have two different sets of needs and objectives that are not mutually supportive, the formation of IJVs will not be a viable option.

The Use of Additional Arguments/Resources In the event of possible failure of a negotiation, the use of additional arguments/resources may provide a fall-back situation for a firm (Dupont, 1996). The use of such additional arguments/resources may offer additional resources or alternative arrangements other than immediate IJV objectives, which could see a result reached. In this circumstance, as a move to create a relationship to exploit the market, the parties may opt for a licensing agreement or other arrangements instead of establishing an IJV. Moreover, the negotiating firms may commit additional resources to rescue a nearly failed negotiation or to gain a more powerful position in the proposed IJV arrangement. Nonetheless, this is a vital part of the extensive preparatory stage of the negotiation process.

Number of Meetings Held Prior to the Final Negotiation During the preparatory stage, informal meetings between the prospective partners may help the negotiating parties to closely examine each other's position (Ghauri, 1996). These meetings may benefit the parties in building a social, informal relationship and to interrogate each other's management style and organisational culture. In addition, it may offer other valuable information about the prospective partners. Visits to each other's firms by the key negotiators may also assist in creating mutual trust and confidence. According to Adler (1991, p.197),

Effective negotiators must view luncheon, dinner, reception, ceremony, and tour invitations as times for interpersonal relationship building, and therefore as key to the negotiating process ... (they must) realise that the work of conducting a successful negotiation has already begun, even if business has yet to be mentioned.

Financial Involvements The financial investment of a negotiating firm during the preparatory stage of negotiations may demonstrate the firm's level of involvement at this stage. In general, the more a firm invests during this stage, the more it demonstrates the extent of involvement in the process. The costs incurred during the preparatory stage may include the costs of travelling, meeting with and entertaining the prospective partner, information gathering, training the negotiating team on the appropriate negotiation skills and obtaining relevant advice from financial and legal experts. These expenses are likely to be reflected in a firm's overall financial involvement during the preparatory stage of negotiation.

Conducting Pre-Contract Training It is argued that the pre-contract training of managers entrusted with the task of negotiation is important for a successful negotiation process (Fuller, 1991). This training is essential to deal with the

complicated negotiation matters to be undertaken and to progress towards a desired outcome. Shaughnessy (1995) considers that such training helps improve the negotiation skills of the parties concerned. The training may include several briefing sessions that emphasise the negotiation issues, such as assigning roles to the individual members of the team, strategies and style to be used, legal matters and the management style and organisational culture of the other negotiating party (Fuller, 1991; Hendon *et al.*, 1996).

For a foreign company, understanding host country culture is critical for a successful participation in the negotiation process (George, *et al.*, 1998; Hendon, *et al.*, 1996; Morris, *et al.*, 1998; Tinsley & Pillutla, 1998). According to Hendon, *et al.* (1996, p. 232), "... one should know sufficiently the country and the culture of those with whom one is going to negotiate". As discussed earlier in this thesis, India is a country with cultural diversity and uniqueness. It is essential for the foreign negotiators to understand the host-country culture while negotiating with an Indian firm. Pre-contract training should render due importance to this issue. Prior knowledge of local customs is essential in this respect.

Management Level Assigned to Negotiate Sometimes, the authority of the negotiating team may be communicated through the composition of the team. For example, when the team is comprised of senior managers, it may be perceived that the team is capable of responding to the full range of questions which may be asked, and in a legitimate capacity, this team is likely to be able to offer the optimum contribution to the negotiation. The firm's decision to assign personnel should be

made during the preparatory stage so that the negotiators-elect may prepare themselves for the final negotiation. In international business negotiations, the common practice is to send a powerful team to negotiate a deal.

Ghauri (1996a) suggests five sources of power to be the attributes of the negotiators in relation to the IJV negotiation process. These are, information power, i.e., information about the other party as well as the situation; expert power, i.e., knowledge of technology and superior know-how; legitimate power, i.e., power with official authority; location in structure, i.e., the position of the individual in the overall organisational and strategic perspective; and personal power, i.e., the personal integrity, attractiveness and friendliness of the negotiators. An ideal negotiating team will be comprised of medium to senior managers holding the above-mentioned sources of power, with overall authority being someone with legitimate power (e.g., CEO or Managing Director). This may be equally desirable for the other party as they would know that the team they are dealing with are the persons with authority to sign the contract.

Indians normally prefer to involve senior managers during the negotiation process. Any major decision generally comes from the top of the hierarchy (Kohli, 1996). Therefore, it is better for the foreign collaborators to deal with senior management to reach an agreement within the shortest possible time. Likewise, the Australian firms necessarily need to assign senior managers to maintain a balance during the discussion, or alternatively, it may be that the negotiation would be constrained by the lower level manager's limited authority to make decisions (Copeland & Griggs,

1986).

5.2.2 Formal Negotiation and the Signing of Documents

The formal negotiation is an important stage of the IJV formation process. This phase is a complicated one. At the negotiating table, the parties need to maintain a congenial atmosphere and place their respective terms and conditions in a decisive and thoughtful manner. The parties should be open-minded and must show mutual respect to each other's cultural norms and practices. They also need to be flexible to a certain extent. These attitudes create the basis of a future relationship between the partners. There are six major issues which should be taken into consideration during the formal negotiation process. These include, the venue of the final negotiation, language/s used, major difficulties faced during the process, the signing of a separate licensing agreement, time taken to get the approval from the Indian government and the use of special efforts to win approval.

Venue of the Formal/Final Negotiation The venue for the negotiation has significance to the negotiating parties (Howarth *et al.*, 1995; Rajan & Graham, 1991; Usunier, 1996). In general, the venue is likely to be more convenient for the host firm because it does not require extra travel time. The local firm can also monitor regular business activities while participating in the negotiation process. Those who leave their home country to negotiate at their partner's location may for many reasons, both professional and personal, suffer a degree of anxiety. Time pressure is a major problem for the visiting firms. It is argued that the host firm is likely to have a

competitive advantage over its foreign counterparts in terms of time control (Usunier, 1996).

Familiarity of the venue is important, which again favours the host firm. However, choice of potential overseas partner's location may also be beneficial for the firms who leave their home country to negotiate at their partner's location. This may give them the opportunity to observe and understand their prospective partners more extensively within their own environment. In the case of IJV negotiation, the location of the IJV is vital. Both parties may prefer to formally negotiate the terms and conditions in the country where the future venture would be located so that they can closely examine the viability of the project on site. Besides choosing a formal venue, in recent years, negotiation by facsimile, telephone and/or letter is being practised by many companies (Richards & Walsh, 1990). Lately, some companies have begun to use video-conferencing as another way to maintain communication and to negotiate off-shore arrangements.

Language/s Used According to Fatehi (1996), the language used during the negotiation process should be simple and accessible by both the parties. Confusion and/or misunderstanding may arise if the language of the negotiation is not understood by either of the parties (Ghauri, 1996; Hendon, *et al.*, 1996). Although the majority of the Indian population cannot speak or write English, English is widely spoken in India's business community and is popularly known as 'the business language of India'. Therefore, using English as the language of negotiation should not be a problem in negotiating with an Indian company.

Major Difficulties Faced During the Formal Negotiation Process Difficulties

must be expected during the formal negotiation process. A tremendous amount of effort may be required to overcome these problems. While negotiating an IJV agreement with an Asian partner, such as an Indian business person, it is always advisable for any foreign firm to be flexible during the negotiation process. According to Lasserre & Schütte (1995, p. 192), negotiating such an agreement requires an "... unusually high degree of flexibility" from foreign partners. Due to the existence of an often dynamic and volatile business environment and the resulting changes to regulatory and competitive frameworks, the joint venture agreements may call for frequent changes and reinterpretations throughout the negotiation process.

Signing of Separate Licensing Agreements Signing a separate licensing agreement can be important for the firms contributing technological know-how to IJVs located in India. These agreements are likely to prevent the licensee from disclosing or making use of technological know-how (i.e., intellectual property) beyond the terms of the contract accepted by the licensee as a precondition to the disclosure of such information (Parker, 1996). In India, any such agreement involving intellectual property comes into force and becomes legally binding for the parties once it is approved and has been registered by an appropriate government authority (Ramaiah, 1996).

According to the Indian law, the formal licensing agreement must accompany the IJV documents submitted for approval by the appropriate Indian authority (SBP Board of

Consultants and Engineers, 1995). This is an extensive process. The licensor, in particular, should be very careful in negotiating the agreement. As licensing forms a part of an IJV agreement, it may be convenient for the parties to negotiate the licensing agreement simultaneously with the formal IJV negotiation process. This may allow the parties to consider the merits and demerits of licensing as a part of a comprehensive negotiation mechanism. Because of the apparent risks of dissemination of the technologies in high-tech and advanced knowledge projects in India (Banks & Natarajan, 1995), it is advisable to sign a comprehensive licensing agreement before any form of technology transfer.

Time and Effort Required to Obtain the Approval As a key stakeholder, the host-country government may influence the post-negotiation outcomes (Brouthers & Bamossy, 1997). Before the parties sign the documents, they must scrutinise the agreements thoroughly. It is advantageous to initially prepare a draft of the documents. According to Geissbauer & Siemsen (1996), the engagement of an Indian law firm and a chartered accountancy firm to scrutinise the draft documents is advisable. Agreements may also be interpreted according to the parent-country law (Fuller, 1991). Such cross-interpretation of the documents leaves no room for future confusion and misunderstanding.

In India, the IJV agreements come into force only after approval by the relevant government authority. Application for approval must be lodged in a prescribed format (see **Appendix I** for the format). The letter of intent or memorandum of understanding (MOU) signed by the IJV partners requires official approval. The

MOU, however, is an interim measure and is not a legal requirement of IJVs (Howarth *et al.*, 1995). Before consideration by the Indian Department of Industrial Development, finalisation of the articles of association of the joint venture company and conclusion of the license agreements (if any) is required (SBP Board of Consultants and Engineers, 1995; Geissbauer & Siemsen, 1996). Due to excessive bureaucracy, it may sometimes become difficult and time-consuming to obtain official approvals from the Indian authority which may require about eight months on an average after the memorandum of understanding is signed between the parties.

A prospective local partner with experience and understanding of Indian bureaucratic culture may be of immense help in augmenting the approval process. As the Indian bureaucracy and political institutions have a reputation for being corrupt and inefficient (Thakur, 1993), appropriate lobbying and/or the use of other influences may be required to obtain approval in a timely fashion. To rely on local partners with excellent contacts to the host-country governing elite is a strategy that has been used effectively by many companies (Jeannet & Hennessey, 1992).

5.2.3 Legal Aspects

The negotiating parties should be aware of the host-country legal implications in relation to the formation of an IJV and its future operation. IJVs are normally governed by the laws of partnership applicable in the country of operation (Howarth, *et al.*, 1995). In the Indian legal system, only the documents with clearly written rights and duties are legally obligatory. They should also be elaborately detailed in conformity with Anglo-Saxon law. However, these agreements are only binding after

approval by the Indian authorities. The verbal 'gentleman's agreement', or the view that 'friends need no contracts' is not an appropriate way to do business in India (Geissbauer & Siemsen, 1996).

Sergey (1993) considers it important to negotiate legal documents resolving all anticipated controversial present and foreseeable issues. Adequate understanding of the legal aspects of negotiation in the Indian legal system is essential for Australian firms wishing to establish an IJV relationship with a host firm in India. There are three major legal issues which should be given appropriate consideration during the negotiation process. These include, the use of a legal expert/firm during the preparatory stage, use of a legal expert/firm to scrutinise the document and interpretation of documentation according to Australian law.

The Use of Legal Expert/Firm During the Preparatory Stage There is an array of legal matters involved in the formation process of an IJV (Pritchard & Fox, 1996). It is essential for the foreign firms to understand the host-country legal system and its impacts on the negotiation process before the formal negotiation begins (Howarth, *et al.*, 1995; Kohli, 1996). Like other emerging economies, the Indian regulatory environment has been undergoing constant changes leaving the resulting legal framework complicated, rather than refined, for foreign investors. According to Webb (1996), the accessibility of existing laws is a common problem in such economies. Involvement of numerous regulatory agencies has made the scenario further complicated. These include, the Foreign Investment Promotion Board (FIPB) in the Office of the Prime Minister, Secretariat of Industrial Approvals (SIA) within

the Ministry of Industry of the central government, the Reserve Bank of India (RBI), the Director General of Foreign Trade, the Company Law Board, the Securities and Exchange Board of India (SEBI), the Monopolies and Restrictive Trade Practices Commission (MRTPC), Ministry of Finance and the Stock Exchange authorities (Price Waterhouse, 1993).

Foreign negotiators wishing to establish IJVs in India should develop an understanding of the intricacy of the Indian legal systems (as discussed in chapter III) during the preparatory stage of the negotiation process. Legal counsel is generally required for issues relating to legality of securities, intellectual property, and compliance with state and country laws. They should interpret the legal implications of different negotiation matters in the light of the existing law of the land. The German partners of Indo-German IJVs in India extensively use corporate lawyers and project consultants to prepare the necessary documentation in conformity with Indian laws (Geissbauer & Siemsen, 1996). It is customary for foreign investors to appoint local legal consultants familiar with the local laws, in addition to using their own legal department (Kohli, 1996).

Use of Legal Expert/Firm to Scrutinise the Document An agreement should be comprehensive and unambiguous which anticipates all material contingencies, and prescribes methods for dealing with them (Howarth, *et al.*, 1995). The parties should be cautious in the first instance about the substance of the documents. The use of legal experts/firms in formalising the final agreement is standard in the world of international business (Pritchard & Fox, 1996; Usunier & Ghauri, 1996). This assists

the concerned firms to avoid future confusion and to maintain their respective interests in an orderly manner. According to Copeland & Griggs (1986), the legal experts must be kept abreast of developments so that they can prevent later embarrassments.

In the Indian context, once the agreement is signed, it becomes obligatory for both parties. If it is signed without necessary scrutiny by the legal experts, the party concerned may be at a risk of yielding too much or of signing an agreement which may afterwards be considered detrimental to its own interests (Usunier & Ghauri, 1996).

In the Indian context, Geissbauer & Siemsen (1996) consider it worthwhile to engage an Indian law firm and a chartered accountancy firm to scrutinise the draft documents.

Interpretation of Document According to Australian Law Every legal system has its uniqueness which is influenced by the country-specific customs, traditions and ideology (Pritchard, 1996). Interpretations of laws and the objectives of their enactment may also vary from country to country because the specific laws are legislated to be applied in the country that enacts them (Parra, 1996). Considering such intricacies and to avoid possible confusion, the negotiating foreign firms may choose to interpret the agreements according to the laws of their own countries. It may provide them with a clearer understanding about the documents (Fuller, 1991). Without this scrutiny, the "... contracts can mark the origins of disagreement" (Shaughnessy, 1995, p. 15). It is advisable, therefore, that the Australian companies

interpret the documentation prepared in India according to Australian law to have a comprehensive understanding of the contents of the document.

5.3 IMPLEMENTATION OF IJVs

Following the formation of an IJV, its implementation stage begins. This is the most important stage of an IJV, the efficient management of which determines the success of the venture. At this stage, it is preferable to avoid conflict and to ensure maintenance of working relationships between the partners. During this process, IJV partners may face numerous problems and only learn how to overcome them with mutual support and understanding. In addition, they are likely to realise the relative importance of various factors only on the basis of day-to-day IJV operational experience. However, despite efforts made by various authors, factors determining successful IJV performance remain unclear (Geringer & Hebert, 1991; Parkhe, 1993; Yan & Gray, 1995). Now, an attempt will be made to elaborate key issues that are known to be primarily responsible for the success of an IJV during its implementation stage. These are the choice of an appropriate partner, management control, HRM issues, inter-partner learning, building a separate IJV culture and long-term commitment. A brief discussion on the frequency of environmental as well as organisational-specific difficulties faced by the IJVs, along with the role of the local partners in overcoming them, will ensue.

5.3.1 Choice of an Appropriate Partner

The foreign company must identify a reliable partner capable of understanding the IJV objectives and contributing to its successful operation (Fatehi, 1996; Geissbauer &

Siemsen 1996; Harrigan, 1986; Howarth *et al.* 1995). Although the IJV partners would know of the importance of choosing a suitable partner beforehand (during the IJV formation process), they may realise the importance of this factor during the implementation stage more so as they begin joint venturing with each other. Nonetheless, the choice of the right partner is considered to be critical for a successful joint venture relationship (e.g., Beamish, *et al.*, 1994). As previously introduced, in the Indian context, an IJV may have to depend substantially on its local partner because of its expertise and familiarity with local market conditions (Geissbauer & Siemsen, 1996).

5.3.2 Management Control

Management control is another critical determinant of IJV performance (Geringer & Hebert, 1989; Killing, 1983; Schaan, 1983, Yan & Gray, 1995). However, the degree of control may vary depending upon the actual arrangements made by the host firm and its foreign partner (Schaan, 1988). A comprehensive set of principles guiding the IJV control mechanism should be agreed upon by both the parties for its effective operation. As an entry mode, the IJV generally entails a medium level of management control exercised by its parents as compared with the other entry modes, such as licensing with low level of control and wholly owned subsidiary with high level of control (Anderson & Gatignon, 1986; Hill *et al.*, 1990). In the present context, six major issues need be taken into consideration. These are the sharing of decision making, level of flexibility, level of equity, level of technology contribution, IJV board structure and the sharing of IJV personnel.

Sharing of Decision Making Management control through a balanced sharing of decision making is an important success factor for any jointly owned business operation (Harrigan, 1986; Radford, 1981; Yan & Gray, 1995). Decision making in an IJV may reflect the objectives of the individual parent organisations (Geringer, 1993; Killing, 1983; Schaan, 1983). However, once the IJV is set up, the IJV objectives should be given priority over the individual objectives of the parent firms. However, the reciprocity of the contributions made by each of the partners as well as the IJVs during the decision making process is critical for the attainment of IJV success.

Level of Flexibility Level of flexibility is another important issue likely to contribute to IJV success. Flexibility deals with the extent of freedom to be permitted to the joint venture management by its parents, and the management roles to be played by each partner. It may be argued that the provisions of a flexible IJV control mechanism could be beneficial for the IJV success. According to Bleeke & Ernst (1991), flexibility allows joint ventures to overcome problems and to adapt to necessary changes over time. They also mentioned that the link between flexibility and success is strong, i.e., the more flexible the IJV is, the higher the chance of its success. The success of German firms in India, which is characterised by flexibility, suggests that the flexible attitude of foreign companies is a key success factor for an IJV operation in India (Geissbauer & Siemsen, 1996). From a sample of 71 IJVs in India and Pakistan, Tomlinson (1970) found that IJVs evidenced higher levels of profitability when their parents assumed a more relaxed attitude toward control. However, the

parents must retain a clear recognition of the ongoing performance of the venture (Tichy, 1988).

Level of Equity The level of equity participation by the partners may influence the level of management control, which, in turn, may affect IJV success (Geringer, 1993; Geringer & Hebert, 1989; Gullander, 1976; Tomlinson, 1970; Yan & Gray, 1995). Equity level may impact on the decision of how the IJV is managed. There are, however, contrasting views on the relationship between the probability of success and the level of equity participation. On the basis of previous studies, Harrigan (1986) introduced a controversy regarding the impact of ownership split on the IJV control, i.e., whether a 50/50 split is a better option or an asymmetric ownership structure (such as 51/49 or 65/35), as a control mechanism. Phatak (1997) recognises that a multinational company will obviously maintain an effective control over an IJV if it owns a majority of the venture's equity.

Geringer (1993) suggests that many firms frequently seek majority ownership because of their intention of achieving substantial management control. He further mentioned that the majority ownership might limit unintended diffusion of technology or other know-how as the dominant partner exercises tighter control over the joint venture. It is also argued that the majority ownership might allow decisions to be made rapidly in response to market or product developments and thus avoid costly compromises or decision-making deadlocks (Banks, 1981). On the contrary, a HBR study of 49 partnerships, suggests that because of the balance of control maintained by the partners, joint ventures with an even split of ownership have a higher success rate

(60%) than those in which one partner holds a majority stake (31%) (Bleeke & Ernst, 1991). Nonetheless, equity level is perceived to have an impact on the management control of an IJV, which, in turn, is likely to affect its success. Geringer (1993) and Habib (1987) consider any attempt made by a partner to manipulate the decision making process on the basis of relative equity in the joint venture may adversely affect mutual respect and understanding between the partners and diminishes the prospect of the venture's long-term survival.

Level of Technology Contribution The level of technology contribution is another critical factor that may influence the management control process of an IJV, which, in turn is likely to impact upon the IJV success (Hagedoorn & Schakenraad, 1990). In particular, any form of technology contribution through a licensing agreement may provide significant control to the contributing firm over the IJV (Luostarinen & Welch, 1990). As Phatak (1997, p. 268) noted,

... actual control over a joint venture can be exercised by an international company through a license agreement. When the joint venture cannot operate effectively without the license, and the license is terminable by the international company, the significance of the license to the control of the joint venture is obvious.

IJV Board Structure The IJV board structure may play an important role in the control of an IJV, and thereby influence the success of the IJV. According to Phatak (1997), one of the mechanisms to obtain management control in an IJV is via a majority representation on the board of directors. However, Geringer (1993) argues that because of the tendency for making major IJV decisions by consensus, majority representation in the IJV board may be relatively unimportant with respect to management control. Based on a study of nearly 20 joint ventures, Gullander (1976)

argued that the majority equity shareholders are likely to have managerial control in a joint venture since they have the right to dominate the board of directors.

Sharing of IJV Personnel Control through staffing and staff loyalty is another important issue to consider (Dowling *et al.*, 1989; Geringer, 1993; Schaan 1988). Negandhi (1987, p. 23) considered it as an "... indirect control through personnel". Key IJV positions, such as the general manager may play an important role in this respect (Geringer & Hebert, 1989). A study by As-Saber, *et al.* (1998) has found that many foreign companies exercise control over Indian IJVs through the selection and recruitment of IJV personnel. In this respect, influencing the IJV staffing decisions has been considered a critical control factor.

5.3.3 HRM Issues

Efficient management of various HR issues is another key factor which may substantially contribute to IJV success (As-Saber *et al.*, 1997; Dowling, 1986; Schuler, *et al.*, 1991; Sluijs & Schuler, 1994). Effective management of HR issues was viewed by McDonald's as one of the most important factors in achieving IJV success in Moscow (Geringer, 1993). In the present context, six major issues are taken into consideration. These include appropriate selection of IJV personnel, use of experienced PCNs, training of expatriate managers about Indian culture, training of Indian managers about Australian culture, provision of special compensation to expatriates and using HCNs in key IJV positions.

Appropriate Selection of IJV Personnel Sluijs & Schuler (1994) considered a systematic approach to the selection of IJV personnel as an essential precondition for a successful IJV. Dowling (1986) and Schann & Beamish (1988) supported this view. Hofstede (1994) considers the availability of suitable people at the right moment as the main task of multinational human resource management. Supporting this argument, Sluijs & Schuler (1994) report that a systematic approach to initial hiring and job descriptions is essential for a successful IJV. The IJV general manager's position, in particular, can affect IJV performance (Schann & Beamish, 1988) because the general manager is responsible for maintaining relationships with each of the partners as well as running the venture. As a consequence, the selection, training, evaluation and performance appraisal of IJV general managers can significantly affect not only the venture itself, but also its relationship with each partner (Geringer & Hebert, 1989). This issue has been discussed in a more detail in chapter IV.

Use of Experienced PCNs Transferring experienced PCNs to the IJV is critical for the success of an IJV. An experienced PCN must have managerial and technical competence along with the ability to cope with the foreign environment (Dowling, *et al.*, 1994; Murray & Murray, 1986). According to Datta & Rasheed (1993, p. 264),

... a venture is very unlikely to succeed if parents are hesitant to assign their most qualified people or, worse still, if they view the IJV as a "dumping ground" for sidetracked or poorly performing managers.

Therefore, employing the right expatriate in the right place is one of the important preconditions for the success of an IJV. It is particularly critical when HCNs lack technical knowhow of a technology imported from a foreign partner. As a

consequence, despite the involvement of a significant amount of costs and challenges, many parent companies continue to rely on transferring their key staff to the IJV (Dowling, *et al.*, 1999). At the initial stage of IJV operation, the use of experienced expatriates alongside HCNs may also create rapport and assist in building mutual respect and understanding among staff pooled from both partners.

Training of Expatriate Managers about Indian Culture A comprehensive cross-cultural training programme is likely to enable the expatriate managers to understand and adapt to the foreign culture (Datta & Rasheed, 1993; Geringer, 1993; Tung, 1981). India is a country with a complex cultural array with a massive population base which is predominantly agrarian with 14 recognised languages, seven major religions and numerous castes. Diversity, therefore, is the root of the complex cultural disposition in India that has significant impact on the Indian management style (Husain, 1994; Sharma, 1984). As a consequence, it is advisable for expatriates to learn about Indian culture prior to taking up appointments in this country. A comprehensive training program can be useful in this respect.

Training of Indian Managers About Australian Culture As an industrialised developed country, Australia has a different cultural establishment than does India. According to Grant (1982, pp. IX, 5), Australia is a nation loyal to the West and primarily comprised of "...convicts and immigrants". With a huge land mass and relatively small population, Australia is a "... Western culture - developed and wealthy, without a peasant class" (Australian Department of Foreign Affairs and Trade, 1995a, p. 7). As a consequence, the Australian management style is clearly

Western in nature and practice. It will be advantageous for Indian managers appointed to the Australian-Indian IJVs to understand Australian culture and management style. An extensive training program, clearly, can be useful in this respect.

Provision of Special Compensation to Expatriates As was suggested earlier, the foreign partner firms should second their better managers to an IJV (Datta & Rasheed, 1993). However, to attract the better manager to a new environment is not necessarily straightforward. This may require the provision of special compensation (Dowling, *et al.*, 1999). In a seminal work, *Compensating Key Personnel Overseas*, Teague (1972) noted the importance of maintaining expatriate compensation relativity with their head quarter-based PCN colleagues while compensating for the costs of international service. Expatriates are also required to be compensated for qualitative differences between the assignment locations (Reynolds, 1986). This is particularly relevant to the Australian expatriates transferred to India because of the extremely low standard of living in India compared with that of Australia.

Using HCNs in Key IJV Positions There are many advantages of using HCNs in the key IJV positions. According to Dowling, *et al.* (1994), these include elimination of language and other barriers, reduction of hiring costs, improvement in the continuity of management since HCNs are likely to stay longer in the position and creating high morale among HCNs as they can readily see the career potential. Li (1995, p. 337) argues that the IJVs

... frequently assign management tasks to local partners who are better qualified than home country individuals to manage the local labour force and relationships with suppliers, buyers, and governments.

Due to the availability of well-educated and experienced managers in India, locals may be used to manage the venture. Many multinationals operating in India have been extensively using HCNs in their Indian operations entrusting key positions to local management talent (Jacob, 1992; Vicziany, 1993).

5.3.4 Inter-Partner Learning

As mentioned earlier in Chapter IV, IJVs create the opportunities for inter-partner learning (Hamel, 1991; Kogut, 1988). According to Doz and Sheun (1988), companies often form joint ventures to leverage their capabilities and to learn from one another. Superior information exchange among the partners is the core of such learning processes (Harrigan, 1986). Dodgson's (1993) view, in this respect, is more comprehensive. He noted that there are potential advantages to be gained through joint venturing as it performs a means of securing access to technologies, skills and information.

The joint venture partners also can learn from each other about different cultural norms that may help gradual convergence of cultural differences and build a separate IJV culture. Learning through the dissemination of knowledge among the members of an organisation is critical for achieving organisational objectives. It helps improve the level of mutual trust and understanding among them and creates a more favourable working atmosphere. Fast learning, in this respect, is very important to achieving a competitive advantage. According to Stata (1989, p. 64), "... the rate at which

individuals and organizations learn may become the only sustainable competitive advantage”.

5.3.5 Building a Separate IJV Culture

Building a separate IJV culture is another important pre-condition for the success of an IJV. In a cross-cultural venture, it is important to develop an integrated teamwork culture, rather than an ‘us-them’ culture (Geringer & Hebert, 1989). This makes coordination easier and facilitates better performance. However, at the outset, some kind of assessment of the prevailing organisational culture may be useful for any future direction necessary to address the issue of cultural divergence within the organisation. Hofstede (1994) considers such assessment by an independent party as generally necessary. This helps identify different subcultures within the IJV which may guide the decision makers to select appropriate approaches to bridge the differences and build a separate IJV culture.

Datta (1988) argues that the differences of organisational cultures may create misunderstandings between partners. There are various ways to moderate organisational cultural differences. Intensive on-the-job training for both expatriates and locals may reduce the psychic distance between them and help build a team spirit in such cross-cultural environments (Dowling, *et al.*, 1994). This may also be done through reciprocal arrangements between the foreign companies and their overseas operations to exchange managers, engineers and others (Zeira & Pazy, 1985). These may help gradual convergence of cultural differences and build a separate IJV culture.

Hofstede (1994) considers the familiar aspects of organisational life such as organisational structures, leadership styles, motivation patterns, and training and development patterns culturally relative, and these need to be reviewed when borders are crossed. He further argues that in such a scenario, a corporate culture needs to evolve with unique features. A corporate culture developed along these lines provides the venture with a distinctive and competitive advantage.

For international business venturing in the Indian context, it is important to understand that the Indian people are culturally sensitive. The attitude of the foreign firm towards the venture and its Indian partner should, however, be straightforward and genuine. Commitments should be fulfilled without hesitation. Not delaying the transfer of know-how was one of the secrets of German IJV success in India (Vicziány, 1993).

5.3.6 Long-Term Commitment

Long-term commitment of the IJV partners is considered to be an important precondition for the success of an IJV (Dunstan, 1995; Howarth, *et al.*, 1995; Lasserre & Schütte, 1995; Vicziány, 1993). This commitment ensures long-term gains for the partners as well as the IJV. Frequent shifts of the IJV objectives and changes to top level management may adversely affect the investors who hold a long-term commitment and strategy (Dong, *et al.*, 1993). According to Howarth, *et al.* (1995, p. 91), to make such an alliance successful, "... both parties should be prepared to make a consistent commitment to the alliance without expecting too much too soon".

A foreign company is likely to commit extensive resources of time and money to finalise the written IJV agreement through a painstaking negotiation process. However, it is argued that "... negotiations never end in Asia" and "... a signature on a contract does not start a relationship" (Lasserre & Schütte, 1995, p. 192). Rather, to successfully operate an IJV in any of the Asian countries including India, requires constant energy and attention from both partners. Also, following the establishment of an IJV, a long waiting period may be needed to realise a profit. Persistence, therefore, is important to achieve IJV objectives. Experience in the foreign market is important. The more experienced the foreign company is with an overseas market, the easier it is for that company to understand and exploit the local conditions best.

A study of the benefits of long term investing found that on an average, the annual return for a long term investor is likely to be more than double the return registered by a short term investor (Dunstan, 1995). Continuing top management attention is also important in this respect (Beamish, *et al.*, 1994). Indo-German joint venture experience suggests that any foreign company interested in operating in India must have a long term commitment to learn how to overcome difficulties in the vast but complicated Indian market (Vicziány, 1993; Geissbauer & Siemsen, 1996). With Indo-German ventures, the average time required to sign a joint venture agreement was 10.3 months and another 9.5 months were needed for its approval from the Indian government (Vicziány, 1993). These figures suggest that a foreign company must have a long term commitment to enter business in India. Another study reveals that before registering any return on invested capital in joint ventures in Russia, the minimum waiting period ranges from five to ten years (Enen, 1991).

5.3.7 Managing Problems through Mutual Support and Understanding

During the implementation stage, both partners must be aware of the environmental as well as the organisational-specific problems. These may be solved through mutual support and understanding. In the unfamiliar and rapidly changing Indian business environment, assistance from the local partner is extremely important for the success of an IJV (Tomassen *et al.*, 1998). Also, both partners need to understand each other's strengths and limitations so that they can attempt to complement each other. This may assist in resolving the organisational-specific problems as well. According to Geissbauer & Siemsen (1996), each partner should have specified responsibility in terms of the various matters. This helps avoid misunderstandings between partners and facilitates speedy decision making.

In chapters II, III and IV, based on the extant literature and other information available through secondary sources, a range of environmental and organisational-specific difficulties have been introduced to present their likely influence on Australian firms in motivating them to joint venture with the local Indian firms while investing in India. During the implementation stage, these firms are expected to invariably face difficulties. Although overcoming these difficulties through mutual support and understanding between the IJV partners is important for the success of the IJV, the host partners may contribute significantly to the management of these issues (see chapters II, III and IV). According to Thompson & Strickland (1990, p. 168), to overcome such difficulties, formation of IJVs with local partners are "... sometimes the only or best way" to enter and operate in a foreign market.

5.4 CHAPTER SUMMARY

Negotiating an IJV is an extensive and complicated management process. Successful negotiation that precedes the signing of agreements, on the basis of mutually acceptable terms and conditions, forms the basis of an efficient IJV framework. There are several important issues which need careful attention during the entire negotiation process. Good preparation through systematic information gathering and emphasising each other's needs and objectives is the first pre-condition for a successful negotiation process. This is followed by the efficient management of a formal negotiation process to reach mutually acceptable terms and conditions.

Finally, before signing the documents, it is advisable for the parties to understand the legal implications of the documents. For the foreign firm, it is important to grasp the host country legal matters regulating the IJV operations. They also need to scrutinise the agreements thoroughly before finalising and signing the documents. Agreements should cover all contingencies to avoid any future possibility of confusion or misunderstanding between the parties. In the Indian context, sufficient time and resources must be allocated to achieve these outcomes.

Once the IJV is formed, various issues must be accommodated for the venture to have any chance of achieving its objectives. These include the choice of an appropriate partner, the level of management control, how human resources are to be managed, inter-partner learning, the building of a separate IJV culture, maintaining a long-term commitment and resolving problems through mutual support and understanding. The IJV management process must provide effective ways to manage human resources,

establish joint strategy formulation, create structural linkages, moderate cultural differences, provide adequate day-to-day coordination and communication and establish a win/win climate (Tichy, 1988).

CHAPTER VI

RESEARCH QUESTIONS AND PROPOSITION SETS

What do these questions do for me? First, they make my theoretical assumptions more explicit. Second, they tell me what I want to know most or first; I will start by channeling energy in those directions. My collection of data will be more focused and limited (Miles & Huberman, 1994, p.22).

6.1 INTRODUCTION

The contextual literature presented in previous chapters (chapters II-V) discussed various issues, such as motivation, formation and implementation of IJVs in relation to Australian-Indian IJVs in India. It is suggested in this chapter that empirical inquiry dealing with these issues is still scant. The review of contextual and theoretical literature is fundamental to the formation of a conceptual framework that provides a basis for the development of the research questions and propositions (Babbie, 1992; Sekaran, 1992).

6.2 CONCEPTUAL FRAMEWORK

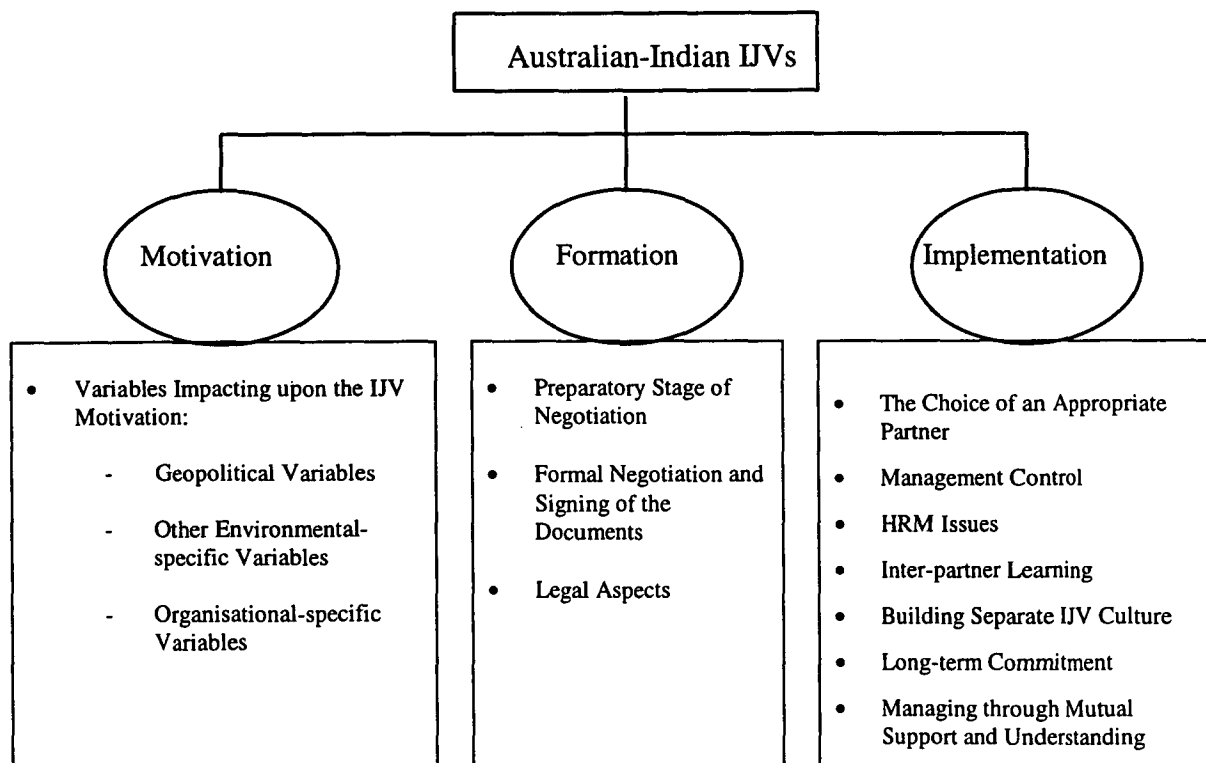
According to Miles & Huberman (1994, p. 18),

... a conceptual framework explains, either graphically or in narrative form, the main things to be studied - the key factors, construct or variables - and the presumed relationships among them.

Establishing a conceptual framework is important because at the initial stage of the research, it helps to specify what will be studied. In addition, it encourages the identification of variables which are relevant to the study, likely relationships among them, and the nature of information to be collected.

On the basis of the extant literature and other available information, a conceptual framework is developed which identifies three major dimensions of Australian-Indian IJVs to study; viz., first, to what extent do various environmental and organisational-specific issues influence the decision of Australian companies to joint venture with an Indian partner to invest in India; second, what is the process of forming IJVs between Australian and Indian firms; and third, what are the factors responsible for the successful implementation of the Australian-Indian IJVs. The study also aims to examine the relationships among these constructs; i.e., how the factors influencing the selection of IJV mode and its formation contribute to the effective implementation of IJVs. **Figure 6.1** demonstrates the conceptual framework for this study.

Figure 6.1
Conceptual Framework



6.3 RESEARCH QUESTIONS

The research question aims to summarise the conceptual framework. It helps set the provisional boundary or operational parameters of the analysis. According to Miles & Huberman (1994), setting this boundary is intended to minimise the risk of the researcher becoming overwhelmed by the volume of data collected. It keeps the researcher "...on track as data collection proceeds" (Yin, 1989, p. 77). Padilla (1994), while supporting Miles & Huberman (1994) and Yin (1989), mentions that failure to establish a reasonable boundary may result in the risk of collecting unnecessary data while possibly overlooking the data that are essential for the study. As does the conceptual framework, the research question derives from the extant literature (Eisenhardt, 1989). As mentioned already, this is a study of Australian firms' joint venturing with Indian firms in India. Accordingly, the research questions framed for this study are:

1. *What are the considerations that an Australian firm will bring to bear on the decision to choose the IJV as an international business mode of operation in another country, specifically India?*
2. *What are the processes of formation and implementation of that decision?*

6.4 RESEARCH PROPOSITIONS

The conceptual framework, research questions, along with the existing literature and other available information were used to frame the propositions. Propositions help identify the relevant information about the cases to be studied. It is argued that without such propositions, a researcher might be tempted to collect "... everything," which is impossible to do (Yin, 1989, p. 31).

This is important to note here that the validity of these proposition sets will be examined through the use of multiple cases based primarily on face-to-face interviews. Accordingly, some of the measures employed are perceptual in nature. The researcher is aware that dependence on such measurement tool could lead to a concern about subjectivity of responses. It is also considered as one of the limitations of this study (see chapter 7.5).

The propositions framed for this study are divided into five broad categories. The first three categories deal with the motivation to form IJVs (relevant to research question 1), the fourth category deals with the formation process and the last category deals with the IJV implementation stage (the last two categories are relevant to research question 2). Each category is preceded by a general statement that broadly represents the entire pool of propositions that fall under that category. These categories are five-fold, and are discussed below.

6.4.1 Category 1: Geopolitics and its Impact on IJV Motivation

As revealed in the literature review (chapter II), geopolitics, along with other factors, may influence the motivation of a home-country firm to form an IJV with a host-country firm as a mechanism to exploit an overseas market. However, in the field of international business inquiry, very little emphasis has been given to date on this factor (As-Saber, *et al.*, 1996b). As an environmental variable, geopolitics presumably has certain influences on international business operations. Accordingly, it is proposed that geopolitics impacts on the motivation of Australian firms to form IJVs with Indian partners while investing in India.

General Proposition Geopolitical factors may be considered from three different dimensions. These are (a) the *time dimension*, highlighting the historical perspective, including such impacts as the colonial, Cold War and post-Cold War eras in the present context; (b) the *place dimension*, focusing on natural resources, geographic proximity and regionalism; and (c), the *demographic dimension*, emphasising the role of population size, supply of labour, and ethnic and religious groups. In the Australian-Indian business context, it is proposed that these dimensions impact on the motivation of Australian firms to joint venture with local partners while investing in India. In general, it is proposed

P1: Geopolitical factors which impact on the decision to enter the Indian market can be represented on three dimensions: a time dimension, a place dimension and a demographic dimension.

Each of these factors, viz., time, place and demographic dimensions is now considered separately.

The Time Dimension The time dimension, such as the impacts of colonial, Cold War and post-Cold War eras emphasises the impact of historical perspectives on international business operations. It may be argued that the constant change of geopolitical relationships among nations (Cohen, 1963; Wallerstein, 1980) is likely to affect the international business relationships among them. In the Australian-Indian context, the colonial and the Cold War legacies are two major issues of the time dimension that may affect the business relationships between these two countries. Despite the presence of a number of common business cultures inherited from the British colonial legacies, these two countries maintained considerable distance during

the Cold War era because of their affiliation to two different political groupings which were rivals. In spite of the end of the colonial subjugation and the end of the Cold War, their legacies might still affect Australian firms investing in India. It is proposed

P1.1: Along the time dimension, historical events influence the decisions taken by Australian firms to joint venture with Indian firms to enter the Indian market.

The Place Dimension The place dimension of a country, such as the natural resources, size and geographic location, has strategic importance in terms of its relationships with other countries (Cohen, 1963). Dunning (1977; 1986) considered the use of available natural resources and geographic proximity as the location-specific advantages attracting foreign investments. Geographic size, in this respect, may be considered as a natural endowment. It is presumed that the place dimension of a host country has impacts on the entry mode decision of the foreign firms. In the Australian-Indian context, the geographic proximity between these two countries (located within the same Asia-Pacific region), the availability of natural resources in India and the regional political and trade arrangements may be considered from this perspective. It is proposed

P1.2: Within the place dimension, the geographic location of India, vis-à-vis Australia, influences the decision taken by Australian firms to joint venture with Indian firms to enter the Indian market.

The Demographic Dimension The demographic dimension is another important geopolitical factor. Cohen (1963) described population as a geopolitical variable and emphasised its qualitative and ideological characteristics. The size of the population, availability of labour, and the presence of ethnic and religious groups are the critical

demographic factors that may influence international business operations. In the Indian context, the huge population base containing a large middle class with enormous purchasing capacity, availability of cheap labour, the presence of ethnic and religious rivalry along with the indigenisation movement, and the existence of non-resident Indians (NRIs) are major demographic factors that may impact on the choice of entry mode by Australian investors in India (As-Saber, *et al.*, 1996b). Formation of IJVs may be considered as a possible option by Australian firms investing in India because it would be easier to manage the geopolitical environment with the active collaboration of the host-country partners. It is proposed

P1.3: Within the demographic dimension, India's population characteristics influence the decision taken by Australian firms to joint venture with Indian firms to enter the Indian market.

6.4.2 Category 2: Other Environmental Variables

Category 2 deals with various environmental factors other than geopolitics. This was discussed earlier in the literature review at chapter III. These are the factors traditionally recognised as the most influential factors that impact upon the motivation to form IJVs. In this study of Australian-Indian IJVs in India, it is proposed that these environmental factors influence the formation of IJVs by Australian firms investing in India.

General Proposition Various host-country environmental factors may influence the entry mode choice of foreign companies investing in India. These include the host-country economic, cultural, legal, political and human resource management

frameworks and the foreign firm's accessibility to the market information in India. In general, it is proposed

P₂: Host-country environmental factors, such as its economic, cultural, legal and political settings, the firm's access to market information and its human resource management practices impact on the decision making process of the foreign firm as it considers entry into the Indian market.

Each of these factors, viz., economic, political, legal and regulatory, human resource management, availability of market information, and cultural diversity is now considered separately.

Economic Factors The host-country economic environment is critical for a company's international market entry choice (Dunning, 1986; Hill, *et al.*, 1990; Kim, 1993). There are various issues that contribute to a country's economic environment. These include the level of inflation, exchange rate fluctuations, transactions and other costs, market competition, demand conditions, and labour productivity.

As mentioned in the literature (chapter III), despite economic liberalisation through continuous reform measures by the Indian Government, India is still experiencing a very high inflation rate that is responsible for the devaluation of the Indian Rupee. This, in turn, is putting pressure on interest rates. In addition, since the beginning of the reform process in 1991, the level of foreign investment in India has been increasing at an accelerated pace resulting in an intensely competitive environment for both the local and foreign firms. Moreover, the environmental-specific transactions costs are substantial for investment in India (chapter III). In addition to differential taxes, the tariff barriers between regions and different packaging requirements are concerns for foreign investors.

Demand conditions are another economic factor to be considered. In India, the demand conditions are uncertain because of the presence of a large poor segment in the Indian population. About 80% of its total population falls into low or lower middle income group (East Asia Analytical Unit, 1994, p. 32). Labour productivity is another concern. In India, productivity of labour is known to be significantly low (Australian Department of Foreign Affairs and Trade, 1995). IJVs may be considered as a viable option for Australian companies investing in India to better understand and manage these matters with the active collaboration from their experienced local partners. It is proposed

P2.1: The macroeconomic environment in India influences the decision taken by Australian firms to joint venture with Indian firms to enter the Indian market.

Political Factors Host-country political factors may greatly affect a firm's choice of international market entry mode. India has a volatile political situation with ongoing political, ethnic and religious rivalries (Australian Department of Foreign Affairs and Trade, 1995; Hirsh & Majumdar, 1995; *The Economist*, 27 May, 1995, p. 71; Zubrzycki, 1995). The government of India lacks stability. For example, between 1996 and 1998, India experienced a change of governments on seven occasions. According to Czinkota & Ronkainen (1990), the formation of IJVs may help to maintain good relationships with the major stakeholders in a foreign country with political instability via the local partners. It is proposed

P2.2: The political situation in India influences the decision taken by Australian firms to joint venture with Indian firms to enter the Indian market.

The Legal and Regulatory Environment The host-country legal and regulatory environment is likely to have significant impact on a firm's foreign market entry mode decision. In the recent years, the Indian legal and regulatory environment has been changing constantly along with its ongoing economic liberalisation (East Asia Analytical Unit, 1994). This has made the Indian business environment uncertain and foreign investors have been finding it difficult to keep themselves abreast of the country's prevailing regulatory state.

As mentioned earlier in chapter III, there are regulatory problems, such as high tariffs and taxes, the requirement of obtaining government approvals for all foreign investments, an over-manned inefficient public sector monopoly of the insurance industry with a strong trade union, and a lack of enforcement of intellectual property rights. In these circumstances, formation of IJVs with Indian partners may offer the foreign firm a significant advantage. The prospect of drawing upon the local expertise of the host firms in accommodating these issues may be seen as a motivation for foreign investors to choose the IJVs as a preferred *modus operandi* to enter and invest in the Indian market. Therefore, it is proposed

P2.3: The legal and regulatory environment in India influences the decision taken by Australian firms to joint venture with Indian firms to enter the Indian market.

Human Resource Management Human resource management has increasingly been recognised as a critical element of international business operations (As-Saber, *et al.*, 1998; Dowling, *et al.*, 1999; Milliman, *et al.*, 1991). It may influence a firm's decision to choose the IJV mode to invest overseas. This is one of the major concerns

for foreign investors wishing to operate in India. There are various HR related factors that should be considered by the foreign firms for their investments in India.

As suggested earlier in chapter III, although India has a large pool of well-educated people, due to the unprecedented demand for skilled workers since the economic liberalisation in the early 1990s, it has become very difficult to find and appoint high quality local staff. Labour unrest is an additional consideration for firms wishing to do business in India. As a consequence, one of the major motivations for foreign companies to form IJVs in India may be to manage these HR-related issues with the active collaboration of their local partners familiar with the Indian HR environment. Therefore, it is proposed

P2.4: The nature of human resource management practices in India influences the decision taken by Australian firms to joint venture with Indian firms to enter the Indian market.

The Lack of Necessary Market Information It is said to be difficult for foreign investors to obtain necessary market information in India (East Asia Analytical Unit, 1994; Rajshekar & Raman, 1994). Formation of IJVs with local partners may be advantageous in this respect. The host partner's local expertise and knowledge along with a familiarity of possible information sources may help the foreign firm to overcome this problem. This assumption may influence the foreign firm to joint venture with an Indian partner while investing in India. Thus, it is proposed

P2.5: The lack of necessary market information in India influences the decision taken by Australian firms to joint venture with Indian firms to enter the Indian market.

Cultural Diversity In relatively unfamiliar and culturally distant locations, investing firms are likely to adopt the IJV mode as a preferred entry option (Awadzi, 1987; Benito & Welch, 1994; Berkema *et al.*, 1996; Kogut & Singh, 1988). India, as mentioned earlier, has one of the largest and most diverse populations in the world with 14 principal languages and over 800 different dialects (East Asia Analytical Unit, 1994). Also, religions (predominantly Hinduism) have a strong influence on social and business activities (Copeland & Griggs, 1986). In addition, corruption being rampant and endemic within the Indian society has become a part of India's political, bureaucratic and business culture (*Asian Business Review*, 1995; Thakur, 1993; *The Economist*, 27 May, 1995, p. 71).

Harris & Moran (1987) note that the recognition of host cultural complexities and mixing with the host nationals are two major preconditions for an overseas business success. For foreign companies in India, these preconditions may be best achieved through the formation of IJVs with local partners who can assist in overcoming cultural barriers. It is argued that the IJV mode serves to minimise the level of cultural uncertainty and riskiness (Czinkota & Ronkainen, 1990). This allows the foreign firm to understand and exploit the host culture more realistically through the support and guidance of their local partners. Therefore, it is proposed

P2.6: Cultural diversity in India influences the decision taken by Australian firms to joint venture with Indian firms to enter the Indian market.

6.4.3 Category 3: Organisational- Specific Variables

Category 3 deals with the organisational-specific variables as discussed in the literature review (chapter VI). It is proposed that organisational-specific variables

impact upon the motivation of Australian firms to form IJVs with Indian partners while investing in India.

General Proposition Various organisational-specific factors may influence the entry mode choice of foreign companies investing in India. These include economies of scale, minimisation of transactions costs, access to distribution networks, sharing technology and other resources and inter-partner learning. In general, it is proposed

P3: Organisational-specific factors impact on the decision taken by Australian firms to enter the Indian market through the joint venture mode.

Each of these factors, viz., economies of scale, transactions cost minimisation, access to distribution networks, sharing of technology and other resources, and inter-partner learning is now considered separately.

Economies of Scale This is one of the most important organisational-specific variables that may motivate foreign firms to establish IJV relationships with local partners. Formation of IJVs through pooling resources and capabilities from two or more firms from across national borders is likely to create improved efficiencies of large-scale production that reduce per-unit production costs.

India is a huge market with a population of over nine hundred million people. It is not easy to cater for this market as a stand-alone company. A foreign firm might find it difficult to identify the preferences of consumers and the actual demand for any product. Also, there are incentives for export-oriented investment in India (Government of India, 1995). With the cooperative efforts of the IJV partners,

increased efficiencies can be achieved in production quality and volume. Also, market niches might be identified with the help of the host partner's local expertise that may result in the most expedient distribution of the end-products. Because of the improved product quality and cost-minimisation through mass production, the IJV products are also likely to be competitive in the export market that may further reduce per-unit costs. Therefore, it is proposed

P3.1: The quest for economies of scale motivates Australian firms to joint venture with Indian firms while entering the Indian market.

Minimisation of Transactions Costs Organisational-specific transactions costs in servicing a foreign market may be considerable (see chapter IV)). By choosing the IJV mode, foreign companies may substantially minimise transactions costs. The major transactions costs for the foreign firms investing in India include the costs of gathering necessary market information, search and negotiating costs, hiring managerial expertise, paying taxes and buying capital equipment and raw material inputs. With the active collaboration of the local IJV partners, these costs may be minimised substantially (Cherrett, 1994; Kogut & Singh, 1988). Therefore, it is proposed

P3.2: Transactions costs minimisation influences the decision taken by Australian firms to joint venture with Indian firms while entering the Indian market.

Access to Distribution Networks Access to the distribution network is critical for a firm investing overseas. According to Anderson (1995), access to the partner's existing distribution networks is an important motivation for the foreign firms to establish IJVs with local partners. In the large Indian market, the local partner's

existing distribution channels can minimise the costs of the operation substantially. In an increasingly competitive environment, this ensures the immediate access of the foreign firms to the Indian market. Nonetheless, to cater to the IJV needs, the existing distribution channels of the local partner may be upgraded or a new distribution channel may be required. In both cases, the foreign partner might be able to share these costs with its local partner. It is proposed

P3.3: Access to the distribution networks within the Indian market influences the decision taken by Australian firms to joint venture with Indian firms while entering the Indian market.

Sharing Resources and Capabilities The sharing of resources and capabilities with a local partner is one of the major motivations for the foreign firm to joint venture with the local partner to invest in India (see chapter IV). It has been argued that the sharing of technological knowhow may influence a firm to joint venture (Hagedoorn & Schakenraad, 1990; Harrigan, 1986; Lan, 1996). IJVs may be used to share and/or procure leading-edge technologies while in alliance with companies having such capabilities (Hagedoorn & Schakenraad, 1990). Sharing of establishment costs and R&D expenses are considered another reason for establishing IJVs. As mentioned earlier, the costs of establishing a business in India are very high (chapter IV).

Sharing the costs and facilities for research and development (R&D) is another critical factor for the motivation to form IJVs (Katz, 1995). For Indian partners, backward access to R&D, design engineering and the capability of product innovation of the parent firms is a major source of motivation to form IJVs. Sharing the costs of R&D and using local researchers at relatively lower cost are two motivations for the Australian firms to form IJVs in India. Therefore, it is proposed

P3.4: Sharing technology, establishment costs and R&D expenses influences the decision taken by Australian firms to joint venture with Indian firms while entering the Indian market.

Human Resource Management Organisational-specific HR issues are to be considered while opting for a joint venture. There are a number of such issues that might have the potential to influence Australian firms to joint venture with the local partners while investing in India. These include selection and recruitment, training and development, and the management of labour unrest (see chapter IV). These issues are difficult to deal with in a foreign environment as a stand-alone company (As-Saber, *et al.*, 1997). The minimisation of difficulties in dealing with these organisational-specific HR issues with the active collaboration of the local partner might influence the Australian firm's decision to joint venture with an Indian partner while investing in India. Therefore, it is proposed

P3.5: The organisational-specific human resource management issues influence the decision taken by Australian firms to joint venture with Indian firms while entering the Indian market.

Inter-Partner Learning According to Harrigan (1986) and Kogut (1988), learning from each other's knowledge-base is an important motivation to form IJVs. Superior information exchange among the partners is the core of such learning processes. Typically, this learning happens through the exchange of technical and managerial staff between the partners and enhanced interaction among them. Also, joint training to learn each other's management culture and the relevant technical knowhow may benefit each other. Dunning (1995) considers shared learning experiences as one of the key opportunities for such alliance building activities. Foreign firms need to learn the complexities of Indian business culture and human resource practices and the

Indian firm's quest for learning superior technology and management style can prompt the need to form IJVs. Therefore, it is proposed

P3.6: Inter-partner learning influences the decision taken by Australian firms to joint venture with Indian firms while entering the Indian market.

6.4.4 Category 4: IJV Formation

After the firm is finally motivated to form an IJV, the IJV formation process begins. This process comprises a series of formal and informal negotiations. On the basis of the existing literature (see chapter V for the review of relevant literature), it is proposed that the IJV negotiation process between Indian and Australian firms is a complex one.

General Proposition A complicated and extensive management process is usually involved to form an IJV. This process is comprised of three major stages. First is the preparation for the negotiation through identifying the needs and requirements of both parties; second is the gathering of information on the host-country law regulating IJV negotiation, with particular emphasis on the legal implications of the final agreements; and third is the signing of the documents following a formal negotiation process. In general, it is proposed

P4: Formation of IJVs involves an extensive investment in different stages of the negotiation process including an understanding of its legal aspects.

Each of the factors involved in such a negotiation process, viz., preparing for the negotiation, formal negotiation and legal aspects is now considered separately.

Preparing for the Negotiation Once the decision is made to form an IJV, and a potential partner is identified, an extensive preparation is necessary before the formal negotiation begins. Ill-prepared parties are unlikely to attain desired objectives during the negotiation process (Richards & Walsh, 1990). During the preparatory stage, a range of issues are required to be considered (see chapter V). These are, the initial approach, the number of firms contacted, information gathering, preparation time, appraisal of own as well as partner's needs, the use of additional arguments, the number of meetings, financial involvement, pre-contract training and the level of management involved. A consistent negotiation style is required. In addition, if possible, a negotiating team should be selected. It is proposed

P4.1: The Australian firms undertake extensive investment in the preparatory stage of joint venture negotiation to arrive at a favourable terms of agreement with their Indian counterparts.

Formal Negotiation The formal negotiation is a major stage of the IJV formation process. The appropriate management of this stage is critical for the determination of a future relationship between the parties. It also influences the future prospects of the IJV. At the negotiating table, the parties must maintain a friendly atmosphere and place their respective terms and conditions in a thoughtful manner. At the end of the formal negotiation, an agreement is reached and a document is prepared for signature. Agreements should cover all the relevant issues without ambiguity and the potential for possible confusion between the parties during the course of the IJV operation must be minimised.

There are six major issues which should be taken into consideration during the formal negotiation process (see chapter V). These include, the venue of the final negotiation, language/s used, major difficulties faced during the process, the signing of a separate licensing agreement, the time taken to get the approval from the Indian government and the use of special efforts to win the approval. On the basis of this discussion, it is proposed

P4.2: Extensive investment in the formal negotiation process is required by the Australian firm to determine the nature of the future relationship between the IJV partners in its Indian activities.

Legal Aspects IJVs are normally governed by the laws of partnership applicable within the country of operation (Howarth, *et al.*, 1995). In addition, the legal status and the structure of the IJV may vary according to its nature and purpose (Urban, 1996). This may be reflected in the nature of its incorporation, *viz.*, incorporation as a company with unlimited liability, limited partnerships, private limited liability and limited liability, for example.

There are four major legal issues which should be given appropriate consideration during the negotiation process (see chapter V). These include, the use of a legal expert/firm during the preparatory stage, the use of a legal expert/firm to scrutinise the documents and interpretation of documents according to the Australian law. In the Indian legal system, only the documents with clearly written rights and duties are legally obligatory. They should also be elaborately detailed in conformity with the Anglo-Saxon law. However, these agreements are only binding on approval by the appropriate Indian authority. Adequate understanding of the legal aspects of

negotiation in the Indian legal system is essential for the Australian firms wishing to establish IJV relationship with a host firm in India. It is proposed

P4.3: Extensive investment in understanding the legal aspects of negotiation in the Indian legal system is essential for the Australian firm as it attempts to ensure the security of future courses of action to be taken by the IJV and its partners.

6.4.5 Category 5: IJV Implementation

A variety of factors contributes to the successful implementation of any IJV operation (see chapter V for the review of relevant literature). This is no exception in the context of Australian-Indian IJVs in India.

General Proposition There are various factors that impact upon the successful implementation of IJVs. These include the choice of an appropriate Indian partner, a consistent IJV control mechanism, efficient management of human resources, retaining organisational knowledge and inter-partner learning, building a separate IJV culture, long-term commitment, and managing environmental-specific as well as organisational-specific inhibitive factors. In general, it is proposed

P5: Various environmental-specific as well as organisational-specific factors impact on the likelihood of success of Australian-Indian joint ventures in India.

Each of these factors is now considered separately.

Partner Selection Selection of an appropriate partner is critical for IJV success (see chapter V). The foreign company must find a reliable partner capable of understanding the IJV objectives and contributing to its successful operation. According to Howarth, *et al.* (1995, 175-176), "... careful thought, screening and

analysis may result in the right selection". Although there are many potential partners in India (Jacob, 1992), it is not a straightforward task to find and select them. It is critically important to judge the partner's capability, trustworthiness and commitment for the venture before the agreement is finalised because it is too late to discover that a major difficulty exists in the relationship after the agreement has been signed. It is proposed

P5.1: The choice of an appropriate Indian partner is a pre-condition for IJV success for Australian firms in India.

Control A consistent control process is critical for a successful IJV operation (Killing, 1983; Schaan, 1983; Geringer & Hebert, 1989; Yan and Gray, 1995). There should be clear guiding principles in place to accommodate this matter effectively. A number of areas need careful examination in addressing this issue. These include, for instance, the extent of freedom to be allowed to the joint venture management vis-à-vis its parents, and the management roles to be played by each partner. However, it remains best to maintain a flexible attitude towards this issue. The success of German firms in India suggests that a flexible attitude of foreign companies is a key success factor for an IJV operation in India (Geissbauer & Siemens, 1996). However, the parents must have a clear idea about the ongoing performance of the venture (Tichy, 1988). In addition, the structures of the IJV and its partners may influence the overall IJV control mechanism. According to Child (1972), structural configurations may reflect the extent of the bureaucratic strategy of control. It is proposed

P5.2: The success of Australian firms joint venturing with Indian partners depends upon the effectiveness of the control mechanism adopted.

Human Resource Management As mentioned in chapter V, human resource management is another key factor which may substantially contribute to the success of the IJV (As-Saber, *et al.*, 1998; Dowling, 1986; Geringer & Hebert, 1989; Schuler, *et al.*, 1991; Slujis & Schuler, 1986). Various HR-related issues, such as selection and recruitment, training and development, and performance appraisal are important to consider. Another critical HR issue is the representation of managers in the IJVs. It is important for the foreign company to come to an agreement regarding personnel sharing. They must hire people cautiously because once hired, it is not easy to dismiss employees under Indian labour law (*The Economist*, 9 April, 1994, pp. 15, 76-78). Therefore, it is proposed

P5.3: The success of Australian firms joint venturing with Indian partners depends upon the efficient management of human resources.

Inter-Partner Learning This important issue can affect IJV success (see chapter IV). Essentially, any such collaboration creates opportunities for inter-partner learning (Dunning, 1995; Hamel, 1991; Harrigan, 1986; Teece, 1977). In the Indian context, a practical knowledge of the diverse markets across India is invaluable for foreign companies doing business in this country. Dealing with the bureaucracy and politics is another major learning hurdle for foreign investors. Moreover, as mentioned earlier, gathering basic market information very often becomes difficult for foreign companies. In this context, the foreign companies may rely on its IJV partners to learn the art of managing these issues more effectively. For Indian companies, IJVs are considered as a source of learning and imitating superior management practices and technical abilities from their foreign partners. It is proposed

P5.4: The success of Australian firms joint venturing with Indian partners depends upon efficient inter-partner learning.

Building a Separate IJV Culture As mentioned earlier (chapter V), in a cross-cultural venture, it is important to develop an integrated teamwork culture, rather than an 'us-them' culture (Geringer & Hebert, 1989). This makes coordination easier and facilitates better performance. Because of the presence of cultural sensitivities in India, the attitude of the foreign firm towards the venture and its Indian partner should be straightforward and genuine and any commitments should be fulfilled without hesitation.(Copeland & Griggs, 1986). It is proposed

P5.5: The success of Australian firms joint venturing with Indian partners depends upon the building of a separate IJV culture.

Long-Term Commitment This is another important IJV success factor (see chapter V). A foreign company is likely to commit extensive resources of time and money to finalise the written IJV agreement through a painstaking negotiation process which may only register the beginning of involvement in the Indian market. To successfully operate an IJV in any of the Asian countries, such as in India, requires long-term commitment from both partners (Hendon, *et al.*, 1996). Experience in the present, and other foreign markets is important. The longer the local involvement, the easier it is for the foreign company to understand and exploit the local conditions better. There is an experience curve effect in doing business in foreign countries. It is proposed

P5.6: The success of Australian firms joint venturing with Indian partners depends upon a long-term commitment to the host market.

Managing Problems through Mutual Support and Understanding As mentioned in chapter V, both the partners require an awareness and understanding of the environmental as well as the organisational-specific problems in order to overcome them. This objective can only be achieved through mutual support and understanding. In the unfamiliar and fast changing Indian business environment, assistance from the local partner is critically important for the IJV success. Both partners must identify each other's strengths and limitations so that they can truly complement each other. It is proposed

P5.7: The success of Australian firms joint venturing with Indian partners depends upon the manner in which environmental-specific inhibitive factors are managed.

P5.8: The success of Australian firms joint venturing with Indian partners depends upon the manner in which organisational-specific inhibitive factors are managed.

6.5 CHAPTER SUMMARY

It is important to decide the provisional boundary of any research undertaking. This assists in guiding the researcher to retain focus and to avoid taking cognisance of circumstances not relevant or which are loosely connected to the investigation. This domain may be determined through the construction of a conceptual framework and consequent preparation of a research question and proposition sets.

Based on the extant literature and other available information, a conceptual framework is reported for this study as a primary step to assist in establishing general propositions in order to guide the investigation in an appropriate direction. This helps streamline the ideas to be developed and depicts who and what are to be studied.

The research question derives from the conceptual framework, which further delimits the specific area or the boundary of the research. Propositions are specified to focus the inquiry on the important issues to be investigated within the domain of the research interest. Each proposition directs attention to one only of these issues to be examined within the scope of the investigation. In this chapter, the conceptual framework is established, a research question is framed and proposition sets are prepared which are critical to guide this research investigation.

CHAPTER VII

RESEARCH DESIGN AND METHODOLOGY

There is never a single, standard, correct method of carrying out a piece of research. Do not wait to start your research until you find the proper approach because there are many ways to tackle a problem - some good, some bad but probably several good ways. There is no single perfect design (Simon, 1969, p. 4).

7.1 INTRODUCTION

The literature (chapters II-V) reviewed in this thesis reveals that IJVs, as an increasingly popular international business mode, are receiving growing interest from researchers and business practitioners from around the globe. It also demonstrates the existence of a wide range of theoretical and empirical studies on various IJV issues. However, while such contributions must not be devalued, it is argued that an understanding of some IJV issues is still limited in scope and in depth (Yan & Gray, 1995). Likewise, studies addressing various aspects of Australian-Indian international joint ventures are relatively sparse.

Moreover, the few studies of these IJVs (As-Saber *et al.*, 1996, 1997, 1998; Dowling *et al.*, 1996; Vicziany, 1993, 1994) that have been reported have not offered adequate attention to the diverse issues pertaining to Indian-Australian IJVs. The increasing number of Indian-Australian IJVs, along with the presence of a limited number of studies on them has prompted this study. In examining IJVs from three different perspectives *viz.*, the motivation to form IJVs, IJV formation and their implementation, this study seeks to develop a better understanding of these factors using a case study method. By adopting in-depth, comparative case study method,

this research aims to investigate various issues in relation to nine Australian-Indian JVs in India.

This chapter describes the research design and methodology applied in the research reported in this thesis.

7.2 RATIONALE FOR THE CASE STUDY METHOD

Case study method is applied to investigate research objects intensively. According to Stake (1994, p. 237), "... a case is both the process of learning about the case and the product of our learning". It helps generate comprehensive understanding about any particular phenomenon. Yin (1989, p. 3) considers case study method as a process to investigate "... a contemporary phenomenon within its real life context". It is argued that the case study method is rigorous and with a sound philosophical basis (Perry & Coote, 1994). This is an approach that yields a rich detail of activities not available through questionnaires (Eisenhardt, 1989; Larsson, 1993; Yin, 1989). It is a methodology primarily based on interviews. However, multiple sources of evidence are used simultaneously (Yin, 1989).

In cross-cultural studies, researchers face problems in comparing data due to the variance of culture and other country-specific attributes. Also, a major methodological problem is to evaluate various issues within different organisational contexts such as size, technology, location and market position that may have encouraged the formation of various shared frame of references (Dowling & Nagel, 1986; Negandhi, 1975). Accordingly, while conducting any such research, due

attention is required to be given to overcome these problems; otherwise, serious inferential and substantive errors may arise (Mullen, 1995; Singh, 1995; Yan & Gray, 1995). However, it is likely to be more difficult to address the culture-specific differences and to quantify the findings through survey method because of its focus on minimal or an absence of real-life experiences.

On the basis of prior research findings on selected IJV issues, Yan & Gray (1995) revealed contradictory and inconclusive results which prompted them to conduct another research investigation on similar issues using a case study method. They asserted that this method is more able to isolate out misunderstandings and inconsistencies in the explanation of particular IJV issues. Case study method provides detailed explanations that survey methods overlook and it offers the prospect of new insights into the relationships between different variables (Eisenhardt, 1989; Glaser & Strauss, 1967; Yan & Gray, 1995; Yin, 1989).

In the present research, emphasis is given to empirical studies primarily based on the information obtained through direct interviews. During the process, intensive investigation of the research objects is conducted. According to Valdelin (1974, cited in Hyder, 1988, p. 65),

... the intensive observation of the case approach gives opportunity to study different aspects and to put them in relation to each other, to put the object in relation to its environment and also to utilize the researcher's capacity for understanding of the study object.

However, an iterative process, a combination of deductive and inductive techniques, is used in order to capture the complexity and dynamism of the context of real life

situations. This allows the researcher to consider the scenario more realistically and with flexibility (Babbie, 1992; Hyder, 1988; Perry & Coote, 1994). Prior theories are employed as 'templates' for measuring the empirical case study outcomes. In this sense, the existing theory helps to interpret the results (Manicas, 1989). This method also helps determine which of the theoretically relevant similarities and differences are operative by examining empirical cases (Ragin, 1987).

In addition to collecting data through in-depth interviews, emphasis is given to direct observation of real-life situations and written documents. Patton (1990) considers these as the three major components of qualitative inquiry. Qualitative methods, according to Strauss and Corbin (1990), are generally used to investigate and understand a phenomenon about which little is yet known. It was mentioned earlier that little investigation has been conducted to date on Australian-Indian IJVs. Also, any trend toward forming IJVs by Australian firms with Indian partners is relatively recent. Therefore, qualitative method appears to be the best possible option to conduct research on this emerging area of interest. Case studies may be considered as the underpinning of qualitative research. Depth and detail of qualitative methods typically derive from case studies (Patton, 1990).

Multiple case studies are conducted in order to avoid possible single-case bias and to gather better insights about relevant issues. Multiple cases allow data from the several cases to be examined in an iterative process, one which constantly compares theory and case findings to seek a close fit between a theory and the data. Eisenhardt (1989, p. 541) considers a close fit as an important precondition for good theory building

because "... it takes advantage of the new insights possible from the data and yields an empirically valid theory". Given the complex nature of the IJV relationships, comparative case study method is considered particularly appropriate for the study of joint ventures (Parkhe, 1993; Yan & Gray, 1995).

According to Ragin (1987), there are three basic steps in the comparative case research strategy. These are, a search for underlying similarities that display some common outcome (or characteristic of interest), an identification of the similarities that are causally relevant to the phenomenon of interest, and the formulation of a general explanation on the basis of similarities identified. Accordingly, Ragin (1987, p. 45) considers it as "... the method of agreement".

7.3 CASE SELECTION AND DATA COLLECTION

Nine cases provide the data for this study. Precisely, for this type of study, there is no ideal number of cases (Yin, 1989). However, Eisenhardt (1989) advocates between four and ten cases. Australian firms have been considered as foreign partners in all of the case studies. India was selected as the host country because of the recent interest of Australian companies joint venturing in India (Hook, 1995). Other considerations for choosing India include the end of the Cold War era and the subsequent economic liberalisation process transforming the Indian market into an attractive destination for foreign investment (Tait, 1995), Australia's geopolitical proximity to India, and emphasis given by the Australian government to the potential of the Indian market (East Asia Analytical Unit, 1994).

In addition, the researcher's familiarity with the Indian culture and business environment has significantly contributed to this decision. According to Brewster, *et al.*, (1996), as each researcher brings a particular degree of cultural knowledge and expertise to the task in relation to his or her own society or the societies the researcher is familiar with, it gives the researcher easier access to understanding these societies.

7.3.1 Case Selection

Cases were selected from across different industries, rather than concentrating on a particular industry. There are two major rationales for this selection. First, from the list published by the Australian Trade Commission's directory (Austrade, 1995), 17 India-based Indo-Australian IJVs were selected for initial correspondence. During the primary investigation in early 1995, it was found that all the 'joint ventures' listed in the Austrade directory are not IJVs according to the standard definition of IJVs adopted in this study, e.g., the BHP-Kinhill joint venture, Vergola Ltd and BHP Steel Coated Product Division (for the definition of IJVs, see chapter I). These are either technical collaborations or distribution agencies. From the remaining 14 Australian parent firms, positive responses to preliminary inquiries were received from eight firms with nine IJVs (Telstra has two IJVs with Indian partners). Hence, from information available to the researcher, all available IJVs were selected for the study.

Second, it was considered appropriate to select cases from across different industries because of the assumption that this would strengthen the extent of generalisability from the available data. According to Gersick (1988), the strategy of diverse sampling may be adopted to enhance or improve any generalisations from the research

findings. Also, the actual respondents are assumed to 'represent' the larger pool of potential respondents, so that data from the smaller number of respondents are assumed to represent the data that might have been collected from the entire pool (Yin, 1989). This research aims more at literal replication than theoretical replication, i.e., it predicts more of the similar results than the contrary ones (Perry & Coote, 1994).

7.3.2 Data Collection

In the collection of data, multiple sources of evidence were used to assist in establishing construct validity. For each of the IJVs, three different entities were chosen to interview, viz., the parent (Australian) company, the host (Indian) company and the India-based IJV management. This corroboratory mode of data collection encouraged the development of converging lines of inquiry. The face-to-face interviews were conducted both in India and Australia. The researcher visited India twice, and over a period of two months during 1995-96, data on the research objects were collected. During the author's first field trip to India in late 1995, unstructured interviews with a number of Indian host companies and IJV managements were conducted which formed a pilot for the subsequent research (The Open University, 1979). At that stage, preliminary information was compiled and access procedures were verified which are two important steps for case study protocol (Yin, 1989). During part of this field-work, the researcher's co-supervisor accompanied him and supervised the collection of such evidence.

The preliminary evidence collected at that time also helped to shape the conceptual framework which eventually guided the identification of the research question and propositions. Again, in late 1996, the researcher visited India and collected data from all nine IJVs and their host companies through face-to-face interviews. During the first two interviews, the research supervisor accompanied the author to provide guidance. For this phase, structured questionnaires were used (see **Appendix II** for the questionnaires).

At the beginning of each of the interviews, the respondent was presented with a brief overview of the research project and its objectives. In addition, a systematic explanation of the questionnaire was offered to eliminate any chance of confusion and ambiguity. During the interviews, information was sought from the respondents on behalf of the firms they represent, rather than seeking their personal opinions. This requirement was explained and emphasised by the researcher during his introductory discussion with each of the respondents.

Responses on both open-ended and close-ended questions were sought and the interviews were recorded on audio tapes for subsequent use in verification of the notes, which proved particularly useful for the responses to the open-ended questions. Where information was lacking on particular topics or situations, follow-up conversations were held by telephone or correspondence was made through facsimile communication or by the post.

Data from the parent companies were collected in a similar fashion. During the study, company documents were used. In addition to personal interviews, other secondary sources of evidence were used, such as journal and newspaper articles, company documents including annual reports, and information gathered from different institutions and personalities having contacts with, and expertise about Australian-Indian IJVs. This mixed data collection method is also known as data triangulation which is used for verification of information obtained (Perry & Coote, 1994; Stake, 1994). Throughout the study, a systematic chronological order was maintained from the identification of problems until the final conclusions. From the instigation of the study through the literature review, establishment of the research question and proposition sets, identification and selection of research design and methodology, data collection and analysis, concluding in interpretation and discussion, a strict adherence to order has been maintained in an orthodox fashion. Yin (1989, pp. 102-103) calls it the "... chain of evidence". This process further increases the level of construct validity.

This study is an exploratory, empirical study. It adheres to a research process that is framed on existing knowledge and postulated relationships, yet being receptive to new patterns, relationships and phenomena. It is intended that research findings may be interpreted directly, without excluding any variables at the outset. This exploratory approach enhances flexibility in order to allow for the possible discovery of new relationships or even new variables (Van Maanen *et al.*, 1982). However, based on the observation of real-life activities (Yin, 1989), it is recognised that the research findings here are more suggestive rather than conclusive.

Throughout the research process, a case study protocol was maintained as a tactic for increasing quality control and reliability of the case study research (Yin, 1989). The protocol includes a number of activities. These are:

Overview of the Case Study Project An overview generally covers the background information about the project, the substantive issues being investigated, and the relevant readings about the issues (Yin, 1989). The background information about this project was collected at the beginning of the study. As mentioned earlier, there are various aspects that constitute the background information for this study. These include, information regarding the geopolitical atmosphere affecting Australian-Indian business relationships, the existing Indian business environment and its relevance to the Australian investment in India, and the frequency of using IJVs by the Australian companies as an international business mode while investing in India. More detailed background information has already been provided in the introductory chapter of this thesis. The substantive issues were identified and are stated as the conceptual framework which is reported in chapter VI. Relevant readings are discussed in detail in chapters II-V.

Field Procedures Major field procedures include gaining access to case study organisations or interviewees, identifying and using general sources of information, having sufficient resources while in the field, and making a clear schedule of the data collection activities (Yin, 1989). All the necessary field procedures were maintained during the course of this study. Initially, nine Australian parent companies were

identified, and through them, the IJV management and host companies in India were accessed. Initial discussions regarding their accessibility were made by telephone, with letters sent by facsimile to clarify the research intent. Interviews in these entities were conducted and data were collected within a schedule of 14 months. Relevant sources of information were identified and general information was collected both in India and Australia. This information was used to assist in the analysis and interpretation of these data.

Case Study Questions This is known as “... the heart of the protocol” (Yin, 1989, p. 76). Questionnaires designed for the interviews were structured but comprised both open and close-ended questions, leaving sufficient scope for flexibility. These were based on the information gathered from the extant literature, the network of informants and the pilot studies. In addition, research supervisors were consulted before their finalisation. The interview questions were designed to cover selected areas as determined by the conceptual framework.

Guide for the Case Study Report A basic outline of the case study report is required to be a part of the protocol (Yin, 1989). In the present study, a tentative outline of the report has always been maintained, which, according to Yin (1989), is useful for a case study research process. It helps the researchers to be more focussed and it facilitates the collection of relevant data rather than data that are only loosely related to the research objects.

An in-depth interview was conducted in each of the nine IJVs. For the eight Australian parents selected, nine interviews were conducted. Two separate interviews with Telstra were conducted because of the inclusion of two different Telstra-sponsored IJVs in India. For the convenience of data collection and subsequent analysis, these responses were, therefore, regarded as responses from two separate parent firms, Telstra International-1 and Telstra International-2.

Because of the involvement of two hosts in one of the IJVs (Telstra-VComm), the number of host firms interviewed was ten. In addition, one of the host firms, Godrej & Boyce sponsored two IJVs. Accordingly, two separate interviews were conducted with this firm. For the convenience of data collection and subsequent analysis, these responses were, therefore, regarded as responses from two separate host firms, Godrej & Boyce-1 and Godrej & Boyce-2. Primarily, one senior manager was interviewed from each of the parent firms. However, on a number of occasions, further clarification and assistance was provided by other management staff. In all, twenty eight entities were interviewed and were visited by the researcher. They include ten host firms in India, nine IJVs and nine Australian parent firms.

7.4 ETHICAL CONSIDERATIONS

Maintaining an acceptable ethical standard is considered to be an important precondition to conducting qualitative research (Emroy & Cooper 1991; Miles & Huberman, 1994). According to Miles & Huberman (1994, p. 288), it is important to

... consider the rightness or wrongness of our actions as qualitative researchers in relation to the people whose lives we are studying, to our colleagues, and to those who sponsor our work.

During the course of this research process, ethical consideration was taken into account. It was made clear to the interviewees that the information obtained would be treated as confidential and only be used for academic purposes. They were also assured that the research analysis would be based on the actual interview data without any fabrication of information. In respect of some of the information provided by the respondents in face-to-face interviews, it was further assured that the sources of information would be kept confidential and anonymous. Nevertheless, an attempt was made to investigate the cases fully and to generate an authentic profile of these cases.

7.5 LIMITATIONS OF THE STUDY

There are limitations in conducting case study research (Dick 1990; Parkhe, 1993). It is said to be difficult to integrate the cases with each other during analysis (Yin, 1989). Specific care was taken to integrate the cases through binding them with the research objectives and propositions. Moreover, there can be a lack of generalisability in case study analysis. However this, along with the problem of external validity, was overcome to some extent through the use of multiple case studies. According to Miles & Huberman (1994), one of the major rationales for cross-case analysis is to enhance generalisability.

Moreover, in the current study, the use of diverse cases from across industries minimises the risk of a lack of representativeness. According to Yin (1989), careful case design and protocol can overcome the problems of lack of rigor and possible research bias. This research investigated the real-life situation. Multiple case studies help analyse each of the cases in the light of others to strengthen the reliability and

validity of the findings (Eisenhardt, 1989). In addition, this study interviewed both partners in order to allow cross-checking of their responses. Also, the managers of the IJVs were interviewed to further strengthen the validity and reliability of the research findings.

Nevertheless, the researcher faced a number of problems during the course of the research. First, as discussed earlier, little choice was available in selecting the cases. Second, none of the companies are based in Tasmania, the home of the researcher at the time. The parent companies are based in Sydney and Melbourne, approximately 900 and 500 kilometers respectively from Launceston, Tasmania. The host companies and IJVs are located in five different cities in India – Delhi, Bombay, Pune, Calcutta and Bangalore. Third, it was difficult to make appointments with the Indian companies and the India-based IJVs. The finalisation of appointments was resource costly. Long distance telephone calls and faxes were used for communication. This was especially difficult because of the researcher's limited time and money, particularly for the interviews in India.

Also, initially, one of the host companies in India and one parent company in Australia could not provide adequate information about the motivation and negotiation process because of the unavailability of key personnel who dealt with the negotiations. In addition, one Australian parent did not provide adequate information on the implementation process for confidentiality reasons. However, follow-up facsimiles and phone calls made it possible to fill these gaps. Finally, some of the measures employed are perceptual in nature which could lead to a concern about the

subjectivity of responses. Other difficulties faced during the process are insignificant and are discussed in appropriate manner in relevant sections of the analysis.

7.6 QUESTIONNAIRE DESIGN

To assemble data addressed at the above-mentioned propositions, questionnaires were prepared for this study (see **Appendix II**). An appropriate set of questionnaires is critical to maintain an efficient research procedure. According to Warwick & Lininger (1975, p. 127), the objectives of questionnaire design are to obtain relevant information with "... maximal reliability and validity". As this study involves three categories of respondents, three sets of questionnaires were prepared. These are home-country parent firms (throughout this research, Australian companies are referred to as the parent firms), host-country (Indian) firms and the managers of the IJVs. The questionnaires for the home-country parent and host-country firms sought responses on the three major issues (motivation, formation and implementation). However, the questionnaire for the managers of the IJVs deals with the implementation stage only because any involvement by the IJV management during its motivation and formation processes is perceived to be unlikely.

Both open-ended and closed response questions have been asked in order to collect best possible information from the respondents. Open-ended questions are those for which respondents have total freedom to provide unrestrained responses, whereas closed response questions are those for which the responses are limited by the questionnaire design. The virtues of open-ended and closed response questions, according to Braudburn and Sudman (1988, p. 147), have been "... one of the most

debated topics” in the research literature. However, they do not argue that one is superior to the other. The preference for using either of these categories depends on the nature of desired responses. Therefore, to collect a comprehensive set of responses, a research questionnaire may contain both types of questions. According to De Vaus (1986), a combination of open-ended and closed response questions is convenient because it helps explore the key variables in a comprehensive manner.

Closed-ended questions are easier and quicker to address. These are also easier to process and facilitate readily group comparisons (Oppenheim, 1992). The chief advantage of open-ended or free-response questions is the freedom it provides to the respondents. According to Oppenheim (1992, p. 113), “... free-response questions are often easy to ask, difficult to answer, and still more difficult to analyse”. Taking this into account, this research has relied more on closed response questions than open-ended ones. Open-ended questions were used only sparingly. Davis & Cosenza (1988, p. 180) maintain that open-ended questions are often the only alternative when “... the researcher knows little of the precise nature of the subject under study”.

To make the closed-ended questions precise and to ensure the appropriateness of the choice of responses, utmost caution had been maintained. Relevant extant literature was examined. Agencies such as Australian Trade Commission (Austrade) and the Indian Trade Consulate in Australia were consulted, and the specialist views of the Asia Centre of the University of Tasmania, National Centre for South Asian Studies in Melbourne, Indian Institute of Management and Marketing and the Indian Institute of Foreign Trade were considered. The real-life situation was also taken into

consideration. The researcher visited a number of Australian-Indian IJVs in India prior to finalising the questionnaire in order to pilot questionnaire drafts. These activities improved the level of understanding and confidence of the researcher regarding the issues under investigation which enabled framing of the questionnaire in a precise manner.

Itemised rating scales were used to frame most of the questions. According to Davis & Cosenza (1988), because of the simplicity and adaptability to almost any type of measurement situation, these scales are the most frequently used in business research. In responding to questions which use these scales, the respondents are to select one of a limited number of categories (usually between two and eleven) on a continuum applicable to the phenomenon being measured. This research used three point itemised rating scales. An example follows:

Did geographic distance between Australia and India impact on your firm's decision to form an IJV in India with an Australian partner?

Definitely yes ☐ Some impact ☐ No impact at all ☐

This type of scale is also known as the 'intensity' measurement scale (Schuman & Presser, 1981, pp. 234-243). Although no filter such as 'I don't know' was added to this scale while preparing the questionnaires, responses of this form were carefully recorded by the researcher during the interviews. The 'I don't know' responses, when occurring, were not overlooked.

In addition, nominal measures were used to collect nominal or categorical data. Oppenheim (1992, p. 156) suggests that these data have "... no underlying continuum, no units or intervals which have equal or ordinal properties, and consequently cannot

be scaled". An example of such a case is the location of the company headquarters, or questions with simple 'yes/no' responses. The demographic questions such as the company profile are framed with nominal outcomes. On a number of occasions, an 'Other, please specify' category was used to allow for unanticipated responses (De Vaus, 1986). Multiple choice questions were also used, but sparsely, as a form of closed-ended questions.

Concerns such as the clarity and specificity of questions, appropriate wording, simplicity but accuracy, conciseness, neutrality and relevance were considered in preparing the questionnaires. Draft questionnaires were circulated among research colleagues to glean responses on these issues and subsequent feedback from them helped minimise the chance of ambiguity. Davis & Cosenza (1988) emphasise these criteria as the preconditions to preparing an ideal questionnaire which virtually leaves no room for misunderstandings.

Questions were segmented into clusters according to the respective category of proposition sets. They were also coded to enable ease of data comparison across cases (Bradburn & Sudman, 1988; Oppenheim, 1992). Following each of the clusters, the respondents were asked for their overall comment on that cluster of questions just covered. This approach was included to minimise the chance of missing any vital information related to that particular cluster of questions.

To help reduce errors and omissions by the respondents and the interviewer, the questionnaire was prepared to portray a professional appearance (Oppenheim, 1992;

Sudman & Bradburn, 1982). Questions were not crowded or split between pages, and sufficient space was used to give an uncluttered look and to allow additional room for comments (Sudman & Bradburn, 1982; Warwick & Lininger, 1975). Although often overlooked in the literature, all three sets of questionnaires finished with a note of appreciation (thank you) to the respondents for his/her time and patience in assisting the study.

7.7 INTERPRETATION OF RESPONSES

Because of the variety of question types used, which depend upon the requirements of the relevant information, it is necessary to explain the manner in which interpretation of responses will take place. During the discussion of the various response sets in the following chapters (chapters VIII-XII), the interpretation techniques will be revealed. However, as Australian firms' motivations to joint venture have been examined from a variety of perspectives covering three different chapters (chapters VIII-X), an explanatory note is attached as **Appendix III**.

7.8 THE CASES

A brief overview of the cases that were used during the course of the research process follows. More will be revealed of these cases in subsequent chapters as evidence is gleaned from them in addressing the research propositions. The overviews are made on the basis of the firms' status as at December, 1996 when the interviews were completed.

Case One: Modi-Telstra

Modi-Telstra is a joint venture between Telstra International (Australia) and Modicorp (India). The IJV is located in the Indian city of Calcutta. It is a cellular service provider for the Calcutta region. This is a two-year old IJV with total assets of approximately A\$20 million and employing 103 people.

Case Two: Telstra-Vcom

Telstra-Vcom is a tripartite joint venture among Telstra International (Australia), Infrastructure Leasing and Financial Services Ltd (India) and Videsh Sanchar Nigam Ltd (VSNL), an Indian public sector enterprise primarily responsible for the overseas telecommunications services. This is a service provider for India-wide voice and data networks using 'very small aperture terminals' (VSATs). It is a two-year old IJV with total assets of approximately A\$10 million. Based in Delhi, the company employs 62 people.

Case Three: Atco Control (India) Pvt. Ltd.

This is a joint venture between Atco Controls Pty. Ltd. (Australia) and Harish Soonderji and Family of India. This is a manufacturing IJV producing lighting control gears. Located in Mumbai (Bombay), this IJV is only one year old. It employs 15 people. Total assets of this IJV are slightly in excess of A\$100,000.

Case Four: Tech-Dry (India) Pvt. Ltd.

This is a joint venture between Tech-Dry Building Protection Systems Pty Ltd (Australia) and S P Bhatnagar of India. It was formed in 1992. As a provider of

building protection systems, this is a manufacturing firm. Based in the Indian city of Bangalore, this IJV employs only 7 people. It has a contract of manufacturing (subject to the supply of necessary raw materials by the IJV) with an 'application company', where 30 people are employed to produce tech-dry components. With total assets of just over A\$10,000, this IJV registered annual total sales of approximately A\$2 million in 1995-96.

Case Five: Pioneer Friction Ltd

This is a joint venture between Futuris Industrial Products Pty Ltd (Australia) and Stone India Ltd. Based in the Indian city of Calcutta, it is a manufacturing IJV. The main product line involves the manufacture of friction materials for railway brakes. With an authorised capital of approximately A\$4 million, this IJV had not yet commenced its fully-fledged operation. The agreement was signed in 1995. Most of the IJV personnel were yet to be hired .

Case Six: Geometric Software Services Co. Ltd. (GSSL)

GSSL is a joint venture between Moldflow Pty Ltd (Australia) and Godrej and Boyce Co Ltd of India. It is in the business of providing solutions in 'imagineering', i.e., developing imaginative engineering software solutions. It also develops software in the mechanical CAD/CAM area and provides consultancy services in CAD/CAM development and re-engineering. Based in Pune, the IJV employs 125 people. It has been operating since July 1995. With total assets of approximately A\$1 million, it registered a total sales of A\$2.4 million during 1995-96.

Case Seven: Godrej Pacific Technology Ltd. (GPTL)

GPTL is a joint venture between the Tech-Pacific Group (Australia) and Godrej and Boyce Co Ltd of India. An information technology provider, GPTL is involved in the distribution of computer products and telecommunication networking. It has been operating since April 1995. With the IJV headquarters in Mumbai, it employs 400 people located in 24 branches throughout India. Currently GPTL holds total assets of approximately A\$2 million.

Case Eight: Indure Warman Ltd.

Indure Warman is a joint venture between Warman International Ltd. (Australia) and Indure Ltd of India. Based in Delhi, the IJV is involved in the manufacture of slurry pumps that are used for ash/dust handling systems for coal-based thermal power stations and steam generating units. The IJV is four years old. The number of people employed is 408. With total assets of approximately A\$200,000, it has annual sales of approximately A\$550,000.

Case Nine: ACC-CRA Exploration Ltd.

This is a joint venture between CRA Exploration Pty Ltd (Australia) and the Associated Cement Companies Ltd (ACC) of India. Based in Bangalore, the IJV involves mineral exploration and future mining. Operating for nearly one year, this IJV employs 13 people.

7.9 CHAPTER SUMMARY

This chapter provides an overview of the research design and methodology used in this research. An exploratory case study procedure is followed which appears to be the most appropriate way of conducting this type of research with a limited population of its universe of interest. An attempt has been made to overcome the limitations of lack of generalisability, reliability and validity of data within a case study scenario. Throughout the process, a comparative case study method comprising a chain of evidence is maintained to best ensure construct validity. The generalisability of evidence across the cases endorses the external validity and reliability of the study. Nine cases selected across industries further strengthens the reliability of data collected.

To progress better understanding of Australian-Indian IJVs in India, data are collected from three types of entities in relation to each of the case studies. These are the Australian parent, the Indian host and the IJV management. This process allows for cross-checking opinions among the three groups on the particular research object. In addition to personal interviews, other secondary sources of evidence are used, such as journal and newspaper articles, company brochures and annual reports, and information was gathered from different institutions and personalities having contacts with, and expertise about Australian-Indian IJVs.

Ethical considerations are also taken into account. Confidentiality of data, and on some occasions, the anonymity of the sources (when requested) is maintained. The interviewees were also assured that the data would not be used for commercial

purposes. The conceptual framework is established from the extant literature and information available on Australian-Indian IJVs from various sources, which include the Australian Trade Commission, Australia-India Council, and the Indian Trade Counsellor. Subsequently, the research question and the propositions have been established from the conceptual framework and the available literature relevant to the issues. This process restricted the boundary of inquiry and assisted in overcoming a possible limitation of too much flexibility in the case study method of analysis. The content of the research questionnaires has been prepared specifically from the propositions to assemble appropriate data to address those propositions.

Overall, this empirical study aims at gathering in-depth information and analysing it through an exploratory multiple case study method. However, it is recognised that the research findings are more suggestive rather than being conclusive in nature.

CHAPTER VIII

ANALYSIS: IMPACT OF GEOPOLITICS ON THE MOTIVATION OF AUSTRALIAN FIRMS TO FORM IJVs WITH INDIAN PARTNERS

The strategic focus of Australian policy has always been north and east, rather than west and north-west across the Indian Ocean. It has been the Pacific Ocean and the regions associated with it — South-East Asia, North-East Asia, the South Pacific and the Americas — that have commanded our attention ... But Australia does have real interests, actual and potential, in the Indian Ocean and South Asia — certainly no less with India than with China — and it is important that they not be neglected (Evans & Grant, 1991, p. 241).

8.1 INTRODUCTION

As argued in the literature review (chapter II), geopolitical factors have the potential to influence a firm's motivation to opt for the IJV mode while investing overseas. In this chapter, Australian-Indian IJVs in India are examined from this perspective. The focus of the empirical work to follow in this chapter is that of the Australian firms' perspectives. However, to determine whether there is a convergence of views from both the Australian and Indian partners' perspectives, an examination of the Indian partners' responses are also analysed. The analysis is based on the findings in relation to the specific propositions P1.1, P1.2 and P1.3 established at chapter 6.4. A discussion emphasising the relevance as well as implications of these research findings with respect to the general proposition (proposition P1) ensues.

2 INTERVIEW DATA

The data collected are presented in three sections. The first section (8.2.1) deals with the time dimension of geopolitics, i.e., the historical events that influenced the decision of Australian firms to form IJVs with Indian firms to enter the Indian market (proposition P1.1). The second section (8.2.2) deals with the findings on the role of the

place dimension of geopolitics, i.e., the geographic location of India vis-à-vis Australia and its influence on the decision of Australian firms to joint venture with a local partner while investing in India (proposition P1.2). The third section (8.2.3) considers the findings related to the demographic dimension of geopolitics, i.e., the size of population (market) size, supply of labour and the role of ethnic and religious groups in influencing the decision-making of Australian firms to joint venture with an

Table 8.1
Frequency of Responses on Geopolitical Variables which Influenced the Firm's Decision to Joint Venture*

Geopolitical variables influencing the decision to form an IJV	Level of impact on the entry mode decision of the Australian firm ¹				Level of impact on the decision of Indian firms ¹ to joint venture with Australian partners			
	Signi- ficant ²	Some impact	No impact	N/A	Signi- ficant ²	Some impact	No impact	N/A
Time Dimension:								
Colonial legacies			9			1	6	3
Cold War legacies and India's protectionist role in the past	4	1	3	1	1	3	4	2
Collapse of the USSR		1	6	2	1	4	4	1
Geopolitical realignment and improved relationship with the US and its allies	1	4	3	1		8	1	1
Place Dimension:								
Geographic proximity		4	5		1	6	2	1
Absence of common membership in regional forums		2	6	1			9	1
Demographic Dimension:								
Large poor segment in the Indian population			9				8	2
Relative absence of NRIs in Australia		2	7				8	2
Neo-Swadeshi movement	1	1	7		2	2	5	1
Religious rivalry and fundamentalism			9				9	1

* Number of firms falling within each category.

¹ The numbers of Australian and Indian firms vary. Explanations are already given in chapter VII and are also available at the end of Table-1.1 and Table-1.2.

² Nomenclature used is identical to that used in the questionnaire, but for the case of the use of 'definitely yes' in the questionnaire. For summary purposes, these responses are recorded as 'significant' throughout this chapter.

N/A = Not Applicable. This denotes the confidentiality of data or the unawareness of the respondents (viz., 'I don't know').

Indian partner while investing in India (proposition P1.3). A summary of the frequency of responses on geopolitical variables which influenced the firms' decision to joint venture is presented in Table 8.1.

8.2.1 Time Dimension

Proposition P1.1 deals with the time dimension of geopolitics and its influence on the Australian firms' decisions to joint venture with an Indian partner while investing in India. Table 8.2 summarises the responses of Australian firms on various issues related to the time dimension. The Indian partners' views on these issues are summarised separately in Table 8.3.

Australian Partners' Responses Table 8.2 shows the responses from each of the Australian parents on the impact of historical events in selecting the IJV mode. It demonstrates that there is little support for the proposition that historical events have influenced the decision taken by Australian firms to joint venture with Indian firms to enter Indian market. While most of the Australian companies acknowledged their awareness of these geopolitical issues, they did not consider them as a major factor during the entry mode decision making process.

All nine Australian firms interviewed indicated that colonial legacies had no impact on their decision to joint venture. However, in terms of the impact of the Cold War legacies, a mixed response set was received. Most of the respondents choose 'no impact' or 'N/A' (recorded as 'I don't know') responses. Only one respondent considered this factor had some impact on the entry mode decision. However, the impact of the protectionist policy practised by India during the Cold War period was acknowledged by most of the Australian parents as being of moderate to significant importance. The respondents did not consider the impact of the collapse of the Soviet Union as being compelling enough to influence their decisions.

Table 8.2

**Summary of Australian Partners' Responses on the Impact of Historical Events
(the time dimension)**

Name of the Australian parent firm*	Level of impact of historical events on choosing IJVs with Indian partners			
	Colonial legacies	Cold War legacies and India's protectionist past	Collapse of the USSR	Geopolitical realignment and India's improved relationship with the US and its allies
1. Atco Control Pty Ltd	No impact	No impact	No impact	No impact
2. Futuris Brakes International	No impact	Significant impact	No impact	No impact
3. Moldflow International Pty Ltd	No impact	N/A	N/A	N/A
4. RTZ-CRA	No impact	Some impact	Some impact	Significant impact
5. Tech-Dry Pty Ltd	No impact	No impact	No impact	No impact
6. Tech-Pacific	No impact	No impact	No impact	Some impact
7. Telstra International-1	No impact	Significant impact	No impact	Some impact
8. Telstra International-2	No impact	Significant impact	No impact	Some impact
9. Warman International	No impact	Significant impact	Some impact	Some impact

* For nine IJVs, the number of Australian parent firms is eight. Telstra International has two separate IJVs in India, both of which are included in this study. However, for each of the IJV involvements, Telstra was interviewed separately because it had been assumed that for each of them, Telstra might have faced a different set of environmental variables. 'Telstra International-1' denotes the findings on the environmental variables Telstra faced during the motivation to form Modi-Telstra, and 'Telstra International-2' denotes these in relation to Telstra-VComm.

Two of the respondents considered that this factor had some impact on their firm's decision to select the IJV mode, while the other seven Australian parents either mentioned their unawareness of such an impact or considered that it had no influence on their decisions.

With respect to the impact of the geopolitical realignment, a more positive response-set was received. Five firms acknowledged that this factor had some impact on their decision-making. In addition, one firm mentioned that the realignment had a significant impact on that firm's decision-making process in selecting an appropriate

entry mode strategy. Only three respondents registered their unawareness or considered that this factor had no impact on their decision. However, the respondents were reluctant to consider the improved relationship between India and the US and its allies (e.g., Australia) during the post Cold War era as being sufficiently significant to influence the choice of IJV mode (Table 8.2).

Indian Partners' Responses Table 8.3 summarises the responses of each of the Indian partners on the time dimension. On the basis of interview data received from the Indian host firms, no extreme variation in response on the time dimension was found vis-à-vis the Australian parent firms' responses. However, the responses on the impacts of colonial and Cold War legacies were slightly different. With respect to the impact of the legacy of India's protectionist role during the Cold War period, the Indian partners' responses appeared to be less confirmatory than were their Australian counterparts.

Major variation of responses occurred with the impact of the collapse of the Soviet Union. While the Australian parents extended little support for this impact, half of the Indian firm respondents considered it to be of moderate to significant importance in influencing their decision to joint venture with the Australian firms. With respect to the impact of geopolitical realignment and the improved relationship between India and the US and its allies (including) Australia, more support was found from the Indian partners than from their Australian counterparts.

Table 8.3

**Summary of Indian Partners' Responses on the Impact of Historical Events
(the time dimension)**

Name of the Indian host firm	Level of impact of historical events on choosing IJVs with Australian partners			
	Colonial legacies	Cold War legacies and India's protectionist past	Collapse of the USSR	Geopolitical realignment and India's improved relationship with the US and its allies
1. ACC	No impact	Some impact	Some impact	Some impact
2. Dr. S. P. Bhatnagar	N/A	N/A	Some impact	Some impact
3. Godrej & Boyce-1*	No impact	Some impact	No impact	Some impact
4. Godrej & Boyce-2*	No impact	Some impact	No impact	Some impact
5. Harish Sooderjee	Some impact	No impact	Some impact	Some impact
6. IL & FS**	N/A	No impact	No impact	No impact
7. Indure Ltd	N/A	N/A	N/A	N/A
8. Modi Corporation	No impact	Significant impact	Some impact	Some impact
9. Stone India Ltd	No impact	No impact	Significant impact	Some impact
10. VSNL**	No impact	No impact	No impact	Some impact

* Godrej & Boyce Mfg. Co. Ltd is the host of two IJVs with Australian partners, both of which are included in this study. Godrej & Boyce was interviewed twice to obtain IJV-specific information. 'Godrej & Boyce-1' records the findings on the environmental variables it faced during the motivation to form GSSL, and 'Godrej & Boyce-2' records results in relation to GPTL.

** The IJV, Telstra-Vcomm Ltd has two hosts – VSNL and IL & FS, both of which are included in this study.

8.2.2 Place Dimension

Proposition P1.2 deals with the place dimension of geopolitics and its influence on the decision of Australian firms to form IJVs with Indian partners while investing in India. Table 8.4 summarises the responses of Australian parents on the impact of the place dimension. Indian firms' responses are summarised separately in Table 8.5. In the present research context, two major aspects of the place dimension are taken into consideration – geographic proximity of Australia to India, and the absence of common membership of these two countries in any of the active regional forums.

Australian Parents' Responses Table 8.4 summarises the responses of Australian parents on the level of impact of each of the selected issues within the place dimension.

Table 8.4
Summary of Australian Partners' Responses on the Impact of Geographic Proximity and Regional Groupings (the place dimension)

Name of the Australian parent firm*	Level of impact of geographic proximity and regional groupings (the place dimension)	
	Geographic proximity	Absence of common membership
1. Atco Control Pty Ltd	Some impact	No impact
2. Futuris Brakes International	No impact	Some impact
3. Moldflow International Pty Ltd	No impact	No impact
4. RTZ-CRA	No impact	No impact
5. Tech-Dry Pty Ltd	No impact	No impact
6. Tech-Pacific	Some impact	No impact
7. Telstra International-1	Some impact	Some impact
8. Telstra International-2	Some impact	Some impact
9. Warman International	No impact	No impact

* For nine IJVs, the number of Australian parent firms is eight. Telstra International has two separate IJVs in India, both of which are included in this study. However, for each of the IJV involvements, Telstra was interviewed separately because it had been assumed that for each of them, Telstra might have faced a different set of environmental variables. 'Telstra International-1' denotes the findings on the environmental variables Telstra faced during the motivation to form Modi-Telstra, and 'Telstra International-2' denotes these in relation to Telstra-VComm.

Most of the Australian firms showed some support with respect to the impact of geographic proximity influencing the IJV decision. From the nine parent firms, five considered that geographic proximity had some impact on their decision, while four of them registered 'no impact'. In terms of the impact of the absence of common membership, Australian firms showed little support. Only three respondents considered that this factor had some impact on their decision, while six others experienced 'no impact' of this factor on their decision.

Indian Partners' Responses Table 8.5 summarises the responses from the Indian partners on the impact of the place dimension on their decision to joint venture. Some similarities to their Australian counterparts' responses are revealed. Similar to the responses of the Australian parents, the majority of the Indian hosts considered geographic proximity to have some impact on their decision. However, the Indian firms offered relatively stronger support than did their Australian counterparts with respect to this factor. Six host firms endorsed 'some impact' and there was one 'significant impact', while only three responded with 'no impact' or 'N/A'.

Table 8.5
Summary of Indian Partners' Responses on the Impact of Geographic Proximity and Regional Groupings (the place dimension)

Name of the Indian host firm	Level of impact of geographic proximity and regional groupings (the place dimension)	
	Geographic proximity	Absence of common membership
1. ACC	Some imp[act	No impact
2. Dr. S.P. Bhatnagar	Significant impact	No impact
3. Godrej & Boyce-1*	Some impact	No impact
4. Godrej & Boyce-2*	Some impact	No impact
5. Harish Soonderjee	Some impact	No impact
6. IL & FS**	No impact	No impact
7. Indure Ltd	N/A	N/A
8. Modi Corporation	Some impact	No impact
9. Stone India Ltd	No impact	No impact
10. VSNL**	Some impact	No impact

* Godrej & Boyce Mfg. Co. Ltd is the host of two IJVs with Australian partners, both of which are included in this study. Godrej & Boyce was interviewed twice to obtain IJV-specific information. 'Godrej & Boyce-1' records the findings on the environmental variables it faced during the motivation to form GSSL, and 'Godrej & Boyce-2' records results in relation to GPTL.

** The IJV, Telstra-Vcomm Ltd has two hosts – VSNL and IL & FS, both of which are included in this study.

The data from the Indian host firms offered no support for the impact of the absence of a common membership in the regional groupings on their decision. Nine Indian

firms indicated that this factor had no impact on their decision to joint venture. Only one Indian firm registered its unawareness of such an impact ('N/A'). Although the data from the Australian parents are somewhat more supportive of this proposition than are the data from the Indian host firms, the Australian parent firms' responses in aggregate tend to offer only limited support. The majority of Australian parents and Indian host firms partially supported geographic proximity between Australia and India as having an impact on the decision to joint venture, whereas most of the respondents, both Australian and Indian, registered little or no impact in relation to the absence of a common membership in regional forums.

8.2.3 Demographic Dimension

Proposition P1.3 deals with the demographic dimension of geopolitics and its influence on the decision of Australian firms to form IJVs with Indian partners while investing in India. Table 8.6 summarises the responses from Australian parents on the impact of the demographic dimension. Indian firms' responses are summarised separately in Table 8.7.

Australian Parents' Responses Table 8.6 summarises the responses of the Australian parents on the level of impact of each of the demographic issues on their decision to joint venture with the Indian firms. All nine Australian parents indicated that the large poor segment in the Indian population had no impact on their decision to joint venture. Also, the data revealed that the relative absence of non-resident Indians (NRIs) in Australia had little impact on their motivation to joint venture. Of the nine Australian parents, seven considered that this factor had no impact on their entry mode decision. Just two respondents conceded that it had some impact on their

decision. In terms of the impact of the *Neo-Swadeshi* or indigenisation movement in India, seven Australian parents indicated that this factor did not have any impact on

Table 8.6
Summary of Australian Partners' Responses on the Impact of Demographic Characteristics (the demographic dimension)

Name of the Australian parent firm*	Level of impact of demographic characteristics on choosing IJVs with Indian partners			
	Large poor segment	Lack of NRIs in Australia	<i>Neo-Swadeshi</i> movement	Religious rivalry
1. Atco Control Pty Ltd	No impact	No impact	No impact	No impact
2. Futuris Brakes International	No impact	No impact	Significant impact	No impact
3. Moldflow International Pty Ltd	No impact	No impact	No impact	No impact
4. RTZ-CRA	No impact	No impact	No impact	No impact
5. Tech-Dry Pty Ltd	No impact	No impact	No impact	No impact
6. Tech-Pacific	No impact	No impact	Some impact	No impact
7. Telstra International-1	No impact	Some impact	No impact	No impact
8. Telstra International-2	No impact	Some impact	No impact	No impact
9. Warman International	No impact	No impact	No impact	No impact

* For nine IJVs, the number of Australian parent firms is eight. Telstra International has two separate IJVs in India, both of which are included in this study. However, for each of the IJV involvements, Telstra was interviewed separately because it had been assumed that for each of them, Telstra might have faced a different set of environmental variables. 'Telstra International-1' denotes the findings on the environmental variables Telstra faced during the motivation to form Modi-Telstra, and 'Telstra International-2' denotes these in relation to Telstra-VComm.

their entry mode decision. Within the remaining two, one firm acknowledged that this factor had a significant impact while the other conceded it had only limited impact on their decision. All nine Australian parents indicated that religious rivalry in India had no impact on their decision to joint venture.

Indian Parents' Responses Table 8.7 summarises the Indian parents' responses on the level of impact of each of the demographic issues on their decision to joint venture with the Australian firms. From the ten Indian host firms, eight indicated that the presence of a large poor segment in the Indian population had no impact on their decision to joint venture with the Australian firms. Two expressed an unawareness of

the issue. On the two other factors, the relative absence of NRIs in Australia and the ongoing religious rivalry, nine of the Indian firms indicated that these did not have

Table 8.7
Summary of Indian Partners' Responses on the Impact of Demographic Characteristics (the demographic dimension)

Name of the Indian host firm*	Level of impact of demographic characteristics on choosing IJVs with Australian partners while investing in India			
	Large poor segment	Lack of NRIs in Australia	<i>Neo-Swadeshi</i> movement	Religious rivalry
1. ACC	No impact	No impact	Some impact	No impact
2. Dr. S.P. Bhatnagar	No impact	No impact	Significant impact	No impact
3. Godrej & Boyce-1*	No impact	No impact	No impact	No impact
4. Godrej & Boyce-2*	No impact	No impact	No impact	No impact
5. Harish Soonderjee	No impact	No impact	Significant impact	No impact
6. IL & FS**	No impact	No impact	No impact	No impact
7. Indure Ltd	N/A	N/A	N/A	N/A
8. Modi Corporation	N/A	No impact	No impact	No impact
9. Stone India Ltd	No impact	No impact	No impact	No impact
10. VSNL**	No impact	N/A	Some impact	No impact

* Godrej & Boyce Mfg. Co. Ltd is the host of two IJVs with Australian partners, both of which are included in this study. Godrej & Boyce was interviewed twice to obtain IJV-specific information. 'Godrej & Boyce-1' records the findings on the environmental variables it faced during the motivation to form GSSL, and 'Godrej & Boyce-2' records results in relation to GPTL.

** The IJV, Telstra-Vcomm Ltd has two hosts – VSNL and IL & FS, both of which are included in this study.

any impact on their decision, while one expressed its unawareness of these issues in this context. The host firms responded with some support with respect to the impact of the *Neo-Swadeshi* or indigenisation movement. Four of the host firms considered that this factor had moderate to significant impact on their decision. Five others indicated that it did not have any impact on their decision to joint venture with the Australian partners, while the remaining one expressed its unawareness of this factor in the present context.

The responses from the Indian partners are similar to those of their Australian counterparts which provides little support for proposition P_{1.3}. However, there are a number of subtle variations between these two response sets. While two of the Australian parents indicated some support for the impact of the relative absence of NRIs in Australia on their decision, none of the Indian firms acknowledged this factor as having any impact on their decision to joint venture with the Australian partners. In addition, more Indian companies emphasised the *Neo-Swadeshi* movement as having an impact on their decision than did their Australian counterparts.

8.3 DISCUSSION AND INTERPRETATION

On the basis of the data gathered from the nine Australian parents and their ten Indian partners, there appears to be limited support for propositions P_{1.1}, P_{1.2} and P_{1.3}. Most of the geopolitical issues across the three different dimensions were considered by these firms as being of no or little importance. While most of the Australian and Indian companies acknowledged their awareness of these geopolitical issues, they did not consider them as being a major factor during their IJV decision making process. The implications of these responses are now addressed. To facilitate the discussion, in addition to the primary data assembled from the direct face-to-face interviews, appropriate secondary data and evidence from the literature will be incorporated. However, prior to the evaluation of data, the respondents' contextual patterns need to be examined. As explained in chapter VII, it is important to provide the rationale for considering data collected from both the partners in order to examine the influence of environmental variables on the Australian firms' decision to joint venture with local partners while investing in India.

For the Australian parents, the section of the questionnaire that dealt with the environmental variables was aimed at focusing primarily on the inhibitive issues which supposedly discouraged them from investing more extensively in India. However, some of the positive issues were also considered to reflect the attractiveness of the market. The IJV mode might have been chosen to minimise uncertainty and riskiness through the active collaboration of their local partners, and to exploit the opportunities available in India.

This same section of the questionnaire was also aimed at focusing on the Indian firms' ease and convenience of dealing with these variables. Because of their familiarity with the local business environment and their experience in dealing with the environmental variables in the local context, the Indian firms are likely to feel more comfortable and confident than their Australian counterparts in doing business in India. Hence, the Indian firms' abilities to manage inhibitive issues, and their expertise in optimising on the exploitation of the favourable ones, are perceived to complement the limitations of the Australian firms. Such complementarity may reduce the level of uncertainty and riskiness for the Australian firms while investing in the unfamiliar Indian market. In addition, this complementarity is further extended when the Indian firms find Australian parents capable of contributing to their portfolios, e.g., sharing technology, other valuable resources and managerial expertise. This, in turn, will effect implications for the entry mode decision by Australian firms. An explanatory note on the interpretation of these response sets is included at **Appendix III.**

Discussion on the interview data is now grouped into five sections. The first three sections consider the three dimensions (propositions P_{1.1}, P_{1.2} and P_{1.3}), while the fourth one will examine the responses with respect to the general question covering all three dimensions. A chapter summary concludes with a brief examination of the general proposition (proposition P₁) and the level of support it has in the data sets from across the three geopolitical dimensions.

8.3.1 Time Dimension

Four different historical events were taken into consideration to examine the influence of the time dimension upon the Australian firm's motivation to form IJVs while investing in India. These include the colonial experiences of both India and Australia; the Cold War legacies and India's protectionist stance during the past; the collapse of the Soviet Union; and the geopolitical realignment after the Cold War, including India's improved relationships with the US and its allies, in particular Australia.

Colonial Legacies As mentioned in chapter II, because of their prolonged British colonial experience (more than 130 years for Australia, and about 200 years for India), both Australia and India share a number of similarities. Both countries have a federal system of government. They share similar legal structures. While Australia is an English-speaking country, English is widely spoken in India, particularly in the business environment. In addition, both countries are members of the Commonwealth of Nations. These colonial legacies have long been considered important for Australian-Indian relations by the Australian government and business researchers (East Asia Analytical Unit, 1994; Gury, 1993; Vicziany, 1993).

However, there was no support from any of the nine Australian firms with respect to the influence of this factor on their decision to joint venture with their Indian partners. When asked for comments, all of the Australian firms expressed their awareness of these legacies, but mentioned that they did not consider them during their entry mode decision. However, most of the Australian parents indicated that widespread use of English and a comparable legal structure in India had some impact on choosing India as a possible destination for their investment. They did not consider any other factors in relation to their common colonial heritage during their decision to form IJVs.

The Indian firms also tend not to support the impact of these factors. Only one of the Indian firms indicated that these factors had some impact on its motivation to joint venture with its Australian partner. Most of the Indian firms indicated that these factors had no impact on their decision while, unlike the Australian respondents, three Indian firms declared their unawareness of these factors in the present context. Nevertheless, the evidence obtained from the Australian firms does not confirm the influence of colonial legacies in motivating their decision to joint venture with the Indian partners. Likewise, responses from the Indian partners do not confirm the influence of these issues from their perspective. Hence, as environmental variables, the colonial legacies are found to be of no or little importance with respect to motivating Australian firms to joint venture with Indian partners while investing in India.

Cold War Legacies The Cold War period is important within the time dimension considered here, and it might be hypothesised to have a long-term impact on the relationships among nations. As argued in chapter II, India's close relationship with

the former Soviet Union and its long isolation from the West during the Cold War resulted in a limited relationship with the US and its Western allies, including Australia (Gordon, S., 1993; Grant, 1982). Although the end of the Cold War ushered in new opportunities for foreign companies considering investing in India, there are many aspects of the Indian economy which still reflect Cold War legacies, e.g., the maintenance of socialism as one of the State principles of India. For Australia, because of its irresolute association with India during the Cold War period, it is likely to take some time to improve relationships and to establish mutual trust and understanding. This transitional period is hypothesised to affect the Australian investment pattern in India. Moreover, because of the presence of 'socialism' as a State principle in India (Vohra, 1996), foreign firms may still perceive the threat of nationalisation or sequestration of assets by the Indian government. The example of Bangladesh, one of India's neighbours, may be relevant in this respect. The Bangladesh government nationalised all foreign as well as other private investments in the early 1970s in the name of socialism (As-Saber, 1993; Yan, *et al.*, 1995).

In addition, during the Cold War period, India used to maintain a protectionist policy. Excessive tariff and other import barriers, restrictions on currency convertibility, dominance of public sector enterprises and restrictions on foreign participation in local industries were some of the features of the highly regulated protectionist regime in India (As-Saber *et al.*, 1996a; East Asia Analytical Unit, 1994; Lall, 1985). Despite India's ongoing economic liberalisation since the early 1990s, the restrictions on international business operations have not altogether been withdrawn (Australian Senate Standing Committee on Foreign Affairs, Defence and Trade, 1990; Lall, 1985;

McDonald, 1995). Concerns for the reversion to socialism and protectionism might well affect the decisions of foreign as well as local firms.

These concerns were reflected in the responses of the Australian firms. Most of the Australian parents indicated that this factor had moderate to significant impact on their decision. The formation of IJVs with local partners was seen by them as a mechanism to share the risk and uncertainty of any possible revival of the Indian government's pro-socialist and protectionist policies. From the Indian firms' perspectives, a different set of responses was received. Most of the Indian firms responded either with 'no impact' or with 'N/A'. Only four considered this factor while deciding to choose an Australian IJV partner. These firms chose to form IJVs with Australian firms so as to share risks and uncertainty. For example, in any possible case of sequestration of foreign ownership, the Indian firms involved would have priority to acquire the full ownership of the venture.

However, most of the Indian firms ignored this factor while making the decision on joint venture formation. While the Australian firms indicated that this factor had moderate to significant impact on their decision to joint venture, responses from the Indian firms did not show adequate support for it. Most of the Indian and Australian firms, however, expressed their awareness of this factor during their decision making processes to form IJVs. A possible explanation for this varying degree of importance offered by the Australian firms vis-à-vis their Indian partners may be found in the extent of risks and uncertainties perceived by Australian and Indian firms and differing attitudes to risks. Accordingly, it may be argued that due to the Indian firms' likely exposure to India's protectionist past, they had acquired some adaptability,

while for most of the Australian firms, it has always been an area fraught with uncertainty and riskiness. Therefore, these experiences and the familiarity of the Indian partners to local conditions are likely to provide complementary support to the Australian parents' concerns of uncertainty and riskiness associated with the Cold War legacies and India's protectionist role in the past. This, in turn, motivated most of the Australian firms to joint venture.

Collapse of the USSR The collapse of the Soviet Union that ended the Cold War had major implications for Indian as well as for Western firms. Because of India's close economic and political relationships with the former USSR, this event considerably affected the Indian business environment. Traditionally, the former Soviet Union and its East European allies used to occupy a special niche for India because trade with them was mostly conducted either by barter or in 'soft' currency (Gordon, A., 1993). The transformation of the former East European command economies into democratic nations not only largely displaced them as a source of trade and technology for India, but turned them into competitors for Western technology and capital (Gordon, A., 1993). Moreover, since the collapse of the Soviet Union, the newly emerged Russia has been undergoing a period of massive and difficult political as well as economic change and reorganisation. Therefore, realistically, Moscow is no more in a position to support any of its allies as vigorously as it could during its Soviet era (Singh, 1996). For example, in the area of trade with India, Russia could not keep a number of commitments made during the Soviet era (Gordon, A., 1993). In addition, Russia's recent focus is more on North Asia, Western Europe and the US than with its previous allies such as India.

Despite these developments, most of the Australian firms did not consider the demise of the Soviet Union as a factor motivating their decision to joint venture. Only two Australian firms indicated that this event had some impact on their decision because they considered the collapse of the Soviet Union as a factor that might encourage India to follow more liberal foreign investment policies than before which could result in a better investment climate for foreign firms, including those from Australia. Half of the Indian respondents considered that this factor had moderate to significant impact on their decision to joint venture with an Australian firm. Specifically, the public sector enterprises, such as VSNL mentioned that because of the special trade agreement between India and the former Soviet Union, it would have been difficult to ignore the inclusion of the Soviet Union in any telecommunication deal during the Cold War period. The collapse of the Soviet Union allowed them to negotiate with a Western country, such as Australia.

Another firm, Stone India, a supplier of railway brakes to the Indian Railways, indicated that this event had significant impact on choosing an Australian partner. The Vice President of this company argued that during the Cold War period, the Indian Railways (the only customer of railway brakes in India) tended to buy railway brakes from the Soviet Union or its East European allies. This market opened for competitive suppliers only after the collapse of the Soviet Union, and this generated scope to collaborate with reputable Western firms, such as Futuris Brakes International of Australia. Most of the Indian and Australian firms expressed their awareness of this issue.

These data tend to indicate that the collapse of the Soviet Union did not have a substantial influence on the Australian firms' decisions, while it had considerable impact on at least half of the Indian respondents. A possible explanation of this difference could be the influence of the immediate and direct impact of the collapse of the Soviet Union on the Indian firms. The Australian firms' positions, regarding this factor, may be observed from a different perspective. Australian firms might have considered the broader implications of the end of the Cold War, such as the geopolitical realignment and India's subsequent improved relationship with the West more seriously than the collapse of the Soviet Union itself. As a consequence, most of the Australian respondents did not consider this factor important during the decision making process.

Geopolitical Realignment and India's Improved Relationship with the US and its

Allies, including Australia The dissolution of the Cold War dramatically changed the international geopolitical order. The end of the Cold War rivalry between the two ideological-based blocs prompted geopolitical realignment among nations. Without Soviet support, India suddenly found itself in a relatively insecure position in the face of threats from Pakistan and China. On the other hand, with the demise of the Soviet Union and the rise of China as a potential major power, the US started to accept the role of India as keeper of the peace in the South Asian region (Gordon, A., 1993). Therefore, India's need for technology and foreign capital and the Western responses to the emerging power struggle in the South and the East Asia have prompted a new geopolitical direction for India in the global as well as regional contexts. As a consequence, Pakistan has lost its importance as the protector of Western interests and

India, with its enormous market potential, has moved towards the West with the Western governments ever vigilant for extended markets.

In this respect, Garnaut & Drysdale (1994, p. 5) argued that India's new international orientation from the early 1990s was partly "... a response to the geopolitical realignment associated with the collapse of the Soviet Union and the end of the cold war". This geopolitical shift is likely to impact the decision of foreign firms willing to enter the Indian market. The Australian firms are no exception. Nevertheless, because of the ongoing but rapidly changing economic policies, foreign firms are likely to consider this transformation with utmost caution. Subsequently, while many of the foreign firms might have considered investment in India due to India's improved relationships with the West, they would have preferred to form IJVs with the local partners in order to share the risks and uncertainties still prevailing there.

Most of the Australian as well as Indian firms indicated that geopolitical realignment and India's improved relationships with the West had moderate to significant impact on their decision to joint venture, albeit from different perspectives. The majority of the Australian firms mentioned that this factor had impacted because they considered it to have a positive influence on the Indian investment environment. In addition, with the improved relationship between Australia and India, the cloud of mutual suspicion disappeared. However, they argued that despite this improvement, knowledge about India remained limited among Australian entrepreneurs. As a consequence, they opted for IJVs.

On the other hand, the majority of Indian firms considered this event important because it assisted in the process of choosing their joint venture partners from among the Western countries. Some of them also mentioned that during the Cold War period, they knew very little about Australia and its products. An improved relationship between these two countries gave them a better chance to know more about Australia and this resulted in the choice of Australian partners. The formation of IJVs may create synergy to exploit the perceived opportunities created through such change in the geopolitical environment.

Summary The interview data gathered from the respondents reflect varying responses on the impact of selected historical events. In terms of the colonial legacies, most of the Australian firms and their Indian partners indicated that this event had no impact on their decision. The evidence on the Cold War legacies and India's protectionist role in the past demonstrates the complementarity of skills which motivated most of the Australian firms to joint venture, and thereby offers considerable support for the proposition, P1.1. The collapse of the USSR was given importance by most of the Indian firms, while the majority of the Australian firms did not consider this factor during their decision making process. The geopolitical realignment and India's improved relationships with the US and its allies were considered by most of the Australian and Indian firms as having a moderate to significant impact on their decision, and provide support for the proposition, P1.1.

From the four variables examined within the time dimension, there is insufficient evidence on the impact of two factors, colonial legacies and the collapse of the USSR, to confirm proposition P1.1. The evidence on the impact of two other factors, the Cold

War legacies and India's protectionist role in the past, and the impact of the geopolitical realignment and India's improved relationship with the West including Australia, are consistent with the proposition. On the basis of this evidence, partial support is established for proposition P1.1, *viz., along the time dimension, historical events influence the decisions taken by Australian firms to joint venture with Indian firms to enter the Indian market.*

8.3.2 Place Dimension

Two major components of the place dimension were taken into consideration to examine the validity of proposition P1.2 that the geographic location of India, vis-à-vis Australia, influences the decision taken by Australian firms to joint venture with Indian firms to enter the Indian market. These include geographic proximity between Australia and India, and the absence of Common membership by both India and Australia in any of the active regional groupings.

Most of the Australian firms indicated that the geographic proximity between Australia and India did not have any impact on their decision to joint venture, whereas this factor was considered by most of the Indian host companies as being of moderate to significant importance. The evidence showed that the other factor, the absence of common membership of both Australia and India in any active regional forums had little or no impact on the decisions of both Australian and Indian firms.

Geographic Proximity The aerial distance between Australia and India is around 6000 kilometres. Although, from Australia, India is a little closer than American, African or European destinations, it is more distant than most of the other Asia-Pacific

neighbours of Australia." This geographic distance may create or at least extend psychic distance. As described in chapter II, countries within a close proximity tend to treat each other as psychologically 'near' and this assists in creating better prospects for trade and investment among neighbouring countries (Kaynak and Stevenson, 1982; Larimo, 1993). In other words, the closer the geographic proximity, the better the prospect of trade and investment because a firm is likely to feel more comfortable in doing business in a foreign destination that falls within a close proximity to its home country.

Accordingly, the geographic positioning of Australia vis-à-vis India may incur significant transportation and communication costs for Australian firms wishing to export to India. The Indian market cannot be considered as a mere extension of the Australian domestic market to a geographically and psychologically near country such as occurs with New Zealand. The considerable geographic distance between Australia and India could militate against the formation of Australian wholly owned subsidiaries in India. As a consequence, Australian firms are more likely to form IJVs with local partners to minimise the transportation costs and to share such risks and uncertainties while investing in the geographically and therefore, psychologically 'remote' India.

However, most of the Australian firms interviewed indicated that this factor did not have any impact on their decision to joint venture with Indian partners while investing in India. Aware of this inhibitive factor, these firms emphasised the use of modern transportation and communication networks as a mechanism to overcome any such difficulties. Most of the Indian firms, on the other hand, gave importance to this factor while considering joint venturing with Australian firms. However, the Indian

firms' perspectives, in this respect, were not similar to those of their Australian counterparts. They considered Australia as a country within the same Indian ocean region.

In addition, because of a substantial presence of Indians in most of the neighbouring countries of Australia such as, Singapore, Malaysia, Indonesia, Fiji and Indonesia, the geographic distance might not contribute as much to the psychological distance between Australia and India as one might expect. Moreover, the nearness of Australia to India as compared with most of the European and North American countries contributed positively to the decision of the Indian firms to choose Australian partners. These data tend to indicate that the geographic proximity between Australia and India did not have substantial influence on the Australian firms' decision, while it had considerable impact on the majority of the Indian respondents.

Absence of Common Membership Australia and India both belong to the same Asia-Pacific region. More precisely, both of them are Indian Ocean littoral countries with shared security and economic interests in the region (Gordon, S., 1993). However, as mentioned in chapter II, these two countries do not share a common membership in any effective regional arrangements. In the absence of such arrangements, Australian investments in India appear to be relatively lower as compared to the Australian investments in countries belonging to the APEC (ABS, 1995). In addition, as argued in chapter II, this might have resulted in a cautious approach by Australian investors while investing in India. For Australian companies, this consideration could be reflected in the prevalence of the formation of IJVs with local partners while investing in India.

Despite the perceived importance of this factor as mentioned above, most of the respondents from the Australian firms indicated that this factor had no impact on their decision to joint venture. Likewise, this factor was not taken into consideration by most of the Indian respondents while deciding upon an Australian partner. However, all of the Australian parents and nine Indian partners expressed their awareness of this factor in the present context.

Nevertheless, the evidence obtained from the Australian firms does not confirm the influence of this factor in motivating their decision to joint venture with an Indian partner while investing in India. Likewise, responses from the Indian partners do not confirm its influence from their perspective (while choosing an Australian partner). Hence, as an environmental variable, the absence of common membership by both Australia and India in any of the regional forums is found to be of no or little importance with respect to motivating Australian firms to joint venture with Indian partners while investing in India.

Summary The interview data gathered from the respondents on these two variables within the place dimension are insufficient to confirm the proposition P1.2., viz., *within the place dimension, the geographic location of India, vis-à-vis Australia, influences the decision taken by Australian firms to joint venture with Indian firms to enter the Indian market.*

8.3.3 Demographic Dimension

Four different factors were taken into consideration to examine the influence of the demographic dimension on the Australian firms' decisions to form IJVs with local partners while investing in India. These include the presence of a large poor segment in the Indian population, the relative absence of non-resident Indians (NRIs) in Australia, the rise of the *Neo-Swadeshi* (indigenisation) movement and the ongoing religious rivalry in India. Within the demographic dimension, the interview data indicate that none of the selected demographic characteristics had considerable impact on the decision of Australian and Indian firms.

Large Poor Segment in the Indian Population India is a country with most of its people living below the poverty line (Australian Department of Foreign Affairs and Trade, 1995). With a low per capita income, about 80% of its total population falls into the low or lower middle income group (East Asia Analytical Unit, 1994). Consumer demand in India is likely to be affected by this population characteristic (*The Economist*, 9 March, 1996, pp. 1-34). IJVs are often used to reduce such demand uncertainty (Burgers, *et al.*, 1993). With active collaboration from experienced local partners, foreign companies may try to influence market demand through collective advertising campaigns, improved product quality, or by creating products which are more market-oriented.

However, there was no support from any of the Australian firms with respect to the influence of this factor on their decision to joint venture with the Indian partners. When asked for comments, all the Australian firms expressed their awareness of this

factor, but mentioned that they did not consider it during their entry mode decision.

The Indian firms also tend not to support the impact of this factor.

As a possible interpretation, it may be argued that the target market of Australian as well as the Indian firms which are included in this study falls into the middle, higher middle or the affluent classes of India. A conservative estimate suggests that these groups, i.e., the top 10% of the Indian population or about 100 million people accounts for over US\$100 billion of GNP (Panandiker, 1996). These firms might have deliberately identified their market niche without giving any importance to the presence of a large poor segment. Hence, as a demographic variable, a large poor segment in the Indian population is found to be of no or little importance with respect to motivating Australian firms to joint venture with Indian partners while investing in India.

Relative Absence of NRIs in Australia As mentioned in chapter II, non-resident Indians (NRIs) play an important role in investing in the Indian market. A significant amount of inward foreign investment to India is made by NRIs living in various parts of the world (Australian Department of Foreign Affairs, and Trade, 1995; Barnathan, 1995). Moreover, the Indian Government offers preferential benefits to the foreign investment initiated by the NRIs (Shunglu, 1996). They also act as catalysts for foreign investment. The presence of a strong group of NRIs in a foreign country may help to augment the bilateral relations between India and their country of residence, which, in turn, impacts upon the volume of inbound foreign investment to India.

In Australia, the Indian community is not as involved as they are in other Western economies (Clad, 1990; Gordon, S., 1993). Because of the relative absence of NRIs in Australia (Australian Indians), Australian companies are not in a position to use this possible advantage while doing business in India. As a consequence, the Australian companies, interested in investing in India, may still require prospective Indian partners to overcome Indian country-specific difficulties. Despite the importance of the perceived role of the Australian Indians as mentioned above, most of the Australian firms indicated that this factor did not have any impact on their decision to joint venture. The Indian firms also tend not to support the impact of this factor. All the Australian firms and eight Indian firms expressed their awareness of this factor, while two Indian firms indicated their unawareness of this factor in the present context.

As a possible interpretation, it may be argued that the Australian firms are not familiar with, or exposed to, the presence of NRIs, as are their counterparts in Europe and the US. Therefore, this factor might not have affected the mindsets of Australian managers while deciding the entry mode to invest in India. Hence, as a demographic variable, the relative absence of NRIs in Australia is found to be of no or little importance with respect to motivating Australian firms to joint venture with Indian partners while investing in India.

Neo-Swadeshi Movement It may be argued that the recent revival of the *Neo-Swadeshi* or indigenisation movement has adversely affected the investment climate in India contributing to the slow growth of foreign investment (see chapter II). The *Swadeshi* movement was originally launched by Gandhi during the independence

movement of India in the 1930s which called for non-cooperation with the British India Government and rejection of British goods. The advocates of the *Neo-Swadeshi* movement are again spreading a similar message of rejecting foreign consumer goods and condemning extensive foreign investments (*The Economist*, 24 June, 1995), which is likely to influence the mode of foreign investment in India.

As mentioned in chapter II, political parties who espouse this movement share the view that local investors should be given priority over foreign investors. These parties have adopted the strategy of targeting multinationals in the sensitive consumer goods area (*The Hindu*, 20 November, 1993). It has been argued that the *Neo-Swadeshi* risk may be minimised substantially through the formation of IJVs with Indian partners (As-Saber, *et al.*, 1996b). The local knowledge and familiarity of a partner firm may help overcome problems related to such nationalistic intricacies.

Despite the rise of the *Neo-Swadeshi* movements in India and apparent risks and uncertainties associated with it, most of the Australian respondents did not consider this factor during the decision making process. Only two Australian firms indicated that it had moderate or significant impact on their decision to joint venture. Five Indian respondents also indicated that this factor had no impact on their decision. However, four of the Indian firms responded with the statement that this factor had significant or moderate impact on their decision. One Indian firm expressed its unawareness of this factor in the present context. Thus, Indian responses are disparate and far from conclusive.

As a possible interpretation, it may be argued that the Indian proponents of the *Neo-Swadeshi* movement are likely to be relatively more antagonistic to the British or European companies because of their colonial past, and to US involvement because of their perceived 'big brother' attitude. Australia, being a middle power within the Asia-Pacific region, might not be considered as a threat to the Indian economy or culture. Two of the Indian respondents confirmed this observation during the interview. Hence, the option of Australia as a IJV partner is likely to be more welcoming to the Indian counterpart than the other Western firms. This factor might have influenced the Australian firms while joint venturing in India. Therefore, as a demographic variable, the emergence of the *Neo-Swadeshi* movement in India is found to be of no or little importance in motivating Australian firms to joint venture with Indian partners while investing in India.

Religious Rivalry The recent rise of the Hindu religious fundamentalism, *Hindutva*, in India might be expected to influence the level as well as the mode of foreign investment in India. As argued in chapter II, the rise of Hindu nationalism as reflected in the *Hindutva* has its roots both in the past and the present (Grant, 1982). India's colonisation by the Muslims from Central Asia for hundreds of years, followed by the British may be considered primarily responsible for the rise of *Hindutva* (Taylor, 1991). Since the 1980s, the *Bharatiya Janata Party* (BJP) and its allies have been capitalising on this religious sentiment and have finally succeeded in winning election and power.

It may be argued here that the political uncertainty due to the rise of the Hindu chauvinism may be an impediment to foreign investment in India. However, any such

risks may be minimised substantially through the formation of IJVs with a local partner. The local knowledge and familiarity of a partner firm are likely to help overcome problems related to such religious rivalries.

There was no support from any of the nine Australian firms with respect to the influence of this factor on their decision to joint venture with the Indian partners. When asked for comments, all of the Australian firms expressed their awareness of this factor, but mentioned that they did not consider it during their entry mode decision. The Indian firms also tend not to support the impact of this factor. Most of the Indian firms indicated that this factor had no impact on their decision, while, unlike Australian respondents, one Indian firm declared its unawareness of this factor.

When asked for an interpretation of responses, one of the Australian respondents mentioned that they did not consider the religious rivalry because of their perception that this factor might not have any significant impact on the business environment in India. This respondent also indicated that despite the presence of religious rivalries in many Asian countries such as Malaysia, Indonesia, Sri Lanka and the Philippines, international business will continue without facing any major problem created from these rivalries. As a possible interpretation, it may further be argued that the Australians managers who are more familiar with a society with social and religious harmony might not have realised the possible consequences of religious rivalry in a country like India. Hence, as a demographic variable, the ongoing religious rivalry is found to be of no or little importance with respect to motivating Australian firms to joint venture with Indian partners while investing in India.

Summary The interview data gathered from the respondents indicate that none of the selected demographic characteristics - the presence of a large poor segment in the Indian population, the relative absence of NRIs in Australia, the rise of the *Neo-Swadeshi* movement and the ongoing religious rivalry had considerable impact on the decisions of the Australian firms and their Indian counterparts to joint venture. Hence, the available evidence does not support proposition P1.3, viz., *within the demographic dimension, India's population characteristics influence the decision taken by Australian firms to joint venture with Indian firms to enter the Indian market.*

8.3.4 Responses on the Impact of the Overall Geopolitical Environment

In addition to the questions asked separately on the individual geopolitical dimensions, the respondents were asked a general question on the impact of the geopolitical environment as a whole on their decision to joint venture. The question was designed to capture the views from the respondents on the combined impact

Table 8.8
Frequency of the Responses on the Geopolitical Environment (Combination of all Dimensions) affecting the Firms' Decisions to Joint Venture

Level of impact on the entry mode decision of Australian firms				Level of impact on the decision of Indian firms to joint venture with Australian partners			
Significant	Some impact	No impact	N/A	Significant	Some impact	No impact	N/A
2	4	3	-	2	5	3	-

Of all three geopolitical dimensions. When asked this question, the respondents tended to be more supportive of it than were the responses from the questions asked on each of the dimensions separately.

Table 8.8 lists the responses of both the Australian and Indian firms on the overall impact of the geopolitical environment on their decision to joint venture. Most of the Australian as well as the Indian firms indicated that the geopolitical environment as a whole had moderate to significant impact on their decision. This evidence is mostly inconsistent with the findings on the individual dimensions. Individually, only one dimension, i.e., the time dimension had limited impact on the decision of the Australian firms to joint venture, whereas the other two dimension had little or no impact.

As a possible explanation, it may be argued that the responses on the general overall questions might have suffered from a confounding of effects where the respondents had difficulties in disentangling the separate and partial effects of each of the dimensions. It might well be that if the respondents felt that there was some support for a dimension, they might have felt committed to indicating some support for the full grouping of dimensions. Nonetheless, the responses on the general overall question may have provided some global opinion about the geopolitical environment, but not an in-depth one specific to any particular dimension. Hence, as a key outcome of this particular finding, it may be implied that to obtain useable implications of the geopolitical environment on any international business operation, it is important to disaggregate geopolitics into its various dimensions. Because of this seemingly ambiguous outcome, it is advisable for future research to consider each of these dimensions separately if the geopolitical environment and its possible implications are to be best captured.

8.4 CHAPTER SUMMARY

Despite the proposed influence of the geopolitical scenario in motivating the Australian firms to joint venture with local partners while investing in India, the evidence suggests that geopolitics has had limited impact on the participants' motivations. The evidence has only partially supported proposition P1.1. Propositions P1.2 and P1.3 were not confirmed by the available data. Accordingly, only the time dimension had some impact on the Australian firms' motivations to joint venture, whereas the two other dimensions, the place dimension and the demographic dimension had little or no impact. According to one of the Australian parents,

Although we knew that there was a presence of various geopolitical variables around us, we did not emphasise much on those factors during our decision making process to joint venture. We rather considered it more important to focus upon the other environmental-specific variables such as the economic and legal environments and human resource practices in India that apparently had immediate implications to our decision.

However, when asked the general question on the impact of geopolitics (incorporating all the three dimensions globally), the responses tended to be more supportive than the responses were found to be on the questions asked on each of the dimensions treated separately. Most of the Indian and Australian firms indicated that the geopolitical environment, as a global construct, had moderate to significant impact on their decision. As a possible explanation, it has been argued that this difference in outcome might be possible because of a compounding of effects where the respondents had difficulties in disentangling the separate and partial effects of each of the dimensions. However, despite the apparent lack of depth of this finding, it might be illustrative of a general opinion by the respondents about the geopolitical environment. In addition, it has assisted to generate possible guidance for future research in that it might be advisable to consider each of the geopolitical dimensions separately.

Overall, on the evidence presented in this chapter, it appears that geopolitical factors have only partially motivated Australian firms to choose the IJV mode to enter the Indian market. Hence, it could be deemed that the weight of the evidence, in general, is only partially supportive of the general proposition (P₁), viz., *the geopolitical factors which impact on the decision to enter the Indian market can be represented on three dimensions: a time dimension, a place dimension and a demographic dimension.*

CHAPTER IX

IMPACTS OF SELECTED ENVIRONMENTAL VARIABLES ON THE FORMATION OF AUSTRALIAN-INDIAN IJVs

Different countries have different political, economic, and legal systems. Cultural practices can vary dramatically from country to country, as can the education and skill level of the population, while different countries are at different stages of economic development. All of these differences have major implications for the practice of international business (Hill, 1997, p. 32).

9.1 INTRODUCTION

As discussed earlier, apart from the geopolitical variables, other environmental factors might have influenced the Australian firms to establish IJVs with Indian partners to invest in India. These factors are economic, political, regulatory, human resource management related and cultural. On the basis of the data from across the nine cases, this chapter examines the influence of these environmental-specific variables in motivating Australian firms to joint venture with their Indian partners. The primary focus is that of the Australian firms' perspectives. However, to determine whether there is a convergence or complementarity of views between both partners' perspectives, an examination of the Indian partners' responses is undertaken. The analysis is based on the findings in relation to the specific propositions P_{2.1}, P_{2.2}, P_{2.3}, P_{2.4}, P_{2.5} and P_{2.6} established at chapter 6.4. A discussion emphasising the relevance as well as implications of these research findings with respect to the general proposition (proposition P₂) ensues.

9.2 INTERVIEW DATA

The data collected are presented in six sections. The first section (9.2.1) deals with the economics factors, i.e., the macroeconomic environment in India that influenced the decision of Australian firms to form IJVs with Indian firms to enter the Indian market

Table 9.1
Frequency of other Environmental Variables which influenced the Firms' Decisions to Joint Venture*

Environmental variables influencing the decision to form an IJV	Level of impact on the decision of Australian firms ¹				Level of impact on the decision of Indian firms ¹			
	Signi- ficant ²	Some impact	No impact	N/A	Signi- ficant ²	Some impact	No impact	N/A
Economic Environment:								
Level of inflation	2	1	6				7	3
Exchange rate fluctuations	2	3	4		1	1	6	2
Transactions cost minimisation	5	1	3		3	2	4	1
Market competition	3	2	4		4	4	2	
Uncertain demand conditions	2	-	7		-	-	7	3
Rapid market access	5	2	2		2	5	3	
Political Environment:								
Frequent change of governments	2	4	3		-	1	6	3
Ongoing separatist movements	1	4	3	1	-	-	8	2
Ongoing religious rivalry	1	-	8				8	2
Protests from the environmentalists	1	3	5				8	2
Regulatory Environment:								
Import duties and tariffs	5	3	-	1	3	2	4	1
Taxation law	5	1	2	1	-	-	10	
Foreign investment policies	7	2			6	4		
Public sector monopoly of insurance industry	-	-	8	1	-	-	8	2
Intellectual property rights	2	4	2	1	-	-	8	2
Automatic approval procedures	3	2	3	1	3	3	4	
Changing regulatory environment	4	4	1		5	3	2	
Human Resource Management:								
Low labour productivity in India	2	3	4		-	-	7	3
Lack of consistent exit policy	1	2	6				7	3
'Militant and obstructionist' nature of Indian labour forces	2	-	7				8	2
Lack of high quality local staff	2	1	5	1			8	2
Lack of Necessary Market Information	1	4	4				7	3
Cultural Factors:								
Cultural distance and unfamiliarity	2	3	3	1			8	2
Dealing with corruption and bureaucracy	6	-	2	1		1	8	1

* Number of firms falling within each category.

¹ The numbers of Australian and Indian firms vary. Explanations are given in chapter VII and are also available as notes at the end of Table 1.1 and Table 1.2.

² Nomenclature used is identical to that used in the questionnaire, but for the case of the use of 'definitely yes' in the questionnaire. For summary purposes, these responses are recorded as 'significant' throughout this chapter.

N/A = Not Applicable. This denotes the confidentiality of data or the unawareness of the respondents ('I don't know').

(proposition P2.1). The second section (9.2.2) considers the findings on the impact of political factors, i.e., the political environment in India that influenced that decision (proposition P2.2). The third section (9.2.3) deals with the legal and regulatory factors that influenced the decision (proposition P2.3). The fourth section (9.2.4) reflects on the human resource management issues (proposition P2.4). The fifth section (9.2.5) deals with the availability of necessary market information in India, i.e., the lack of market information in India that influenced the decision of Australian firms to joint venture with a local partner (proposition P2.5). Finally, the sixth section (9.2.6) considers the cultural environment in India and its impact on the decision to joint venture (proposition P2.1). A summary of the data forming the basis of this chapter is presented in Table 9.1.

9.2.1 Economic Environment

Proposition P2.1 deals with the economic environment in India. Table 9.2 summarises the responses of Australian firms as well as those of their Indian counterparts.

Australian Partners' Responses Table 9.2 shows the responses from each of the Australian parents on the impact of the economic environment in selecting the IJV mode. It demonstrates that there is some support for the proposition that the macroeconomic environment in India has influenced their decision to joint venture with Indian firms to enter the Indian market. According to the interview data on four of the six economic factors, considerable support for the proposition has been registered, while the remaining two have showed little or no support.

Most of the respondents indicated that the level of inflation had no impact on their decision to joint venture. Six respondents choose 'no impact', while only three

respondents have acknowledged that this factor had some or significant impact on their decisions. In terms of the uncertain demand conditions in India, a similar response set was received. Seven respondents mentioned that this factor had no impact on their decision, while only two indicated that it had significant impact.

Most of the Australian parents indicated that the four other economic factors, viz., the exchange rate fluctuations, transactions cost minimisation, market competition and rapid market access had moderate to significant impact on their decision to joint venture. However, responses tend to be more supportive for the relevant propositions with respect to the impact of transactions cost minimisation and the need for rapid market access.

Indian Partners' Responses Table 9.2 summarises the responses of the Indian partners on the impact of the macroeconomic environment. Some variations in response were found vis-à-vis the Australian parent firms' responses. In terms of the level of inflation and the uncertain demand conditions, the Indian responses were less confirmatory of the propositions than were their Australian counterparts. No support was found from the Indian partners for these two factors. All ten respondents chose either 'no impact' or 'N/A' responses (Table 9.2). Contrary to the responses from the Australian parents, most of the Indian firms indicated that the exchange rate fluctuations did not have any impact on their decisions. Only two Indian firms indicated that this factor had moderate to significant impact on their decisions.

The other factors, transactions cost minimisation, market competition and rapid market access were given some importance by most of the Indian firms. Most of the Indian companies responded either 'significant impact' or 'some impact' in relation to these

Table 9.2
Summary of Responses on the Impact of the Economic Environment

Name of the firm	Level of inflation	Exchange rate fluctuations	Transactions cost minimisation	Market competition	Demand uncertainty	Rapid market access
Australian Parent*						
1. Atco Control Pty Ltd	No impact	No impact	Significant impact	Significant impact	No impact	Significant impact
2. Futuris Brakes International	No impact	Some impact	Significant impact	No impact	No impact	Significant impact
3. Moldflow International Pty Ltd	No impact	No impact	No impact	No impact	No impact	Some impact
4. RTZ-CRA	Some impact	Some impact	No impact	No impact	No impact	No impact
5. Tech-Dry Pty Ltd	No impact	Some impact	No impact	Some impact	No impact	No impact
6. Tech-Pacific	No impact	No impact	Some impact	No impact	No impact	Significant impact
7. Telstra International-1	Significant impact	Significant impact	Significant impact	Significant impact	Significant impact	Significant impact
8. Telstra International-2	Significant impact	Significant impact	Significant impact	Significant impact	Significant impact	Significant impact
9. Warman International	No impact	No impact	Significant impact	Some impact	No impact	Some impact
Indian host						
1. ACC	No impact	No impact	No impact	Some impact	N/A	Some impact
2. Dr. S.P. Bhatnagar	No impact	Some impact	Significant impact	Significant impact	No impact	Significant impact
3. Godrej & Boyce-1**	No impact	No impact	Some impact	Some impact	No impact	No impact
4. Godrej & Boyce-2**	No impact	No impact	Some impact	Some impact	No impact	No impact
5. Harish Soonderjee	N/A	Significant impact	Significant impact	Significant impact	No impact	Significant impact
6. IL & FS***	N/A	N/A	No impact	Some impact	No impact	Some impact
7. Indure Ltd	No impact	No impact	Significant impact	Significant impact	No impact	Some impact
8. Modi Corporation	No impact	No impact	No impact	No impact	No impact	No impact
9. Stone India Ltd	N/A	N/A	N/A	Significant impact	N/A	Some impact
10. VSNL***	No impact	No impact	No impact	No impact	N/A	Some impact

* For the nine IJVs, the number of Australian parent firms is eight. Telstra International has two separate IJVs in India, both of which are included in this study. However, for each of the IJV involvements, Telstra was interviewed separately because it had been assumed that for each of them, Telstra might have faced a different set of environmental variables. 'Telstra International-1' demonstrates the findings on the environmental variables Telstra faced during the motivation to form Modi-Telstra, and 'Telstra International-2' records these for Telstra-VComm.

** Godrej & Boyce Mfg. Co. Ltd is the host of two IJVs with Australian partners, both of which are included in this study. Godrej & Boyce was interviewed twice to obtain IJV-specific information. 'Godrej & Boyce-1' records the findings on the environmental variables it faced during the motivation to form GSSL, and 'Godrej & Boyce-2' records results in relation to GPTL.

*** The IJV, Telstra-Vcomm Ltd has two hosts – VSNL and IL&FS, both of which are included in this study.

factors. However, the presence of market competition was considered more important than the other economic factors. Eight of the ten respondents considered that this factor had moderate to significant impact on their decision to joint venture with an Australian firm. Unlike their Australian counterparts, some of the Indian respondents registered their unawareness (N/A) on a number of issues (Table 9.2). In general, these data demonstrate that the Australian firms expressed relatively greater support than did their Indian counterparts on a number of economic factors that had influenced the joint venture decision.

9.2.2 Political Environment

Proposition P2.2 deals with the political environment and its influence on the decision of Australian firms to form IJVs with Indian partners while investing in India. Table 9.3 summarises the responses of Australian parents as well as their Indian partners on this impact. In the present research context, five major aspects of the political environment are taken into consideration - frequent changes of governments in India, ongoing separatist movements in a number of Indian states, ongoing religious rivalries and protests from the environmentalists.

Australian Parents' Responses Table 9.3 summarises the responses of Australian parents. These demonstrate some support for two political factors - frequent changes of governments in India and ongoing separatist movements. The response set indicated that the two other factors had little or no impact on the Australian firms' decisions to joint venture.

Table 9.3
Summary of Responses on the Impact of the Political Environment

Name of the firm	Frequent change of government	Ongoing separatist movements	Ongoing religious rivalries	Protests from the environmentalists
Australian Parent*				
1. Atco Control Pty Ltd	Significant impact	Some impact	No impact	Some impact
2. Futuris Brakes International	Significant impact	Significant impact	Significant impact	Significant impact
3. Moldflow International Pty Ltd	No impact	N/A	No impact	No impact
4. RTZ-CRA	Some impact	Some impact	No impact	Some impact
5. Tech-Dry Pty Ltd	No impact	No impact	No impact	No impact
6. Tech-Pacific	No impact	No impact	No impact	Some impact
7. Telstra International-1	Some impact	Some impact	No impact	No impact
8. Telstra International-2	Some impact	Some impact	No impact	No impact
9. Warman International	Some impact	No impact	No impact	No impact
Indian host				
1. ACC	No impact	No impact	No impact	No impact
2. Dr. S.P. Bhatnagar	N/A	N/A	N/A	N/A
3. Godrej & Boyce-1**	No impact	No impact	No impact	No impact
4. Godrej & Boyce-2**	No impact	No impact	No impact	No impact
5. Harish Soonderjee	Some impact	No impact	No impact	No impact
6. IL & FS***	No impact	No impact	No impact	No impact
7. Indure Ltd	No impact	No impact	No impact	No impact
8. Modi Corporation	No impact	No impact	No impact	No impact
9. Stone India Ltd	N/A	N/A	N/A	N/A
10. VSNL***	N/A	No impact	No impact	No impact

* For the nine IJVs, the number of Australian parent firms is eight. Telstra International has two separate IJVs in India, both of which are included in this study. However, for each of the IJV involvements, Telstra was interviewed separately because it had been assumed that for each of them, Telstra might have faced a different set of environmental variables. 'Telstra International-1' demonstrates the findings on the environmental variables Telstra faced during the motivation to form Modi-Telstra, and 'Telstra International-2' records these for Telstra-VComm.

** Godrej & Boyce Mfg. Co. Ltd is the host of two IJVs with Australian partners, both of which are included in this study. Godrej & Boyce was interviewed twice to obtain IJV-specific information. 'Godrej & Boyce-1' records the findings on the environmental variables it faced during the motivation to form GSSL, and 'Godrej & Boyce-2' records results in relation to GPTL.

*** The IJV, Telstra-Vcomm Ltd has two hosts – VSNL and IL & FS, both of which are included in this study.

Indian Partners' Responses Table 9.3 summarises the responses from the Indian partners. The data show that none of the four political factors were given importance by the Indian firms when the decisions were made. In terms of the frequent change of government, only one Indian respondent, Harish Soonderjee indicated that this factor had some impact on its decision to joint venture with an Australian partner. The other Indian firms responded with 'no impact or 'N/A'. Responses on the other political factors, such

as ongoing separatist movements in India, and protests from the environmentalists indicate that these factors did not have any impact on the decisions of the Indian firms. All of the ten Indian firms either chose 'no impact' or 'N/A' to register their responses on each of these issues.

The Australian firms' responses are somewhat more confirmatory on the impact of two issues - frequent changes of government and ongoing separatist movements than were the responses of their Indian counterparts. Most of the Australian firms indicated that these two factors had significant to moderate impact on their decision. However, the Indian firms' responses indicate that these two factors along with other political factors had no impact on their decisions.

9.2.3 Legal and Regulatory Environment

Proposition P2.3 deals with the legal and regulatory environment and its influence on the decision of Australian firms to form IJVs with Indian partners while investing in India. Table 9.4 summarises the responses of both the Australian and Indian partners on the impact of this environment. In the present research context, seven major aspects of the legal and regulatory environment are taken into consideration - import duties and tariffs; taxation law; foreign investment policies; the public sector monopoly of the insurance industry; intellectual property rights; automatic approval of up to 51% foreign equity participation and the changing regulatory environment.

Australian Partners' Responses Table 9.4 summarises the responses of the Australian parents. These responses indicate that except for the presence of the public sector monopoly of the insurance industry in India, all other issues had moderate to significant

impact on the decision of most of the Australian parents. Of the nine Australian firms, eight indicated that the presence of the public sector monopoly of the Indian insurance industry had no impact on their decision to joint venture. One expressed an unawareness of the issue. With respect to the other factors, most of the Australian respondents report that these had moderate to significant impact on their decisions.

However, overwhelming support was evidenced with respect to two factors - the level of import duties and tariffs in India, and Indian foreign investment policies (Table 9.4). From the nine Australian respondents, eight indicated that the level of import duties, tariffs and quotas had moderate to significant impact on their decision, while only one firm expressed an unawareness of the issue. All the nine Australian firms considered the foreign investment policies of India as being of moderate to significant importance. Seven firms considered the impact of this factor as significant, while the remaining two extended moderate ('some') support.

Indian Partners' Responses Table 9.4 summarises the Indian partners' responses on the level of impact of each of the legal and regulatory factors on their decision to joint venture with the Australian firms. With respect to three factors, all ten Indian respondents responded either with 'no impact' or 'N/A'. These factors are Indian taxation law, the public sector monopoly of the Indian insurance industry and the lack of enforcement of intellectual property rights. On the other hand, most of the respondents acknowledged the importance of the other four factors as being of moderate to significant importance. Among these, all of the Indian firms put special emphasis on the impact of the Indian foreign investment policies. Like their Australian counterparts, all ten Indian

Table 9.4
Summary of Responses on the Impact of the Regulatory Environment

Name of the firm	Import duties and tariffs	Taxation law	Foreign investment policies	Public sector monopoly of insurance	Intellectual property rights	Automatic approval procedures	Changing regulatory environment
Australian Parent*							
1. Atco Control Pty Ltd	Significant impact	Significant impact	Significant impact	No impact	No impact	Some impact	Significant impact
2. Futuris Brakes International	Significant impact	Significant impact	Significant impact	No impact	Significant impact	Significant impact	Significant impact
3. Moldflow International Pty Ltd	N/A	N/A	Some impact	N/A	N/A	N/A	Some impact
4. RTZ-CRA	Some impact	Significant impact	Significant impact	No impact	Some impact	Significant impact	Significant impact
5. Tech-Dry Pty Ltd	Some impact	No impact	Some impact	No impact	Some impact	Some impact	No impact
6. Tech-Pacific	Some impact	No impact	Significant impact	No impact	No impact	Significant impact	Significant impact
7. Telstra International-1	Significant impact	Significant impact	Significant impact	No impact	Some impact	No impact	Some impact
8. Telstra International-2	Significant impact	Significant impact	Significant impact	No impact	Some impact	No impact	Some impact
9. Warman International	Significant impact	Some impact	Significant impact	No impact	Significant impact	No impact	Some impact
Indian host firm							
1. ACC	No impact	No impact	Significant impact	No impact	No impact	Significant impact	Significant impact
2. Dr. S.P. Bhatnagar	Significant impact	No impact	Significant impact	N/A	N/A	Significant impact	Significant impact
3. Godrej & Boyce-1**	Some impact	No impact	Some impact	No impact	No impact	Some impact	Some impact
4. Godrej & Boyce-2**	Some impact	No impact	Some impact	No impact	No impact	Some impact	Some impact
5. Harish Soonderjee	Significant impact	No impact	Some impact	No impact	No impact	No impact	Some impact
6. IL & FS***	No impact	No impact	Significant impact	No impact	No impact	Some impact	Significant impact
7. Indure Ltd	N/A	No impact	Some impact	No impact	No impact	No impact	No impact
8. Modi Corporation	No impact	No impact	Significant impact	No impact	No impact	No impact	Significant impact
9. Stone India Ltd	Significant impact	No impact	Significant impact	N/A	N/A	No impact	No impact
10. VSNL***	No impact	No impact	Significant impact	No impact	No impact	Significant impact	Significant impact

* For the nine IJVs, the number of Australian parent firms is eight. Telstra International has two separate IJVs in India, both of which are included in this study. However, for each of the IJV involvements, Telstra was interviewed separately because it had been assumed that for each of them, Telstra might have faced a different set of environmental variables. 'Telstra International-1' demonstrates the findings on the environmental variables Telstra faced during the motivation to form Modi-Telstra, and 'Telstra International-2' records these for Telstra-VComm.

** Godrej & Boyce Mfg. Co. Ltd is the host of two IJVs with Australian partners, both of which are included in this study. Godrej & Boyce was interviewed twice to obtain IJV-specific information. 'Godrej & Boyce-1' records the findings on the environmental variables it faced during the motivation to form GSSL, and 'Godrej & Boyce-2' records results in relation to GPTL.

*** The IJV, Telstra-Vcomm Ltd has two hosts – VSNL and IL&FS, both of which are included in this study.

firms responded with 'significant impact' or 'some impact' acknowledging the importance of this factor. Overall, the Indian responses tend to be less supportive than do their Australian counterparts with respect to all seven factors within the legal and regulatory environment.

9.2.4 Human Resource Management Practices in India

Proposition P2.4 deals with the human resource management practices in India and their influence on the decision of Australian firms to form IJVs with Indian firms while investing in India. Table 9.5 summarises the responses from the Australian firms as well as their Indian counterparts on the impact of HRM practices in India.

Australian Partners' Responses Table 9.5 summarises the responses of the Australian parents. With respect to the impact of low labour productivity in India, most of the Australian firms indicated that this factor had significant to moderate impact on their decisions to joint venture. The role of this factor during the decision making process was acknowledged by five respondents as being of moderate to significant importance, whereas the other four indicated that this factor had no impact on their decision. The other factors, viz., the lack of consistent exit policy, the reputation of the Indian labour force as 'militant and obstructionist' and the lack of high quality local staff were not given importance by the majority of the Australian firms (Table 9.5). Nevertheless, the respondents, in general, expressed their awareness of these issues. Only one respondent (Moldflow International Pty Ltd) indicated its unawareness of one of the factors - lack of high quality local staff in India.

Table 9.5
Summary of Responses on the Impact of Human Resource Management Practices

Name of the firm	Low labour productivity in India	Lack of consistent exit policy	'Militant and obstructionist' nature of Indian labour forces	Lack of high quality local staff
Australian parent*				
1. Atco Control Pty Ltd	Some impact	No impact	No impact	Significant impact
2. Futuris Brakes International	Significant impact	Significant impact	Significant impact	No impact
3. Moldflow International Pty Ltd	No impact	No impact	No impact	N/A
4. RTZ-CRA	Some impact	No impact	No impact	Some impact
5. Tech-Dry Pty Ltd	Significant impact	No impact	No impact	No impact
6. Tech-Pacific	No impact	No impact	No impact	No impact
7. Telstra International-1	No impact	Some impact	No impact	No impact
8. Telstra International-2	No impact	Some impact	No impact	No impact
9. Warman International	Some impact	No impact	Significant impact	Significant impact
Indian host firm				
1. ACC	N/A	N/A	No impact	No impact
2. Dr. S.P. Bhatnagar	No impact	No impact	No impact	No impact
3. Godrej & Boyce-1**	No impact	No impact	No impact	No impact
4. Godrej & Boyce-2**	No impact	No impact	No impact	No impact
5. Harish Soonderjee	No impact	No impact	No impact	No impact
6. IL & FS***	No impact	No impact	No impact	N/A
7. Indure Ltd	No impact	N/A	N/A	N/A
8. Modi Corporation	No impact	No impact	No impact	No impact
9. Stone India Ltd	No impact	N/A	N/A	N/A
10. VSNL***	N/A	No impact	No impact	No impact

* For the nine IJVs, the number of Australian parent firms is eight. Telstra International has two separate IJVs in India, both of which are included in this study. However, for each of the IJV involvements, Telstra was interviewed separately because it had been assumed that for each of them, Telstra might have faced a different set of environmental variables. 'Telstra International-1' demonstrates the findings on the environmental variables Telstra faced during the motivation to form Modi-Telstra, and 'Telstra International-2' records these for Telstra-VComm.

** Godrej & Boyce Mfg. Co. Ltd is the host of two IJVs with Australian partners, both of which are included in this study. Godrej & Boyce was interviewed twice to obtain IJV-specific information. 'Godrej & Boyce-1' records the findings on the environmental variables it faced during the motivation to form GSSL, and 'Godrej & Boyce-2' records results in relation to GPTL.

*** The IJV, Telstra-Vcomm Ltd has two hosts – VSNL and IL&FS, both of which are included in this study.

Indian Partners' Responses Table 9.5 summarises the responses of the Indian firms.

None of the factors was considered important by the Indian host firms while deciding upon the selection of the Australian firms as IJV partners. However, most of the respondents expressed their awareness of these factors. Nevertheless, no substantial

support was found in either of the response sets in terms of the proposed impact of the HR-related factors on the firms' decisions to joint venture.

9.2.5 Lack of Necessary Market Information

Proposition P2.5 deals with the lack of necessary market information in India and its influence on the Australian firms' decisions to joint venture with the Indian partners while investing in India. Table 9.6 summarises the responses of Australian as well as Indian firms on this issue.

Table 9.6
Summary of Responses on the Impact of the Lack of Market Information in India

Name of the firm	Level of impact of the lack of market information
Australian parent*	
1. Atco Control Pty Ltd	Significant impact
2. Futuris Brakes International	No impact
3. Moldflow International Pty Ltd	No impact
4. RTZ-CRA	No impact
5. Tech-Dry Pty Ltd	Some impact
6. Tech-Pacific	No impact
7. Telstra International-1	Some impact
8. Telstra International-2	Some impact
9. Warman International	Some impact
Indian host	
1. ACC	No impact
2. Dr. S.P. Bhatnagar**	No impact
3. Godrej & Boyce-1**	No impact
4. Godrej & Boyce-2	No impact
5. Harish Soonderjee	No impact
6. IL & FS***	N/A
7. Indure Ltd	N/A
8. Modi Corporation	No impact
9. Stone India Ltd	N/A
10. VSNL***	No impact

* For the nine IJVs, the number of Australian parent firms is eight. Telstra International has two separate IJVs in India, both of which are included in this study. However, for each of the IJV involvements, Telstra was interviewed separately because it had been assumed that for each of them, Telstra might have faced a different set of environmental variables. 'Telstra International-1' demonstrates the findings on the environmental variables Telstra faced during the motivation to form Modi-Telstra, and 'Telstra International-2' records these for Telstra-VComm.

** Godrej & Boyce Mfg. Co. Ltd is the host of two IJVs with Australian partners, both of which are included in this study. Godrej & Boyce was interviewed twice to obtain IJV-specific information. 'Godrej & Boyce-1' records the findings on the environmental variables it faced during the motivation to form GSSL, and 'Godrej & Boyce-2' records results in relation to GPTL.

*** The IJV, Telstra-Vcomm Ltd has two hosts – VSNL and IL&FS, both of which are included in this study.

Australian Partners' Responses Table 9.6 shows the responses from each of the Australian parents. Of the nine Australian respondents, five indicated that this factor had moderate to significant impact on their decision to choose the IJV mode while investing in India, whereas four firms registered 'no impact' responses.

Indian Partners' Responses Table 9.6 summarises the responses of each of the Indian partners. None of the Indian partners extended a positive response. From the ten Indian respondents, seven indicated that this factor had no impact on their decision making process. The remaining three expressed their unawareness of this factor.

9.2.6 Cultural Environment

Proposition P2.6 considers the cultural environment and its influence on the decision of Australian firms to form IJVs with Indian partners while investing in India. Table 9.7 summarises the responses from both the Australian and Indian firms. In the present research context, two major aspects of the cultural environment are taken into consideration - cultural distance and unfamiliarity between Australia and India, and dealing with corruption and bureaucracy.

Australian Parents' Responses Table 9.7 summarises the responses of the Australian parents on the level of impact of each of the selected issues within the cultural environment on the decision to joint venture with Indian partners. Most of the respondents acknowledged the impact of these issues on their decisions. With respect to the impact of cultural distance and unfamiliarity, five Australian parents indicated that this factor had moderate to significant impact on their decisions. Three registered 'no impact', while one firm expressed its unawareness of the issue. The other cultural factor,

dealing with corruption and bureaucracy, had a stronger impact on the Australian firms' decisions to joint venture. Most of the firms (six out of nine) indicated that this factor had 'significant impact' on their decision to joint venture with Indian firms while investing in India. Only two firms registered a 'no impact' response, while one firm expressed its unawareness of the issue.

Table 9.7
Summary of Responses on the Impact of the Cultural Environment

Name of the firm	Cultural distance and unfamiliarity	Dealing with corruption and bureaucracy
Australian parent*		
1. Atco Control Pty Ltd	Significant impact	Significant impact
2. Futuris Brakes International	No impact	Significant impact
3. Moldflow International Pty Ltd	N/A	N/A
4. RTZ-CRA	Some impact	Significant impact
5. Tech-Dry Pty Ltd	Some impact	Significant impact
6. Tech-Pacific	Significant impact	Significant impact
7. Telstra International-1	No impact	No impact
8. Telstra International-2	No impact	No impact
9. Warman International	Some impact	Significant impact
Indian host firm		
1. ACC	No impact	No impact
2. Dr. S.P. Bhatnagar	No impact	No impact
3. Godrej & Boyce-1**	No impact	No impact
4. Godrej & Boyce-2**	No impact	No impact
5. Harish Soonderjee	No impact	No impact
6. IL & FS***	No impact	No impact
7. Indure Ltd	N/A	N/A
8. Modi Corporation	No impact	No impact
9. Stone India Ltd	N/A	Some impact
10. VSNL***	No impact	No impact

* For the nine IJVs, the number of Australian parent firms is eight. Telstra International has two separate IJVs in India, both of which are included in this study. However, for each of the IJV involvements, Telstra was interviewed separately because it had been assumed that for each of them, Telstra might have faced a different set of environmental variables. 'Telstra International-1' demonstrates the findings on the environmental variables Telstra faced during the motivation to form Modi-Telstra, and 'Telstra International-2' records these for Telstra-VComm.

** Godrej & Boyce Mfg. Co. Ltd is the host of two IJVs with Australian partners, both of which are included in this study. Godrej & Boyce was interviewed twice to obtain IJV-specific information. 'Godrej & Boyce-1' records the findings on the environmental variables it faced during the motivation to form GSSL, and 'Godrej & Boyce-2' records results in relation to GPTL.

*** The IJV, Telstra-Vcomm Ltd has two hosts – VSNL and IL&FS, both of which are included in this study.

Indian Partners' Responses Table 9.7 summarises the responses from the Indian partners. All ten Indian firms indicated that the cultural difference and unfamiliarity did

not have any impact on their decision. Eight host firms endorsed 'no impact' and the other two responded with 'N/A'. With respect to 'dealing with corruption and bureaucracy', eight respondents considered that it had no impact on their decision, while one firm expressed its unawareness of this factor. Only one firm mentioned that it had some impact on its decision to joint venture.

9.3 DISCUSSION AND INTERPRETATION

On the basis of data gathered from the nine Australian parents and their ten Indian partners, there appears to have limited support for most of the propositions relating to the impact of various environmental factors. The implications of these responses are now addressed. Elaboration of the interview data is grouped into eight sections. The first six sections consider the six environmental groups (propositions P2.1, P2.2, P2.3, P2.4, P2.5 and P2.6), while the seventh one will examine the responses with respect to the general question covering all six groupings. A chapter summary concludes with a brief examination of the general proposition (proposition P2) and the level of support it has in the data sets from across the six groupings.

9.3.1 Economic Environment

As discussed in the literature review, the economic environment of the host country is critical for a company's international market entry choice (Ball & McCulloch, 1993; Dunning, 1986, 1995; Hill, *et al.*, 1990; Kim, 1993). Six economic factors were taken into consideration to examine the impact of the economic environment upon the Australian firms' motivations to form IJVs while investing in India. These include the level of inflation, exchange rate fluctuations, transactions cost minimisation, market competition, uncertain demand conditions and rapid market access.

According to the respondents, the level of inflation in India had little or no impact on the decisions of both the Australian and Indian partners. Most of the Australian partners indicated that the exchange rate fluctuation had a moderate to significant impact on their decision to joint venture, while most of the Indian firms did not consider it during their decision making process. The factors, transactions cost minimisation, market competition and rapid market access were considered by most of the Indian as well as Australian firms as having some or significant impact upon their decision. Most of the Australian and Indian firms indicated that the uncertain demand conditions in India did not have any impact on their decisions. Each of these factors is now considered.

Level of Inflation As mentioned earlier (chapter III), India has been experiencing relatively high inflation rate during the recent years (Aiyar, 1997; Mohan 1996; Roy, *et al.*, 1996; *The Economist*, 25 March, 1995, pp. 32-33). This may adversely affect the value of capital investment in India. In addition, this inflationary situation along with a continuous devaluation of the Indian Rupee tends to put pressure on interest rates (Ball & McCulloch, 1993). As a consequence, a high inflation rate is likely to impact upon the prospective Australian investor's entry mode choice. They may opt for the IJV mode while investing in India in order to minimise this risk through sharing it with a local Indian partner.

However, there was only limited support from the Australian respondents with respect to the influence of this factor on their decision to joint venture with Indian partners (Table 9.2). When asked for comments, these firms mentioned that they did not consider it an important factor because of two reasons. First, they anticipated considerable growth and

profit from their proposed venture that might offset the possibility of a high inflation rate. Second, although the inflation rate was high, the trend appears to be almost predictable (approximately 10% a year) and therefore, it could be possible to offset this rate through maintaining an appropriate pricing policy. In terms of the level of inflation in India, the CEO of Futuris Brakes International mentioned, '...as long as we know the trend, it is unlikely to be a problem'.

None of the Indian firms supported the impact of this factor (Table 9.3). In addition, unlike the response set of the Australian parents, three Indian firms declared their unawareness of this factor in the present context. The evidence obtained from the Australian as well as Indian respondents does not confirm the influence of this issue from their respective perspectives. Hence, as an environmental variable, the level of inflation is found to be of no or little importance with respect to motivating Australian firms to joint venture with Indian partners while investing in India.

Exchange Rate Fluctuations In a liberalised economy, exchange rates are free to respond immediately to the various market forces (Root, 1990). As mentioned in the earlier section, India has been experiencing a high inflation rate that is partially responsible for the continuous devaluation of the Indian Rupee. In addition, the increasing level of foreign investment in India has been putting pressure on foreign currencies such as US\$ and UK£. Unprecedented demand for these currencies also has contributed to the devaluation of the Indian Rupee. During the period between September 1994 and May 1997, the Indian Rupee was devalued by around 20% against the US\$ (calculated from *The Economist*, 16 September, 1995, p. 128; 24 May, p. 122). It may be argued that the potential impact of the fluctuating exchange rate in India might

have been minimised by the Australian firms through sharing the exchange-risk with a local partner experienced in dealing with such adversities.

This concern was reflected in the responses of most of the Australian firms (Table 9.2). Most of the Australian parents mentioned that this factor had a moderate to significant impact on their decision to joint venture with the Indian partners. However, it did not have an impact on the decision of most of the Indian partners (Table 9.2). This implies that the Indian firms had a considerable capability to combat such a situation. A possible explanation of such a response from most of the Indian firms may be revealed from the comments by the Director of Modi Corporation. During the interview, he mentioned,

Exchange rate fluctuation is nothing new in India. We can adapt to this change either by adjusting the prices or by maintaining a forward exchange rate when dealing with a foreign company.

He also argued that as long as the exchange rate fluctuation is as predictable as the inflation rate is, it may not be of concern for the Indian as well as Australian firms. Australian firms, in these circumstances, may benefit from the local expertise of their Indian partners. The Indian firm's position may complement the Australian firm's concern with respect to overcoming the problems associated with this factor. Hence, as an environmental variable, exchange rate fluctuations are found to be of limited importance with respect to motivating Australian firms to joint venture with Indian partners while investing in India.

Transactions Cost Minimisation As mentioned earlier in chapter III, IJVs may substantially minimise environmental-specific transactions costs through sharing them between partners. These transactions costs may be associated with various structural market failures (both natural and artificial), such as the costs of physical transfer and

costs associated with government regulation of international trade (Root, 1990; Dunning, 1988). Transportation costs from Australia to India as well as tariffs, import duties and quotas imposed by the Indian government are considerable (As-Saber, *et al.*, 1996a). These costs can substantially be minimised through sharing them with local partners.

Most of the Australian respondents considered this factor as being of moderate to significant importance (Table 9.2). The CEO of one of the respondent firms mentioned, 'we gave importance to this issue because we estimated a substantial level of transactions costs involvement in doing business in India'. A mixed response set was received from the Indian partners (Table 9.2). Half of the Indian firms (five) indicated that this factor had a moderate to significant impact on their decision. From the remaining five firms, four endorsed 'no impact', while one expressed its unawareness of the issue in the present context. Nonetheless, the Indian responses are tending to support the Australian responses. These data imply that the IJV mode is likely to create synergy and the Australian firms may overcome these problems with the active collaboration of their Indian counterparts and vice versa.

Market Competition There has been an intense competitive atmosphere in India since the beginning of the Indian national economic reform process in 1990 (see chapter III). This competitive environment has been affecting both the foreign as well as the local investors (As-Saber *et al.*, 1996a; *Asian Business Review*, 1995; Dutta, 1996). For a foreign company, it is critical to respond to these competitive challenges effectively. The formation of IJVs with a competent local partner may assist to accommodate such competitive challenges in a country such as India (Hitt, *et al.*, 1995; Perlmutter & Heenan, 1986). The familiarity and expertise of the host firm in dealing with the local

competitive conditions and the synergy created by the pooling of both partners' resources and capabilities are likely to strengthen their competitive advantage over the other players within the industry.

Consistent with the above-mentioned literature, the importance of this factor is reflected in the responses of both Australian and Indian firms (Table 9.2). The majority of the Australian as well as Indian firms indicated that this factor had moderate to significant impact on their decision to joint venture. These responses manifest the existence of a competitive market environment in India. It may be difficult to achieve a competitive edge as a stand-alone company. This scenario is reflected in the comments made by the respondent from Telstra International-1. He mentioned,

Market competition is intense in India and it is getting worse. It is necessary to have a strong local partner to jointly deal with such market competition.

These responses partially establish the significance of the impact of this factor on the joint venture decision of the Australian firms.

Demand Uncertainty Because of the presence of a large poor segment in the Indian population, a high level of market demand uncertainty exists in India (see chapter III for details). Formation of an IJV with a local partner may assist in overcoming this problem. It is argued that because of the Indian partner's familiarity with the local market, it would be easier to enhance the consumer demand level through identifying and penetrating the niche market and improving product quality, or creating products which are more market-oriented (Burgers, *et al.*, 1993).

Despite the perceived presence of uncertain demand conditions in India, most of the Australian firms indicated that this factor had no impact on their decision to joint venture (Table 9.2). A similar response set was received from the Indian partners (Table 9.3). A possible interpretation of these responses to this factor may be found in the extent of market segmentation and targeting by the respondent firms. Most of the firms indicated that they were aware of this issue. Accordingly, they identified the niche before they entered the market which excluded the poor segment of the population.

However, two Australian firms, Telstra International-1 and Telstra International-2 had different views. Although their initial target markets involved the upper middle class and above, they were interested to grow the market further. These two firms considered it important to link up with established Indian firms to address this issue. They considered that the use of expertise, market knowledge, reputation and existing distribution channels of the well-established host firms along with joint advertising campaigns are likely to create market demand for their products. Overall, drawing from the data collected from the Australian as well as the Indian respondents, little or no support was found for the impact of demand uncertainty in India on the decision to joint venture.

Rapid Market Access As mentioned earlier in chapter III, timeliness in entering an emerging market is critical to a firm's efforts to establish a sustainable competitive advantage and superior profits (Hitt, *et al.*, 1995). Early market entry in the emerging economies such as India may be of benefit to a foreign firm in establishing its position prior to its major international competitors doing so, and to do so with a comfortable market share. Therefore, the IJV mode might be the best for early market development

tactics within the emerging and lucrative, but highly competitive Indian market. Foreign companies may use the local partners' existing resources, contacts and distribution channels to operationalise their presence expeditiously which is not likely to be possible as stand-alone companies.

The importance of rapid market access was endorsed by both Australian and Indian respondents (Tables 9.2). Most of the Indian as well as Australian firms indicated that this factor had moderate to significant impact on their decision to joint venture. These responses moderately support the views that IJVs may provide immediate availability of specialised skills, technology and organisational structure to access an unfamiliar overseas market, such as India (Anderson, 1995; Lewis, 1991).

Summary The interview data gathered from the respondents offer varying degrees of support for the proposed impact of selected economic factors. Most of the Australian as well as Indian respondents mentioned that two factors, the level of inflation and the uncertain demand conditions in India did not have any impact on their decision to joint venture. Most of the Australian firms indicated that the exchange rate fluctuations had moderate to significant impact on their decision, whereas most of the Indian firms endorsed a 'no impact' or 'N/A' response. Transactions costs minimisation was considered to have 'some' to 'significant impact' by most the Australian respondents. A mixed response set was received from the Indian respondents with a tendency to support the proposition. In terms of market competition and rapid market access, most of the Australian as well as Indian firms indicated that these factors had moderate to significant impact on their decisions.

Of the six factors examined within the economic environment, there is insufficient evidence on the impact of the level of inflation and uncertain demand conditions to confirm proposition, P2.1. The evidence on the remaining factors seem to be consistent with the proposition. In general, the data collected tend to show limited evidence in support of proposition P2.1, viz., *the macroeconomic environment in India influences the decision taken by Australian firms to joint venture with Indian firms to enter the Indian market.*

9.3.2 Political Environment

Four major components of the political environment were taken into consideration to examine the validity of proposition P2.2. These include frequent change of governments, ongoing separatist movements, ongoing religious rivalry and protests from the environmentalists. Table 9.3 summarises the responses of both the Australian and Indian firms.

Most of the Australian parents indicated that the frequent change of governments and the ongoing separatist movement had moderate to significant impact on their decision, whereas most of the Indian firms endorsed 'no impact' responses for these factors. With respect to the other two factors, most of the Australian firms reported 'no impact' responses, whereas each of the Indian firms responded either with 'no impact' or 'N/A'.

Frequent Change of Governments As discussed earlier, there are frequent changes of State as well as Central governments in India (see chapter III). India has witnessed five changes of government since May 1996. The fragile state of Indian governments is a matter of concern for foreign investors because uncertainty in the political environment

may bring changes of policy directions affecting foreign investments. According to the Political and Economic Risk Consultancy (cited in *The Economist*, 27 May, 1995, p. 71), the biggest risk firms face in a country like India is its changing politics.

Most of the Australian firms considered this factor as being of moderate to significant impact, whereas responses from the Indian firms did not show support for this factor. Only one Indian firm indicated that this factor had some impact on its decision to joint venture. Considering the level of uncertainty resulting from the change of governments, this firm (Harish Soonderjee) suggested that it chose to share this uncertainty and riskiness with the Australian partner.

A possible explanation for this varying degree of importance offered by the Australian firms vis-à-vis their Indian partners may be found in the differing attitudes to risks and uncertainties perceived by Australian and Indian firms. Accordingly, it may be argued that due to the Indian firms' likely exposure to the frequent changes of government, most of them might have considered these changes more as a routine phenomenon. This attitude was reflected in the comments made by one of the Indian respondents, where he said, 'it does not really matter who is coming into the power and who is leaving. It may make the reforms a little slower, but it is not a major concern'. As most of the Indian firms had acquired some expertise as well as adaptability, for most of the Australian firms, changes of government have always been the phenomenon fraught with uncertainty and riskiness. Australian firms, by choosing the IJV mode, had made an effort to use the expertise of the Indian firms to overcome such uncertainties. On balance, the evidence tends to support the proposition P2.2.

Ongoing Separatist Movements Ongoing separatist movements in several Indian states, such as Jammu and Kashmir and Punjab are said to be a major concern for foreign business operations in India (*The Economist*, 19 August, 1995, pp. 25-26). In order to apply pressure on the government, separatist militants may pose threats to foreign businesses as well, particularly the expatriates working in India. It might be a better option for the prospective foreign investors to establish IJVs with local partners to minimise these risks with local involvement.

While the majority of the Australian as well as Indian firms expressed their awareness of this factor in the present context, most of the Australian firms also demonstrated their concerns about this issue (Table 9.3). However, none of the Indian firms confirmed the views offered by their Australian counterparts. Nonetheless, various separatist movements have occurred in India since its independence in 1947 along with a series of destructive activities which include the killing of one of India's most popular Prime Ministers, Mrs. Indira Gandhi in 1985 by the supporters of Punjabi separatists. Despite the presence of these activities, all Indian partners endorsed either a 'no impact' or a 'N/A' response. As a possible explanation, it appears that the Indian respondents have acquired some experience and adaptabilities to such scenarios, as they have shown with respect to the frequently changing governments. For most of the Australian firms, this remains as a concern. The Australian firms' choice of the IJV mode was, therefore, influenced by the expectation of ameliorating this concern with the expertise of the local Indian partners. Hence, these data moderately support the proposition.

Ongoing Religious Rivalry A detailed account of the background of this factor has already been provided at section 8.3.3. The recent rise of the Hindu religious

fundamentalism, *Hindutva* and the ongoing rivalry between the supporters of two major religions, Hinduism and Islam, are major concerns for the foreign investors in India. It might be asserted that at any time law and order situation may break down due to the rivalry between Hindus and Muslims, with an impact on the nation's investment climate. However, any such risks may be minimised through the formation of IJVs with a local partner. The local knowledge and familiarity of a partner firm are likely to help overcome problems related to such religious rivalries.

Despite the concerns as mentioned above, most of the Australian firms indicated that this factor did not have any impact on their decision to joint venture. The Indian firms also tend not to support the impact of this factor. All the Australian firms and eight Indian firms expressed their awareness of this factor. Nevertheless, the evidence obtained from the Australian firms does not confirm the influence of this factor in motivating their decision to joint venture. Likewise, responses from the Indian partners do not confirm its influence from their perspective. As a possible interpretation, it may be argued that the Australian firms might not have considered this factor relevant to the business environment in India. This view is reflected in the comments by one of the Australian respondents, who said, 'we did not consider this factor seriously while deciding the entry mode because we thought that we had nothing to do with the religious rivalry in India'. Hence, as an environmental variable, the ongoing religious rivalry in India is found to be of no or little importance with respect to motivating Australian firms to joint venture with Indian partners while investing in India.

Protests from the Environmentalists Environmentalists in India are becoming more and more active and they are launching protests through agitation against foreign

investments which are not environmentally friendly (see chapter III). For foreign companies, this may prompt the need to use sophisticated machineries and equipment with minimal impact on the environment, which in turn, is likely to affect the companies in terms of their increased financial as well as technical involvement. This riskiness may be minimised substantially through the active collaboration of a strong Indian partner with a solid financial capability and having good existing relationships with the environmental groups.

Despite a conjectured significance of this factor, most of the Australian parents and their Indian counterparts did not consider this factor important while making the decision to joint venture. However, most of them were aware of this factor. As a possible explanation, it may be argued that most of the firms might have considered such activities as normal phenomenon in countries which include India and Australia. Nonetheless, the possible protests from environmentalists is found to be of no or little importance with respect to motivating Australian firms to joint venture with Indian partners while investing in India.

Summary From the four political factors examined, two factors, viz., frequent change of governments and ongoing separatist movements in India were given moderate to significant importance by most of the Australian respondents. However, the majority of the Indian firms did not confirm these Australian responses. With respect to the other two factors, viz., ongoing religious rivalry and protests from the environmentalists, most of the Australian firms and their Indian counterparts indicated that these factors had no impact on their decision.

Therefore, from the four variables examined within the political environment in India, there is insufficient evidence on the impact of ongoing religious rivalry and protests from the environmentalists to confirm proposition P1.1. Evidence on the impacts of the remaining two factors, frequent changes of governments and ongoing separatists movements, appears to be partially supportive of the propositions. On the basis of this evidence, limited support is found for proposition P2.2, viz., *the political situation in India influences the decision taken by Australian firms to joint venture with Indian firms to enter the Indian market.*

9.3.3 Legal and Regulatory Environment

Seven major components of the legal and regulatory environment were taken into consideration to examine the validity of proposition P2.3. These include import duties, tariffs and quotas, taxation law, foreign investment policies, public sector monopoly of the Indian insurance industry, lack of intellectual property rights, automatic approval procedures up to 51% foreign equity and the changing regulatory environment.

A mixed response set was received with most of the variables showing considerable impact on the decision of most of the Australian as well as Indian partners. As indicated by the respondents, four factors, viz., the presence of relatively high levels of import duties, tariffs and quotas in India, existing foreign investment policies, automatic approval procedures for up to 51% foreign equity, and the changing regulatory environment in India had moderate to significant impact on the decision of most of the Australian parents and their Indian counterparts. In terms of the complexity of the Indian taxation law and the lack of intellectual property rights, most of the Australian parents indicated that these had moderate to significant impact on their decision, while the

majority of the Indian respondents endorsed 'no impact' responses. As indicated by the response, public sector monopoly of the insurance industry had no impact on the decision of most of the Australian parents, while the majority of the Indian partners responded in a similar fashion.

Import Duties and Tariffs Despite ongoing economic liberalisation to attract foreign investors, India is still a country with high import barriers (Banks and Natarajan, 1995; *The Economist*, 22 February, 1997, pp. 13-19). The maximum import duty of 52% (including 2% import surcharge) with an average tariff of around 42% are much higher than those of many emerging economies, such as the Philippines, Indonesia, Malaysia, Thailand and South Korea (*The Economist*, 27 April, 1996, pp. 21-23; 27 July 1996, p. 26). Extended customs clearance time is also a problem. Therefore, products possessing low local content are unlikely to be competitive due to excessive rates of duties on the imported components. Formation of IJVs may help minimise the costs through sharing such expenses with local partners. In addition, local production facilities may help minimise the dependence on expensive import requirements. To do so as a stand-alone company may require the investment of extensive capital with a substantial level of risks and uncertainties that may be shared through establishing an IJV relationship with prospective local partners.

Most of the Australian respondents indicated that this factor had moderate to significant impact on their decision to joint venture. Of the ten Indian respondents, five considered this factor as being of moderate to significant importance, which tends to support the Australian responses. This evidence clearly manifests in the importance of this factor in motivating Australian firms to joint venture with local firms while investing in India.

Taxation Law As argued earlier (chapter III), due to the presence of a complex set of direct and indirect taxes and relatively high rate of corporate as well as personal taxes, Indian taxation law is said to be a major concern for foreign companies seeking to do business in India. Despite ongoing reforms, Indian taxation remains an extremely complex area (East Asia Analytical Unit, 1994; Price Waterhouse, 1993)). Local IJV partners, through their local experience and expertise, may provide substantial help in dealing with this complicated area of doing business in India.

Most of the Australian firms recognised the importance of this factor. However, Indian firms did not confirm the Australian firms' responses. All ten Indian firms unanimously indicated that this factor did not have any impact on their decision to joint venture with Australian partners. A possible explanation for these diverse sets of responses may be found in the extent of the firms' familiarity and expertise with the Indian tax system. Australian firms being unfamiliar with the Indian taxation laws, looked for local support to deal with any possible tax-related complexity, while Indian firms having experience and familiarity with the Indian tax system did not require any assistance from their foreign partners. The responses, therefore, demonstrate that the majority of the Australian firms were motivated by this factor in order to complement their lack of knowledge of Indian taxation law through the use of their local partner's expertise and familiarity with Indian taxation law. Overall, the responses offer partial support for the proposition.

Foreign Investment Policies Since the late 1980s, India has been liberalising its economy progressively in order to attract more foreign investment. This liberalisation

process was formally reflected in the industrial policy announced on 24 July 1991 (Government of India, 1994). With a number of measures, it substantially deregulated the economy to facilitate foreign investments and technology transfers. This was followed by a number of economic reforms to improve upon the situation further (Government of India, 1994). In addition, from 8 January 1993, Indian firms have been enjoying the right to enter into IJVs without requiring government permission (Thakur, 1993).

Despite a considerable change in the foreign investment laws in India, a recent survey has indicated that many companies entering India opt for IJV arrangements because IJVs assist in dealing with the numerous government organisations and regulations that still impede entry to the Indian economy (Banks & Natarajan, 1995). It seems that the foreign investment policy in India is yet to be fully supportive of foreign businesses. This scenario emphasises that foreign investors may require the assistance of local partners while operating in India.

With respect to the impact of this factor on the decision to joint venture, overwhelming support was received from Australian as well as Indian firms. All nine Australian firms and ten Indian firms indicated that this factor had moderate to significant impact on their decisions to joint venture. However, the Australian responses (seven 'significant impact' and two 'some impact' responses) are slightly more confirmatory than the responses of their Indian counterparts (six 'significant impact' and four 'some impact' responses). Nonetheless, these responses manifest the importance of the foreign investment policies in India as mentioned above. This factor attracted considerable attention from both the Australian and Indian firms during their decision to joint venture.

There appears to be two reasons for these positive response sets. First, the ongoing economic reforms are considered facilitative of investment by the respondents. Second, despite the reforms, the presence of numerous government organisations and regulations controlling India's foreign investment policies and their frequent changes are considered inhibitive impeding expanded involvement in the Indian market. As a consequence, to exploit the liberalising Indian market and to overcome the inhibitive issues still impeding even more extensive involvement, the Australian firms have opted for the IJV mode to enter the Indian market. In this respect, they expected to exploit the Indian partners' local expertise and familiarity to optimise on the benefits of economic reforms as well as to overcome any problems associated with this factor.

Another reason for establishing IJVs was indicated by one of the Australian respondents (who wished to remain anonymous). He mentioned that his company used the local partner to lobby Indian governments at the federal and state levels to change policies to facilitate foreign investment within their industry which ultimately benefited the company. This is consistent with the observation made by Khambata & Ajami (1992).

They argued,

... the local partner, in all likelihood, would have significant contacts in the appropriate quarters of the host government that could be used for intensive lobbying on behalf of the MNC (p. 294).

Public Sector Monopoly of the Insurance Industry As mentioned in chapter III, the Indian insurance industry is said to be an inefficient public sector monopoly with strong trade union workplace practices (*The Economist*, 27 May, 1995, pp. 70-71). The absence of competition and the existing entry barrier for private enterprises to enter into the

Indian insurance industry may not provide quality insurance facilities to the local as well as foreign enterprises. This is one of the major concerns for foreign companies. However, foreign companies may minimise such concerns with the active collaboration of their local partners, familiar in dealing with this industry.

Despite the reputation of the Indian insurance industry as an inefficient public sector monopoly, each of the Australian as well as Indian firms offered either a 'no impact' or a 'N/A' response with respect to the influence of this factor. These responses do not confirm significance of the impact of the public sector monopoly of the Indian insurance industry on the firms' decisions to joint venture. It seems possible that insurance matters have been considered by the respondents as a relatively minor issue and, as such, have not entered the decision to joint venture.

Intellectual Property Rights Enforcement of intellectual property rights in India is of concern (see chapter III). These involve the protection of such intangible assets as know-how, processes, trade names and trade secrets (Khambata & Ajami, 1992). In India, intellectual property rights are hardly enforced. This inhibits foreign investment in high-tech and advanced knowledge projects in India (Banks & Natarajan, 1995). However, it may be argued that the formation of an IJV may help guard these rights more efficiently. An IJV, with a joint control, is in a position to safeguard intellectual property rights with the active collaboration and vigilance of the local partner.

Consistent with the proposition, most of the Australian firms gave moderate to significant importance to this factor. However, none of the Indian partners considered it important from their perspectives. Nonetheless, most of the Australian as well as Indian

firms expressed their awareness of this factor. As a possible explanation, it may be argued that this factor is likely to affect most of the Australian companies in terms of safeguarding their product brands and technologies. Conversely, the Indian companies, without any substantial contribution to these intellectual property rights, do not perceive any such threat as being important to them. However, a reliable and strong Indian partner may be of assistance in protecting such property rights from being pirated and used by other Indian firms. In addition, the IJV management, as a joint entity is also likely to safeguard the interests of both the partners. Therefore, the responses tend to confirm the proposition.

Automatic Approval Procedures Realising the inconvenience of the prolonged and cumbersome approval process of foreign investments in India, in 1994, the Government of India promulgated a new regulation allowing automatic approval of up to 51% equity participation in a number of selected industries (see chapter III). The automatic approval procedures are likely to attract more foreign investors in these selected industries to joint venture in India with local partners because these procedures expedite the approval process of investment proposals.

Most of the Australian as well as Indian firms indicated that this factor had moderate to significant impact on their decision. Telstra International-1 and Telstra International-2 mentioned that this factor did not have any impact on their decision because telecommunications was not included in the 'selected industries' category. Most of the Indian host companies considered it important because of the simplification of the approval procedures for joint venturing with a foreign partner. As a facilitative one, this

factor attracted considerable attention from both Australian and Indian firms during their decisions to joint venture, and the proposition is confirmed.

Changing Regulatory Environment As mentioned earlier, India has been liberalising its economy since the late 1980s along with ongoing changes of its regulatory environment. Because of the constantly changing regulatory environment in India, it has remained a difficult task for foreign companies to maintain updatedness with the day-to-day changes and their implications for foreign firms (see chapter III). Teaming up with local partners gives foreign companies the ability to know, understand and interpret the changing business scenario more effectively.

The majority of the Australian as well as Indian firms indicated that this factor had moderate to significant impact on their decision with all the firms aware of the factor in the present context. For the majority of the Australian firms, it might be difficult to keep abreast of the continuous regulatory changes taking place in India. It may further be difficult for them to interpret these changes from the Indian firms' perspectives. With the assistance of the Indian partners, the Australian firms might be able to understand the complexity of this changing regulatory environment. On the other hand, the Indian firms are likely to consider the positive impacts of the ongoing changes that would create better opportunities and an improved investment climate to joint venture with Australian partners. On balance, these data tend to support the impact of this factor on the decisions made by the Australian firms to joint venture.

Summary The interview data reflect varying responses on the impact of selected legal and regulatory issues. Most of the Australian firms indicated that the relatively

high level of import duties, tariffs and quotas had moderate to significant impact on their decision. The Indian partners concurred with this view with half of them endorsing 'significant impact' or 'some impact' responses. In terms of the three other factors, foreign investment policies, automatic approval procedures and the changing regulatory environment, the majority of Australian as well as Indian partners indicated that these factors had moderate to significant impact on their decision. Most of the Australian firms considered the complex taxation law in India and the lack of intellectual property rights in India to have moderate to significant impact on their decision, whereas none of the Indian partners considered these factors while taking the decision to joint venture. No support was found in the responses of the Australian as well as Indian firms with respect to the impact of the public sector monopoly of the Indian insurance industry.

For the seven variables examined, there is insufficient evidence in favour of the impact of the public sector monopoly of the Indian insurance industry to confirm proposition P2.3. The evidence on the remaining factors seems to confirm the proposition to a considerable extent. On the basis of the above-mentioned discussion, it appears that the available evidence tends to support proposition P2.3, *viz., the legal and regulatory environment in India influences the decision taken by Australian firms to joint venture with Indian firms to enter the Indian market.*

9.3.4 Human Resource Management Practices in India

Four issues were taken into consideration to examine the influence of the HRM practices in India upon the Australian firms' motivation to form IJVs while investing in India. These include the low labour productivity in India, lack of a consistent exit policy, the 'militant and obstructionist' nature of the Indian labour forces and the lack of high

quality local staff. Most of the Australian firms indicated that the low labour productivity in India had moderate to significant impact on their decision, while none of the Indian firms endorsed this factor. Most of the Australian as well as Indian partners mentioned that the remaining three factors had no impact on their decision to joint venture.

Low Labour Productivity in India Despite the availability of cheap labour, low labour productivity is a common complaint amongst existing manufacturers in India (Australian Department of Foreign Affairs and Trade, 1995). A poor selection decision may result in poor plant productivity (see chapter III). An Australian firm may minimise this problem by utilising the combined resources and expertise with its local partner to train and upgrade the quality of the workforce. To build a performance-based work culture, it is important to include local inputs which may be contributed by the local partner. Alternatively, the local work force may not accept the new work culture as a direct input from a foreign firm. IJVs may work as a ideal vehicle to offer a skills-based approach which contributes to an improved labour productivity (Dowling, *et al.*, 1996).

Most of the Australian firms considered this factor to have moderate to significant impact on their decision to joint venture. However, none of the Indian firms confirmed the Australian views. One of the Indian respondents mentioned,

The reputation of low labour productivity in India is not altogether true. It varies from industry to industry. Also, there is a variation between public sector productivity and private sector productivity. Moreover, the ownership as well as leadership of a firm/industry matters.

It was also revealed during the interview that the Indian firms are well-adept at managing labour productivity. Because of their familiarity and experience with the Indian labour

market, it is not difficult for the Indian partner to find and select labour with an appropriate level of productivity. Moreover, the Indian partner has its existing labour force with a known level of productivity. The Indian firm's strength in this respect complements the Australian firm's wariness. Therefore, this factor had an impact on the motivation of the most of the Australian firms in that they could benefit from the association with their Indian counterparts. Hence, the evidence partially supports the proposition.

Lack of Consistent Exit Policy Once hired, it is not easy to dismiss employees under Indian labour law (Sen & Vaidya, 1997; *The Economist*, 9 April, 1994, pp. 15, 76-78). The Industrial Dispute Act, 1974 provides strict rules for layoff, discharge and retrenchment. This labour legislation can make discharge and retrenchment difficult. The dismissal of workers may be contested through a petition to the government and can lead to a time consuming process of negotiation (Price Waterhouse, 1993; Sen & Vaidya, 1997). In these circumstances, it is preferable for the foreign investors to joint venture with a local firm which has familiarity and expertise in selecting and retaining quality staff. The prolonged retrenchment process may be avoided through appropriate selection of staff with the active support of an experienced local partner.

Despite the above-mentioned concerns, most of the Australian as well as Indian firms did not rank this factor as a significant one. However, most of the respondents from both countries expressed their awareness of the issue in the present context. When asked about the nature of responses, most of the respondents mentioned that they did not give any emphasis to this factor at the time of their decision to joint venture because they

essentially considered it a minor issue which could be dealt with at a later stage. One of the Australian respondents specifically mentioned,

We didn't consider this factor too difficult to manage at the motivation stage. This is a minor one. We had more important environmental issues at hand, such as sharing resources, intense market competition, changing regulatory environment and so on. Moreover, various organisational-specific issues required sufficient attention at that stage.

Overall, little or no support was evidenced from the responses concerning the impact of the absence of a consistent staff exit policy in India.

'Militant and Obstructionist' Nature of the Indian Labour Force As referred to in chapter III, labour unrest is another problem when doing business in India. The labour unions in India have a reputation for being 'militant and obstructionist' and they have strong links with the leading political parties (Clarke & Von Glinow, 1996; Thakur 1993). Dealing with these labour unions may require familiarity and skills. The local firms' expertise may be of great importance for a foreign firm in managing this issue efficiently.

However, most of the Australian as well as Indian firms did not consider this factor as an important one. Most of the respondents from both sides expressed their awareness of this issue in the present context. When asked about the nature of responses, most of the firms gave views similar to those that they had provided on the lack of consistent exit policy, i.e., they essentially considered this factor as a minor one, not important enough to be taken into consideration at the motivation stage. In general, with respect to the possible impact of this factor on the decision of the firms, little or no support was evidenced from the responses.

Lack of High Quality Local Staff Although India has a large pool of well-educated people, since the economic liberalisation in the early 1990s, it has become very difficult for foreign companies to find high quality local staff (see chapter III). The unprecedented increase in demand for skilled people following a rapid rise in the level of foreign and local investment in India has produced this outcome (*Asian Business Review*, 1995). As argued earlier (chapter III), it is easier for the local companies to identify a suitable workforce at a competitive price because of their experience and familiarity with the local labour market. The IJV may also use the local partner's existing labour forces (internal labour market) with an already proven efficiency level. IJVs which utilise these local contacts are able to minimise the need for sending high-cost expatriate managers to India.

Despite the above-mentioned concern, no substantial support was received from the Australian as well as Indian partners with respect to the possible impact of this factor. Most of the Australian firms and their Indian counterparts indicated that this factor did not have any impact on their decision. However, most of the Australian as well as Indian firms expressed their awareness of the factor. While explaining their responses, most of the Australian as well as Indian firms repeated the same argument they provided for the previous two factors. They did not regard this factor as important enough to be taken into consideration at the motivation stage. Overall, with respect to the factor's possible impact on the decision of the firms, little or no support was evidenced from the responses.

Summary The interview data reflect limited support for proposition P_{2.4}. With respect to only one factor, low labour productivity in India, most of the Australian firms

indicated that it had moderate to significant impact on their decision, but this was not confirmed by the Indian responses. The other three factors were not given importance by most of the Australian as well as Indian firms. While most of the firms acknowledged their awareness of these inhibitive issues, they did not consider them as a major factor while deciding upon the establishment of a joint venture.

From the four variables examined, the evidence on the impact of low labour productivity in India tends to support the proposition, while the evidence on the impact of the other three variables is found to be inconsistent with proposition P2.4. On the basis of the above discussion, it appears that the available evidence provides limited support for proposition P2.4., viz., *the nature of human resource management practices in India influences the decision taken by Australian firms to joint venture with Indian firms to enter the Indian market.*

9.3.5 Lack of Necessary Market Information

As mentioned in chapter III, gathering necessary market information in India is not an easy task. For foreign investors in India, it could be difficult as well as expensive to collect this information (East Asia Analytical Unit, 1994; Rajshekar & Raman, 1994). However, collaboration through the formation of IJVs can give foreign firms the opportunity to access information more easily through an experienced local partner familiar with the Indian market and its information sources.

Most of the Australian firms considered this factor to have moderate to significant impact on their decision to joint venture. However, none of the Indian firms confirmed the Australian views. From the ten Indian parents, seven indicated that this factor had no

impact on their decision, while the remaining respondents expressed their unawareness of this factor in the present context. According to one Indian respondent, 'the market information is not difficult for local Indian firms to access. However, it might be difficult for the Australian firms to locate and retrieve such information'. This implies the Indian partner's advantage of being familiar with the Indian market conditions. Therefore, the Australian firms' requirements for market information may be complemented by the Indian firms' local knowledge and ability to gather this necessary information. These responses appear to be consistent with the proposition, P2.5.

Summary Most of the Australian firms indicated that the lack of necessary market information in India had a moderate to significant impact on their decision to joint venture, while none of the Indian firms admitted any impact of this factor on their decision. As the evidence suggests, most of the Australian parents considered this factor important because of their expectation of gaining benefit from the Indian partner's ability to access the necessary market information in India. Therefore, the evidence appears to be partially consistent with proposition P2.5, viz., *the lack of necessary market information in India influences the decision taken by Australian firms to joint venture with Indian firms to enter the Indian market.*

9.3.6 Cultural Environment

Two major components of the cultural environment were taken into consideration to examine the validity of proposition P2.6. These include, cultural distance and unfamiliarity and the difficulty in dealing with corruption and bureaucracy in India. Most of the Australian firms indicated that cultural distance and unfamiliarity had considerable impact on their decision to joint venture, whereas this factor was reported as

having no impact on most of the Indian firms. The evidence showed that the other factor, difficulty in dealing with corruption and bureaucracy had significant impact on the decision of most of the Australian firms, whereas most of the Indian firms again reported no impact.

Cultural Distance and Unfamiliarity India is a country with cultural diversity and a variety of social types and languages (Tayeb, 1996). Indeed, the many languages currently spoken in India are a striking reflection of the country's cultural diversity (Katz, 1967). Also, religion has a strong influence in social and business activities in India (Copeland & Griggs, 1986). As mentioned earlier, Hofstede's (1980) study referred to India as a country with large power distance (i.e., perceived high degree of inequality among different social groups), weak uncertainty avoidance (i.e., more tolerance for future uncertainty and risk), dominant collectivism (i.e., more emphasis on group-orientation and hierarchical framework), and masculine dominance (India's bureaucracy and the social class system are two best examples in this respect).

There are significant differences between the Indian culture and a Western culture such as Australian (As-Saber, *et al.*, 1998). It is argued that because of the perceived psychic distance between Australia and India, the Australians are likely to be reluctant to fully commit themselves to the Indian market (Hofstede, 1980; Hofstede & Bond, 1988; Fletcher, 1996; As-Saber, *et al.*, 1998). However, due to an enormous market potential it is difficult for the foreign companies to ignore that market. Joint venturing with a local partner may assist to understand and address these intricacies.

Most of the Australian firms expressed concerns about their distance from and unfamiliarity with the intricate Indian culture. Emphasising the perceived complexity of the Indian culture, these Australian firms indicated that this factor had moderate to significant impact on their decision to joint venture. To the contrary, most of the Indian firms did not consider this factor to be sufficiently important to influence their decision. According to one Indian respondent, 'the Indian culture is not as complex as it is conceived by the 'foreigners'. People from countries like Australia are likely to find Indians friendly and adaptive to the foreign culture'. However, it may still be difficult for the Australian firms to ignore the revival of movements such as the *Neo-Swadeshi* movement and the *Hindutva* (as discussed in chapter 8.3.3) which have been gaining strength since the late 1980s. Nevertheless, the Australian firms' concerns might have been ameliorated by the active support of their local partners who are familiar with the Indian culture. This intention was reflected in the responses of the majority of the Australian firms. The evidence tends to confirm that this factor has had moderate to significant impact upon the Australian firms' decisions to joint venture.

Dealing with Corruption and Bureaucracy As argued in chapter III, India is considered as one of the most corrupt countries in the world (Sen, 1996). Corruption is so pervasive in India that dozens of political leaders and bureaucrats including the former Prime Minister Narashima Rao and several former ministers and bureaucrats underwent trials of late for alleged links with corrupt dealings (Way, 1996). As mentioned earlier in the literature review at chapter 3.7.1, corruption has become a norm in the Indian political and bureaucratic practices and has already been implanted into the local culture. A foreign company is likely to have difficulties in dealing with such corruption and

bureaucratic practice. IJVs provide an opportunity for the foreign firm to understand and manage such 'norms' with utmost caution through its association with a local partner.

Following the perceived gravity of the corruption situation in India, most of the Australian parents (six out of nine) indicated that this factor had significant impact on their decision to joint venture. On the contrary, most of the Indian partners endorsed a 'no impact' response. Only one Indian respondent mentioned that this factor had some impact on its decision, while one expressed its unawareness of the issue in the present context. During the interviews, it was revealed that most of the Australian firms did not want to confront these issues directly as a solo Australian company. They considered it to be one of the major reasons for forming an IJV and entrusted the local partner to deal with this issue.

Similar arrangements via 'middle men' are used by the US companies to circumvent the US Foreign Corrupt Practices Act that prohibits the payment of unrecorded bribes to foreign governments or officials (Way, 1996). One Indian respondent, who wanted to remain anonymous, mentioned that 'corruption has always been a problem in India. We are used to it and gain out of it, but most often we are reluctant to say anything about it'. This comment reflects the Indian partners' familiarity and readiness to deal with this factor. Australian firms' concerns, in this respect, might have been ameliorated by the active support from their local partners who are familiar with this issue. This intention was reflected in the responses of the majority of the Australian firms. The evidence tends to confirm that this factor has had moderate to significant impact upon the Australian firms' decisions to joint venture.

Summary The interview data indicate that cultural distance and unfamiliarity with the Indian business environment has had moderate to significant impact for most of the Australian firms, while most of the Indian firms endorsed a 'no impact' response. The other factor, difficulty in dealing with the corruption and bureaucracy was given significant importance by most of the Australian firms, whereas this factor was given no importance by most of the Indian firms while making the decision to joint venture. It is important to note that within the cultural environment, Australian firms' responses on corruption and bureaucracy were more definitive (with six 'significant impact' responses) than were their responses on the other factor, cultural distance and unfamiliarity. Nonetheless, because of the quest for assistance by the Australian firms from the local Indian partners to overcome these culture-specific problems in India, these factors influenced the decision of the majority of the Australian firms to joint venture. Therefore, the evidence tends to be consistent with proposition P2.6, viz., *cultural diversity in India influences the decision taken by Australian firms to joint venture with Indian firms to enter the Indian market.*

9.3.7 Responses on the Overall Impact of the Selected Environmental Variables

The responses on the general questions asked on the overall impact of the six environmental variables on the firms' decisions to joint venture have been found to be more supportive than were the responses on the impact of each of the variables considered individually. This trend is similar to that of the impact of geopolitical variables on the firms' decisions to joint venture (see chapter 8.3.4).

Table 9.8 lists the responses of both the Australian and Indian firms on the overall impact of six environmental variables on their decision to joint venture. Most of the

Indian as well as Australian firms indicated that these factors as a whole had some to significant impact on their decision. In addition, all of the respondents expressed their awareness of

Table 9.8
Frequency of the Responses on the Combination of Selected Environmental Variables which Influenced the Firms' Decisions to Joint Venture

	Significant impact	Some impact	No impact
Level of impact on the entry mode decision of Australian firms	1	7	1
Level of impact on the decision of Indian firms to joint venture with Australian partners	5	3	2

this issue. This evidence is somewhat inconsistent with the individual findings on each of the issues considered separately. Individually, only two factors, viz., the economic environment and the legal and regulatory environment were given moderate to significant importance by the majority of the Australian as well as Indian firms in their decision to joint venture.

Evidence on the four other factors, political environment, human resource management practice, lack of necessary market information and cultural environment were given some importance by the majority of the Australian firms, whereas, most of the Indian firms did not attribute any importance to these factors. In contrast to the individual findings, an interesting outcome that is evidenced from the general question is the response set from the Indian firms which is more supportive of proposition P2 than it is for their Australian counterparts. The evidence collected individually on each of the environmental factors shows the Australian firms' responses to be more supportive than it is for their Indian partners.

As mentioned in the previous chapter (8.3.4), this inconsistency between the Australian and Indian firms' response sets on the factors treated separately and the responses on the general inclusive question might have occurred due to the confounding of effects where the respondents had difficulties in disentangling the separate and partial effects of each of the factors. The responses from the general inclusive question may have provided some 'global' opinion about the combined effect of the six environmental variables, but not an in-depth one specific to any particular factor. Hence, as a key outcome of this particular finding, it seems important that if useable implications of these issues are to be obtained for any particular international business operation anywhere, it is necessary to disaggregate the survey questions into specific unidimensional factors. This ambiguity must be avoided to obtain accurate results.

9.4 CHAPTER SUMMARY

The survey evidence presented here suggests that the variables reported on have had limited impact on the participants' motivations to joint venture. The evidence only partially supports propositions P2.1, P2.2, P2.3, P2.4, P2.5 and P2.6. For most of the propositions, the Australian firms' responses were found to be more supportive than were those of their Indian counterparts. However, when asked the general question on the impact of all of the six variables taken conjointly as an inclusive question, the responses tended to be more supportive of the propositions than was the case when each of the factors was treated separately. Most of the Indian and Australian firms indicated that the combination of the six environmental factors, as a global construct, had moderate to significant impact on their decision.

As a possible explanation, it has been argued that this difference in outcome might be possible because of a compounding of effects in the all-inclusive case where the respondents had difficulties in disentangling the separate and partial effects of each factor or they did not attempt to do so. However, despite the apparent lack of depth of this finding, it might be illustrative of a general opinion by respondents about the combined effects of these six environmental variables. In addition, it has assisted to generate possible guidance for future research in that it seems advisable to consider each of the variables separately. It could be deemed that the weight of the evidence, in general, is tending to be partially supportive of the general proposition (P₂), viz., *host-country environmental factors, such as its economic, cultural, legal and political settings, the firm's access to market information and its human resource management practices impact on the decision making process of the foreign firm as it considers entry into the Indian market.*

CHAPTER X

ANALYSIS OF THE IMPACT OF ORGANISATIONAL-SPECIFIC VARIABLES ON THE MOTIVATION TO JOINT VENTURE

Joint ventures can offer partners many technological, financial, marketing, and managerial strengths, if managed effectively (Harrigan, 1986, p. 18).

10.1 INTRODUCTION

Organisational-specific variables need be considered by the firm in its overseas venturing. Off-shore involvement may affect the firm's organisational capabilities. As discussed in the literature review (chapter IV), organisational-specific variables have the potential to impact on a firm's motivation to select the IJV mode when it intends to invest internationally. In this chapter, Australian-Indian IJVs in India are examined from this perspective. Using the nine case studies, the influence of organisational-specific variables on the Australian firms' decisions to choose the IJV mode for investment in India is examined. The focus of the empirical investigation to follow is that of the Australian firms' perspectives. However, to determine whether there is a convergence of views from both the Australian and Indian partners' perspectives, an examination of the Indian partners' responses is also undertaken. This analysis is based on the findings in relation to the specific propositions P_{3.1}, P_{3.2}, P_{3.3}, P_{3.4}, P_{3.5} and P_{3.6} established at chapter 6.4. A discussion emphasising the relevance as well as implications of these research findings with respect to the general proposition P₃ ensues.

10.2 INTERVIEW DATA

The data are presented in six sections. The first section (10.2.1) deals with economies of scale, i.e., the possibility that the quest for economies of scale influenced the decision by Australian firms to form IJVs with Indian firms to enter the Indian market (proposition P_{3.1}). The second section (10.2.2) deals with the impact of transactions cost minimisation, i.e., the possibility that the quest for minimising the transactions-specific costs influenced this decision (proposition P_{3.2}). The third section (10.2.3) deals with the firms' access to a distribution network, i.e., the possibility that the quest

Table 10.1
Frequency of Organisational-specific Variables which Influenced the Firms' Decisions to Joint Venture*

Organisational-specific variables influencing the decision to form IJVs	Level of impact on the entry mode decision by Australian firms ¹				Level of impact on the decision of Indian firms to joint venture with Australian partners ¹			
	Signi- ficant ²	Some impact	No impact	N/A	Signi- ficant ²	Some impact	No impact	N/A
Economies of scale	4	5			5	1	3	1
Transactions costs minimisation	5	3	1		4	2	4	
Access to a distribution network	6	3			5	1	4	
Sharing of resources and capabilities								
Sharing technology		2	7		8	2		
Sharing of establishment costs and R&D expenses	6	3			4	2	4	
HRM issues								
Selection and recruitment	3	5	1			1	7	2
Training and development	3	4	2		5	4		1
Managing labour unrest	4	3	2			1	7	2
Inter-partner learning	3	6			9	1		

* Number of firms falling within each category.

¹ The numbers of Australian and Indian firms vary. Explanations have been given in chapter VII and are also available at the end of Table-1.1 and Table-1.2.

² Nomenclature used is identical to that used in the questionnaire, but for the case of the use of 'definitely yes' in the questionnaire. For summary purposes, these responses are recorded as 'significant' throughout this chapter.

N/A = Not Applicable. This denotes the confidentiality of data or the unawareness of the respondents ('I don't know').

for the rapid and expanded access to the distribution network influenced the decision (proposition P3.3). The fourth section (10.2.4) deals with the sharing of resources and capabilities, i.e., the possibility that the quest for sharing technology and establishment costs influenced the Australian firms' decisions to joint venture (proposition P3.4). The fifth section (10.2.5) deals with the organisational-specific HRM issues, i.e., the possibility that managing HRM issues within the organisational framework influenced the decision of Australian firms to joint venture with a local partner while investing in India (proposition P3.5). The sixth section (10.2.6) considers the impact of inter-partner learning, i.e., the possibility that the quest for procuring partner's knowledge and expertise influenced the decision-making of Australian firms to joint venture with Indian firms while investing in India (proposition P3.6). A summary of the significance of these organisational-specific variables on the firm's decision to joint venture is presented in Table 10.1.

10.2.1 Economies of Scale

Proposition P3.1 deals with economies of scale and its influence on the Australian firms' decisions to joint venture with an Indian partner while investing in India. Table 10.2 summarises the responses of Australian as well as Indian firms on the impact of their quest for economies of scale.

Australian Partners' Responses As shown in Table 10.2, responses from the Australian parents demonstrate limited support for proposition P3.1. All nine Australian firms interviewed indicated that this factor had some to significant impact on their decision to joint venture. Four firms endorsed 'significant impact', while

this factor was acknowledged by the remaining four Australian parents as having ‘some impact’ on their decision.

Table 10.2
Summary of Responses on the Impact of the Quest for Economies of Scale

Name of the firm	Level of impact of the quest for economies of scale on choosing IJVs
Australian parent*	
1. Atco Control Pty Ltd	Significant impact
2. Futuris Brakes International	Significant impact
3. Moldflow International Pty Ltd	Some impact
4. RTZ-CRA	Some impact
5. Tech-Dry Pty Ltd	Some impact
6. Tech-Pacific	Significant impact
7. Telstra International-1	Some impact
8. Telstra International-2	Some impact
9. Warman International	Significant impact
Indian host	
1. ACC	N/A
2. Dr. S.P. Bhatnagar**	Significant impact
3. Godrej & Boyce-1**	No impact
4. Godrej & Boyce-2	Significant impact
5. Harish Soonderjee	Significant impact
6. IL & FS***	No impact
7. Indure Ltd	Significant impact
8. Modi Corporation	No impact
9. Stone India Ltd	Significant impact
10. VSNL***	Some impact

* For the nine IJVs, the number of Australian parent firms is eight. Telstra International has two separate IJVs in India, both of which are included in this study. However, for each of the IJV involvements, Telstra was interviewed separately because it had been assumed that for each of them, Telstra might have faced a different set of environmental variables. ‘Telstra International-1’ demonstrates the findings on the environmental variables Telstra faced during the motivation to form Modi-Telstra, and ‘Telstra International-2’ denotes this scenario in relation to Telstra-VComm.

** Godrej & Boyce Mfg. Co. Ltd is the host of two IJVs with Australian partners, both of which are included in this study. Godrej & Boyce was interviewed twice to obtain IJV-specific information. ‘Godrej & Boyce-1’ records the findings on the environmental variables it faced during the motivation to form GSSL, and ‘Godrej & Boyce-2’ records results in relation to GPTL.

*** The IJV, Telstra-Vcomm Ltd has two hosts – VSNL and IL&FS, both of which are included in this study.

Indian Partners’ Responses Table 10.2 shows the responses from the Indian partners. Most of the Indian partners indicated that this factor had some to significant impact on their decision. However, their responses appear to be less supportive than are those of their Australian counterparts. Of the ten Indian firms, five indicated that

it had significant impact on their decision, while only one firm endorsed a 'some impact' response. Three Indian firms mentioned that this factor had no impact on their decision while the remaining one firm expressed its unawareness of this factor in the present context.

10.2.2 Transactions Costs Minimisation

Proposition P_{3.2} deals with the impact of the quest for transactions costs minimisation on the decision of Australian firms to form IJVs with Indian partners while investing in India. Table 10.3 summarises the responses of both Australian and Indian firms.

Australian Firms' Responses As shown in Table 10.3, most of the Australian respondents (eight out of nine) indicated that this factor had some to significant impact on their decision to joint venture. Five respondents considered this factor as being of significant importance, while three acknowledged 'some impact'. Only one respondent endorsed a 'no impact' response.

Indian Partners' Responses The responses from the Indian partners are supportive of the proposition, but lesser so than are their Australian counterparts. Of the ten Indian firms, six indicated that this factor had some to significant impact on their decision, while the remaining four acknowledged no impact on their decision. However, all the Indian partners expressed their awareness of the factor in the present context.

Table 10.3
Summary of Responses on the Impact of the Quest for Organisational-Specific Transactions Costs Minimisation

Name of the firm	Level of impact of the quest for transactions costs minimisation on choosing IJV mode
Australian parent*	
1. Atco Control Pty Ltd	Significant impact
2. Futuris Brakes International	Significant impact
3. Moldflow International Pty Ltd	Some impact
4. RTZ-CRA	Some impact
5. Tech-Dry Pty Ltd	Some impact
6. Tech-Pacific	No impact
7. Telstra International-1	Significant impact
8. Telstra International-2	Significant impact
9. Warman International	Significant impact
Indian host	
1. ACC	Some impact
2. Dr. S.P. Bhatnagar	Significant impact
3. Godrej & Boyce-1**	No impact
4. Godrej & Boyce-2**	No impact
5. Harish Soonderjee	Significant impact
6. IL & FS***	No impact
7. Indure Ltd	Significant impact
8. Modi Corporation	No impact
9. Stone India Ltd	Significant impact
10. VSNL***	Some impact

* For the nine IJVs, the number of Australian parent firms is eight. Telstra International has two separate IJVs in India, both of which are included in this study. However, for each of the IJV involvements, Telstra was interviewed separately because it had been assumed that for each of them, Telstra might have faced a different set of environmental variables. 'Telstra International-1' demonstrates the findings on the environmental variables Telstra faced during the motivation to form Modi-Telstra, and 'Telstra International-2' denotes this scenario in relation to Telstra-VComm.

** Godrej & Boyce Mfg. Co. Ltd is the host of two IJVs with Australian partners, both of which are included in this study. Godrej & Boyce was interviewed twice to obtain IJV-specific information. 'Godrej & Boyce-1' records the findings on the environmental variables it faced during the motivation to form GSSL, and 'Godrej & Boyce-2' records results in relation to GPTL.

*** The IJV, Telstra-Vcomm Ltd has two hosts – VSNL and IL&FS, both of which are included in this study.

10.2.3 Access to a Distribution Network

Proposition P3.3 deals with the impact of the quest for access to a distribution network on the decision of Australian firms to form IJVs with Indian partners for investment in India. Table 10.4 summarises the responses of both Australian and Indian firms.

Table 10.4
Summary of Firms' Responses on the Impact of the Quest for Access to a Distribution Network

Name of the firm	Level of impact of the quest for access to a distribution network on choosing the IJV mode
Australian parent*	
1. Atco Control Pty Ltd	Significant impact
2. Futuris Brakes International	Significant impact
3. Moldflow International Pty Ltd	Significant impact
4. RTZ-CRA	Some impact
5. Tech-Dry Pty Ltd	Some impact
6. Tech-Pacific	Significant impact
7. Telstra International-1	Significant impact
8. Telstra International-2	Significant impact
9. Warman International	Some impact
Indian host	
1. ACC	No impact
2. Dr. S.P. Bhatnagar	Significant impact
3. Godrej & Boyce-1**	Significant impact
4. Godrej & Boyce-2**	Significant impact
5. Harish Soonderjee	Significant impact
6. IL & FS***	No impact
7. Indure Ltd	No impact
8. Modi Corporation	No impact
9. Stone India Ltd	Some impact
10. VSNL***	Significant impact

* For the nine IJVs, the number of Australian parent firms is eight. Telstra International has two separate IJVs in India, both of which are included in this study. However, for each of the IJV involvements, Telstra was interviewed separately because it had been assumed that for each of them, Telstra might have faced a different set of environmental variables. 'Telstra International-1' demonstrates the findings on the environmental variables Telstra faced during the motivation to form Modi-Telstra, and 'Telstra International-2' denotes this scenario in relation to Telstra-VComm.

** Godrej & Boyce Mfg. Co. Ltd is the host of two IJVs with Australian partners, both of which are included in this study. Godrej & Boyce was interviewed twice to obtain IJV-specific information. 'Godrej & Boyce-1' records the findings on the environmental variables it faced during the motivation to form GSSL, and 'Godrej & Boyce-2' records results in relation to GPTL.

*** The IJV, Telstra-Vcomm Ltd has two hosts – VSNL and IL&FS, both of which are included in this study.

Australian Parents' Responses The Australian partners' responses are summarised in Table 10.4. The data gathered from the Australian firms demonstrate considerable support for the proposition. All nine Australian firms indicated that their quest for access to a distribution network had some to significant impact on their decision to joint venture. Of the nine respondents, six endorsed a 'significant impact' response, while the three other reported 'some impact' on their decision.

Indian Partners' Responses Responses from the Indian partners demonstrated substantial support for the proposition, although not being as definitive as those from their Australian counterparts. Six Indian firms mentioned that this factor had moderate to significant impact on their decision to joint venture, while four endorsed a 'no impact' response. Nevertheless, all the Australian as well as Indian respondents expressed their awareness of this issue.

10.2.4 The Sharing of Resources and Capabilities

Proposition P_{3.4} deals with the sharing of resources and capabilities and its influence on the decision of Australian firms to form IJVs with Indian partners while investing in India. Table 10.5 summarises the responses of Australian as well as Indian firms. In the present research context, two major issues are taken into consideration - sharing technology and the sharing of establishment costs and R&D expenses.

Australian Parents' Responses Table 10.5 summarises the responses of the Australian parent firms. With respect to the impact of sharing technology, only two Australian firms indicated that this factor had some impact on their decision to joint venture. The remaining seven firms endorsed a 'no impact' response. The other factor, sharing establishment costs and R&D expenses, had considerable impact on the Australian firms' decision to joint venture. All nine Australian firms indicated that this factor had 'some' to 'significant' impact on their decision.

Table 10.5
Summary of Responses on the Impact of the Sharing of
Resources and Capabilities

Name of the firm	Level of impact of the sharing of resources and capabilities on choosing the IJV mode	
	Sharing technology	Sharing of establishment costs and R&D expenses
Australian parent*		
1. Atco Control Pty Ltd	No impact	Significant impact
2. Futuris Brakes International	No impact	Significant impact
3. Moldflow International Pty Ltd	Some impact	Significant impact
4. RTZ-CRA	No impact	Significant impact
5. Tech-Dry Pty Ltd	No impact	Some impact
6. Tech-Pacific	Some impact	Some impact
7. Telstra International-1	No impact	Significant impact
8. Telstra International-2	No impact	Significant impact
9. Warman International	No impact	Some impact
Indian host		
1. ACC	Significant impact	Significant impact
2. Dr. S.P. Bhatnagar	Significant impact	No impact
3. Godrej & Boyce-1**	Some impact	No impact
4. Godrej & Boyce-2**	Some impact	Significant impact
5. Harish Soonderjee	Significant impact	Significant impact
6. IL & FS***	Significant impact	Some impact
7. Indure Ltd	Significant impact	No impact
8. Modi Corporation	Significant impact	Significant impact
9. Stone India Ltd	Significant impact	Some impact
10. VSNL***	Significant impact	No impact

* For the nine IJVs, the number of Australian parent firms is eight. Telstra International has two separate IJVs in India, both of which are included in this study. However, for each of the IJV involvements, Telstra was interviewed separately because it had been assumed that for each of them, Telstra might have faced a different set of environmental variables. 'Telstra International-1' demonstrates the findings on the environmental variables Telstra faced during the motivation to form Modi-Telstra, and 'Telstra International-2' denotes this scenario in relation to Telstra-VComm.

** Godrej & Boyce Mfg. Co. Ltd is the host of two IJVs with Australian partners, both of which are included in this study. Godrej & Boyce was interviewed twice to obtain IJV-specific information. 'Godrej & Boyce-1' records the findings on the environmental variables it faced during the motivation to form GSSL, and 'Godrej & Boyce-2' records results in relation to GPTL.

*** The IJV, Telstra-Vcomm Ltd has two hosts – VSNL and IL&FS, both of which are included in this study.

Indian Partners' Responses Along with the responses of the Australian firms, Table 10.5 summarises the responses from their Indian partners. With respect to the impact of sharing technology, all ten Indian firms indicated that this factor had some to significant impact on their decision to joint venture. The other factor, the sharing of establishment costs and R&D expenses, also received considerable support. Of the

ten Indian firms, six mentioned that this factor had 'some' to 'significant' impact on their decision to joint venture while the remaining four endorsed a 'no impact' response.

10.2.5 Human Resource Management Issues

Proposition P3.5 deals with the organisational-specific HRM issues. Table 10.6 summarises the responses from Australian and Indian firms on this factor. In the present research context, three major issues are taken into consideration - selection and recruitment, training and development, and managing labour unrest.

Australian Parents' Responses Table 10.6 summarises the responses of the Australian parents on the impact of organisational-specific HRM issues on their decision to joint venture with Indian partners. The majority of the Australian parents conceded that all the three HRM issues had some to significant impact on their decision to joint venture.

Indian Partners' Responses The Indian partners' responses are summarised in Table 10.6. Of the ten Indian partners, nine indicated that the appropriate training and development requirements had some to significant impact on their decision to joint venture. Unlike the responses of the Australian firms, the other two HRM issues were not considered important by the majority of the Indian firms with regard to their decision to joint venture. Nevertheless, most of the Indian firms expressed their awareness of these issues.

Table 10.6
Summary of Responses on the Impact of Human Resource Management

Name of the firm	Level of impact of human resource management on choosing the IJV mode		
	Selection and recruitment	Training and development	Managing labour unrest
Australian parent*			
1. Atco Control Pty Ltd	Significant impact	Some impact	Some impact
2. Futuris Brakes International	Significant impact	Significant impact	Significant impact
3. Moldflow International Pty Ltd	Significant impact	Some impact	No impact
4. RTZ-CRA	Some impact	Some impact	Some impact
5. Tech-Dry Pty Ltd	No impact	Significant impact	No impact
6. Tech-Pacific	Some impact	Some impact	Some impact
7. Telstra International-1	Some impact	No impact	Significant impact
8. Telstra International-2	Some impact	No impact	Significant impact
9. Warman International	Some impact	Significant impact	Significant impact
Indian host			
1. ACC	N/A	Some impact	N/A
2. Dr. S.P. Bhatnagar	No impact	Significant impact	No impact
3. Godrej & Boyce-1**	No impact	Some impact	No impact
4. Godrej & Boyce-2**	No impact	Significant impact	No impact
5. Harish Soonderjee	No impact	Significant impact	No impact
6. IL & FS***	N/A	N/A	N/A
7. Indure Ltd	No impact	Significant impact	No impact
8. Modi Corporation	Some impact	Some impact	No impact
9. Stone India Ltd	No impact	Significant impact	Some impact
10. VSNL***	No impact	Some impact	No impact

* For the nine IJVs, the number of Australian parent firms is eight. Telstra International has two separate IJVs in India, both of which are included in this study. However, for each of the IJV involvements, Telstra was interviewed separately because it had been assumed that for each of them, Telstra might have faced a different set of environmental variables. 'Telstra International-1' demonstrates the findings on the environmental variables Telstra faced during the motivation to form Modi-Telstra, and 'Telstra International-2' denotes such scenario in relation to Telstra-VComm.

** Godrej & Boyce Mfg. Co. Ltd is the host of two IJVs with Australian partners, both of which are included in this study. Godrej & Boyce was interviewed twice to obtain IJV-specific information. 'Godrej & Boyce-1' records the findings on the environmental variables it faced during the motivation to form GSSL, and 'Godrej & Boyce-2' records results in relation to GPTL.

*** The IJV, Telstra-Vcomm Ltd has two hosts – VSNL and IL&FS, both of which are included in this study.

10.2.6 Inter-Partner Learning

Proposition P_{3.6} deals with inter-partner learning and its impact on the decision of Australian firms to form IJVs with Indian partners while investing in India. Table 10.7 summarises the responses from both the Australian and Indian firms on this factor.

Table 10.7
Summary of Responses on the Impact of the Quest for
Inter-Partner Learning

Name of the firm	Level of impact of the quest for inter-partner learning on choosing the IJV mode
Australian parent*	
1. Atco Control Pty Ltd	Some impact
2. Futuris Brakes International	Significant impact
3. Moldflow International Pty Ltd	Significant impact
4. RTZ-CRA	Some impact
5. Tech-Dry Pty Ltd	Some impact
6. Tech-Pacific	Significant impact
7. Telstra International-1	Some impact
8. Telstra International-2	Some impact
9. Warman International	Some impact
Indian host	
1. ACC	Significant impact
2. Dr. S.P. Bhatnagar	Significant impact
3. Godrej & Boyce-1**	Significant impact
4. Godrej & Boyce-2**	Significant impact
5. Harish Soonderjee	Significant impact
6. IL & FS***	Some impact
7. Indure Ltd	Significant impact
8. Modi Corporation	Significant impact
9. Stone India Ltd	Significant impact
10. VSNL***	Significant impact

* For the nine IJVs, the number of Australian parent firms is eight. Telstra International has two separate IJVs in India, both of which are included in this study. However, for each of the IJV involvements, Telstra was interviewed separately because it had been assumed that for each of them, Telstra might have faced a different set of environmental variables. 'Telstra International-1' demonstrates the findings on the environmental variables Telstra faced during the motivation to form Modi-Telstra, and 'Telstra International-2' denotes this scenario in relation to Telstra-VComm.

** Godrej & Boyce Mfg. Co. Ltd is the host of two IJVs with Australian partners, both of which are included in this study. Godrej & Boyce was interviewed twice to obtain IJV-specific information. 'Godrej & Boyce-1' records the findings on the environmental variables it faced during the motivation to form GSSL, and 'Godrej & Boyce-2' records results in relation to GPTL.

*** The IJV, Telstra-Vcomm Ltd has two hosts – VSNL and IL&FS, both of which are included in this study.

Australian Parents' Responses All nine Australian respondents indicated that this factor had some to significant impact on their decision to joint venture. While three Australian firms acknowledged that this factor had a significant impact, the remaining six indicated that this factor had some impact on their decision. These data tend to support the proposition.

Indian Partners' Responses As was the case with their Australian counterparts, all Indian respondents indicated that this factor had "some" to "significant" impact on their decisions to joint venture. However, the Indian partners' responses are more supportive than are those of the Australians. Of the ten Indian partners, nine acknowledged the impact of the quest for inter-partner learning as being of significant importance. Only one indicated that it had some impact.

10.3 DISCUSSION AND INTERPRETATION

On the basis of the data presented, there appears to be some support for each of the propositions P_{3.1}, P_{3.2}, P_{3.3}, P_{3.4}, P_{3.5} and P_{3.6}. Discussion of the interview data is grouped into eight sections. The first six sections consider the six organisational-specific variables dealing with propositions P_{3.1}, P_{3.2}, P_{3.3}, P_{3.4}, P_{3.5} and P_{3.6}, while the seventh section will examine the responses with respect to the general question covering all six groupings. A chapter summary concludes with a brief examination of the general proposition (proposition P₃) and the level of support it has in the data sets from across the six groupings.

10.3.1 Economies of Scale

One of the major proposed motivations to form IJVs is to achieve economies of scale (Anderson, 1995; Ennen, 1991; Gullander, 1976; Harrigan, 1988; Howarth *et al.*, 1995). With the combined resources and capabilities from each of the partners, an IJV is likely to generate more output with greater efficiency than either of its partners operating as a stand-alone company. Because of the possibility of enhanced production through shared contributions from the partners, it is also possible to achieve economies of scale in obtaining raw materials and components supply, in

research and development, and in marketing and distribution (Beamish *et al.*, 1994). As discussed in chapter IV, achieving economies of scale through the establishment of IJVs with local partner is especially important for Australian firms because they often lack the size to compete globally as stand-alone companies.

From the evidence collected, it may be argued that achieving economies of scale had considerable impact on most of the Australian as well as Indian partners on their decision to joint venture. According to one of the Australian parents,

it is a simple logic that the pulling of resources from both the partners will create synergy and help achieve economies of scale. Moreover, because of the Indian partner's expertise and familiarity with the Indian market conditions, it is likely to be much easier for the IJV to take the right decision with respect to the production quality and volume.

These findings somewhat conform to the literature presented in chapter IV and tend to be consistent with proposition P_{3.1}, viz., *the quest for economies of scale motivates Australian firms to joint venture with Indian firms while entering the Indian market.*

10.3.2 Transactions Costs Minimisation

The quest for transactions cost minimisation has been considered an important motivation to form IJVs (Buckley & Casson, 1976; Grubaugh, 1987; Kogut, 1988; Kogut & Singh, 1986, 1988; Solocha, *et al.*, 1990). Solocha, *et al.* (1990) contend that organisational-specific transactions costs in servicing a foreign market may be considerable. These costs include gathering information about the foreign market, search and negotiating costs and adapting the product to that market through resource commitments. As mentioned in chapter IV, Dunning (1979, 1988) considers most of these organisational-specific transactions costs (e.g., resource commitment, search and

negotiating costs) in his 'factor endowment/market failure' paradigm as a consequence of transactional market failure.

In the Indian context, there are a number of transactions cost factors which influence the profitability of a foreign company willing to enter the Indian market. The major transactions cost factors are the costs of obtaining necessary market information, partner search and negotiating costs, the costs of hiring managerial expertise, paying taxes and buying capital equipment and raw materials location and their acquisition. By choosing the IJV as their mode of entry into foreign markets, foreign companies may substantially reduce such costs. It may be relatively easier for the foreign companies to obtain necessary information via its IJV partner.

Most of the Australian (eight out of nine) as well as Indian (six out of ten) firms acknowledged the importance of this factor. These responses are mutually supportive and thus complementary to each other. Hence, the data tend to be consistent with proposition P_{3.2}, viz., *transactions costs minimisation influences the decision taken by Australian firms to joint venture with Indian firms while entering the Indian market.*

10.3.3 Access to Distribution Networks

As mentioned in chapter IV, access to distribution networks is an important consideration for a firm which is investing in an overseas market (Anderson, 1995; Beamish *et al.*, 1994). It is equally important for Australian companies seeking to operate in the Indian market. India, a country with over 900 million people and fragmented into various regional markets across 25 States, is a challenging market for the foreign entrant. Also fragmented through the presence of various religious beliefs,

regional languages, and cultural heritages, India is a difficult market to serve (Banks & Natarajan, 1995). In this circumstance, accessing the existing distribution channels of the local firms and building new distribution channels with the active collaboration of the host partner are likely to persuade the Australian firms to joint venture while investing in India.

All nine Australian parents realised the importance of this factor during their decision to joint venture. This factor was also given importance by the majority of the Indian firms. Nevertheless, the Australian partners' responses appeared to be more definitive than their Indian counterparts. As a possible interpretation, it may be argued that while the Australian parents considered that access to the distribution networks to be a critical motivation to joint venture, most of the Indian respondents conceded that through the establishment of IJVs with the Australian partners, they would be able to further improve their existing distribution channels, or to establish new ones. It appears from the available evidence here that there is support for proposition P3.3, *viz., access to the distribution networks within the Indian market influences the decision taken by Australian firms to joint venture with Indian firms while entering the Indian market.*

10.3.4 The Sharing of Resources and Capabilities

As mentioned in chapter IV, sharing resources and capabilities with local partners may persuade a foreign firm to establish international joint ventures. Proposition P3.4 deals with the impact of this factor on the Australian firms' joint venturing in India. Two major components were taken into consideration to examine the validity of

proposition P_{3.4}. These include the sharing of technology and the sharing of establishment costs and R&D facilities.

Sharing Technology

As elicited from the literature (chapter IV), sharing technology may affect a firm's decision to establish an IJV relationship with a foreign partner while investing overseas. As the world's ninth largest manufacturing economy, and the home of one of the largest pools of scientists and engineers in the world, India is said to have technological capabilities in a range of industries (East Asia Analytical Unit, 1994; Mathur, 1994). In addition, Indian partners can benefit from the technological abilities of their Australian counterpart. The costs of procuring and/or innovating new technologies could also be shared between partners. Consequently, it is proposed that the pursuit of sharing technology with local partners might have acted as a motivation for the Australian firms to joint venture with the Indian firms.

However, most of the Australian firms did not agree with this premise and indicated that this factor did not have any impact on their decision. While seven Australian firms mentioned that they did not consider this factor in deciding their entry mode strategy, two acknowledged some impact of this variable on their decision. It is interesting to reveal that both of the companies with a 'some impact' response belong to the information technology industry (Moldflow International and Tech-Pacific). India has an emerging competitive advantage in this particular industry. In India, information technology is one of the industries with a world-class performance (Lakha, 1993). Along with their own technological contributions to the respective IJVs, these two firms acknowledged that the expectation of similar contributions from

their partners moderately motivated them to joint venture. Being the exclusive suppliers of the necessary technologies for the immediate application to the respective IJVs, the remainder of the Australian firms considered the question of sharing technology as irrelevant.

Unlike the Australian responses, this factor received overwhelming support from the Indian respondents. All ten Indian firms indicated that this factor had some to significant impact on their decision to joint venture. The Indian firms' needs as well as their preference for the Australian technologies, are reflected in these responses. As a possible interpretation, it may be argued that most of the Australian firms might have considered the establishment of IJVs as a mechanism to protect their technology, rather than sharing it with their Indian partners. Due to the perceived low trust level among the Indian managers (Hofstede, 1980; Shane, 1994), licensing is relatively riskier than establishing a wholly owned subsidiary (WOS) or IJV (see section 3.7 for a detailed discussion on this issue). Besides, a WOS involves very high establishment and operating costs. These views are supported by most of the Australian firms.

One of the Australian respondents mentioned during the interview that they preferred IJVs as a means of protecting the use of their technology, but not to share it. According to him,

We are more concerned about the dissemination of our technology. India is a place where it may happen anytime. A strong local partner is useful in the sense that they can assist us in safeguarding our technology.

Most of the Indian firms, to the contrary, were keen to derive advantage from technology sharing which was one of their prime motivations to joint venture with the Australian companies. Nonetheless, this factor, viz., the quest for sharing technology,

did not have any impact on the majority of the Australian firms. These responses, therefore, tend not to support the proposition.

Sharing of Establishment Costs and R&D Expenses

Sharing establishment costs is one of the major motivations for foreign companies to joint venture with local partners while investing in India (As-Saber, *et al.*, 1996a). As discussed in chapter IV, the cost of establishing a business in India is very high. For example, annual office rental rates per square foot in Bombay are some of the highest in the world (*Business Week*, 16 June, 1997, p. 28). Moreover, those costs are rising quickly. Rents in Bombay have soared from US\$91 to US\$143 per square foot in the two years since early 1995 (*Business Week*, 16 June, 1997, p. 28).

As mentioned in chapter IV, sharing the costs and facilities for research and development (R&D) is another critical motivator for the formation of IJVs (Katz, 1995). India has a reputation for its world-class R&D activities in various fields (Mathur, 1994; Vittal, 1996; Confederation of Indian Industry, 1996). Australian firms may benefit from the sharing of R&D costs with their Indian partners and by using local researchers at relatively lower costs. They may partially recover their R&D expenses from their prospective partners. It was perceived that the presence of high establishment as well as R&D costs could be shared and minimised through partnering with a local firm.

Most of the Australian and Indian firms gave importance to these factors at the time of making their decision to joint venture. However, the responses of Australian parents are more definitive than are their Indian counterparts. All nine Australian firms

conceded that these factors had some to significant impact on their decision. Of the ten Indian firms, six indicated that these factors had some to significant impact on their decision, while the remaining four endorsed a 'no impact' response. According to one Australian respondent,

the rapidly increasing establishment costs in India and the need for ongoing R&D to remain competitive in the highly volatile Indian market were the two major concerns since we have decided to invest in India. Therefore, our quest for sharing the establishment costs as well as the R&D expenditure with a strong local partner substantially influenced our decision to choose the IJV as an entry mode.

Nevertheless, from the available evidence, it may be argued that the quest for sharing establishment costs and R&D expenses impacted on most the Australian firms' decisions to joint venture with local partners.

In brief, the evidence on the impact of the quest for sharing technology appears to lack sufficient support for the proposition, whereas the evidence on the other factor, the quest for sharing establishment costs and R&D expenses offers some support. On balance, these data are found to be partially consistent with proposition P_{3.4}, viz., *sharing technology, establishment costs and R&D expenses influences the decision taken by Australian firms to joint venture with Indian firms while entering the Indian market.*

10.3.5 Human Resource Management Issues

Three major HRM issues were taken into consideration to examine the validity of proposition P_{3.5}. These include selection and recruitment, training and development, and managing labour unrest. Most of the Australian firms indicated that each of these issues had "some" to "significant" impact on their decision to joint venture. To the

contrary, most of the Indian firms gave importance to only one issue, the training requirement, during their decision making process. As the evidence shows, the remaining two factors did not have any impact on the decision of the majority of the Indian firms.

Selection and Recruitment This is a critical factor for efficient international business management (Dowling, *et al.*, 1999). A good understanding between partners is essential to maintain a common set of selection criteria for the prospective candidates for different IJV positions. Due consideration should also be given to resolving any issue such as the candidates' nationalities (HCN, TCN or PCN) and their existing affiliation to any of the partners. As argued in chapters III and IV, there is a problem in finding quality people available for employment in India. This appears to be the result of an unprecedented increase in demand for skilled people following a rapid rise in the level of foreign and local investment in India (As-Saber, *et al.*, 1998). The host partner's familiarity with the local labour market and the possible convenience of hiring from the partner's existing pool of skilled personnel may assist in resolving any such problem of labour scarcity.

Most of the Australian firms acknowledged the importance of this factor, whereas the majority of the Indian firms indicated that this factor had no impact on their decision to joint venture. As a possible interpretation, it may be argued that while the Australian parents indicated some wariness toward the available information on the labour market, it was a nominal issue for the Indian firms because of their expertise and capability in dealing with the Indian labour market. In this respect, the Australian firm's option for establishing IJVs with local partners was to obtain

assistance from the experienced Indian partners. Therefore, the Indian firm's advantages appeared to be complementary to the Australian firm's wariness with respect to the selection and recruitment of appropriate IJV personnel. As a consequence, these responses tend to support proposition P3.5.

Training and Development As discussed in chapter IV, an efficient training and development programme is an important precondition for the success of an international business operation. Accordingly, a comprehensive training and development plan must be put in place while managing business internationally (Dowling, *et al.*, 1999).

In the Indian context, this factor requires some special qualifications. Because of the scarcity of quality people in India and the perceived low level of labour productivity, an Australian firm wishing to operate in India might be required to undertake extensive training and development programmes for its local staff (As-Saber, *et al.*, 1998; Australian Department of Foreign Affairs and Trade, 1995). In addition, foreign companies may find it difficult to understand the Indian HR environment because of the presence of a large number of laws regulating HR practices in India and their frequent changes (Lawler, *et al.*, 1995). The existing workforce may not readily understand the new technologies and management style brought by the foreign investors. To accommodate these issues, staff training and development is an essential and ongoing need for foreign business operations in India. As discussed earlier in chapter IV, one of the major motivations for foreign companies to form IJVs in India with a local partner is to organise such training and development activities with the active collaboration of their local partners (As-Saber, *et al.*, 1998).

Most of the Australian as well as Indian partners indicated that this factor had “some” to “significant” impact on their decision to joint venture. However, the responses from the Indian partners appear to be more definitive than are the responses from their Australian counterparts. It may be argued that when making the decision to joint venture, the Indian firms were keen to learn Australian management style and technical knowhow through frequent training and development programmes. This was reflected in the comments of the majority of the Indian respondents during interviews. According to one Indian respondent,

We are particularly interested in learning new technologies and Western management style from our partner. Continuous improvement of our employees through various training and development programmes in collaboration with our foreign partner helps us achieve this objective.

The Australian parents, on the other hand, were primarily interested in sharing the costs as well as the responsibilities of such activities with their local partners. Recognising the explicit training and development requirements with the assistance of an experienced Indian partner was another major consideration. Nonetheless, it appears that the training and development requirements had impacted most of the Australian parent firms with their decisions to joint venture.

Managing Labour Unrest As discussed in chapters III and IV, labour unrest is a major impediment to doing business in India. Underlying this state of unrest are higher wage demands and the demand for the lowering of working hours (Joshi, 1995; Ratnam, 1995; Tayeb, 1996). The major political parties often support the demands of labour unions, which makes the situation more complicated and difficult to manage (Clarke & Von Glinow, 1996). Although state intervention is a norm in managing

these matters, such interventions generally support the stands by the labour movements (Ratnam, 1995; Tayeb, 1996). Consequently, it is difficult for Australian firms to manage these HR problems while investing in India. Hence, it may be argued that the establishment of an IJV with an experienced Indian firm is likely to be an appropriate option for the Australian firm in order to jointly manage these issues (As-Saber, *et al.*, 1998).

Most of the Australian firms acknowledged the importance of this factor. Alternatively, the majority of the Indian firms did not give any importance to this factor. As a possible interpretation, one of the Indian respondents mentioned during the interview that although managing labour unrest was recognised as an ongoing problem, it was never considered as a critical one requiring the assistance of a foreign partner. Indian companies, according to him, are accustomed to dealing with such issues on a regular basis with their expertise in and familiarity of the Indian labour market. According to this respondent,

Labour unrest in India is a regular phenomenon. This is nothing new and we are prepared to deal with it. We know what to do and whom to talk with. We maintain relationships with the political leaders and trade union leaders which make it easier to resolve any labour related problem.

In this respect, the Australian firms' option for establishing IJVs with the local partners, to some extent, was to obtain assistance from the experienced Indian partners. Therefore, the Indian firms' advantages appeared to be complementary to the Australian firms' wariness with respect to the quest for managing possible labour unrest. As a consequence, these responses tend to support the proposition P3.5.

On balance, the evidence on the impact of all three organisational-specific HRM issues, viz., the quest for appropriate selection and recruitment, training and development, and managing labour unrest tends to be consistent with proposition P_{3.5}, viz., *the organisational-specific human resource management issues influence the decision taken by Australian firms to joint venture with Indian firms while entering the Indian market.*

10.3.6 Inter-Partner Learning

As discussed in chapter IV, IJVs create opportunities for inter-partner learning (Hamel, 1991; Kogut, 1988). Accordingly, learning from each others' knowledge-bases may be considered as an important motivation to form IJVs. Superior information exchange among the partners is the core of such learning processes (Harrigan, 1986). IJVs are a vehicle through which knowledge can be transferred from one partner to another. For example, this learning may relate to the mutual understanding of day-to-day organisational management and technological capabilities. Both formal and informal mechanisms may be used to acquire information for this understanding. However, this exchange is likely to happen through the interaction among technical and management staff from both partners.

In the Indian context, information as well as expertise in relation to its unfamiliar political, economic and cultural environments, diversity of regional marketplaces, and the different local business management practices is important to be considered by a prospective foreign investor. The foreign company may rely on its IJV partners in India to learn the art of managing these issues effectively. According to Kogut

(1988), IJVs are viewed as an instrument by which organisational knowledge is exchanged and imitated.

The support for the impact of this factor was clear. All nine Australian parents and their ten Indian partners acknowledged the importance of this factor. However, the responses from the Indian firms appear to be even more supportive than are those of their Australian partners. Of nine Australian parents, three conceded that this factor had significant impact on their decision, while the remaining six endorsed a 'some impact' response. To the contrary, nine out of ten Indian partners acknowledged that this factor had significant impact on their decision, while the remaining one endorsed a 'some impact' response. These responses reflect the Australian parents' desires to learn more about the Indian business environment through the active collaboration of their local partners, while the Indian companies considered IJVs as a source of learning and imitating the superior management practices and technical abilities of their Australian partners. In this respect, the inter-partner learning appeared to be complementary to each other. Nonetheless, these responses provide support for proposition P_{3.6}.

In brief, with respect to the impact of the quest for inter-partner learning, all nine Australian firms and their ten Indian partners indicated that this factor had some to significant impact on their decision. However, the Indian partners' responses are found to be more conclusive than are their Australian counterparts. On balance, the responses from both the partners support each other. On the basis of the above-mentioned discussion, it appears that the available evidence is consistent with

proposition P3.6, viz., *inter-partner learning influences the decision taken by Australian firms to joint venture with Indian firms while entering the Indian market.*

10.3.7 Responses on the Overall Impact of the Organisational-specific Variables

The responses to the general questions asked on the overall impact of the six organisational-specific variables, on the firms’ decisions to joint venture, were found to be more supportive than were the responses on the impact of each of the variables considered individually. The trend of these responses is similar to those of the impacts of the geopolitical as well as the other selected environmental variables on the firms’ decisions to joint venture (see chapters 8.3.4 and 9.3.7).

Table 10.8
Frequency of the Responses on the Combination of Organisational-Specific Variables which Influenced the Firms’ Decision to Joint Venture

	Significant impact	Some impact	No impact	N/A
Level of impact on the entry mode decision of Australian firms	4	5	-	-
Level of impact on the decision of Indian firms to joint venture with Australian partners	7	3	-	-

Table 10.8 lists the responses of both the Australian and Indian firms on the overall impact of the combination of organisational variables on their decision to joint venture. All of the Indian as well as Australian firms indicated that these factors taken as a whole had some to significant impact on their decision. To the contrary, the responses on the impact of each of the variables considered individually were found to be less definitive than were the responses on the overall impact of organisational variables. Unlike the response sets on individual categories, the responses on the overall impact did not receive any ‘N/A’ or ‘no impact’ responses.

Moreover, of the six factors, the evidence on the impact of two factors, viz., the sharing of resources and capabilities and the HRM issues are less supportive than is the evidence on the remaining four factors.

As mentioned in chapter 8.3.4, this inconsistency of responses between the response-sets on individual factors and the responses on the general question might have occurred due to the confounding of effects where the respondents had difficulties in disentangling the separate and partial effects of each of the factors when addressing the general question. Nonetheless, the responses from the general overall question may have provided some global opinion about the combined effect of the six environmental variables, but not an in-depth one specific to any one particular factor. Hence, as a key outcome of this particular finding, it may be implied that to obtain useable responses on these issues, for any international business operation, it is important to disaggregate. Because of the seemingly ambiguous outcome, it is advisable for future research to consider each of these dimensions separately if the various organisational variables and their possible implications are to be best captured.

10.4 CHAPTER SUMMARY

The evidence on the proposed influence of various organisational-specific variables in motivating Australian firms to joint venture with local partners while investing in India appears to be partially consistent with the respective propositions (P_{3.1}, P_{3.2}, P_{3.3}, P_{3.4}, P_{3.5} and P_{3.6}). The evidence on propositions P_{3.1}, P_{3.4}, P_{3.5} and P_{3.6} was found to be less supportive than was that on propositions P_{3.2} and P_{3.3}. Accordingly, six factors, viz., economies of scale, transactions costs minimisation, access to

distribution channels, sharing of resources and capabilities, human resource management and inter-partner learning had limited impact on the decision of the Australian firms to joint venture.

When asked the general question on the impact of all six variables jointly (in the one statement), the responses tended to be more supportive than were the responses when the questions were asked separately. All of the Indian and Australian firms indicated that the combination of the six environmental factors, as a global construct, had “some” to significant impact on their decision. As a possible explanation, it has been argued that this difference in outcome might be possible because of a compounding of effects where the respondents had difficulties in disentangling the separate and partial effects of each factor. However, despite the apparent lack of depth of this finding, it might be illustrative of a general opinion by respondents about the combined effects of the six organisational-specific variables. In addition, it has assisted to generate possible guidance for future research in that it might be advisable to consider each of the variables separately.

It could be deemed that the weight of the evidence, in general, is tending to be at least partially consistent with the general proposition (proposition P₃), viz., *organisational-specific factors impact on the decision taken by Australian firms to enter the Indian market through the joint venture mode.*

CHAPTER XI

FORMATION PROCESS TO ESTABLISH IJVs IN INDIA

Trades would not have taken place unless it were advantageous to the parties concerned. Of course, it is better to strike as good a bargain as one's bargaining position admits (Benjamin Franklin, cited in McCarthy, 1989, p.1).

11.1 INTRODUCTION

As argued in chapter V, a comprehensive and well-planned negotiation process is the bedrock of a successful IJV operation. The effective use of the firm-specific negotiation skills possessed by a firm is needed to bring about an agreement that ensures the stability of cooperation between partners (Harrigan, 1986). In this chapter, the negotiation processes to form the nine Australian-Indian IJVs are examined. In order to explore the nature of complexity involved in these processes, data gathered from the Australian as well as the Indian partners are taken into consideration. The focus of the empirical work to follow in this chapter is that of the Australian firms' perspectives.

To determine whether there is a convergence of views from both the Australian and Indian partners' perspectives, an examination of the Indian partners' responses is also undertaken. Three different aspects of the negotiation are analysed. These are, preparing for the negotiation, the formal negotiation process leading to the finalisation of the IJV agreements and the legal aspects of negotiation. The analysis is based on the findings in relation to the specific propositions (propositions P4.1, P4.2 and P4.3) established at chapter 6.4. A discussion emphasising the relevance as well as

implications of these research findings with respect to the general proposition (proposition P4) ensues.

11.2 INTERVIEW DATA

The data collected are presented in three sections. The first section (11.2.1) deals with the preparatory stages of negotiation, i.e., how extensive was the Australian firms' involvement in this stage of the joint venture negotiation (proposition P4.1). The second section (11.1.2) deals with the formal negotiation process which determines the nature of the future relationship between the IJV partners in their Indian activities (proposition P4.2). The third section (11.1.3) deals with the findings on the legal aspects of negotiations, i.e., the importance to the Australian firm of understanding the legal aspects of negotiation in the Indian legal system as it attempts to ensure the security of future courses of action to be taken by the IJV (proposition P4.3).

11.2.1 Preparatory Stages

Various questions were asked of the Australian respondents and their Indian counterparts to establish a comprehensive set of data with respect to their involvement in the preparatory stages of the negotiation process. Unlike previous chapters (VIII-X), the interview data in this chapter are grouped according to the issues as sequenced in the questionnaire (**Appendix II**). A summary of responses is shown in Table 11.1.

Initial Approach Joint venture negotiation normally begins with the initial approach made by either of the parties to form the partnership. Column I of Table 11.1 summarises the responses from each of the firms with respect to this issue. The data from the Australian as well as the Indian firms have revealed that the initial approach

to form the IJV came mostly from the Indian parents. Six Indian partners initially approached prospective Australian parents to establish IJVs, whereas the initial offer came from only three Australian firms to joint venture.

Number of Firms Initially Contacted Column II of Table 11.1 shows the number of potential partners initially contacted by each of the joint venture firms. The data demonstrate that most of the Australian parents (five out of nine) contacted more than one Indian firm to select an appropriate partner. None of the Indian firms initially contacted more than one Australian firm to choose a suitable partner.

Information Gathering Column III of Table 11.1 indicates the primary sources of information used by the individual firms to gather information about their prospective partners. A set of diverse responses was received. Of the nine Australian parents, only two mentioned that they received primary information about their prospective partners from Austrade, the Australian Trade Commission. Two used prospective partners as the primary information source. Own company sources were used by two Australian parents. From the remaining three, one firm used bank reports, one used a third party vendor and the other utilised trade fairs as the primary information sources about their respective partners.

From the ten Indian partners, four mentioned that they used prospective Australian partners as the primary information source. Three indicated that the Australian

Table 11.1
Frequency of Variables which affected the Negotiation Process during the Preparatory Stages

Name of the IJV	I First approach made by	II Number of firms initially contacted to select a partner	III Major information source about prospective partner	IV Preparation time (in months)	V Appraisal of partner's needs	VI Appraisal of own needs	VII Additional arguments used	VIII Number of meetings before final negotiation	IX Financial involvement (preparation only)	X Pre-contract training	XI Management level involved
ACC-CRA											
Australian Parent (AP)	AP	5	Austrade	9	Yes	Yes	N/A	5	AUD150,000	No	Senior
Indian Host (IH)	AP	1	Trade fair	8	Yes	Yes	No	5	AUD 75,000	No	Senior
Atco Control											
Australian Parent (AP)	IH	1	Bank report	24	Yes	Yes	Yes	7	AUD100,000	No	Senior
Indian Host (IH)	IH	1	3rd party	6	Yes	Yes	No	7	AUD20,000	No	Senior
GPTL											
Australian Parent (AP)	AP	1	3rd party vendor	12	Yes	Yes	No	6	AUD100,000	No	Senior
Indian Host (IH)	AP	1	Australian partner	1	Yes	Yes	Yes	6	AUD20,000	Yes	Senior
GSSL											
Australian Parent (AP)	IH	1	Trade fair	N/A	Yes	Yes	No	N/A	N/A	No	Senior
Indian Host (IH)	IH	1	Australian partner	3	Yes	Yes	Yes	3	AUD20,000	Yes	Senior
Indure Warman											
Australian Parent (AP)	AP	4	Austrade	3	Yes	Yes	Yes	5	AUD100,000	No	Senior
Indian Host (IH)	AP	1	Partner's reputation	1	Yes	Yes	Yes	5	AUD 10,000	No	Senior
Modi-Telstra											
Australian Parent (AP)	IH	3	Own source	6	Yes	Yes	Yes	3	AUD15,000	No	Mix
Indian Host (IH)	IH	1	Partner's reputation	6	Yes	Yes	Yes	N/A	AUD75,000	No	Senior
Pioneer Friction											
Australian Parent (AP)	AP	2	Local partner	8	Yes	Yes	Yes	15	AUD400,000	No	Senior
Indian Host (IH)	AP	1	Australian partner	6	Yes	Yes	Yes	15	AUD40,000	No	Senior
Tech-Dry											
Australian Parent (AP)	IH	1	Local partner	6	Yes	Yes	No	2	AUD10,000	No	Senior
Indian Host (IH)	IH	1	Personal knowledge	6	Yes	Yes	No	2	AUD4,000	No	Senior
Telstra-VComm*											
Australian Parent (AP)	AP	4	Own source	6	Yes	Yes	Yes	4	AUD15,000	No	Mix
Indian Host-1 (IH-1)	AP	1	Australian partner	1	Yes	Yes	No	4	AUD100,000	No	Senior
Indian Host-2 (IH-2)	AP	1	Partner's reputation	N/A	Yes	Yes	No	N/A	N/A	No	Senior

*The IJV, Telstra-VComm has two Indian hosts, VSNL (IH-1) and IL&FS (IH-2).

N/A = Not Available

partner's reputation was sufficient to convince them of their prospective partner's worth. They did not search for any further information about the prospective partner to begin the formal preparation for IJV negotiation. Of the remaining three firms, one used a third party, one used a trade fair and the other utilised personal knowledge of the Australian parent as the primary information sources.

Preparation time Column IV of Table 11.1 presents the preparation time taken by each of the firms to ensure an effective participation in the negotiation process. Australian firms, on the average, spent more time than their Indian counterparts in preparing for the formal negotiation process. Preparation time for individual Australian firms reporting data ranged between three and 24 months with an average of 9.3 months. Indian firms reported between one and eight months, averaging only 4.2 months.

Appraisal of Own as well as Partner's Needs Columns V and VI of Table 11.1 summarise responses on the appraisals of needs of the respective firms and of their prospective partners during the preparatory stage. All of the Australian as well as Indian partners indicated that they had considered the needs of their own firms as well as those of their partners during the preparatory stage.

Additional Arguments/Resources Used Column VII of Table 11.1 summarises the firms' responses on their preparedness to use additional arguments or resources to conclude a deal (if necessary). These may be in the form of additional resources or a proposal for an alternative arrangement other than immediate IJV objectives. This preparedness may rescue a nearly failed negotiation between the parties. Five

Australian and five Indian firms indicated that they were prepared for such a fall back situation. One Australian firm expressed its unawareness of this issue, while the remaining firms mentioned that they were not prepared for any such situation.

Number of Meetings before Final Negotiation Column VIII of Table 11.1 shows the number of meetings held between the partners before the final negotiation. The data reveal that the partners, across the nine IJVs met between two and fifteen times before the final negotiation was held. Although three of the respondents could not provide any information on this question, their respective partners' responses were taken into consideration. The average number of such meetings held between prospective partners in each of the IJV negotiation processes was 5.6.

Financial Involvement During the Preparatory Stage Financial involvement of the firms during the preparatory stage of the negotiation process is shown in Column IX of Table 11.1. For Australian firms reporting data, the financial involvement ranged from A\$10,000 to A\$400,000 with an average of A\$111,250. The available data from the Indian firms show that they spent between A\$4,000 and A\$100,000 during the preparatory stage with an average of A\$40,445. This is much lower, on average, than the expenditure of the Australian firms.

Pre-Contract Training An indication of whether there was pre-contract training of the company officials involved in the negotiation process is shown in Column X of Table 11.1. Only two Indian firms conducted pre-contract training. None of the Australian firms arranged any pre-contract training for its officials participating in the negotiation process.

Management Level Involved The management levels of persons involved in the negotiation process are shown in Column XI of Table 11.1. Except for two Australian parents, all of the Indian and Australian firms engaged senior managers to negotiate the IJV agreements. Two Australian parents used a mix of senior and middle ranked managers to negotiate the agreements.

11.2.2 Formal Negotiation

The formal negotiation is a major stage of the IJV formation process. The appropriate management of this stage is critical for the determination of the emergence of a future relationship between the parties. It also influences the future prospects of the IJV. The data gathered on the importance of this aspect are directed at Proposition P4.3. Seven factors were taken into consideration within this category. These are, the venue of the final negotiation, language/s used, major difficulties faced during the process, signing of a separate licensing agreement, time taken to obtain approval from the Indian government and the use of special efforts to obtain the approval. A summary of responses is shown in Table 11.2.

Venue of the Final Negotiation Venues of the final negotiations of the nine IJVs are shown in Column I of Table 11.2. Of the nine IJV negotiations, six were held in India, two in Australia and the one through faxes and teleconferences.

Table 11.2
Frequency of Variables which affected the Formal/Final Negotiation Process

Name of the IJV	I Venue for the final negotiation	II Language/s used	III Any major difficulties faced during the final negotiation?	IV Signed a separate licensing agreement?	V Time taken to get the government approval (in months)	VI Any special efforts required to get the approval?
ACC-CRA						
Australian Parent	Mumbai, India	English	Yes	No	3	Yes
Indian Hosts	Mumbai, India	English	No	No	3	Yes
Atco Control						
Australian Parent	Melbourne, Australia	English	No	Yes	18	No
Indian Host	Melbourne, Australia	English	No	Yes	18	No
GPTL						
Australian Parent	Mumbai, India	English	No	Yes	4	Yes
Indian Host	Mumbai, India	English	Yes	Yes	4	Yes
GSSL						
Australian Parent	Melbourne, Australia	English	N/A	No	3	N/A
Indian Host	Melbourne, Australia	English	Yes	No	3	No
Indure Warman						
Australian Parent	Delhi, India	English	No	Yes	7	Yes
Indian Host	Delhi, India	English	No	Yes	7	No
Modi-Telstra						
Australian Parent	Delhi, India	English	No	Yes	30	Yes
Indian Host	Delhi, India	English	No	Yes	N/A	No
Pioneer Friction						
Australian Parent	Calcutta, India	English	Yes	Yes	18	Yes
Indian Host	Calcutta, India	English	No	Yes	18	Yes
Tech-Dry						
Australian Parent	Faxes/ teleconferences	English	No	No	3	No
Indian Host	Faxes/ teleconferences	English	No	No	3	No
Telstra-VComm*						
Australian Parent	Mumbai, India	English	No	Yes	18	Yes
Indian Host-1	Mumbai, India	English	No	N/A	18	Yes
Indian Host-2	Mumbai, India	English	No	N/A	18	Yes

*The IJV, Telstra-VComm has two Indian hosts, VSNL (Indian Host-1) and IL&FS (Indian Host-2).

N/A = Not Available.

Language/s Used Column II of Table 11.2 shows the firms' selection of language/s during the final negotiation as well as in the joint venture documents. English was used in the negotiation processes by all of the firms.

Major Difficulties during the Negotiation Process Column III of Table 11.2 reports that most of the Australian as well as Indian firms did not face any difficulties during the final negotiation process. Two Indian firms and two Australian firms from different joint ventures indicated that they experienced major difficulties during this stage.

Signing of Separate Licensing Agreement Column IV of Table 11.2 represents the firms' responses on this issue. It is revealed from the data that the partners of seven out of nine IJVs signed separate licensing agreements, while the remaining two did not sign any such documents.

Time Taken to obtain the Approval from the Indian Government Column V of Table 11.2 demonstrates the firms' responses with respect to this issue. One respondent from one of the Indian firms (Indian host of the IJV, Modi-Telstra) was reluctant to provide a response on this question because of confidentiality. However, the information provided by its Australian parent may be considered adequate for this question. The data show that it required between one and 30 months for the approval of individual agreements. On average, it took 11.5 months to obtain Indian government approval.

The Use of Special Efforts to obtain the Approval The responses on the use of special efforts to obtain the approval from the Indian government are represented in Column VI of Table 11.2. Most of the Australian firms (six out of nine) indicated that special efforts, such as lobbying, were required to obtain the approval from the Indian government, whereas just two firms indicated that no special effort was required to obtain the approval. One respondent from one Australian firm showed reluctance to give any information as to whether any such efforts were required to obtain the approval. Five from the ten Indian respondents indicated that special efforts were required to obtain such approvals, while the remaining five did not undertake special efforts.

11.2.3 Legal Aspects

Acquiring an understanding of the legal aspects of negotiation is a major precondition to ensuring the security of future courses of action to be taken by the IIV and its partner. The data gathered on the importance of these aspects are directed at proposition, P4.2. Three different factors were taken into consideration within this category. These are, the use of legal experts, engaging law firms to scrutinise the final documents and the interpretation of the document according to Australian law. A summary of responses is shown in Table 11.3.

Use of Legal Expert/Firm during the Preparatory Stage Responses on the use of a legal expert/firm by the Australian firms as well as by their Indian counterparts during the preparatory stage of negotiation are shown in Column I of Table 11.3. The data reveal that from nine Australian firms only one firm did not engage a legal expert/firm during the preparatory stage. The remaining eight firms indicated that they employed

someone either from within the company or from outside to assist in understanding the legal aspects of negotiation during the preparatory stage. From the ten Indian partners, only two did not employ any legal expert/firm, whereas the remaining eight used this expertise during the preparatory stage.

Table 11.3
The Legal Aspects which affected the Negotiation Process

Name of the IJV	I Used legal expert/ firm during preparatory stage?	II Engaged legal expert/law firms to scrutinise the documents?	III Interpreted documents according to the Australian law?
ACC-CRA			
Australian Parent	Yes	Yes	Yes
Indian Hosts	Yes	No	No
Atco Control			
Australian Parent	Yes	Yes	Yes
Indian Host	Yes	Yes	No
GPTL			
Australian Parent	Yes	Yes	Yes
Indian Host	Yes	Yes	No
GSSL			
Australian Parent	Yes	No	No
Indian Host	Yes	Yes	No
Indure Warman			
Australian Parent	Yes	Yes	No
Indian Host	No	No	No
Modi-Telstra			
Australian Parent	Yes	Yes	Yes
Indian Host	Yes	Yes	Yes
Pioneer Friction			
Australian Parent	Yes	Yes	No
Indian Host	Yes	Yes	No
Tech-Dry			
Australian Parent	No	No	No
Indian Host	No	No	No
Telstra-VComm*			
Australian Parent	Yes	Yes	Yes
Indian Host-1	Yes	Yes	No
Indian Host-2	Yes	Yes	No

* The IJV, Telstra-VComm has two Indian hosts, VSNL (Indian Host-1) and IL&FS (Indian Host-2).

N/A = Not Available.

Engaging Law Firm/s to Scrutinise the Final Documents Responses on the use of law firms to scrutinise the final documents are reported in Column III of Table 11.3. The data reveal that of the nine Australian firms, seven used this form of expertise, while the remaining two did not engage a law firm for this purpose. Likewise, most

of the Indian firms (seven out of ten) engaged a law firm, while the remaining three did not use them at this stage.

Interpretation of the Documents according to the Australian Law Being the host country, and because the documents were signed in India, Indian law is the law governing the IJVs. However, for a better understanding of the legal aspects of the documents, it may be necessary to interpret them according to the parent country law. This may eliminate confusion about particular legal aspects as laid down in the document. In addition, it may also highlight comparability of the documents with respect to their value within the host vis-à-vis the home country of the parent firm. Column IV of Table 11.3 reports the responses of the Australian as well as Indian firms on this point. Most of the Australian firms (five out of nine) admitted that they had interpreted their documents according to the Australian law, whereas the remaining four did not do so. Only one Indian firm had interpreted the documents according to Australian law, whereas the remaining nine did not consider this option.

11.3 DISCUSSION AND ANALYSIS

The data gathered from the nine Australian parents and their ten Indian partners tend to support propositions P4.1, P4.2 and P4.3. The evidence demonstrates extensive involvement by most of the Australian firms in negotiating the terms of agreement with their Indian counterparts. An explanation of the implications of these responses follows. To facilitate the discussion, in addition to the primary data assembled from the direct face-to-face interviews, appropriate secondary data are incorporated.

The Indian responses are taken into consideration during the discussion in order to incorporate a comparative scenario of the extent of involvement by the Australian firms vis-à-vis their Indian counterparts. As a consequence, it is also possible to examine the importance of the IJV negotiation process in the Indian context from the two different perspectives. This interpretation of the interview data is grouped into four sections. First, three sections deal with the two stages of negotiations (propositions P4.1 and P4.2) and its legal aspects (proposition P4.3), while the fourth one will examine the general proposition (proposition P4) and the level of support it has in the interview data.

11.3.1 Preparatory Stage

Eleven issues were taken into consideration in examining the extent of the Australian firms' involvement in the preparatory stage of the IJV negotiation process. These include the making of the initial approach, number of firms initially contacted to select a partner, major information source used to learn about the prospective partner, period of time spent in preparing for negotiation, appraisal of the partner's needs, appraisal of one's own needs, the use of additional arguments in negotiating, number of meetings held prior to the final negotiation, financial arrangements, the conduct of pre-contract training and the management level involved in the negotiation.

Who Made the First Approach? An Australian parent firm rather than an Indian-based host firm made the first approach to form the IJV in five of nine cases (see Column I of Table 11.1). In this respect, a slight majority of the Australian firms were more proactive than their Indian counterparts in proposing a relationship. This also indicates a greater readiness on the part of these Australian firms than their

prospective local partners to joint venture. At the beginning of the informal negotiation process, this result also demonstrates a willingness on the part of the Australian firms to invest in the Indian market and it reflects their commitments to establish a relationship with the local partners. It is likely that in order to approach the local partner, these Australian firms had to study the market and the abilities of the prospective partners prior to the offer. Therefore, with respect to the initial approach, it may be argued that, on average, Australian firms invested more effort than did their Indian counterparts.

Number of Firms Initially Contacted to Select a Partner As shown in Column II of Table 11.1, most of the Australian firms (five out of nine) initially contacted more than one Indian firm to choose a partner, whereas none of the Indian firms contacted more than one Australian firm. This implies that from the very beginning of the preparatory stage most of the Australian firms have been cautious in choosing the most appropriate partners in India. It also demonstrates a relatively more extensive involvement by the majority of the Australian firms in the preparatory stage than their Indian counterparts. As Fatehi (1996), Geissbauer & Siemsen (1996), Harrigan (1986) and Howarth *et al.* (1995) argued, choosing the right partner through an extensive screening process is important for a successful future joint venture relationship.

Major Sources used to gather Information about the Prospective Partner As mentioned in Chapter V, one of the major preconditions for successful negotiation is to gather relevant information about the future partner prior to the formal commencement of the negotiation processes (Gottlieb & Healy, 1990; Kohli, 1996;

Salacuse, 1992). A variety of information sources were used by the Australian firms as well as their prospective Indian partners to learn about each other. The choice of a primary information source may indicate the level of effort made with respect to gathering important information about the prospective partners.

As indicated in Column III of Table 11.1, Australian firms used different sources to obtain initial information about their respective partners. These include Austrade, bank reports, third party vendors, trade fairs and own sources of information (e.g., Telstra used its South Asian headquarters based in Delhi, India as its 'own source' to gather information on the prospective partners for the IJVs, Modi-Telstra and Telstra-VComm). Only one Australian firm relied on the information provided by its local partner. On the other hand, three of ten Indian firms relied on sources such as trade fairs, third party vendors or personal knowledge about the partner. However, the majority of the Indian firms (seven of ten) depended either on the information provided by their Australian partners or on the reputation of the partner firms.

Nonetheless, the data set indicates that the Australian partners, in general, relied less on the information provided by their respective partners or on the partners' reputations as the primary source of information. Although these sources are easier to exploit, they may be biased and incomplete. Since all but one Australian firm made use of other available sources, it may be argued that these firms enjoyed a comparative advantage over their Indian counterparts with respect to gathering information about their respective partners of the future. Australian firms, in this respect, had rendered more extensive efforts than did their Indian counterparts.

Period of Time Spent in Preparing for the Formal Negotiation As discussed in chapter V, the negotiating parties should be aware of the importance of the time aspects of international business negotiations (Copeland & Griggs, 1986; Hendon, *et al.*, 1996; Usunier, 1996). It is argued that a longer preparation time allows the negotiating parties to familiarise themselves with one another and helps create mutual trust and understanding between the parties (Copeland & Griggs, 1986). This is likely to have important implications for the entire negotiation process. Column IV of Table 11.1 summarises the period of time spent by individual firms in preparing for formal negotiations.

Although the variability among the time periods spent by various firms is high, an average time spent by each of the firms from the Australian side vis-à-vis their Indian counterparts may indicate a comparative feature with respect to the extent of effort given by each partner. The data show that the Australian firms, on average, spent more time in preparation for the negotiation than did Indian firms reporting data. According to the CEO of Atco Control, who spent 24 months in preparing for the final negotiation,

We initially found it difficult to negotiate with an Indian partner. We spent time to understand our prospective partner and to work out a future relationship. In addition, we could observe the performance of our future partner during that period and could evaluate its ability to contribute to the IJV activities. Altogether, it was worth spending that amount of time because it helped us to be familiar with all the important aspects of the negotiation process including the legal matters.

The average time spent by the Australian firms in preparing for the negotiation was extensive (9.3 months). They also spent more time, on average, than their Indian counterparts (4.2 months). These data tend to support proposition P4.1.

Appraisal of Own as well as Partner's Needs As discussed in chapter V, the negotiating firm should have a thorough knowledge about its own requirements as well as the expectations of its prospective partner (Casse, 1992). Through the examination of their respective needs and objectives and the extent of fit among them, the viability of the future relationships between the parties may be determined. As shown in Columns V and VI of Table 11.1, all of the Australian as well as Indian firms assessed their respective needs and those of their partners during the preparatory stage. These responses demonstrate the level of importance given by the Australian firms as well as by their Indian counterparts on these issues. These firms evaluated their own needs as well as those of their respective counterparts. The data tend to support proposition P4.1.

The Use of Additional Arguments/Resources It is important to use additional arguments/resources in the negotiation in the event of possible failure of the negotiation to arrive at a conclusion. This enables a fall back situation for the firm (Dupont, 1996). As discussed in chapter V, a well-prepared negotiating firm is likely to retain one or more additional resources or alternative arrangements other than the immediate IJV objectives to ensure a positive outcome. This should be considered a vital part of the extensive preparatory stage of the negotiation process which may salvage a negotiation from the brink of failure. For example, as a possible move to create a relationship to exploit a market, the firm may opt for a licensing agreement or other form of arrangement instead of establishing an IJV. The majority of the Australian firms and half of the Indian respondents were prepared for such a situation. According to one of the Australian respondents,

we were very keen to enter into the Indian market. We evaluated our prospective partner's performance during the preparatory stage and we were convinced that we should sign a deal with this firm, even if it was not in the form of an IJV agreement. Of course, IJV was the priority. We were also ready to commit additional resources to reach an agreement, preferably an IJV one.

The available data partially endorse the extensive involvement of the Australian firms in preparing for the IJV negotiations with their Indian counterparts.

Number of Meetings Held Prior to the Final Negotiation As argued in chapter V, the informal meetings between the prospective partners may help the negotiating parties to closely examine each other's position during the preparatory stage (Adler, 1991; Ghauri, 1996). These meetings may assist the parties to build up social, informal relationships and mutual trust between them and to learn of each other's management style and organisational cultures.

As shown in Column VIII of Table 11.1, the Australian and the Indian firms, on an average met 5.6 times during the preparatory stage. Most of these meetings were held in India. The majority of the Australian firms visited India to meet their prospective partners more than once, whereas only three Indian firms visited Australia at this stage to meet their prospective partners. Once again, the data indicate extensive involvement of the Australian firms during the preparatory stage of the negotiation process and tend to support proposition P4.1.

Financial Involvements As mentioned in chapter V, the extent of financial investment of a negotiating firm during the preparatory stage of negotiation may demonstrate the firm's level of involvement at this stage. It is perceived, in general, that the more a firm commits financially during this stage, the more it demonstrates

the extent of involvement in the negotiation process. This is also demonstrative of the firm's financial capability to manage the complete process and negotiate successfully.

Column IX of Table 11.1 shows the financial involvement of the Australian as well as their Indian counterparts during the preparatory stage. Although there is substantial variability among the figures, it is evident that the majority of the Australian firms spent more than did their respective Indian counterparts. The average amount of money spent by an individual Australian firm (A\$111,250) during the preparatory stage was much higher than the average Indian expenditure (A\$40,445). This reiterates the extensive nature of involvement by the Australian firms during the preparatory stage of the negotiation process and thereby tends to support proposition P4.1.

Conducting Pre-Contract Training It is argued that pre-contract training helps improve the negotiation skills of the parties concerned (Fuller, 1991; Shaughnessy, 1995). Such training, as mentioned in chapter V, is essential to deal with the complicated negotiation matters and to achieve a desired outcome. Despite the perceived importance of this factor during the preparatory stage of negotiation, none of the Australian firms conducted any pre-contract training for their respective negotiating teams. The majority of the Indian firms did not conduct any training either (see Column X of Table 11.1). When asked about the nature of the responses, one of the Australian respondents mentioned,

We did not consider it important to conduct a pre-contract training because we had sufficient information about the local party and our people informally met the people from the other side on several occasions. Communicating with the Indian negotiators was not a problem as English is widely spoken among the Indian business community. We also found that the most of the Indian managers

feel comfortable to adopt and practise western business style. Moreover, we planned to send our senior managers to negotiate who had previous experience of participating in international business negotiations. So, we were confident about the performance of our negotiators.

Nonetheless, as a possible interpretation, it may be argued that the Australian firms might have prior learned about the Indian cultural environment, management style and organisational culture through the informal contacts and information gathering process during the preparatory stage which boosted the confidence of the Australian firms. This confidence might have made them reluctant to conduct any pre-contract training. The available data with respect to the pre-contract training, therefore, does not provide any support for proposition P4.1.

Management Level Assigned to Negotiate As argued in chapter V, the authority of the negotiating team may be understood through the composition of the team. A team comprised of senior managers may be perceived to possess the ability to respond to the full range of questions which may be asked, in a legitimate capacity, and be able to offer the optimum contribution to the negotiations. In international business negotiations, it is customary to send a powerful team to negotiate a deal. Accordingly, an ideal negotiating team may be comprised of medium to senior managers holding the above-mentioned sources of power and headed by someone with legitimate authority.

Consistent with the literature, seven Australian firms nominated senior managers to negotiate, whereas two assigned a combination of middle and senior managers. All Indian firms assigned senior managers for this purpose. These response-sets indicate the level of importance given by both Australian and Indian firms to this particular

process is required by the Australian firm to determine the nature of the future relationship between the IJV partners in its Indian activities.

Venue of the Formal/Final Negotiation As discussed in chapter V, the location at which the negotiation takes place has significance to parties involved in the negotiating process (Howarth, *et al.*, 1995; Rajan & Graham, 1991; Usunier, 1996). Negotiations in the host country are perceived to be more convenient for the host firms because of their familiarity with the location. However, selection of a prospective overseas partner's location may also be beneficial for the firms who leave their home country to negotiate as this provides them with an opportunity to observe and understand their prospective partners more extensively. Nonetheless, it may be preferred by both of the parties to formally negotiate the terms and conditions in the country of the prospective IJV so that they can both closely scrutinise the viability of the project. Alternatively, in recent years, many companies have begun to conduct negotiations by facsimile, video-conferencing, electronic mail, telephone and/or the post (Liesch & Knight, 1999; Richards & Walsh, 1990).

Column I of Table 11.2 lists the venues used for formal negotiations. It demonstrates that most of the formal negotiations to establish IJVs in India were held in Indian locations. This implies that most of the Australian firms had to be in India to negotiate the deals. According to one of the Australian respondents,

We preferred the Indian venue mainly because of the location of the IJV. It allowed us to have a closer look at our future partner, the Indian business environment and to decide upon the possible IJV site before the agreement was signed.

The responses confirm the extensive involvement by most of the Australian firms in the formal negotiation process, and thereby tend to support proposition P4.2.

Language/s Used As argued in chapter V, the language used during the formal negotiation process should be simple and accessible by both the parties (Fatehi, 1996; Ghauri, 1996). In India, English is spoken widely among the business community which has made it easier for the Western business firms to negotiate with the local firms.

This has been reflected in the firms' responses on the use of language/s during the formal negotiation (Column II of Table 11.2). All of the negotiations were conducted in English and the documents were prepared in English. Language did not stand as a barrier to one's understanding of the other. The use of English during the formal negotiations allowed the Australian firms to clearly understand the other party and to submit its own opinions extensively and with assuredness. According to the responses, the choice of English as the language of negotiation facilitated the Australian firms' extensive involvement during the formal negotiation process. These data, therefore, tend to support proposition P4.2.

Major Difficulties Faced during the Formal Negotiation Process As mentioned in chapter V, formal negotiation may be difficult to conduct. Considerable effort may be required to overcome the difficulties associated with this process. However, it may be argued that extensive commitment, effort and preparedness helps avoid major difficulties during the formal negotiation process, i.e., the more extensive the commitment, effort and preparedness, the less is the chance of encountering major

difficulties. As demonstrated in Column III of Table 11.2, it is revealed that most of the Australian as well as Indian firms did not face any major difficulties during the formal negotiation process. Accordingly, these responses highlight the extensive commitment put in by the Australian firms during the formal negotiation process. According to one of the Australian respondents,

We were well-prepared and we sent our best people to deal with the formal negotiation. That's why we did not face any major problem during the negotiation.

The available data, therefore, tend to support proposition P4.2.

Signing of Separate Licensing Agreements As argued in chapter V, the signing of a separate licensing agreement is important for the foreign firms contributing technological know-how to IJVs located in India. This has the intention of preventing the licensee from disclosing or making any use of technological know-how beyond the accepted terms of the contract (Parker, 1996). For convenience, the licensing agreement may be negotiated simultaneously with the formal IJV negotiation which may allow the parties to consider the pros and cons of licensing as a part of a comprehensive negotiation package.

As shown in Column IV of Table 11.2, the majority of the IJV partners signed separate licensing agreements. It was further revealed from the interviews that they negotiated those agreements simultaneously with the formal IJV agreement, i.e., they considered licensing as a part of the IJV agreement. In all of the licensing agreements, the Australian firms negotiated the licensing agreement as the providers of the technological know-how. This required extensive time and other resource commitments for the Australian companies. It also involved risks of disseminating

the technology because of the reported difficulties in enforcing intellectual property rights in high-tech and advanced knowledge projects in India (Banks & Natarajan, 1995). In brief, the responses demonstrate the Australian firms' extensive involvement in the formal negotiation process. The data therefore tend to support proposition P4.2.

Time and Effort required to obtain the Approval In India, an agreement comes into force and becomes legally binding for the parties once it is approved by an appropriate authority within the Indian government (Ramaiah, 1996). The memorandum of understanding signed by the IJV partners requires government approval (SBP Board of Consultants and Engineers, 1995). As argued earlier in chapter V, due to the presence of excessive bureaucracy, a long waiting period may be required before such approvals are obtained (Geissbauer & Siemsen, 1996). An experienced local partner with experience and an understanding of Indian bureaucratic culture may be of considerable assistance in hastening the approval process.

Columns V and VI of Table 11.2 report the firms' responses on the extent of time and effort required in obtaining government approval. Variability within the data on the approval time is high. On an average, it took 11.5 months to obtain approval. Most of the Australian firms and the half of their Indian counterparts indicated that special efforts, such as lobbying, were required to obtain approval from the appropriate Indian authority. Understandably, most of them however did not disclose the nature of influence that they had used to obtain the approval. One of the Australian CEOs (who wished to remain anonymous) mentioned,

The approval time was critical. Delay in the approval process could have facilitated the repositioning of our competitors affecting us adversely. So, with the assistance of our prospective partner we lobbied the appropriate authority and obtained the approval pretty quickly.

According to Pritchard & Fox (1996), the local partner of an IJV provides a communication channel to the host government. It was revealed during the interviews that the Australian firms relied exclusively on their Indian counterparts for such lobbying. Ironically, however, the Indian firms, on a number of occasions, did not support the information provided by their Australian counterparts at interview (eg., Indure-Warman and Modi-Telstra). As a possible explanation, one remark made by an Indian respondent (who wished to remain anonymous) is worth reporting. He suggested,

It is a common practice for the Indian firms to lobby relevant authorities to obtain undue privileges. However, they often don't want to offend concerned authorities by disclosing such information.

The responses confirm the Australian firms' far-reaching involvement during the extensive waiting period, which tends to support proposition P4.2.

Summary The interview data gathered from the respondents on the six different factors with respect to the formal negotiation process demonstrate the extensive involvement of Australian firms during the process. The available data-sets tend to support proposition P4.2, viz., *Extensive investment in the formal negotiation process is required by the Australian firm to determine the nature of the future relationship between the IJV partners in its Indian activities.*

11.3.3 Legal Aspects

For the negotiating parties, it is important to understand the legal aspects of the negotiation processes. They should be aware of the host-country legal implications in relation to the formation of IJVs and their future operations. An understanding of the legal aspects of negotiation in the Indian legal system is essential for the Australian firms wishing to establish an IJV relationship with a host firm in India. Three different issues were taken into consideration to examine the Australian firms' efforts in dealing with the relevant legal aspects during the entire IJV negotiation process. These include, the use of a legal expert/firm during the preparatory stage, use of a legal expert/firm to scrutinise the documents and interpretation of documents according to Australian law.

The Use of a Legal Expert/Firm during the Preparatory Stage It may not be easy to understand the legal matters involved in the negotiation processes when different countries, cultures and legal systems are involved. Host country legal requirements together with the need to interpret them according to the home country legal codes are likely to prompt the need to employ a corporate lawyer or local legal consultants. This is particularly important at the preparatory stage of negotiation because the legal experts may provide the concerned parties with necessary legal advice in order to inform parties of the local legal environment and its implications for the entire negotiation process. In the Indian context, with an array of laws regulating the Indian business environment, it is essential to employ a local legal expert. A detailed discussion regarding this factor is presented in chapter V.

As indicated in Column I of Table 11.3, most of the Australian respondents and their Indian counterparts used legal experts/firms during the preparatory stage of negotiation. The majority of the Australian firms, however, used the local law firms in addition to their in-house legal experts. In a number of cases, they also used Australian law firms for legal advice. As one of the Australian respondents noted,

Once we had learned about the complex nature of the Indian legal system, we decided to employ an Indian legal expert. It was certainly a good decision. Without the assistance from the local legal expert, it would have been very difficult for us to understand the local legal complexities and to negotiate successfully.

These data demonstrate the Australian firms' concerns about the legal matters involved in the negotiation process in the Indian context. This involvement tends to extend support for proposition P4.3.

Use of a Legal Expert/Firm to Scrutinise the Document As mentioned in chapter V, a joint venture agreement should be comprehensive and unambiguous, and one which anticipates all material contingencies, with prescriptions for dealing with them (Howarth, *et al.*, 1995). Accordingly, the use of legal experts/firms in scrutinising the final agreement is standard in the world of international business negotiation which may assist the negotiating firms to avoid future confusion and to maintain their respective interests in an orderly manner (Pritchard & Fox, 1996; Usunier & Ghauri, 1996).

The interviewed firms' responses on the use of law firms/experts are shown in Column II of Table 11.3 which demonstrate that most of the Australian and Indian firms used the advice of their legal experts to scrutinise the documents before they

signed them. These data indicate the importance given by both the Australian and Indian firms to this issue. Most of the Australian respondents used their legal departments as well as the Indian legal firms to ensure the necessary legal scrutiny of the documents. Legal experts usually joined the final negotiation only when the draft documents were prepared.

According to Usunier & Ghauri (1996), the presence of lawyers during the drafting of clauses for inclusion in the documents may be interpreted by the other party as a sign of distrust. It is better, therefore, to keep the lawyers 'behind the scene' until the draft document is prepared. Until then, however, they could be consulted regularly. The data-set emphasises the importance of engaging legal experts/law firms to scrutinise the documents before they are signed. In general, the Australian firms' involvement, in this respect, is quite extensive. Therefore, the available responses tend to show support for proposition P4.3.

Interpretation of Documents according to the Australian Law As mentioned earlier in chapter V, it is important to interpret the documents according to the home country law before it is signed. Because of the differences in country of origin, cultural background, ideology and legal environment, the interpretation as well as application of the same law may vary from country to country (Pritchard, 1996; Parra, 1996). Given these intricacies and to avoid possible future confusion, the negotiating foreign firms may proceed to interpret the agreements according to the laws of their own countries. Most of the Australian firms and only one Indian firm interpreted the documents according to the Australian laws before they were signed (see Column III of Table 11.3). This confirms the extensive effort given by the majority of the

Australian firms to achieving an understanding of the legal aspects of negotiation, and thereby, tends to support proposition P4.3.

Summary The interview data gathered from the respondents on three different factors with respect to the legal aspects of negotiation demonstrate the extensive involvement of the Australian firms in understanding the intricacies of various legal matters and their use during the negotiation process. Therefore, the available data-sets tend to support proposition P4.3, viz., *Extensive investment in understanding the legal aspects of negotiation in the Indian legal system is essential for the Australian firm as it attempts to ensure the security of future courses of action to be taken by the IJV and its partners.*

11.3.4 The Firms’ Overall Involvement in the Negotiation Process

The responses to the general question asked of all firms on the extent of their overall involvement throughout the negotiation process were found to be positive. Although this response-set is slightly more supportive than the response-set on the impact of each of the variables treated individually, these are somewhat corroborative of each other.

Table 11.4
Frequency of the Responses on the Firms’ Overall Involvement during the IJV Negotiation Process

	Significant	Moderate	Minimal	N/A
Level of involvement in the IJV negotiation process by the Australian firms	6	2	-	1
Level of involvement in the IJV negotiation process by the Indian firms	5	4	1	-

Table 11.4 illustrates the responses of both the Australian and Indian firms on the level of their overall involvement in the IJV negotiation process. Most of the Australian as well as the Indian firms indicated that their involvement during this process was moderate to mostly significant. However, the Australian firms' responses show greater involvement than their Indian counterparts. This variation, nonetheless, is consistent with the findings reflected in the response-sets on individual issues elaborated through sections 11.3.1 to 11.3.3.

The responses to the general overall question may have provided a global opinion about the extent of the firms' involvement in the negotiation process, but not an in-depth one specific to any particular issue. Nevertheless, this response-set reiterates the findings obtained individually on various issues during the negotiation process and tends to confirm that the Australian firms' overall involvement in the entire negotiation process was an extensive one.

11.4 CHAPTER SUMMARY

The evidence on the proposed level of involvement by the Australian firms in the IJV formation process appears to be consistent with the respective propositions (P4.1, P4.2 and P4.3). Accordingly, the extensive involvement of Australian firms in different stages of the IJV negotiation process and their efforts in understanding the legal matters associated with such processes were well-established. When asked the general question on the extent of their overall involvement in the negotiation process, the responses from the firms tended to be similarly supportive as they were to the questions asked on each of the factors treated separately. In general, it could be deemed that the weight of the evidence is tending to be supportive of the general

proposition (proposition P₄), viz., *Formation of IJVs involves an extensive investment in different stages of the negotiation process including an understanding of its legal aspects.*

CHAPTER XII

AN EXAMINATION OF THE IMPLEMENTATION PROCESS OF THE INDO-AUSTRALIAN IJVs IN INDIA

The essence of knowledge is, having it, to apply it.
- Confucius, 551-479BC.

12.1 INTRODUCTION

Once the formation of an IJV is completed through an extensive negotiation process, the IJV implementation process begins. At this stage, the success of an IJV, as a separate entity, is influenced by numerous issues. Successful implementation of an IJV generally depends on the efficient management of these issues. The interaction of the IJV management with the IJV partners also becomes operational at this stage.

In this chapter, a number of selected issues are examined for their influence on the successful management of the Australian-Indian IJVs. These are the choice of appropriate partner, management control, human resource management, inter-partner learning, building a separate IJV culture and long-term commitment. In addition, an attempt is made to investigate the difficulties in dealing with selected environmental as well as organisational-specific factors and the assistance offered by the local partners to overcome them.

Along with the examination of additional relevant data, these difficulties are compared and analysed on the basis of the earlier findings (chapters VIII-X) with respect to their roles in motivating the Australian firms to establish IJVs with the Indian partners while investing in India. Similarly, the influence of human resource

management and inter-partner learning are compared separately and analysed vis-à-vis the earlier findings with respect to their roles in motivating the Australian firms to establish IJVs. Further to the examination of the relevant data, the advantage of selecting an appropriate partner to achieve an IJV success is compared with the previous findings in relation to the Australian firms' efforts in selecting such partners during the IJV negotiation process (chapter XI).

The data introduced in this chapter reflect the perceptions of interviewees from the individual firms. The focus of the empirical investigation to follow is that of the Australian firms' perspectives. However, to determine whether there is a convergence of views from the IJVs and their Australian parents and Indian hosts, an examination of responses from all of these entities is also undertaken (except for analysing the impact of long-term commitment where the responses only from the Australian parents and their Indian counterparts are taken into consideration). In this respect, the responses, irrespective of their origins, are given equal importance in examining the implementation stage because, unlike the previous discussion on motivation, all the entities are directly involved in the implementation stage. This implies that the success or failure of one entity is likely to impact upon the remaining entities in a similar fashion. The analysis is based on findings in relation to the specific propositions P5.1, P5.2, P5.3, P5.4, P5.5, P5.6, P5.7 and P5.8.

12.2 INTERVIEW DATA

The data are presented in eight sections. The first section (12.1) deals with the impact of the selection of an appropriate partner upon the success of the IJVs between the Australian and Indian firms in India (proposition P5.1). The second section (12.2)

deals with the impact of management control on the success of the Indo-Australian IJVs (proposition P5.2). The third section (12.3) considers the contribution of the management of human resources to the IJV success (proposition P5.3). The fourth section (12.4) deals with inter-partner learning (proposition P5.4). The fifth section (12.5) considers the building of a separate IJV culture (proposition P5.4). The sixth section (12.6) discusses the long-term commitment of the IJV partners as a success factor (proposition P5.6). The seventh section (12.7) considers the difficulties faced by the IJVs from the environmental uncertainties and risks (proposition P5.7) and the eighth one (12.8) deals with the difficulties in managing organisational-specific factors with respect to the IJV operation (proposition P5.8).

Table 12.1
Frequency of Various Factors which affected IJV Success

Factors affecting IJV success	Significance rating ¹ for Australian parents				Significance rating ¹ for Indian hosts ²				Significance rating ¹ for IJV management			
	Signi- ficant	Mod- erate	No impact	N/A	Signi- ficant	Mod- erate	No impact	N/A	Signi- ficant	Mod- erate	No impact	N/A
1. Choice of an appropriate partner	9				10				5	4		
2. Management control												
Sharing of decision making	7	2			10				9			
Level of flexibility	6	3			8	1		1	8	1		
Level of equity	2	2	5		5	1	4		2	1	6	
Level of technology contribution	5	3	1		7	3			8	1		
IJV board structure	4	4	1		10				5	4		
Sharing of IJV personnel	1	3	5				10		1	2	6	
3. HRM issues												
Appropriate selection of IJV personnel	8	-	-	1	9	1	-	-	8	-	1	-
Use of experienced PCNs	4	2	1	2	5	1	3	1	8	1	-	-
Training of expatriate managers about Indian culture	5	-	1	3	5	2	2	1	6	1	1	1
Training of Indian managers about Australian culture	4	3	1	1	-	1	9	-	1	2	6	-
Provision of special compensation to expatriates	5	-	-	4	7	1	2	-	8	-	1	-
Using HCNs in key IJV positions	7	1	-	1	9	-	-	1	8	-	1	-
4. Inter-partner Learning	8	1			10				9			
5. Building separate IJV culture	6	2		1	8	2			9			

Notes: ¹ Level of importance shown is on the basis of respondents' views. Numerals used denote the numbers of firms falling within respective categories.

² The number of host companies is 10 because of two host partners for Telstra-Vcomm IJV.

N/A = Not available

12.2.1 Choice of an Appropriate Partner

Proposition P5.1 deals with the selection of an appropriate partner and its impact on the IJV success. Item 1 of Table 12.1 summarises the responses from the IJVs and their respective partners on the possible impact of the choice of appropriate partners with respect to the IJV success.

All nine Australian firms as well as their ten Indian counterparts demonstrated unequivocal support for proposition P5.1 and considered the impact of an appropriate partner selection as a significant pre-condition for the IJV success. The responses from the IJVs are supportive too, but lesser so than are those from the IJV partners. Five IJVs considered this factor as a 'significant' one, whereas the remaining four endorsed a 'moderate' response.

12.2.2 Management Control

Proposition P5.2 deals with management control and its impact on the IJV success. Item 2 of Table 12.1 summarises the responses from the IJVs and their respective partners with respect to the possible impact of various control issues on the IJV success. These are, sharing of decision making, level of flexibility, level of equity, level of technology contribution, IJV board structure and sharing of IJV personnel.

Sharing of Decision Making All nine IJVs and their ten Indian partners unanimously considered the sharing of decision making as a significant pre-condition for the IJV success. The responses from the Australian parents are supportive of the proposition, but lesser so than are their Indian counterparts and the IJVs. Of the nine

Australian firms, seven indicated that this factor had significant impact on the IJV success, whereas the remaining two endorsed a 'moderate' response.

Level of Flexibility Flexibility of control over the IJV management entrusted by the parents is likely to affect IJV success. According to the data-set, most of the IJVs and their Australian as well as Indian partners considered this factor as being of moderate to significant importance for the IJV success. However, the responses from the IJVs and their Indian partners appears to be more positive than are those of the Australian parents.

Level of Equity The level of equity contribution to the IJVs may impact upon the level of management control which in turn, may influence the IJV success. Most of the Indian firms indicated that this factor had moderate to significant impact on the IJV success. Alternatively, most of the IJVs and their Australian parents did not consider this factor important for the IJV success.

Level of Technology Contribution As demonstrated by the interview data, most of the IJVs and their Australian as well as Indian partners endorsed moderate to significant importance to the level of technology contribution affecting the level of management control, which, in turn influenced the IJV success. However, the responses from the IJVs appear to be more positive than are those from the Australian firms and their Indian partners.

IJV Board Structure A positive but mixed set of responses was received with respect to the impact of the IJV board structure on the IJV control. Eight of the nine

Australian parents indicated that the IJV board structure had an influence on the IJV success, while the remaining one did not consider it important. All of the IJVs considered this factor as being of moderate to significant impact on the IJV control. However, the Indian firms endorsed stronger support in this respect. All ten Indian firms unequivocally indicated that the IJV board structure had significant influence on the IJV control, which eventually affected the IJV success.

Sharing of IJV Personnel Most of the respondents considered control through the sharing of IJV personnel as being of no importance on the IJV success. Indian hosts, in particular, unanimously maintained this view. The majority of the IJVs and the Australian parents also expressed a similar view. However, the responses from the IJVs tend to be less supportive than are those of their Australian parents. Only three IJVs and four of the Australian firms endorsed a moderate to significant impact, whereas the remaining six IJVs and five Australian firms did not consider this factor as an important one.

12.2.3 HRM Issues

Proposition P5.3 deals with the HRM issues and their impact on the IJV success. Item 3 of Table 12.1 summarises the responses from the IJVs and their respective partners with respect to the possible impact of various HRM issues on the IJV success. These are, appropriate selection of IJV personnel, use of experienced PCNs, training of expatriate managers about Indian culture, training of Indian managers about Australian culture, provision of special compensation to expatriates and using HCNs in key IJV positions.

Appropriate Selection of IJV Personnel Most of the respondents considered the appropriate selection of IJV personnel as an important factor that made a significant contribution to the success of the IJV. Of the nine Australian firms, eight indicated that this factor had significant impact on IJV success, while only one Australian respondent expressed its unawareness of the factor in the present context. Nine of the ten Indian firms endorsed 'significant' impact, while the remaining one considered the factor as being of 'moderate' impact. Of the nine IJVs, eight considered this factor as an important one, while the remaining one firm regarded it as being of no impact.

Use of Experienced PCNs Most of the respondents mentioned that assigning experienced PCNs to the IJVs was an important precondition for IJV success. However, as demonstrated by the interview data, responses from the IJVs tend to be more positive than are those of their partners. Six Australian parents and the same number of Indian hosts stated that this factor had moderate to significant impact on the IJV success. However, all nine IJVs endorsed either 'significant' or 'moderate' response (comprising eight 'significant' and one 'moderate' response).

Training of Expatriate Managers about Indian Culture This factor was given moderate to significant importance by most of the IJVs as well as their Australian parents and Indian hosts. Nonetheless, the support tends to be marginal from the Australian parents. Of the nine Australian firms, five indicated that this factor had significant impact on IJV success and one firm did not endorse any impact for this factor. The remaining three Australian firms expressed their unawareness of this factor in the present context. However, the responses from the IJVs as well as their Indian parents appears to be more positive than are the Australian firms' responses.

Seven IJVs and seven Indian partners endorsed moderate to significant responses in this respect.

Training of Indian Managers about Australian Culture A diverse response-set was received on the impact of the training of Indian managers on Australian culture. Contrary to the responses of the preceding section on the training of Australian managers about Indian culture, most of the IJVs and their Indian hosts did not consider this factor important for IJV success. Nonetheless, most of the Australian parents (seven of nine) recognised such training as a precondition for IJV success.

Provision of Special Compensation to Expatriates Provision of special compensation to expatriates was considered important by most of the respondents. Five Australian firms, seven Indian firms and eight IJVs considered this factor as being of significant importance. Four Australian firms expressed their unawareness of this factor in the present context. Only one Indian firm endorsed a 'moderate' response, while the remaining two Indian firms and one IJV did not give any importance to this factor.

Using HCNs in Key IJV Positions This HR issue was given importance by most of the respondents. The majority of the IJVs (eight of nine) considered this factor as being of significant importance for IJV success, while the remaining one endorsed a 'no impact' response. Most of the Australian parents responded in the similar fashion. Eight Australian firms recognised the importance of this factor endorsing moderate to significant responses, while the remaining one firm expressed its unawareness of the factor. However, the responses from the Indian firms are found to

be more positive than are those of their Australian counterparts and the IJVs. Nine Indian firms regarded this factor as being of significant importance, while the remaining one expressed its unawareness of this factor in the present context.

12.2.4 Inter-Partner Learning

Proposition P5.4 deals with inter-partner learning and its impact on the IJV success. Item 4 of Table 12.1 summarises the responses from the IJVs and their respective partners on the possible impact of inter-partner learning with respect to the IJV success.

All nine IJVs as well as their ten Indian counterparts demonstrated unequivocal support for the proposition and considered the impact of inter-partner learning as a significant pre-condition for IJV success. The responses from the Australian parents are supportive too, but slightly lesser so than are the responses from the IJVs and their Indian partners. However, the difference is not noteworthy. Of the nine Australian parents, only one firm considered this factor as being of moderate impact on IJV success, while the remaining eight endorsed a 'significant' response.

12.2.5 Building a Separate IJV Culture

Proposition P5.5 deals with the building of a separate IJV culture and its impact on IJV success. Item 5 of Table 12.1 summarises the responses from the IJVs and their respective partners on the perceived influence of the building of a separate IJV culture with respect to IJV success.

Most of the respondents considered the building of a separate IJV culture as an important prerequisite for IJV success. The responses from the IJVs, in particular, are overwhelmingly supportive of the proposition. All nine IJVs affirmed that this factor had been of significant importance for IJV success. Of the nine Australian firms, eight considered this factor as being of moderate to significant importance, while the remaining one Australian firm expressed its unawareness of the factor in the present context. All ten Indian firms indicated that this factor had moderate to significant impact on IJV success.

12.2.6 Long-Term Commitment

Proposition P5.6 deals with long-term commitment and its impact on IJV success. This time, responses only from the IJV partners are taken into consideration because the IJV partners are regarded as the deciding contributors to the future course of the venture. In this respect, in this study, the partners' willingness to maintain the venture in the long run is given preference.

Table 12.2 summarises the responses from the Australian parents and their Indian counterparts on various issues relevant to the partners' long-term commitment that might have contributed, and that are likely to contribute, to the success of the IJVs. These are, number of years envisaged to keep the IJV operational, involvement in other Indo-Australian IJVs and future possibilities to partner another Indo-Australian IJV in India.

Table 12.2
Frequency of Firms' Emphasis on Long-Term Commitment as a Success Factor*

Name of the IJV/partner	Number of years envisaged to keep the IJV operational	Involvement in any other Indo-Australian IJV in India	Future possibilities to partner another Indo-Australian IJV in India
1. ACC-CRA (IJV)			
Australian Parent (AP)	5	No	No
Indian Host (IH)	10	No	Yes
2. Atco Control (IJV)			
Australian Parent (AP)	For ever	No	No
Indian Host (IH)	For ever	No	No
3. GPTL (IJV)			
Australian Parent (AP)	For ever	No	Yes
Indian Host (IH)	10	Yes	Yes
4. GSSL (IJV)			
Australian Parent (AP)	As long as both the parties are happy	No	N/A
Indian Host (IH)	20	Yes	Yes
5. Indure Warman (IJV)			
Australian Parent (AP)	Open-ended	No	Yes
Indian Host (IH)	Indefinitely	No	Yes
6. Modi-Telstra (IJV)			
Australian Parent (AP)	>10 years	Yes	Yes
Indian Host (IH)	Until the foreseeable future	No	Yes
7. Pioneer Friction (IJV)			
Australian Parent (AP)	For ever	No	Yes
Indian Host (IH)	Forever	No	No
8. Tech-Dry (IJV)			
Australian Parent (AP)	5 years	No	No
Indian Host (IH)	Forever	No	Yes
9. Telstra-VComm (IJV)**			
Australian Parent (AP)	>10 years	Yes	Yes
Indian Host-1 (IH-1)	10 years	No	No
Indian Host-2 (IH-2)	Indefinitely	No	yes

*To analyse this issue, the responses only from the Australian parents and their Indian counterparts are taken into consideration. Responses from the IJVs were not sought during the interviews.

**The IJV, Telstra-VComm has two Indian hosts, VSNL (IH-1) and IL&FS (IH-2).

N/A = Not Available

Number of Years Envisaged to Keep the IJV Operational An interesting but diverse response-set was received in answer to the question about the envisaged period of IJV operations. Only four Australian parents responded in terms of number of years, while the remaining five declared the future plan in clear expressions reflecting their commitment to continue the operations. Two Australian parents expressed their intention to run the IJVs for more than ten years, while another two referred to five and ten years respectively. Four Australian firms expected to run the

IJV 'for ever', while the remaining one firm expressed its desire to run the IJV 'as long as both the parties are happy'.

Similar to the Australian parents, Indian hosts reported mixed responses. Three Indian firms expressed their desire to continue the IJV operation for the next ten years, while one firm wished it to run for twenty years. Five firms volunteered 'for ever' or 'indefinitely' responses, while the remaining one firm showed its interest to run the IJV 'until the foreseeable future'.

Involvement in Other Indo-Australian IJVs As demonstrated by the interview data, it was found that only two Australian parents and two Indian hosts had involvement in other Indo-Australian IJVs. The remaining firms did not have any such involvement at the time the interviews were conducted.

Future Possibilities to Partner Another Indo-Australian IJV in India Most of the respondents had considered the possibility to partner another Indo-Australian IJV in the future. Of the nine Australian parents, five indicated their willingness for involvement in such a partnership. One expressed its unawareness of this factor in the present context, while the remaining three did not anticipate any such involvement. Similarly, most of the Indian firms showed their willingness to enter into another IJV relationship with an Australian partner. Of the ten Indian hosts, seven expressed such a willingness, while the remaining three did not consider it an option.

12.2.7 Managing Environmental-Specific Difficulties

Proposition P_{5.7} deals with the perceived environmental-specific difficulties encountered by the respondents and the assistance they required from the host partners to overcome those difficulties. A selection of environmental-specific variables are examined. These are, historical events, geographic location of India vis-à-vis Australia, demographic characteristics in India, India's macroeconomic environment, the political environment in India, India's legal and regulatory environment, the host country HR practices, the lack of necessary market information in India, cultural differences between Australia and India, and the host country bureaucracy and corruption.

Table 12.3 summarises the responses from the IJVs and their respective partners on the adversity they have encountered in managing environmental-specific difficulties and the necessity of host partners' assistance to overcome them. Of the above-mentioned ten environmental-specific factors, most of the respondents from each of the groups (IJVs, Australian parents and Indian hosts) faced difficulties in dealing with three particular factors, viz., the host country's macroeconomic environment, its legal and regulatory environment, and the bureaucracy and corruption in India (see Columns IV, VI and X of Table 12.3). In addition, the majority of the Australian firms and the IJVs mentioned that they faced difficulties derived from the political environment and cultural differences (Columns V and IX of Table 12.3). In the remaining areas (see Columns I, II, VII and VIII of Table 12.3), the majority of the IJVs as well as the IJV partners did not face any difficulties. Nonetheless, all the IJVs and their respective partners unanimously agreed upon the necessity of the host

Table 12.3
Frequency of Environmental-Specific Difficulties Encountered by the Firms in Managing IJVs

Name of the IJV/partner	I Historical events	II Geograph- ic location	III Demographic characteris- tics	IV Macroecon- omic environment	V Political environment	VI Legal and regulatory environment	VII Host country HR Practices	VIII Lack of neces- sary market information	IX Cultural differences	X Bureaucracy/ corruption	XI Necessity of host partner assistance
1. ACC-CRA (IJV)					✓	✓	✓		✓	✓	✓
Australian Parent	✓			✓	✓	✓	✓		✓	✓	✓
Indian Host				✓	✓	✓				✓	✓
2. Atco Control (IJV)				✓	✓	✓			✓	✓	✓
Australian Parent					✓	✓			✓	✓	✓
Indian Host				✓							✓
3. GPTL (IJV)				✓	✓	✓		✓	✓	✓	✓
Australian Parent		✓	✓			✓				✓	✓
Indian Host		✓		✓						✓	✓
4. GSSL (IJV)				✓	✓			✓	✓	✓	✓
Australian Parent				✓	✓	✓				✓	✓
Indian Host		✓		✓						✓	✓
5. Indure Warman (IJV)			✓	✓		✓					✓
Australian Parent		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Indian Host											✓
6. Modi-Telstra (IJV)				✓		✓	✓	✓	✓	✓	✓
Australian Parent				✓		✓	✓				✓
Indian Host											✓
7. Pioneer Friction (IJV)		✓				✓				✓	✓
Australian Parent			✓	✓	✓	✓	✓	✓	✓	✓	✓
Indian Host		✓								✓	✓
8. Tech-Dry (IJV)				✓		✓		✓	✓	✓	✓
Australian Parent				✓		✓		✓	✓	✓	✓
Indian Host						✓		✓	✓	✓	✓
9. Telstra-VComm (IJV)*		✓		✓	✓	✓	✓			✓	✓
Australian Parent				✓		✓	✓				✓
Indian Host-1 (IH-1)				✓	✓	✓					✓
Indian Host-2 (IH-2)				✓	✓		✓			✓	✓

*The IJV, Telstra-VComm has two Indian hosts, VSNL (IH-1) and IL&FS (IH-2).

N/A = Not Available

partner assistance to overcome any difficulties arising out of the environmental-specific variables (see Column XI of Table 12.3).

12.2.8 Managing Organisational-Specific Difficulties

Proposition P5.8 deals with the perceived organisational-specific difficulties encountered by the respondents and the assistance they required from the host partners to overcome those difficulties. A selection of organisational-specific variables is examined. These are, achieving economies of scale, transactions costs minimisation, accessing wider distribution channels, sharing of resources and capabilities and HR management.

Table 12.4
Frequency of Organisational-Specific Difficulties Encountered by the Firms in Managing IJVs

Name of the IJV/partner	I Achieving economies of scale	II Transactions costs minimis- ation	III Accessing wider distribution channels	IV Sharing resources and capa- bilities	V HR Managem- ent	VI Necessity of host partner assistance
1. ACC-CRA (IJV)		✓			✓	✓
Australian Parent					✓	✓
Indian Host		✓			✓	✓
2. Atco Control (IJV)		✓			✓	✓
Australian Parent					✓	✓
Indian Host		✓				✓
3. GPTL (IJV)	✓	✓	✓			✓
Australian Parent	✓	✓	✓			✓
Indian Host	✓	✓	✓		✓	✓
4. GSSL (IJV)	✓		✓		✓	✓
Australian Parent		✓	✓		✓	✓
Indian Host	✓	✓	✓		✓	✓
5. Indure Warman (IJV)	✓	✓			✓	✓
Australian Parent	✓	✓		✓		✓
Indian Host					✓	✓
6. Modi-Telstra (IJV)		✓			✓	✓
Australian Parent	✓	✓	✓			✓
Indian Host		✓			✓	✓
7. Pioneer Friction (IJV)					✓	✓
Australian Parent		✓		✓	✓	✓
Indian Host		✓			✓	✓
8. Tech-Dry (IJV)	✓					✓
Australian Parent		✓		✓	✓	✓
Indian Host	✓				✓	✓
9. Telstra-VComm (IJV)*	✓				✓	✓
Australian Parent	✓	✓	✓		✓	✓
Indian Host-1 (IH-1)	✓					✓
Indian Host-2 (IH-2)						✓

* The IJV, Telstra-VComm has two Indian hosts, VSNL (IH-1) and IL&FS (IH-2).
N/A = Not Available

Table 12.4 summarises the responses from the IJVs and their respective partners on the difficulties they have encountered in managing organisational-specific variables and the necessity of host partners' assistance to overcome them. Of the above-mentioned five organisational-specific factors, most of the respondents from each of the groups (IJVs, Australian parents and Indian hosts) faced difficulties in dealing with two factors, viz., transactions costs minimisation and HR management (see Columns II and V of Table 12.4). In addition, the majority of the IJVs (five of nine) mentioned that they faced difficulties in achieving economies of scale, while the majority of the Australian parents as well as their Indian counterparts did not admit any difficulties in this respect (Column I of Table 12.4). In the remaining two areas (see Column III and IV), most of the IJVs as well as the IJV partners did not face any difficulties. Nonetheless, all the respondents from across the three groups unanimously agreed upon the necessity of the host partner assistance to overcome any difficulties arising out of these organisational-specific issues (see Column VI of Table 12.4).

12.3 DISCUSSION AND INTERPRETATION

On the basis of the data presented, there appears to be some support for each of the propositions P5.1, P5.2, P5.3, P5.4, P5.5, P5.6, P5.7 and P5.8. Discussion of the interview data is grouped into nine sections. The first eight sections consider the data dealing with the eight propositions. A chapter summary concludes with a brief examination of the general proposition (proposition P5) and the level of support it has in the data sets from across the eight groupings.

12.3.1 Choice of an Appropriate Partner

As mentioned in chapter V, the foreign company must find a reliable partner capable of understanding the IJV objectives and contributing to its successful operation. According to Fatehi (1996), Geissbauer & Siemens (1996), Harrigan (1986) and Howarth, *et al.* (1995), choosing the right partner through an extensive screening process is important for a successful joint venture relationship. As demonstrated in Item 1 of Table 12.1, overwhelming support was evidenced from all the respondents with respect to the impact of an appropriate partner selection as a significant precondition for IJV success.

All of the Australian partners and their Indian counterparts considered this factor significant, which may be compared with their earlier efforts to select an appropriate partner during the IJV negotiation process (see chapter XI). At that stage, it was found that the most of the Australian parents (five out of nine) contacted more than one Indian firm in the selection of an appropriate partner. None of the Indian firms initially contacted more than one Australian firm to choose a suitable partner. This suggests a relatively more cautious and extensive involvement by the majority of the Australian firms than their Indian counterparts in selecting the most appropriate partners. Likewise, with respect to the use of major sources of information about the prospective partners, the Australian firms' efforts were found to be more extensive than their Indian counterparts (see chapter XI).

Overall, during the negotiation process more emphasis was given by the Australian parents to the selection of an appropriate Indian partner than the efforts rendered by their Indian counterparts in choosing an Australian partner. However, during the

implementation stage all of the Australian and Indian firms unequivocally realised the importance of the selection of an appropriate partner for a successful IJV operation.

As one of the respondents indicated,

We precisely realised the importance of a good partner only when we started our business (IJV operation). The regular interactions between us and the ongoing contributions from the partner obviously gave us the insights about the importance of having an efficient and easygoing partner for a successful IJV operation.

The importance of this factor was also supported by all the IJVs as being of moderate to significant importance (see Item 1 of Table 12.1). These responses tend to be consistent with the proposition.

Summary The responses from all of the IJVs and their respective partners considered the choice of an appropriate partner as an important precondition for IJV success. Moreover, as demonstrated by the responses, it was found that the Australian firms as well as their Indian counterparts offered stronger support with respect to the importance of the appropriate partner selection during the implementation stage compared with their previous efforts in choosing an appropriate partner during the IJV negotiation stage. Nevertheless, the response-set tends to be consistent with proposition P5.1, viz., *The choice of an appropriate Indian partner is a pre-condition for IJV success for Australian firms in India.*

12.3.2 Management Control

This is another critical determinant of IJV performance (Geringer & Hebert, 1989; Killing, 1983; Yan & Gray, 1995). As an entry mode, the IJV offers a mid-level of management control exercised by its parents as compared with the other entry modes, such as licensing with a 'low' level of control and the wholly owned subsidiary with a

high level of control (Hill, *et al.*, 1990). In the present context, six major issues are taken into consideration to examine the validity of proposition P5.2 that deals with the management control of the IJV. These include the sharing of decision making, level of flexibility, level of equity, level of technology contribution, IJV board structure and the sharing of IJV personnel. All of the Indian firms and the majority of the Australian firms and the IJVs did not consider the sharing of IJV personnel as an important precondition for the IJV success. Most of the Indian firms indicated that the level of equity had moderate to significant importance on IJV success, whereas the majority of the IJVs and their Australian counterparts did not consider this issue as an important success factor. As the evidence shows, most of the respondents indicated that the remaining four issues had moderate to significant impact on IJV success.

Sharing of Decision Making As mentioned in chapter V, management control through a balanced sharing of decision making is an important success factor for any jointly owned business entity (Radford, 1981). Accordingly, the reciprocity of the contributions made by each of the partners as well as the IJVs is critical for the attainment of IJV success. The importance of the sharing of decision making is acknowledged by all of the respondents. However, there is a subtle difference of opinions between the Australian parents and the remainder of the respondents. The views of the Australian respondents are slightly less indicative than are the responses from their Indian counterparts and the IJVs (see Item 2 of Table 12.1). Nevertheless, these interview data provide support for the significance of this factor as an IJV success factor. According to the CEO of one of the Australian parents,

Sharing of decision making is important because it creates mutual trust. It also makes the decisions transparent to each other leaving minimal chance for chaos and confusion between the parties.

During the interviews, it was further revealed that in six IJVs major decisions are made/guided by the policy guidelines of the both parents, whereas in the remaining three, decisions are made by IJVs with some policy guidelines from the parents. Decisions, therefore, are significantly shared between the parties.

Level of Flexibility This is another important issue likely to contribute to the IJV success. As mentioned in chapter V, flexibility deals with the extent of freedom to be extended to the venture management vis-à-vis its parents, and the management roles to be played by each partner. As Bleeke & Ernst (1991) suggest, flexibility allows joint ventures to overcome problems and to adapt to necessary changes over time. For example, the success of German firms in India propounds that the flexible attitude of foreign companies is a key success factor for an IJV operation in India (Geissbauer & Siemens, 1996). Consistent with the extant literature, most of the respondents considered this issue as an important precondition for IJV success. However, the IJVs and their Indian partners expressed stronger support in favour of a more flexible attitude towards the IJVs compared with the responses from the Australian partners. Nevertheless, the response-set recognises the importance of this issue.

Level of Equity As mentioned in chapter V, the level of equity participation by the partners may influence the level of management control affecting the IJV success (Geringer, 1993; Geringer & Hebert, 1989; Harrigan, 1986; Tomlinson, 1970; Yan & Gray, 1995). Ownership split, in this respect, may have impact on IJV control. Phatak (1997) considers that a multinational company may easily maintain an effective control over an IJV if it owns a majority of the venture's equity. It is further argued that the majority ownership might allow decisions to be made rapidly in

response to market or product developments and thus avoid costly compromises or decision-making deadlocks (Banks, 1981). However, a study by Bleeke & Ernst (1991) has found that because of the balance of control maintained by the partners, joint ventures with an even split of ownership have a higher success rate.

A mixed response set was received from the IJVs and their respective partners on this issue. Most of the IJVs and their Australian partners did not consider this factor important for the management control process of the IJVs, whereas the majority of the Indian hosts indicated that this factor had moderate to significant impact. Because of the presence of such discrepancies and the lack of support from the majority of respondents, the weight of evidence tends not to be consistent with proposition Ps.2.

When asked about such an outcome, one of the Australian parents argued,

We believe in consensus and team spirit rather than competing for control over the equity issue. We know our strengths and those of our partners. We consider mutual understanding and trust more important rather than taking advantage of owning majority share.

This remark is consistent with the observations made by Geringer (1993) and Habib (1987). They mentioned that any attempt made by a partner to manipulate the decision making process on the basis of relative ownership of the joint venture may adversely affect mutual respect and understanding between the partners and diminishes the prospect of the venture's long-term survival.

Level of Technology Contribution This is another critical factor that may influence the management control process of an IJV, which, in turn is likely to impact upon the IJV success (Hagedoorn & Schakenraad, 1990). In particular, any form of technology contribution through a licensing agreement may provide significant control to the contributing firm over the IJV. As Phatak (1997, p. 268) noted,

... actual control over a joint venture can be exercised by an international company through a license agreement. When the joint venture cannot operate effectively without the license, and the license is terminable by the international company, the significance of the license to the control of the joint venture is obvious.

Most of the respondents endorsed a moderate to significant importance for this issue. However, the responses from the IJVs are slightly more positive than are those from the Australian firms and their Indian counterparts. As a possible explanation, it may be argued that the extent of control from the technology contribution is likely to affect the IJVs directly because they implement the licensing agreement and follow instructions from the contributors with respect to the possible implementation mechanisms. Nonetheless, the interview data tend to provide support for proposition P5.2.

IJV Board Structure As mentioned in chapter V, the IJV board structure is likely to play an important role in the IJV control, and thereby influence IJV success (Geringer, 1993; Gullander, 1976; Phatak, 1997). Phatak (1997) considers a majority representation on the board of directors as one of the mechanisms to obtain management control in an IJV. However, Geringer (1993) argues that because of the tendency for making major IJV decisions by consensus, majority representation on the IJV board may not matter much with respect to management control. Nonetheless, most of the respondents indicated that the IJV board structure had an influence on IJV success. However, the Indian firms endorsed stronger support for this factor. All ten Indian firms unequivocally indicated that the IJV board structure had a significant influence on IJV control, which eventually affected IJV success.

During the interviews, it was revealed that the majority of the IJV boards were comprised of equal numbers of representatives from each of the partners. Of the nine IJV boards, eight were chaired by HCNs at the time of interview. The only IJV chaired by a PCN was the ACC-CRA IJV. One of the respondents mentioned,

The IJV board is an important forum to exchange views, decide future directions and resolve problems. The authority of a firm may be exercised through its strong presence on the board of directors. A balanced representation is necessary to safeguard the interests of the respective partners and to ensure the IJV success.

In general, the data tend to provide support for proposition P_{5.2}.

Sharing of IJV Personnel As argued in chapter V, control through staffing and staff loyalty is another important issue to consider during the IJV management process (As-Saber, *et al.*, 1998; Dowling, *et al.*, 1989; Negandhi, 1987; Schaan 1988). Key IJV positions, such as the general manager, may play an important role in this respect (Geringer & Hebert, 1989). However, the available data tend not to recognise the impact of this factor on the management control of the IJVs and their success. Most of the respondents considered control through the sharing of IJV personnel as having no impact on IJV success. It was also revealed during the interviews that most of the IJV personnel including the key IJV positions were held by the HCNs. When asked about the rationale of such responses, one of the Australian respondents mentioned,

We tried to select the best possible personnel for the IJV, no matter whether they were Australians or local Indians. Because of the availability of cheap labour and skilled managers in India, we preferred to recruit most of them from India. In addition, maintaining expatriates in the IJV is expensive. The IJV board is there to oversee the performance of the venture, so, we didn't consider controlling the IJV through the sharing of personnel.

In all, the data imply that the findings on this issue do not acknowledge the necessity of personnel sharing in the IJV as a control mechanism, nor as a success factor.

Summary Of the six factors examined within the area of management control, responses on the impact of four factors appear to be supportive of the proposition P5.2. These are, sharing of decision making, level of flexibility, level of technology contribution and the IJV board of structure. The responses on the remaining two factors, the level of equity share and the sharing of IJV personnel, were not supportive of the proposition. The responses, in general, reflect a moderate level of partners' control over the IJVs. The available data are partially supportive of proposition P5.2, viz., *The success of Australian firms joint venturing with Indian partners depends upon the effectiveness of the control mechanism adopted.*

12.3.3 HRM Issues

Efficient management of various HR issues may have significant impact upon the IJV success (Dowling, 1986; Dowling, *et al.*, 1999; Schuler *et al.*, 1991; Sluijs & Schuler, 1994). In the present context, six major issues are taken into consideration to examine the validity of proposition P5.3 that deals with the HRM issues. These include, appropriate selection of IJV personnel, use of experienced PCNs, training of expatriate managers about Indian culture, training of Indian managers about Australian culture, provision of special compensation to expatriates and using HCNs in key IJV positions. The responses on the training of Indian managers about Australian culture were considered important by the majority of the Australian firms, but not supported by the majority of the IJVs nor by the Indian hosts and left the results somewhat inconclusive. However, the remaining five factors were considered by the majority of respondents from across the three groups as being of moderate to significant importance for IJV success.

Appropriate Selection of IJV Personnel One of the major preconditions for IJV success is to adopt a systematic approach to the selection of IJV personnel (Dowling, 1986; Dowling *et al.*, 1999; Schann & Beamish, 1988; Sluijs & Schuler, 1994). In this respect, 'the right person for the right position' policy is important to consider. The importance of this factor is reflected in the available data, while the majority of the respondents from across the three groups overwhelmingly considered this factor as being of significant importance for IJV success (see Item 3 of Table 12.1). According to one respondent,

There is no doubt about the need for quality people to make an IJV successful. We gave real efforts to find quality personnel for the IJV. We desperately needed good people for good performance.

Use of Experienced PCNs As mentioned in chapter V, sending experienced PCNs to the host country is critical for the success of an IJV. An experienced PCN must have managerial and technical competence along with the ability to accommodate the foreign environment (Datta & Rasheed, 1993; Dowling, *et al.*, 1999; Murray & Murray, 1986).

Most of the respondents from across the three groups considered this factor as being of moderate to significant importance for IJV success. It is, however, important to note that only a few PCNs were working in most of the IJVs at the time of the interviews. These were mostly technical people. According to one of the Australian respondents,

Whenever we send an expatriate to a foreign operation, we try to send the best possible person for the job. If we don't find a suitable person, we rather depend on the experienced HCNs.

The responses tend to provide support for the significance of sending experienced PCNs to the IJV as a precondition of IJV success.

Training of Expatriate Managers about Indian Culture It is argued that a comprehensive, cross-cultural training programme is likely to enable the expatriate managers to understand and adapt to a foreign culture (Datta & Rasheed, 1993; Tung, 1981). As mentioned in chapter V, India, with a complex cultural disposition, has significant impact on the Indian management style (Husain, 1994; Sharma, 1984). Accordingly, it is advisable for the expatriates to learn about Indian culture prior to taking up positions there. An extensive training program can be useful in this respect. The majority of the respondents from across the three groups recognised the importance of expatriate training on Indian culture in order to achieve IJV success. According to one of the Australian respondents,

We are always aware of the importance of training an international manager about the host country culture. In the complex cultural context in India, it was more obvious to do.

Despite such acknowledgments, it was revealed during the interviews that most of the Australian firms did not organise any comprehensive training for their expatriates. Rather, they organised pre-departure briefing sessions which might not be sufficient to serve the purpose. The responses, nonetheless, indicate support for proposition P5.3.

Training of Indian Managers about Australian Culture Australia, being an industrialised developed country, has a different cultural make-up than that of India. As mentioned in chapter V, the Australian management style is clearly Western in nature (Australian Department of Foreign Affairs and Trade, 1995a; Grant, 1982). It

should be advantageous for the Indian managers appointed to the Australian-Indian IJVs to understand Australian culture and management style. An extensive training program can be useful in this respect.

However, the responses received on the importance of this factor as a success factor did not receive adequate support. Although this factor was acknowledged by the majority of the Australian parents as being of moderate to significant importance, most of the IJVs and the host firms did not consider it important. This has left the results inconclusive. However, because of the negative responses from the majority of respondents, the weight of evidence tends not to support proposition P5.3. As a possible explanation, it may be argued that the Australian managers might have faced difficulties in understanding Indian management style because of the lack of sufficient knowledge on the complex nature of the Indian culture. The findings in the previous section regarding the Australian firms' inability to conduct comprehensive training for its expatriates on the Indian culture partially support this rationale. Alternatively, the Indian managers, already exposed to Western culture were generally comfortable in dealing with their Australian counterparts. All of the IJV managers had similar backgrounds. In both cases, they were either educated in the West or had prior experience in dealing with the Western business culture.

Provision of Special Compensation to Expatriates It is not easy to attract good expatriate managers to an IJV and to retain them (see chapter V for a detailed discussion). To do so may require the provision of special compensation (Dowling, *et al.*, 1999; Reynolds, 1986). Most of the respondents from across the three groups

assigned moderate to significant importance to this factor. According to one of the Australian respondents,

We are ready to pay special compensation for the expatriates. Otherwise, we can't send good managers for important overseas assignments.

The available data tend to show support for proposition P5.3.

Using HCNs in Key IJV Positions As argued in chapter V, the use of HCNs in key IJV positions has many advantages which include, elimination of language and other barriers, reduction of hiring costs, improvement of the continuity of management and creating high morale among HCNs (Dowling, *et al.*, 1999). Because of the availability of well-educated and experienced managers in India, locals have the skills and capabilities to manage the venture efficiently.

Most of the respondents from across the three groups regarded this factor as being of significant importance for IJV success. Consistent with these findings, it was revealed during the interviews that the key positions in the majority of the Australian-Indian IJVs were occupied by HCNs. According to one of the respondents,

We don't see any problem in assigning locals instead of expatriates in key IJV positions. They are well-qualified, experienced and trustworthy. We don't need to pay for their relocation and need not to worry about the work permits and their adaptation to the host country environment.

The available data, in this respect, are inclined to support proposition P5.3.

Summary Of the six factors examined within the area of human resource management, responses on the impact of five factors appear to be supportive of the proposition P5.3. These are, appropriate selection of IJV personnel, use of experienced PCNs, training of expatriate managers about Indian culture, provision of special compensation to expatriates and use of HCNs in key IJV positions. The impact of the

remaining factor, training of Indian managers about Australian culture, appears to be inconclusive. Although this factor was acknowledged by the majority of the Australian parents as being of moderate to significant importance, most of the IJVs and the host firms did not consider it important for IJV success. The responses, in general, demonstrate a moderate to significant level of impact by the majority of the HRM issues on IJV success. Accordingly, the available data are somewhat consistent with proposition P5.3, viz., *The success of Australian firms joint venturing with Indian partners depends upon the efficient management of human resources.*

12.3.4 Inter-Partner Learning

As argued in chapter V, IJVs may be used as a vehicle for inter-partner learning (Dodgson, 1993; Doz & Sheun, 1988; Hamel, 1991; Harrigan, 1986; Kogut, 1988). Companies often form joint ventures to leverage their capabilities and to learn from one another through superior information exchange (Doz & Sheun, 1988). The respondents from across the three groups overwhelmingly indicated that this factor had significant impact on IJV success. According to one of the Australian respondents,

Inter-partner learning is important for both partners. It is an ongoing process. We have learned from our partner how to cope with the rapidly changing business environment in India. In addition, we have acquired knowledge about the local management practices and business culture. On the contrary, we have brought with us advanced technical know-how and Western management style which enriched the knowledge base of the Indian partners.

The impact of this factor on IJV success may be compared with its earlier role of motivating the Australian firms to joint venture with local partners while investing in India (see chapter X). At the motivation stage, responses were based on the level of expectation by the Australian firms. IJVs, at that stage, were seen as an appropriate mode for inter-partner learning which motivated the Australian firms to joint venture

with the Indian partner. The findings at the motivation stage indicated that this factor had strong influence on motivating Australian firms to joint venture. In the implementation stage, the importance of this factor was reiterated by the respondents. However, the Australian responses at the implementation stage were found to be stronger than were those at the motivation stage, i.e., during the implementation stage, the Australian respondents registered stronger support for inter-partner learning. As one of the Australian respondents indicated,

We carefully observed the inter-partner learning scenario at the implementation stage and found this factor more important than we had thought before.

Hence, these responses tend to be consistent with proposition P5.4.

Summary The responses from all of the IJVs and their respective partners considered inter-partner learning to be an important precondition for IJV success. Moreover, as demonstrated by the responses, it was found that the Australian firms offered stronger support with respect to the importance of this factor during the implementation stage as compared with their responses during the motivation stage. Nevertheless, the response-set tends to be consistent with proposition P5.4, viz., *The success of Australian firms joint venturing with Indian partners depends upon efficient inter-partner learning.*

12.3.5 Building a Separate IJV Culture

As discussed in chapter V, it is important to develop an integrated teamwork culture, rather than an “us-them” culture for the success of a cross-cultural venture (Geringer & Hebert, 1989). For an IJV, it is critical to build a separate IJV culture in order to make coordination easier and to facilitate better performance. Intensive on-the-job training may reduce the psychic distance and help build a team spirit in such cross-

cultural environments (Dowling, *et al.*, 1999). Most of the Australian parents and their Indian counterparts indicated that this factor had moderate to significant impact on IJV success. However, all nine IJVs expressed stronger views endorsing a unanimous recognition of this factor as being of significant importance. According to one of the respondents,

Building a separate IJV culture is important for the success of an IJV because it ensures employee loyalty to the IJV as a separate entity, and creates mutual trust and understanding among the IJV personnel. It also builds teamwork spirit among the employees which enhances efficiency.

As indicated by the response-set, the building of a separate IJV culture had the tendency to impact upon IJV success.

Summary On the basis of the above-mentioned finding, it was revealed that the building of a separate IJV culture was given adequate importance by the respondents from across the three groups to be an important pre-condition for the success of the Australian-Indian IJVs. Accordingly, the available data tend to be consistent with the proposition P_{5.5}, viz., *The success of Australian firms joint venturing with Indian partners depends upon the building of a separate IJV culture.*

12.3.6 Long-Term Commitment

As mentioned in Chapter V, long-term commitment of the IJV partners is an important precondition for the success of an IJV (Dunstan, 1995; Howarth, *et al.*, 1995; Lasserre & Schütte, 1995; Vicziany, 1993). In order to examine the long term commitment of the Australian parents and their Indian counterparts, a number of issues were taken into consideration. These are, number of years envisaged to keep the IJV operational, involvement in other Indo-Australian IJVs and future possibilities to partner another Indo-Australian IJV in India.

Envisaged Period of the IJV Operation As shown in the Table 12.2, an interesting but diverse response-set was received on the question about the envisaged period of IJV operation. Nonetheless, the response-set is a simple one which reflects the long-term commitment of the majority of the Australian parents and their Indian counterparts to continue the IJV operations. According to one of the respondents,

We are happy with the IJV performance. We are also happy with our partner. So, we would like to go on as long as both the parties are happy.

The data indicate a commitment to the IJV stability by the majority of the firms which is likely to contribute to IJV success. Therefore, the responses tend to support proposition, P5.6.

Involvement in Any Other Australian-Indian IJV in India This question was posed to examine the extent of the firms' current involvement in the Australian-Indian IJVs in India. It was assumed that the greater the involvement, the greater the likelihood of long-term commitment rendered by the firms because any such involvement presumably would make it difficult for the firms (in particular, the foreign firms) to withdraw from the market. It was found that only two Australian parents and two Indian hosts had such additional involvement. Therefore, the data on this particular issue do not reflect a long-term commitment by the respondents and therefore, offer little or no support for proposition, P5.6.

Future Possibilities to Partner another Indo-Australian IJV in India Most of the respondents considered the possibilities of partnering another Indo-Australian IJV in the future. This prospect demonstrates the firms' long-term commitment to the Indian market. It also ensures a commitment to the existing venture because any future

possibilities are based on a positive evaluation of the existing venture and its future growth and survival. The current venture was presumably considered to be the platform for any new involvement in the future. According to one of the Australian respondents,

India is a market of enormous potential. We are happy with our present involvement. We would like to further strengthen our involvement in the future. To do so, we would not hesitate to take part in any other Indo-Australian IJVs in the future.

The data do indicate long-term commitment by the IJV partners which is likely to contribute to IJV success. As a consequence, the responses show some support for proposition, P_{5.6}.

Summary Of the three issues examined, responses on the impact of two issues appear to be supportive of proposition P_{5.6}. These are, the number of years envisaged to keep the IJV operational and the future possibilities for partnering another Indo-Australian IJV in India. Responses on the issue of the existing involvement in any additional Indo-Australian IJV in India was not supportive of the proposition. Accordingly, the available data are only partially consistent with proposition P_{5.6}, viz., *The success of Australian firms joint venturing with Indian partners depends upon a long-term commitment to the host market.*

12.3.7 Managing Environmental-Specific Difficulties

In chapters II and III, literature on the environmental-specific difficulties was introduced. Later, in chapters VIII and IX, a selection of these difficulties were examined on the basis of the interview data obtained from the Australian parents as well as their Indian counterparts in order to investigate the influence of these variables on the Australian firms' decision to joint venture with the Indian firms while investing

in India. Now, in the implementation stage, a selection of these environmental-specific difficulties are taken into consideration to examine the extent of difficulties actually encountered by the IJVs and their respective partners in dealing with these variables. The need for local partners' assistance in overcoming these difficulties is also investigated.

On the basis of the assembled data (see Table 12.3), it was revealed that none of the three geopolitical variables (Columns I-III) caused any difficulties for the Australian parents at the implementation stage. When compared with the responses at the motivation stage, it was found that only the historical events (such as colonial and Cold War legacies) received some attention from the Australian parents with respect to motivating the Australian firms to joint venture. This suggests that during the implementation stage most of the firms did not encounter any major difficulties from any such historical events.

The remaining environmental variables, as was established in chapter IX, partially impacted upon the Australian firms' decision to joint venture during the motivation stage. However, during the implementation stage the majority of the IJVs and their Australian parents encountered difficulties only from a number of selected issues, such as, the macroeconomic environment, the legal and regulatory environment, cultural differences and bureaucracy and corruption (it is to be noted here that the cultural differences and bureaucracy and corruption are segments of the broader cultural environment. For the sake of analysis, these are considered separately). The majority of the Indian hosts faced problems only in areas such as the macroeconomic environment, the legal and regulatory environment and bureaucracy and corruption.

However, in terms of the number of respondents, the Indian firms' responses were less conclusive than were the IJVs and their Australian partners. The response-set reports the Indian firms' relative advantage over their Australian partners and the IJVs in managing the environmental-specific difficulties because of their familiarity with the host-country environment.

Although overcoming these difficulties through mutual support and understanding between the IJV partners is important for IJV success, the host partners may contribute significantly to the management of these issues. All nine IJVs and their respective partners unanimously agreed upon the necessity of the host partner assistance to overcome any difficulties arising out of the environmental-specific variables (see Column XI of Table 12.3). This finding reiterates that one of the major motivations for the Australian firms to opt for the IJV mode was to get assistance from the experienced local partners to overcome these problems. At the implementation stage, the need for such assistance has become established. This is consistent with the observations made by Thompson & Strickland (1990, p. 168) where they argued that to overcome such difficulties, formation of IJVs with local partners are "... sometimes the only or best way" to enter and operate in a foreign market.

It was further revealed during the interviews that each of the IJVs had been frequently drawing upon the assistance of the host partner during the implementation stage. According to one of the Australian respondents,

Our major motivation to joint venture was to get necessary assistance from the local partner in running the business. We have been using such assistance regularly since the IJV is operational.

Summary The interview data demonstrate that the majority of the IJVs and their Australian parents encountered difficulties derived from several environmental-specific variables. Indian firms also faced some difficulties but in fewer areas and to a lesser extent than the IJVs and their Australian counterparts. The majority of the respondents from across the three groups did not face any difficulties in managing geopolitical variables. However, during the motivation stage, one of the geopolitical variables was given some importance. Five of the remaining seven issues caused some difficulties, whereas during the motivation stage, all these issues were considered as being of moderate to significant importance in motivating the Australian firms to joint venture.

Nonetheless, all of the respondents unanimously indicated that assistance from the local partners is important in overcoming these difficulties. This is consistent with the major thrust of the Australian firms' motivation to joint venture, i.e., to obtain assistance from the experienced local partners. In order to overcome such difficulties and to achieve IJV success, the contributions from the local partners were considered necessary along with the support and expertise of the Australian parents. Therefore, the responses tend to be partially consistent with proposition P5.7, viz., *The success of Australian firms joint venturing with Indian partners depends upon the manner in which environmental-specific inhibitive factors are managed.*

12.3.8 Managing Organisational-Specific Difficulties

In chapter IV, literature on the organisational-specific difficulties was introduced. Later in chapter X, a selection of these difficulties was examined on the basis of the interview data obtained from the Australian parents as well as their Indian

counterparts in order to investigate the influence of these variables on the Australian firms' decision to joint venture with the Indian firms while investing in India. Now, in the implementation stage, a selection of these variables is taken into consideration to examine the extent of difficulties actually encountered by the IJVs and their respective partners in dealing with these difficulties. The need for local partners' assistance in overcoming these difficulties is also investigated.

On the basis of the reported data (see Table 12.4), it was revealed that only two organisational-specific variables, viz., transactions costs minimisation and HRM issues (Columns II and V), caused some difficulties for the majority of the respondents from across the three groups. In addition, the majority of the IJVs mentioned that they faced difficulties in achieving economies of scale (Column I). When compared with the responses at the motivation stage, it was found that all of these issues were given some importance by the Australian parents with respect to motivating the Australian firms to joint venture. This implies that during the implementation stage the extent of difficulties faced by the firms was less than anticipated by the firms during the motivation stage. One interesting finding in relation to the HR issues was revealed during the implementation stage, i.e., on average, firms encountered more difficulties from the organisational-specific HR issues than from the environmental ones.

The management of such difficulties through mutual support and understanding between the IJV partners is important for IJV success. Along with the foreign parents, host partners may contribute significantly to the management of these issues. All nine IJVs and their respective partners unanimously agreed upon the necessity of

the host partner assistance to overcome any difficulties arising out of the organisational-specific variables (see Column VI of Table 12.4). This is consistent with the major thrust of motivation for the Australian firms to form IJVs while investing in India.

One of the major motivations for the Australian firms in opting for the IJV mode was to obtain assistance from the experienced local partners to overcome these problems. At the implementation stage, the need for such assistance has been established. It was also revealed that assistance from the local partners has been used frequently since the beginning of the IJV operation in order to manage these difficulties. However, unlike dealing with the environmental-specific difficulties, more emphasis was given by most of the respondents to the mutual contribution from both of the partners to overcome the organisational-specific difficulties.

As a possible interpretation, it may be argued that the Australian partners might have found the environmental-specific variables more complex and unfamiliar than the organisational-specific variables. Therefore, they could contribute more to the resolution of the organisational-specific difficulties than the environmental ones. One of the Australian respondents mentioned,

We are much more comfortable in dealing with the organisational-specific difficulties than in managing the environmental ones. The business environment in India is volatile and complex. That's why we strongly need assistance from an experienced local partner familiar with the local environment. Organisational-specific variables are not as complex as the environmental ones are. These are more specific and readily understandable. So, we can easily contribute to the management of these variables. However, we are not undermining the importance of the contribution made by the local partners. These are important too. We have already used their assistance. An IJV can only be successful when such problems are jointly managed by its partners.

Summary The interview data demonstrate that the majority of respondents from across the three groups encountered difficulties derived from two organisational-specific variables, viz., transactions costs minimisation and HRM issues. Another factor, achieving economies of scale caused some problems for the majority of the IJVs. The remaining two issues, accessing wider distribution channels and sharing resources and capabilities did not create problems for the majority of the respondents. However, during the motivation stage, all of these issues were considered as being of moderate to significant importance in motivating the Australian firms to joint venture. Nonetheless, all the respondents unanimously indicated that assistance from the local partners is important in overcoming these difficulties. This is consistent with the major thrust of the Australian firms' motivation to joint venture, i.e., to obtain assistance from the locally experienced partners.

It was also disclosed that assistance from the local partners had been used regularly to overcome these difficulties. However, unlike the resolution of the environmental-specific difficulties, the respondents placed emphasis on the contribution from both of the partners to resolve these problems. Relatively more emphasis was given to the local partners' contributions in overcoming environmental-specific difficulties. The responses suggest a concerted effort in order to successfully overcome the organisational-specific difficulties. Therefore, the responses tend to be partially consistent with proposition Ps.8, viz., *The success of Australian firms joint venturing with Indian partners depends upon the manner in which organisational-specific inhibitive factors are managed.*

12.4 CHAPTER SUMMARY

Evidence from the nine IJVs and their respective partners was examined to analyse the impact of various factors on IJV success. Eight propositions were considered. Evidence on the impact of the choice of an appropriate partner (P5.1), inter-partner learning (P5.4) and building a separate IJV culture (P5.5) appeared to be consistent with the respective propositions. Evidence on the remaining five factors, a consistent IJV control mechanism (P5.2), efficient management of human resources (P5.3), long-term commitment (P5.6) and the efficient management of environmental as well as organisational-specific difficulties (P5.7 and P5.8) was found to be partially consistent with the respective propositions.

Moreover, as demonstrated by the responses, it was found that the Australian firms as well as their Indian counterparts offered stronger support with respect to the importance of the appropriate partner selection during the implementation stage as compared with their previous efforts in choosing an appropriate partner during the IJV formation stage. Similar evidence was recorded with respect to the inter-partner learning. It was found that the Australian firms offered stronger support with respect to the importance of this factor during the implementation stage compared with their responses during the motivation stage.

When considering the management of environmental as well as organisational-specific difficulties, an interesting fact was revealed. The assembled evidence suggests that the IJVs, their Australian parents and Indian hosts encountered fewer difficulties during the implementation stage than were anticipated at the motivation stage. Of the ten environmental-specific variables which were taken into

consideration, only five posed some difficulties during the implementation stage. However, eight of these factors were considered important at a moderate to significant extent during the motivation stage, i.e., the majority of the Australian firms considered opting for the IJV in order to overcome these difficulties with the assistance from their future partners. Similarly, the responses on managing organisational-specific difficulties showed that during the motivation stage, all the organisational-specific issues moderately or significantly contributed to the motivation of the Australian firms' decision to joint venture, whereas, during the implementation stage, only two variables caused some difficulties for the majority of the firms.

All the respondents unanimously indicated that the assistance from the local partners is important in overcoming any environmental as well as organisational-specific difficulties. This is consistent with the major thrust of the Australian firms' motivation to joint venture, i.e., to obtain assistance from the experienced local partners. It was also disclosed that assistance from the local partners had been used regularly to overcome these difficulties. However, relatively more emphasis was given to the local partners' contributions in overcoming environmental-specific difficulties. The respondents, on the other hand, placed considerable emphasis on the contribution from both of the partners to resolve organisational-specific difficulties.

On the basis of this discussion, it could be deemed that the weight of the evidence, in general, is tending to be at least partially consistent with the general proposition (proposition P₅), viz., *Various environmental-specific as well as organisational-*

specific factors impact on the likelihood of success of Australian-Indian joint ventures in India.

CHAPTER XIII

CONCLUSIONS

*Each morning sees some task begin,
Each evening sees it close;
Something attempted, something done,
Has earned a night's repose.*

- Henry Wadsworth Longfellow,
"The Village Blacksmith".

13.1 INTRODUCTION

The major objective of this study was to broaden understanding of various issues relevant to the motivation for establishing IJVs, the formation of IJVs and their implementation. Nine cases of Australian-Indian IJVs have been investigated to better understand why these Australian companies have chosen IJVs as a preferred international business mode for investing in India. The study identifies a number of factors, both environmental-specific and organisational-specific, which were responsible for the motivation of the Australian firms to joint venture with their Indian partners. This research also reports on the complex nature of the IJV formation process undertaken by the Australian and Indian partners. In addition, the study reveals a set of factors which are deemed responsible for IJV success. It also identifies major problems faced by the IJVs during the implementation stage. The need for assistance from the local partners in overcoming these problems is highlighted.

This chapter reports the major conclusions of this research. First, an overview of the thesis is presented followed by a summary of the research findings. Then, the limitations of the study are addressed followed by a discussion on the implications of

the findings for policy analysis, management practice and theory development. Finally, future research directions are suggested.

13.2 OVERVIEW OF THE THESIS

This thesis began with a set of objectives that aims at better understanding of the various issues involving Australian-Indian IJVs. In doing so, the context for the study has been established on the basis of the extant literature at chapters II, III, IV and V. Emphasis is given to three major areas, *viz.*, the extent of the influence from environmental-specific as well as organisational-specific variables in motivating a foreign firm to joint venture with a local firm, the level of complexity in managing the IJV formation process, and the IJV implementation process including problems which might arise and the assistance provided by the host firms to overcome these problems. For analysis, specific consideration is given to Australian firms joint venturing in India with Indian partners.

Following this general introduction to set the context, a conceptual framework along with the research question and objectives are presented in chapter VI. Indicating the major areas to be covered by the study, the conceptual framework depicts the presumed relationships among the key factors, constructs or variables of interest (Miles & Huberman, 1994). Based on the research objectives and extant literature, a research question and a set of propositions are specified to guide the analysis.

Chapter VII elaborates on the research design and the method of inquiry. A multiple case study method is used to conduct the research. Yin (1989, p. 3) considers the case study method as a process to investigate "...a contemporary phenomenon within a

real life context". A combination of deductive and inductive analysis is used in order to capture the complexity and dynamism of the processes investigated. This allows the researcher to observe the real life scenario more objectively but with flexibility (Perry & Coote, 1994). Prior theories are employed as 'templates' for measuring the empirical case study outcomes. In this sense, the existing theory helps to explain the results (Manicas, 1989). Multiple sources of evidence are used in order to develop construct validity.

For each of the IJVs selected, three different entities are chosen for the data collection, viz., the Australian parent company, the Indian host company and the India-based IJV management. This is a feature of this study. Through this corroboratory mode of data collection, converging lines of enquiry were constantly sought. Primarily, the data were collected during face-to-face interviews in various locations in India and Australia. The researcher visited India twice, and remained there for about two months during 1995-96. In late 1995, unstructured interviews were conducted in India with a number of Indian host companies and IJV managers which formed the basis of further research. The researcher's co-supervisor accompanied him to supervise this process. At that stage, the researcher reviewed the preliminary interview information and verified the access procedures which are considered as two important steps for case study protocol (Yin 1989).

In late 1996, the researcher along with his research supervisor visited India and the researcher collected data from all nine IJVs and their Indian host companies through face-to-face interviews. At this time, structured questionnaires were used during face-to-face interviews. Both open-ended and close-ended questions were asked and the

interviews were recorded on audio tapes for use in validating the notes after the interviews (This proved particularly useful for the responses of the open-ended questions). Subsequently, interview data from the parent companies in India were collected in a similar fashion. The in-depth interviews were conducted with at least one senior manager from each of these respondent firms.

Throughout the study, a systematic chronological order was maintained from the identification of problems until the final conclusions. Yin (1989, pp. 102-103) refers to this as the "...chain of evidence". Based on the respondents' views, the data gathered were categorised according to the major components relevant to each respective proposition. Direct observations as well as secondary information were used while analysing these findings to provide elicitation.

The results of the study are presented in chapters VIII-XII. The empirical evidence gathered through in-depth face-to-face interviews, personal observation, and secondary information is used to analyse the various issues as laid out in the research question and the proposition sets. Discussion and interpretation is presented in these chapters.

13.3 SUMMARY OF MAJOR FINDINGS

A summary of the major research findings will be presented in four different sections. The first section will deal with the possible impacts of environmental as well as organisational-specific variables on the Australian firms' motivations to joint venture with Indian partners while investing in India. This will be followed by a section reporting the formation process of the Australian-Indian IJVs. The third section

considers the implementation stage of these IJVs. The fourth section deals with the relevance of the conceptual framework during the entire research process. The framework was previously developed at chapter VI (see Figure 6.1). A summary of major findings related to each specific proposition is presented in Table 13.1.

13.3.1 Motivation Stage

As mentioned earlier in the introduction of this thesis, it has been assumed that the Australian firms initially decided to invest in India in order to exploit the potential of the Indian market. This research sought to understand why an Australian firm would opt for an IJV mode for investing in India. In order to explain this, various factors were taken into consideration which might have influenced the motivation of the Australian firms. These include both environmental-specific and organisational-specific factors. The major findings are summarised below.

The Impact of Geopolitical Variables From among the environmental-specific factors, geopolitical variables were examined separately (chapter VIII). Geopolitics has long been considered as an important environmental variable (As-Saber, Liesch & Dowling, 1996; Brucan, 1978; Garnaut & Drysdale, 1994; Kristof, 1994; Reynolds, 1980). Because of this perceived importance, various geopolitical aspects were examined in order to determine the level of influence they had in motivating the Australian firms to joint venture with the Indian partners while investing in India. However, despite the proposed influence of the geopolitical scenario in motivating the Australian firms, the evidence suggests that geopolitics has had only limited impact on the participants' motivations.

Table 13.1
Summary of Findings Related to the Research Propositions

Research Propositions Under Investigation		Extent of support found		
		Signi- ficant	Some support	No /little support
P₁	Geopolitical factors which impact on the decision to enter the Indian market can be represented on three dimensions: a time dimension, a place dimension and a demographic dimension.		✓	
P _{1.1}	Along the time dimension, historical events influence the decision taken by Australian firms to joint venture with Indian firms to enter the Indian market.		✓	
P _{1.2}	Within the place dimension, the geographic location of India, vis-à-vis Australia, influences the decision taken by Australian firms to joint venture with Indian firms to enter the Indian market.			✓
P _{1.3}	Within the demographic dimension, India's population characteristics influence the decision taken by Australian firms to joint venture with Indian firms to enter the Indian market.			✓
P₂	Host-country environmental factors, such as its economic, cultural, legal and political settings, the firm's access to market information and its human resource management practices impact on the decision making process of the foreign firm as it considers entry into the Indian market.		✓	
P _{2.1}	The macroeconomic environment in India influences the decision taken by Australian firms to joint venture with Indian firms to enter the Indian market.		✓	
P _{2.2}	The political situation in India influences the decision taken by Australian firms to joint venture with Indian firms to enter the Indian market.		✓	
P _{2.3}	The legal and regulatory environment in India influences the decision taken by Australian firms to joint venture with Indian firms to enter the Indian market.		✓	
P _{2.4}	The nature of human resource management practices in India influences the decision taken by Australian firms to joint venture with Indian firms to enter the Indian market.		✓	
P _{2.5}	The lack of necessary market information in India influences the decision taken by Australian firms to joint venture with Indian firms to enter the Indian market.		✓	
P _{2.6}	Cultural diversity in India influences the decision taken by Australian firms to joint venture with Indian firms to enter the Indian market.		✓	
P₃	Organisational-specific factors impact on the decision taken by Australian firms to enter the Indian market through the joint venture mode.		✓	
P _{3.1}	The quest for economies of scale motivates Australian firms to joint venture with Indian firms while entering the Indian market.		✓	
P _{3.2}	Transactions cost minimisation influences the decision taken by Australian firms to joint venture with Indian firms while entering the Indian market.	✓		
P _{3.3}	Access to the distribution network within the Indian market influences the decision taken by Australian firms to joint venture with Indian firms while entering the Indian market.	✓		
P _{3.4}	Sharing technology, establishment costs and R&D expenses influences the decision taken by Australian firms to joint venture with Indian firms while entering the Indian market.		✓	
P _{3.5}	The organisational-specific human resource management issues influence the decision taken by Australian firms to joint venture with Indian firms while entering the Indian market.		✓	
P _{3.6}	Inter-partner learning influences the decision taken by Australian firms to joint venture with Indian firms while entering the Indian market.		✓	

Table 13.1 (Contd.)
Summary of Findings Related to the Research Propositions

Research Propositions Under Investigation		Extent of support found		
		Signi- ficant	Some support	No/little support
P₄	Formation of IJVs involves an extensive investment in different stages of the negotiation process including an understanding of its legal aspects.	✓		
P _{4.1}	The Australian firms undertake extensive investment in the preparatory stage of joint venture negotiation to arrive at a favourable terms of agreement with their Indian counterparts.	✓		
P _{4.2}	Extensive investment in the formal negotiation process is required by the Australian firm to determine the nature of the future relationship between the IJV partners in its Indian activities.	✓		
P _{4.3}	Extensive investment in understanding the legal aspects of negotiation in the Indian legal system is essential for the Australian firm as it attempts to ensure the security of future courses of action to be taken by the IJV and its partners.	✓		
P₅	Various environmental-specific as well as organisational-specific factors impact on the likelihood of success of Australian-Indian joint ventures in India.		✓	
P _{5.1}	The choice of an appropriate Indian partner is a pre-condition for IJV success for Australian firms in India.	✓		
P _{5.2}	The success of Australian firms joint venturing with Indian partners depends upon the effectiveness of the control mechanism adopted.		✓	
P _{5.3}	The success of Australian firms joint venturing with Indian partners depends upon the efficient management of human resources.		✓	
P _{5.4}	The success of Australian firms joint venturing with Indian partners depends upon efficient inter-partner learning.	✓		
P _{5.5}	The success of Australian firms joint venturing with Indian partners depends upon the building of a separate IJV culture.	✓		
P _{5.6}	The success of Australian firms joint venturing with Indian partners depends upon a long-term commitment to the host market.		✓	
P _{5.7}	The success of Australian firms joint venturing with Indian partners depends upon the manner in which environmental-specific inhibitive factors are managed.		✓	
P _{5.8}	The success of Australian firms joint venturing with Indian partners depends upon the manner in which organisational-specific inhibitive factors are managed.		✓	

The available evidence has partially supported proposition P_{1.1}. Propositions P_{1.2} and P_{1.3} were not confirmed by the available data. Accordingly, only the time dimension had some impact on the Australian firms' motivations to joint venture, whereas the two other dimensions, the place dimension and the demographic dimension had little or no impact. However, when respondents were asked the general question on the impact of geopolitics (incorporating all three dimensions globally), the responses tended to be more supportive than they were found to be on the questions asked of the dimensions treated separately.

Despite the perceived importance of the various geopolitical factors as detailed in chapter II, the evidence suggests that these factors had little or no influence in motivating firms to joint venture. These findings may call for some explanations.

First, during the interviews, it was revealed that the term, 'geopolitics' was not familiar to most of the business executives in the context of international business. Despite the researcher's efforts to explain this environmental factor, it might still remain a vague domain of knowledge to them. In addition, because of the coverage of a wide range of geopolitical issues, the respondents might have become confused about them.

Second, geopolitics as a factor was not given much emphasis by the Australian firms while deciding upon their *modus operandi* in India because most of these factors were not regarded as immediate considerations by the Australian firms. Most of the Australian firms, for example, expressed their awareness about these factors.

However, they gave less priority to them because of the urgency to attend factors with an immediate importance. According to one of the Australian parents,

We did not emphasise much on those factors during our decision making process to joint venture. We rather considered it more important to focus upon the other environmental-specific variables such as the economic and legal environments and human resource practices in India that apparently had immediate implications to our decision.

Third, as most of the IJVs studied were at their early stage of operation at the time of interviews, they were yet to be fully exposed to the various geopolitical factors. This was evident from their responses to the frequency of environmental-specific difficulties encountered by them in managing IJVs in India (see Table 12.3). It may, however, be anticipated that they are likely to face more of these difficulties (especially geopolitical ones) over the period of next few years. The future research may warrant a longitudinal study to examine the importance of these factors for international business operations.

The Impact of Other Environmental Variables The environmental variables other than geopolitics were examined in chapter IX. The variables examined are, macroeconomic (proposition P2.1), political (proposition P2.2), legal and regulatory (proposition P2.3), human resource management practices (proposition P2.4), lack of necessary market information (proposition P2.5), and cultural diversity in India (proposition P2.6). The evidence suggests that these variables had limited impact on the participant's motivation to joint venture. However, P2.1, P2.3, P2.5 and P2.6 appear to have been more supported than the remaining two. Overall, the evidence only partially supported propositions P2.1 through P2.6. The Australian firms' responses, however, were found to be more supportive of the propositions than were those of their Indian counterparts.

Similar to the responses on the impact of the geopolitical variables, responses to the general question were more supportive of the proposition than was the case when each factor was treated separately. Most of the Indian and Australian firms indicated that the combination of the six environmental factors, as a global construct, had moderate to significant impact on their decision. The weight of the evidence, in general, is tending to be at least partially supportive of the general proposition P2.

The Impact of Organisational-specific Variables The evidence on the proposed influence of various organisational-specific variables in motivating the Australian firms to joint venture with local partners while investing in India appears to be consistent with the respective propositions (P3.1 through P3.6). However, evidence pertinent to propositions P3.1, P3.4, P3.5 and P3.6 was found to be less supportive than was that for propositions P3.2 and P3.3. Accordingly, six factors, viz., economies of scale, transactions costs minimisation, access to distribution channels, the sharing of resources and capabilities, organisational-specific human resource management and inter-partner learning had only limited impact on the decision of the Australian firms to joint venture.

Similar to the responses on the impact of the environmental variables, responses to the general question on the impact of all of the six organisational-specific variables jointly (in the one statement) tended to be more supportive than were the responses when the questions were asked separately. Nonetheless, the weight of the evidence, in general, appears to be at least partially consistent with proposition P3.

A General Outcome During the investigation, one similar outcome was evidenced across the findings involving the impact of the environmental as well as organisational-specific variables on the Australian firms' motivation to joint venture. It was found that the responses to the general questions (relevant to the general propositions, P₁, P₂ and P₃) each dealing with the impact of a set of variables jointly, tended to be more supportive of the respective proposition than was the case when each of the variables was treated separately. Most of the Indian and Australian firms indicated that each of the groupings, geopolitical environment (P₁), other environmental-specific variables (P₂) and organisational-specific variables (P₃) as a global construct, had moderate to significant impact on their decision. As a possible explanation, it has been argued that this difference in outcome might be possible because of a confounding of effects where the respondents had difficulties in disentangling the separate and partial effects within each of the groupings. However, despite the apparent lack of depth of this finding, it might be illustrative of a general opinion by the respondents about each of these groupings.

13.3.2 The Formation Process

Evidence on the level of involvement by the Australian firms in the IJV formation process appears to be consistent with the respective propositions (P_{4.1}, P_{4.2} and P_{4.3}). Accordingly, the extensive involvement of the Australian firms in different stages of the IJV negotiation process and their efforts in understanding the legal matters associated with such processes were well-established. When asked the general question on the extent of their overall involvement in the negotiation process, the responses from the firms tended to be equally supportive as they were to the questions

asked on each of the factors treated separately. The weight of the evidence, therefore, appeared to be consistent with the general proposition (proposition P₄) as well.

13.3.3 Implementation Stage

Eight different propositions were taken into consideration to analyse the impact of various factors on the success or otherwise of the IJV. Of these, evidence on the impact of the choice of an appropriate partner (P_{5.1}), inter-partner learning (P_{5.4}) and building a separate IJV culture (P_{5.5}) appeared to be consistent with the respective propositions. Evidence on the remaining five factors, a consistent IJV control mechanism (P_{5.2}), efficient management of human resources (P_{5.3}), long-term commitment (P_{5.6}) and the efficient management of environmental as well as organisational-specific difficulties (P_{5.7} and P_{5.8}) was found to be partially consistent with the respective propositions.

With respect to a number of issues, the nature of responses was found to be different at different stages. For example, Australian firms as well as their Indian counterparts offered stronger support for the importance of the appropriate partner selection during the implementation stage as compared with their previous efforts in choosing an appropriate partner during the IJV negotiation stage. Similar evidence was recorded with respect to the inter-partner learning. It was found that the Australian firms offered stronger support for the importance of this factor during the implementation stage compared with their responses for the motivation stage.

The assembled evidence also suggests that the IJV managers and their Australian parents and Indian hosts encountered fewer difficulties during the implementation

stage than were anticipated by them at the motivation stage. Nonetheless, all the respondents unanimously indicated that assistance from the local partners is important in overcoming any environmental as well as organisational-specific difficulties. This is consistent with the major thrust of the Australian firms' motivation to joint venture, i.e., to obtain assistance from the experienced local partners. It was also disclosed that assistance from the local partners had been used regularly to overcome these difficulties. However, relatively more emphasis was given to the local partners' contributions in overcoming environmental-specific difficulties than resolving the organisational-specific ones. Nevertheless, based on the evidence gathered, the general proposition (proposition P5) appears to be partially supported.

13.3.4 Relevance to the Conceptual Framework

The conceptual framework as detailed in chapter VI (see Figure 6.1) appears to be generally consistent with the study. Conceptual framework represents the main focus of the study – the key factors and the postulated relationships among them (Miles and Huberman, 1994). During the entire research process, the conceptual framework tended to guide the study towards the right direction. Although one major factor, geopolitics, was found to be of little importance with respect to motivating firms to joint venture (see chapter 13.3.1), it was worth exploring. Because of an apparent dearth of research on the impact of geopolitics on international business in general, the inclusion of this factor revealed some of its practical aspects that influence international business management. This will also help guide the future researchers in exploring geopolitics and its importance to international business.

13.4 LIMITATIONS OF THE STUDY

At the beginning of this thesis, limitations in undertaking this case study research were acknowledged (see chapter 1.3). Later, while discussing the research design and methodology, these limitations were further discussed and elaborated upon (chapter 7.5). At the same time, the possible ways of overcoming these limitations were addressed. Briefly, these limitations may be summarised as follows:

- (a) The scope of this study is limited to IJVs in a single emerging economy – India;
- (b) This study is also limited to a particular time frame. The business environment until the end of data collection in December, 1996 was pertinent to this study. Events in India and other areas affecting the Australian-Indian business relationships post December, 1996 had no impact on the decisions which were taken up until the conclusion of the data collection phase;
- (c) By its nature, this study is selective and does not purport to be comprehensive, i.e., not all of the issues relating to IJVs between Indian and Australian firms are considered;
- (d) Selection of the cases was constrained by a relatively small initial population of only 17 Australian-Indian IJVs. The sampling frame was limited and insufficient to conduct quantitative research based on a survey design;
- (e) Because of the considerable geographic distance of all the companies under study from the researcher's place of residence, only a limited amount of time could be spent in each of the firms;
- (f) It was difficult to make appointments with the Indian companies and the India-based IJVs. The finalisation of appointments was resource costly. Long distance telephone calls and faxes were used for communication. This was

especially difficult because of the researcher's limited time and finance, particularly for the interviews in India;

- (g) Some of the measures employed are perceptual in nature which could lead to a concern about the subjectivity of responses;
- (h) The researcher also faced difficulties in gathering necessary contextual and interview information. Initially, one of the host companies in India and one parent company in Australia could not provide adequate information about the motivation and negotiation process because of the unavailability of key personnel who dealt with the motivation and negotiation processes. In addition, one Australian parent did not provide adequate information on the implementation process for the sake of confidentiality. However, follow-up facsimiles and phone calls made it possible to fill these gaps. Other difficulties faced during the process are not significant and are discussed in relevant sections of the analysis.

As suggested by Yin (1989), most of the limitations including the lack of rigour and possible research bias can be overcome by careful case design and protocol. Accordingly, utmost care and effort was taken to overcome the limitations. Specific care was taken to integrate the cases through binding them with the research objectives and propositions. Moreover, the possible lack of generalisability in case study analysis and the problem of external validity were overcome, to some extent, through the use of multiple case studies. According to Miles & Huberman (1994), a major rationale for cross-case analysis is to enhance generalisability. Moreover, in the current study, the use of diverse cases minimises the risk of a lack of representativeness.

Through the selection of cases from across different industries, industry variation has been accommodated. This research has investigated real-life situations. Multiple case studies assist in analysis of each of the other cases in order to strengthen the reliability and validity of the findings (Eisenhardt, 1989). Moreover, in addition to the face-to-face in-depth interviews, direct observation and other secondary information including company documents and relevant extant literature were used to analyse the issues in order to overcome the limitations as much as possible.

13.5 IMPLICATIONS FOR POLICY ANALYSIS

This thesis has various implications for both Australian and Indian policy makers. These implications may, however, focus on a broader policy prescription not limited to the IJV-related matters exclusively. These are presented as follows.

13.5.1 Implications for Australian Policy Makers

Given the potential of the Indian market, Australian policy makers might give greater emphasis to encouraging local Australian businesses to invest in India. This study, however, suggests that Australian companies might operate there as IJVs sharing their resources, capabilities and risks with Indian partners. Accordingly, well-articulated and comprehensive guidelines should be prepared by the Australian government which could be used by Australian companies interested in doing business in India. According to a report published by the Australian Senate Standing Committee on Foreign Affairs, Defence and Trade (1990, p. xi), there has been a "... generally poor state of information policy in Australia where India is concerned". Although this

deficiency has been improving since then, it does require further attention by the Australian government.

Among Australians, stereotypes abound about the Indian business environment portraying it as a more difficult market than other Asian countries, and India has become known as the land of problems and poverty (Gurry, 1993). These stereotypes have been responsible for building a negative image of India. India, as the world's ninth largest manufacturing economy with a huge middle class and a large pool of cheap labour could not attract Australian business attention until recently. Similarly, Indians, in general, have considered Australia reputable at playing cricket and producing television programmes and movies only (Australian Senate Standing Committee on Foreign Affairs, Defence and Trade, 1990).

Indians have not considered Australia to be a country technologically and industrially as advanced as other Western countries (e.g., Germany, the UK and the USA) (Vicziány, 1993). These mutually negative images should be redressed and the Australian government has a role to play in these image building activities. However, an accurate representation should be presented rather than an exaggerated one. Although India is gradually liberalising its economy and the geopolitical situation is improving, there are still difficulties in doing business in India. Information should be packaged for prospective Australian investors with advice on how to manage this complex Indian business environment.

It was revealed during this study that the then Australian public sector company, Telstra, was relatively slower to reach agreement with its Indian counterparts than

might be considered reasonable. Bureaucratic delay in decision making could be one of the reasons for this delay. Specific public policy, for example, could be aimed at monitoring such delays and to identify possible remedies. With respect to the rampant patent piracy in India, the Australian government should maintain close contact with the Indian government to assist in formulating appropriate remedies. The Australian government may persuade the Indian government to liberalise the Indian economy further through the opening of the Indian insurance industry which remains a public sector monopoly; to introduce a consistent exit policy for closures, lay-offs and redundancies; and to lower or eliminate tariff barriers. Institutional linkages between selected Australian government departments and their Indian counterparts could be established to assist each other in resolving such problems and to explore opportunities beneficial to both countries.

As revealed in this study, one problem in the Australian-Indian business relationship is the lack of common membership in any of the active regional economic groupings. The Australian government should actively explore possibilities for common membership. Recent formation of the IOR-ARC (Indian Ocean Rim Association for Regional Cooperation) has ushered in a new hope for both of these nations to become members of a common regional forum. Australia should promote and support this forum as actively as possible. At the same time, Australia should support India's membership in APEC. Australia might also devote effort to become a member of the Asia-Europe Meeting (ASEM).

As discussed in this thesis, the presence of NRIs (Non-resident Indians) is important to maintaining a healthy business relationship with India. Australia should be more

forward-looking to encourage Indian emigration to Australia. Finally, the Australian Trade Commission (Austrade) should be more active in guiding Australian companies interested in doing business in India by providing them with appropriate up-to-date market information and advice regarding the appropriate entry mode for their enterprises.

13.5.2 Implications for Indian Policy Makers

There are a number of issues which Indian policy makers should consider. First, the Indian corporate taxation rate is very high with a maximum marginal rate of 55% (Srinivasan, 1996). In addition, there is no taxation concession especially made available to attract foreign investors to India (Price Waterhouse, 1993; Srinivasan, 1996). The absence of such a taxation concession was regarded by respondents to be a major factor inhibiting foreign investment in India. The Indian government may consider such taxation incentives to attract more foreign investment, including IJVs. The World Bank (1997), in its recent report on India, has recommended extensive taxation reform for India.

As mentioned in the thesis, it is difficult to obtain necessary market information for India. The Government, in this respect, has a role to ensure the free flow of information from the various government departments to be made available to the business community. The Indian government might establish an 'information bank' making it accessible through the internet. This will facilitate foreign investors' decision making, including the selection of mode of entry to the Indian market.

As revealed in this study, and well-reported generally, bureaucracy and corruption are the two major impediments to doing business in India. According to the World Bank (1997), in order to establish 'an investor-friendly environment', India requires 'a business-friendly public administration'. Throughout the present study, it was found that similar to its Australian counterparts, Indian public sector companies (e.g., VSNL) were slow to make decisions which had resulted in a longer negotiation period to form the IJVs. In addition, the average approval time for foreign investments from the Indian government authority was substantial. In the light of these findings, the Indian government might be advised to take the necessary measures in order to ensure its bureaucracy is more people-oriented, business-friendly, corruption-free, less hierarchical and quicker to respond.

Since India commenced its economic liberalisation, the foreign investment environment in India is gradually improving. However, as articulated in this thesis, numerous problems still remain which include relatively high levels of tariff and other import restrictions, public monopoly of the insurance industry and the lack of a consistent exit policy with respect to lay-offs, closures and redundancies. In line with falling trade and investment barriers worldwide, India might consider reducing the general levels of such barriers further. It should privatise the insurance industry and simplify the personnel exit policy. These reforms will assist the Indian economy to become more vibrant, investor-friendly and more competitive globally.

This study also reports that despite the abundance of cheap labour, low labour productivity is a common complaint from foreign investors in India. The Indian government might redress this problem by allocating more of its budget for education

and vocational training to improve the average productivity of its labour market resources. IJVs are, however, a major vehicle for transferring technology, skills sets and Western management culture. India might achieve benefits by simplifying the IJV formation procedure and allowing special taxation and other incentives for IJVs.

Finally, the Indian government should continue its institutional reform process in order to position India as a more attractive environment for doing international business. Observations made by Bhagawati & Srinivasan (1993), in this respect, are noteworthy. They recommended a two-step-process to maintain the continuity and effectiveness of the reform direction. These are, actions to consolidate reforms already taken and to correct mistakes revealed through experience, and implementation of new reform measures which would complement as well as enhance the efficiency of measures already taken (Bhagawati & Srinivasan, 1993).

13.6 IMPLICATIONS FOR MANAGEMENT PRACTICE

The findings of this research have various implications for managers dealing with cross-cultural business management, particularly in IJVs. These implications may be relevant to each of the three major stages of an international business operation, viz., motivation, formation and implementation.

For international business managers, generally, the findings on the motivation to select IJVs as an entry mode strategy might be considered. It was found in this study that various environmental and organisational-specific variables were influential in motivating Australian firms to joint venture with Indian firms when investing in India. A checklist of factors was provided in the study which could be useful to managers of

foreign companies when taking an entry mode decision to service the Indian market. On the basis of the evidence gathered, it was also found that each of the factors was not considered equally important. Among the environmental factors, geopolitical variables, in general, appeared to have less influence than the remaining environmental variables in motivating the Australian firms to joint venture.

The organisational-specific variables appeared to have relatively more influence than the environmental-specific variables in motivating the Australian firms. The assembled evidence also suggests that the management of the IJVs, their Australian parents and their Indian hosts encountered fewer difficulties during the implementation stage than were anticipated at the motivation stage. These findings provide management with knowledge of which factors are to be dealt with, on a priority basis. Managers would also benefit from the findings on the importance of the assistance from the local partners in overcoming any environmental as well as organisational-specific difficulties. With this knowledge, managers may better understand the need for an efficient and experienced local partner for doing business in India.

The case evidence suggests that the formation of IJVs with an Indian partner involves an extensive and complex negotiation process. It also emphasises the importance of extensive investment in the preparatory phase as well as the formal negotiation process to ensure that the terms of agreement are favourable. A clear understanding of the legal aspects of the negotiation process was also given considerable importance. Accordingly, international business managers might give these aspects utmost attention while engaged in a negotiation process with an Indian business counterpart.

13.7 IMPLICATIONS FOR THEORY DEVELOPMENT

The findings from this study have raised several implications for theory development. This research has contributed to the IJV literature by providing empirical evidence to confirm some of the theoretical expectations on a selection of issues involving IJV motivation, IJV formation and the implementation process. As demonstrated in Table 13.1, this study provided significant support for a number of propositions (P_{3.2}, P_{3.3}, P₄, P_{4.1}, P_{4.2}, P_{4.3}, P_{5.1}, P_{5.4} and P_{5.5}) framed from expectations based on the extant literature. Limited support was gleaned for propositions P₁, P_{1.1}, P₂, P_{2.1}, P_{2.3}, P_{2.5}, P_{2.6}, P₃, P_{3.1}, P_{3.4}, P_{3.5}, P_{3.6}, P₅, P_{5.2}, P_{5.3}, P_{5.6}, P_{5.7} and P_{5.8}, whereas the remaining propositions, P_{1.2}, P_{1.3}, P_{2.2} and P_{2.4}, received little or no support in the data assembled for this study.

13.7.1 Motivation Stage

There is an array of literature emphasising the factors motivating a firm to form an IJV (e.g., Anderson, 1995; Awadzi, 1987; Benito & Welch, 1994; Cherrett, 1994; Contractor, 1984; Harrigan, 1987, 1988; Hill, *et al.*, 1990; Katz, 1995; Kim, 1993; Kogut & Singh, 1988; Porter & Fuller, 1986; Shane, 1994; Thompson & Strickland, 1990). In a deductive process, propositions were framed on the basis of the likelihood of various outcomes as reported in the extant literature. These propositions were grouped into three different categories in chapter V in order to deal with the impact of geopolitical variables (*Category 1*), the impact of other environmental-specific variables (*Category 2*), and the impact of the organisational-specific variables (*Category 3*). Subsequently, these propositions were examined through use of evidence from the empirical case studies.

With respect to the Australian firms' motivation to joint venture with Indian partners, two general conclusions were drawn from these findings, which are not covered by the extant IJV literature. These are,

- (a) Geopolitical variables have less influence than other environmental variables in motivating firms to joint venture; and
- (b) The environmental-specific variables, in general (including geopolitical variables), have less impact than the organisational-specific variables on a firm's motivation to joint venture.

In an international business context, these findings are likely to add new dimensions to the theory of the firm's motivation to joint venture. Because of the limited scope of the present research endeavour, it was not possible to examine the importance of these findings in a greater depth. However, the future researcher may find these issues interesting and may devote themselves in identifying the implications of these findings for international business management.

13.7.2 Formation Stage

Once a firm is finally motivated to form an IJV, the IJV formation process begins. There is a host of literature on various aspects critical to this process (e.g., Contractor, 1984; Copeland & Griggs, 1986; Geissbaur & Siemsen, 1996; Prichard & Fox, 1996; Richards & Walsh, 1990; Shaughnessy, 1995; Urban, 1996; Usunier & Ghauri, 1996). In a deductive process, propositions were framed on the basis of the likelihood of various outcomes from the extant literature. These propositions were assembled into

one single category in chapter V (*Category 4*). Subsequently, these propositions were examined through the empirical case study data.

Similar to the examination of the factors motivating foreign firms to joint venture, these data, with the assistance of the extant literature, were then used to reach conclusions. Most of the data were found to be confirmatory of the proposition set and, therefore, have strengthened the existing theoretical foundation of the IJV formation process. However, during the research, it was found that the foreign partners tend to render more extensive efforts during the entire IJV formation process than do their local counterparts in accessing an emerging economy such as India.

13.7.3 Implementation Stage

As mentioned earlier in this thesis (chapter V), there are various factors which contribute to the successful implementation of IJVs. IJVs may face difficulties from environmental as well as organisational-specific intricacies. Assistance from the local IJV partner may be critical to resolving difficulties which may jeopardise success. There is a host of literature focusing upon these issues (e.g., As-Saber, *et al.*, 1998; Beamish *et al.*, 1994; Dowling, 1986; Geringer & Hebert, 1989; Hamel, 1991; Harrigan, 1986; Howarth *et al.*, 1995; Killing, 1983; Kogut, 1988; Schaan, 1983; Tichy, 1988; Yan & Gray, 1995). Propositions were framed on the basis of the likelihood of various outcomes as reported in the extant literature. These propositions were assembled into one single category in chapter V as *Category 5*. Subsequently, these propositions were examined through the empirical case studies in order to reach conclusions. The research findings relevant to the motivation as well as formation stages were also used during this investigation. This inductive process generated a

number of interesting conclusions not generally covered by the extant IJV literature.

These are:

- (a) In this emerging economy (India), the IJVs studied tended to encounter fewer difficulties during the implementation stage than were anticipated at the motivation stage;
- (b) The importance of a factor such as the need for an appropriate local partner is felt more so during the implementation stage as compared with its perceived importance during the motivation and formation stage.
- (c) The need for inter-partner learning is given more importance during the implementation stage as compared with its perceived importance during the motivation stage;
- (d) For a foreign partner in an IJV, it is easier to manage organisational-specific variables than it is to manage the environmental-specific ones. Therefore, in an emerging market such as India, the foreign partner needs more assistance from its local partners to overcome environmental-specific difficulties than to overcome organisational-specific difficulties.

Overall, this study has contributed to the IJV literature by offering a number of new ideas. At the same time, it has strengthened a host of existing principles by confirming them during the research process. The findings of this study also provide further empirical evidence to verify similar findings as advanced by other IJV studies (e.g., Ali, 1995; Awadzi, 1987; Berlew, 1984; Brouthers & Bamossy, 1997; Dowling, *et al.*, 1989; Dussauge & Garrette, 1995; Geissbauer & Siemsen, 1996; Hyder, 1988; Katz, 1995; Kim, 1993; Kogut & Singh, 1986; Lawrence & Vlachoutsicos, 1993; Nam, 1995; Shan, 1991; Tomlinson, 1970; Yan, *et al.*, 1995).

Previously, most IJV studies have individually dealt with a particular aspect of the IJV (e.g., partner selection, implementation, inter-partner learning). This study, however, has incorporated major aspects of all three stages (motivation to joint venture, IJV formation and its implementation) which allowed the researcher to compare variables across the stages and to make some judgements on the relationships among them. This process, therefore, has tended to build an integrated approach to investigating major IJV issues across these three different stages. Nonetheless, further refinement of these implications will be necessary.

13.8 FUTURE RESEARCH DIRECTIONS

The empirical evidence derived from this study postulates the need for an expanded future research agenda in order to consolidate the findings and to further advance theories reported in the IJV literature. There are a number of areas which may need particular attention in future research. Primarily, future research could be directed at addressing the limitations of this research. Other IJV issues, not covered in this thesis, could also be taken into consideration.

First, this research was limited to the investigation of IJVs situated in a single emerging economy, India. Future research may attempt to validate these findings in the contexts of other emerging economies. Such comparative analyses will give these findings a new dimension and approach with respect to substantiating existing theories and building new theories. This may also enhance the generalisability, reliability and validity of the findings derived from this study.

Second, this study is not limited to a single industry. Cases were selected from across different industries. Future research may choose to investigate IJVs within a particular industry to examine the variables from a relatively homogenous industrial background. Third, the findings of this study are perceptual in nature. Possible subjectivity of responses is a major limitation of this case study research. Future research may choose to examine the research question of this study through quantitative as well as qualitative analytical methods. This would contribute to a consistent data triangulation process by comparing and contrasting the findings gathered through each of these techniques.

Fourth, this study dealt with a selection of issues relevant to Australian-Indian IJVs and did not purport to be comprehensive, even over this domain. Based on the findings of this research, future research may conduct more detailed investigations of each of these issues which will enhance the validity of this study. For example, a study could focus on the IJV negotiation process involving two or more firms from other than Australian or Indian origins. Fifth, with the rapidly changing global environment, the nature of the IJV relationship is likely to change over time. Future research may be aimed at assessing the impact of environmental changes on the IJV relationship. Thus, a longitudinal study to examine IJV motivation, formation and implementation is suggested, although this would be resource costly.

Sixth, this study identified that the responses to questions asked on individual motivational factors are somewhat different than the responses on a global question (taken as a group of factors jointly). It may be argued that the respondents might have found it difficult to disentangle the separate and partial effects of each factor from a

set of factors while considering a group of variables together. Therefore, as suggested in chapters VIII and IX, future research should consider each of the environmental variables (including each of the geopolitical dimensions) separately to assess their impact upon the motivation to joint venture.

Finally, it is the view of the writer that, thus far, geopolitics, as a separate set of dimensions (time, place and demography), has never before been considered in international business investigations of IJVs. This research could act as a guide for future researchers in examining these constructs in more depth and detail, as they relate to the study of IJVs. As suggested earlier in this chapter, a longitudinal study would be helpful to further reveal the extent of influence of the geopolitical factors on international business operations over time. This thesis, at least, has tried to extend the domain of international business studies through incorporating geopolitics as an international business component and has created a scope for further research on this area.

13.9 CHAPTER SUMMARY

The major objective of this research was to broaden understanding of the determinants of the motivation to joint venture, IJV formation and the IJV implementation processes. In particular, the scarcity of research involving Australian-Indian IJVs prompted the need for this study. Using multiple case research, this research examined the factors responsible for the motivation of Australian firms to joint venture with a local Indian partner while investing in India, the complexity of the IJV formation process and the success factors as evidenced in the implementation phase of Australian-Indian IJVs. It also investigated the problems faced by these IJVs and the

role of the local partners in overcoming them. This thesis has endeavoured to address the dearth of research on these selected aspects of Australian-Indian IJVs.

During the research process, the researcher was aware of the presence of several limitations. Most of the limitations, however, appeared to be overcome by careful case design and protocol. In addition to the face-to-face in-depth interviews, direct observation and other secondary information including company documents and relevant extant literature were also used to analyse the issues in order to overcome the limitations as much as possible.

The results reported indicate that IJVs are an important means for Australian firms to do business in India. It has been established that the motivation to select IJVs as an international business mode is influenced by a host of environmental and organisational-specific variables. However, the extent of this influence varies from variable to variable. The research also shows that the IJV formation process between an Australian firm and an Indian host is a complex and time-consuming one. The research further ascertained that Australian-Indian IJVs face fewer difficulties during the implementation stage than was anticipated earlier at the motivation stage. Nonetheless, the research confirmed the need for assistance from local Indian partners in overcoming any environmental or organisational-specific difficulties that were country-specific.

The final chapter of this thesis has provided a brief overview of the thesis, a summary of the research findings and a discussion of the limitations of the study. In addition, it has offered a range of implications relevant to policy analysis and development,

management practice and theory development. Based on the findings, this study also has suggested some possibilities for future research involving various aspects of international joint ventures. Thus, the writer would argue that this study has enriched the literature on international joint ventures.

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PRESCRIBED FORMAT TO APPLY FOR FOREIGN COLLABORATIONS (INCLUDING IJV_s)

*[To be submitted to the Secretariat for Industrial Approvals (SIA) Department of Industrial Development, Udyog Bhavan,
New Delhi-110011 with 15 spare copies]*

(Applicants may go through Part E I & E 2 of the Application before filling up the Form. The application shall be legible and complete in all respects to avoid correspondence/delays and rejection)

1. (a) Name of Indian Company which will implement the project
- (b) Registered office address of the Indian Company
- (i) Postal Address
- (ii) District
- (iii) State
- (iv) Pin Code

If the company is proposed to be formed then kindly fill up the name(s) and address(es) of the promoter(s) against 1 (a) & (b) above.

2. Whether the proposed company will be:
 - (a) Private/Public Limited Company
(Please indicate '1' for Pvt. Ltd. and '2' for Public Limited, '3' for others).
 - (b) Central/State or Joint Public Sector Unit
(Please indicate '1' for Central '2' for State and '3' for Joint Sector).
 - (c) Is the proposal from a non-resident Indian
(if so, indicate "Y" else "N")
3.
 - (a) Whether the applicant or the implementing company is registered under the M.R.T.P. Act, 1969? (if so, indicate "Y" else "N")
 - (b) If the answer to 3(a) is yes, then please indicate "Y" if the clearance required for implementing the proposed scheme under the M.R.T.P. Act has been obtained else indicate "N"

4. Names of the Directors of the Board:

- (i) Foreign Nationals
- (ii) Indian Nationals

5. Existing Capital structure of the company (in Rupees)

	Equity	Preference
(a) Authorised	□□□□□□□□□□	□□□□□□□□□□
(b) Subscribed	□□□□□□□□□□	□□□□□□□□□□
(c) Paid-up	□□□□□□□□□□	□□□□□□□□□□

6. Foreign holding component of existing capital structure

	Amount (Rs.)	Percentage
(a) Direct participation	□□□□□□□□□□	□□□□□
(b) Indicate beneficial participation i.e. in the list of shareholders are there any components/companies which themselves have non-resident shareholding (particulars of major shareholdings of 5 % and above of capital alone may be taken for this purpose).	□□□□□□□□□□	□□□□□
(c) Non-resident Indian		
(i) Company/Individual(s)	□□□□□□□□□□	□□□□□
(ii) If NRI Co. Please indicate NRI equity in that company	□□□□□□□□□□	□□□□□
(d) Total (please exclude c (ii))		

7. Indian holding in existing capital structure.

Amount (Rs.)	Percentage
□□□□□□□□□□	□□□□□

8. (a) Existing quantum of borrowings

Amount (Rs.)	Percentage
□□□□□□□□□□	□□□□□

(b) Existing debt equity ratio in the company

□□□□□

9. Proposed capital structure of the company (Excluding existing capital)

	Equity (Rs.)	Preference
(a) Authorised	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>
(b) Subscribed	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>
(c) Paid-up	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>

10. Foreign holding in proposed Equity	Amount (Rs.)	Percentage
(a) Direct participation	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>
(b) Indirect beneficial non-resident participation	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>
(c) Total	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>

11. (A) Indian holding in proposed equity	Amount (Rs.)	Percentage
	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>

(B) Non-resident Indian(s) holding in proposed equity	Amount (Rs.)	Percentage
(a) Repatriable	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>
(b) Non-repatriable	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>
(c) Total	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>

12. Does the proposal contain any provisions which attract M.R.T.P. Act. (If so "Y" else "N")

13. Does the proposal contain any provisions which attract the Foreign Exchange Regulation Act, 1973

If so, please indicate "Y" else "N"

Note: If you have indicated "Y" in column 12 or 13 or both then please attach a spare sheet indicating the steps the company has taken or proposes to take in this connection as Annexure 1.

14. (a) Existing business of the company
(Please indicate the relevant N I C Code).

☐
☐
☐

If the business covers more than one type of activity then the relevant codes may please be entered in additional boxes provided below the first set.

14. (b) ITEM OF MANUFACTURE
(No. and Date of I.D.R. Act Licence, D.G.T.D. Registration, S.S.I. Registration etc. whichever applicable.)

Name of Item (1)	NIC Code of Item (2)	Name of Authority (3)	No. of Sanction (4)
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Name of Item (1)	Date of Sanction (5)	No. of Foreign Collaboration Agreement (6)	Date of Foreign Collaboration (7)
	<div> <div></div> <div></div> <div></div> <div></div> <div></div> <div></div> <div></div> </div>	<div> <div></div> <div></div> <div></div> <div></div> <div></div> <div></div> <div></div> </div>	<div> <div></div> <div></div> <div></div> <div></div> <div></div> <div></div> <div></div> </div>
Name of Item (1)	Name of Foreign Collaborator (8)	Country of Foreign Collaboration (9)	Type of Collaboration (10)
	<div> <div></div> <div></div> <div></div> <div></div> <div></div> <div></div> <div></div> </div>	<div> <div></div> <div></div> <div></div> <div></div> <div></div> <div></div> <div></div> </div>	<div> <div></div> <div></div> <div></div> <div></div> <div></div> <div></div> <div></div> </div>

- Note
- 1: Please furnish complete technical specifications and relevant catalogues of the products proposed to be manufactured and the end use of the product as Annexure to this Application Form.
 - 2: Please furnish brief description of the technology and other relevant techno-economic studies as Annexure to this Application Form.
 - 3: Where the letter of intent/industrial licence has been obtained under the Industries (Development and Regulation) Act, 1951 for the items of manufacture for which the Foreign Collaboration application has been made, please furnish a photocopy of the same.
 - 4: In case where the application for industrial licence under the Industries (Development and Regulation) Act, 1951 has been made, please indicate in the boxes under Column 3, 4 and 5 of the table above the legend "APPLIED For" and also indicate the reference number and date.

15. Estimated value of annual production with proposed foreign collaboration.

Item of Manufacture _____

NIC Code _____

□□□□□□

Description

	Year	Unit**	Quantity	Ex-factory value net of excise duties (Rs.)	Ex-factory value after de- ducting landed cost of im- ported components (Rs.)
	(1)	(2)	(3)	(4)	(5)
1st year	□□	□	□□□□□□□□□□	□□□□□□□□□□	□□□□□□□□□□
2nd year	□□	□	□□□□□□□□□□	□□□□□□□□□□	□□□□□□□□□□
3rd year	□□	□	□□□□□□□□□□	□□□□□□□□□□	□□□□□□□□□□
4th year	□□	□	□□□□□□□□□□	□□□□□□□□□□	□□□□□□□□□□
5th year	□□	□	□□□□□□□□□□	□□□□□□□□□□	□□□□□□□□□□

** The units may kindly be indicated as follows: 1 - Numbers per annum; 2 - Tonnes per annum; 3 - Metres per annum

16. Location of the Factory.

(a) Tehsil □□□□□□□□□□□□□□□□□□

(b) District □□□□□□□□□□□□□□□□□□

(c) State □□□□□□□□□□□□□□□□□□

(d) If the location is in a backward district/area qualifying for Central Scheme of Investment Subsidy, indicate whether the District is category "A", "B" or "C". Else indicate 'N'.

□

(e) If the location is in a 'no-industry district', please indicate "Y" else indicate "N".

□

17. Proposed capital cost of the Project (Rs.)

(a) Cost of capital equipment

(i) Imported (landed cost)

□□□□□□□□□□

(ii) Indigenous

□□□□□□□□□□

(b) Cost of other items of capital nature:

(i) Land

(ii) Building

(c) Working Capital

(d) Additional staff and labour proposed to be employed:

	Head Office	Factory	Total
(i) Managerial	<div><div></div><div></div><div></div><div></div></div>	<div><div></div><div></div><div></div><div></div></div>	<div><div></div><div></div><div></div><div></div><div></div><div></div></div>
(ii) Supervisory	<div><div></div><div></div><div></div><div></div></div>	<div><div></div><div></div><div></div><div></div></div>	<div><div></div><div></div><div></div><div></div><div></div><div></div></div>
Technical	<div><div></div><div></div><div></div><div></div></div>	<div><div></div><div></div><div></div><div></div></div>	<div><div></div><div></div><div></div><div></div><div></div><div></div></div>
Non-technical	<div><div></div><div></div><div></div><div></div></div>	<div><div></div><div></div><div></div><div></div></div>	<div><div></div><div></div><div></div><div></div><div></div><div></div></div>
(iii) Clerical	<div><div></div><div></div><div></div><div></div></div>	<div><div></div><div></div><div></div><div></div></div>	<div><div></div><div></div><div></div><div></div><div></div><div></div></div>
(iv) Labour	<div><div></div><div></div><div></div><div></div></div>	<div><div></div><div></div><div></div><div></div></div>	<div><div></div><div></div><div></div><div></div><div></div><div></div></div>
Skilled	<div><div></div><div></div><div></div><div></div></div>	<div><div></div><div></div><div></div><div></div></div>	<div><div></div><div></div><div></div><div></div><div></div><div></div></div>
Semi-skilled	<div><div></div><div></div><div></div><div></div></div>	<div><div></div><div></div><div></div><div></div></div>	<div><div></div><div></div><div></div><div></div><div></div><div></div></div>
Unskilled	<div><div></div><div></div><div></div><div></div></div>	<div><div></div><div></div><div></div><div></div></div>	<div><div></div><div></div><div></div><div></div><div></div><div></div></div>
(v) Others	<div><div></div><div></div><div></div><div></div></div>	<div><div></div><div></div><div></div><div></div></div>	<div><div></div><div></div><div></div><div></div><div></div><div></div></div>

Note: If imported equipment is required, has the Capital goods application been submitted. Furnish Reference No. and date of application/approval.

18. Estimated annual requirement of raw materials and components after going into full production.

S.No.	Name of raw material/com-ponents	NIC Code	If indigenous please indicate '1' if imported indicate '2'	Unit	Quantity	Value (cif value if imported)
1	2	3	4	5	6	7
<div><div></div><div></div><div></div></div>		<div><div></div><div></div><div></div><div></div><div></div></div>	<div><div></div><div></div><div></div></div>	<div><div></div><div></div><div></div></div>	<div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div></div>	<div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div></div>

21. Nature and quantum of lumpsum payment

	Rupee/Foreign Exchange (whichever is applicable)	Name of foreign currency in which payment is proposed to be made	No. of Instal- ments in which payment will be made
(a) Technical know-how fees.	<input type="text"/>	<input type="text"/>	<input type="text"/>
(b) Payment for design, engineer- ing, consultancy, etc.	<input type="text"/>	<input type="text"/>	<input type="text"/>
(c) Payments, if any, for the use of any patents, brand names, trade marks and the like.	<input type="text"/>	<input type="text"/>	<input type="text"/>
(d) Any other payment of lump- sum nature	<input type="text"/>	<input type="text"/>	<input type="text"/>

22. (a) Whether a recurring annual royalty is proposed, if so, the percentage of royalty (gross of taxes) computed as a proportion of the ex-factory value of annual production (net of excise duties) after deducting the landed cost of imported components and the standard bought out components, if any.

(b) Kindly indicate the total estimated gross amount of royalty (i.e. before taxation) payable to the foreign collaborator during the duration of the collaboration. (Rs.)

(c) Are separate rates of royalty envisaged on internal sales and exports? If so, furnish the figures/percentage

(i) Internal sales

(ii) Exports

23. Proposed duration of the agreement (years)

24. Period for which royalty payment will be made (years)

25. If this application is for the extension of existing collaboration agreement please indicate the period for which the collaboration has already run and attach a copy of the previous approvals and agreements.

26. Total payments made (gross of taxes) (Rs.)

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[illegible]

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Name of country to which exports excluded	If export excluded under Govt. regulations indicate "1" else indicate "2"
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Item Name 1	NIC Code 2	Unit 3	Quantity 4	Value (Rs.) 5	%age of prod. 6
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30. Export commitments/obligation which the applicant is prepared to undertake.

NIC Code of item

Description of item

	Years	Units	Quantity	Percentage of Production	Value(FOB) (Rs.)
	1	2	3	4	5
1st year	<input type="text"/> <input type="text"/>	<input type="text"/>	<input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/>	<input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/>	<input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/>
2nd year	<input type="text"/> <input type="text"/>	<input type="text"/>	<input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/>	<input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/>	<input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/>
3rd year	<input type="text"/> <input type="text"/>	<input type="text"/>	<input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/>	<input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/>	<input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/>
4th year	<input type="text"/> <input type="text"/>	<input type="text"/>	<input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/>	<input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/>	<input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/>
5th year	<input type="text"/> <input type="text"/>	<input type="text"/>	<input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/>	<input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/>	<input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/>
Total	<input type="text"/> <input type="text"/>	<input type="text"/>	<input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/>	<input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/>	<input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/>

31. Effect on balance of payments during the period of collaboration agreement:

A. Foreign Exchange Earnings: (Rs.)

- (i) Foreign exchange earnings based on f.o.b. value of export obligation
- (ii) Foreign exchange savings anticipated as a result of import substitution vis-a-vis the products
- Total

B. Approximate value/quantity of existing imports.

C. Foreign Exchange outgo on: (Rs.)

- (a) Import of machinery and equipment (cif)
- (b) Import of raw materials & components (cif)
- (c) Dividends and profits (net of taxes, i.e. gross amount indicated in Col. 20(c) above minus Indian taxes payable)
- (d) Lumpsum payments (net of taxes, i.e. gross amount indicated in Col. 21 above minus Indian taxes payable)

(e) Royalty payments (net of taxes based on Col. 22 above) taking into account the value of production in Col. 15 above

□□□□□□□□□□

(f) Number of foreign technicians:

(i) Proposed to be employed in man-months

□□□□□□□□□□

(ii) Payment to foreign technicians (net of taxes) (Rs.)

□□□□□□□□□□

(g) Other payments, if any (Rs.)

□□□□□□□□□□

Total C : (Except for (f) (i)) (Rs.)

□□□□□□□□□□

32. Net foreign exchange inflow (A-C)

□□□□□□□□□□

33. Whether the foreign collaborator has other collaborations with any other party in India for the same or similar products: 'Y' or 'N'. If so, give details as annexure.

□

34. Give an account of the attempts made to explore alternative sources for acquisition of technology including indigenous sources and the techno-economic considerations for preferring the particular collaboration which has been applied for.

35. In the choice of technology, have you given appropriate weightage to the least pollutant alternative, consistent with costs? If so, details thereof.

36. Please confirm that the foreign collaborator is agreeable that the technical know-how/product design/engineering design can also be made available to other Indian parties, should it become necessary, on terms and conditions as may be agreed to by all the parties concerned, including foreign collaborator subject to the approval of the Government.

37. What steps does the applicant propose to take for research and development in respect of the technology involved, engineering, design, training of Indian technical personnel, and other measures for the absorption, adaptation and development of the imported technology. Give specific details.

Date:

Signature of the Applicant

Place:

Designation

PART - B

(To be filled by Approval Authority)

1. Terms of foreign collaboration

(Information to be furnished in cases where foreign collaborator proposes to invest in equity capital of the Indian Company).

(a) Amount of foreign equity (in rupee equivalent)

□□□□□□□□□□

(b) What percentage it would constitute of the total paid-up capital of the Indian company?

□□□□

2. Nature and quantum of lumpsum payments:

	Rupees/Foreign Exchange (whichever applicable)	Name of foreign currency in which payment is proposed to be made	No. of instal- ments in which the payment will be made
(a) Technical know-how fees	□□□□□□□□□□	□□□□□□□□□□□□□□	□□□□
(b) Payments for design, engineering consultancy, etc.	□□□□□□□□□□	□□□□□□□□□□□□□□	□□□□
(c) Payments if any, for the use of any patents, brand names, trade marks and the like	□□□□□□□□□□	□□□□□□□□□□□□□□	□□□□
(d) Any other payment of lumpsum nature	□□□□□□□□□□	□□□□□□□□□□□□□□	□□□□

3. (a) Whether a recurring annual royalty is proposed, if so, the %age of royalty (gross of taxes) computed as a proportion of the ex-factory value of annual production (net of excise duties) after deducting the landed cost of imported components and the standard bought out components, if any.

□□□□

(b) Are separate rates of royalty envisaged on internal sales and exports. If so, furnish the figures/percentage.

(i) Internal Sales

□□□□

(ii) Exports

□□□□

4. Proposed duration of the agreement (Years)

□□

5. Period for which royalty payments will be made (Years) □□

6. Please specify the names of the countries, if any, to which exports are excluded.

Name of country to which exports excluded	If export excluded under Government regulation indicate "1" else indicate "2"
□□□□□□□□□□□□□□□□□□	□
□□□□□□□□□□□□□□□□□□	□

7. Export commitment/obligation which the applicant is prepared to undertake.

Description of item

	Years	Units	Quantity	%age of Production	Value(FOB) (Rs.)
	1	2	3	4	5
1st year	□□	□	□□□□□□□□□□	□□□□	□□□□□□□□□□
2nd year	□□	□	□□□□□□□□□□	□□□□	□□□□□□□□□□
3rd year	□□	□	□□□□□□□□□□	□□□□	□□□□□□□□□□
4th year	□□	□	□□□□□□□□□□	□□□□	□□□□□□□□□□
5th year	□□	□	□□□□□□□□□□	□□□□	□□□□□□□□□□
Total	□□	□	□□□□□□□□□□	□□□□	□□□□□□□□□□

Source: SBP Board of Consultants and Engineers (1995), *SBP's Handbook of Foreign Collaborations and 1000 Technologies from Abroad*, Delhi: SBP Consultants & Engineers Pvt. Ltd., pp. 77-94.

Appendix II

QUESTIONNAIRES USED TO COLLECT RESEARCH DATA

CONFIDENTIAL

International Joint Ventures as an International Business Mode: A Study of Australian-Indian Joint Ventures in India

PARENT COMPANY QUESTIONNAIRE

INTERVIEW ☐ FIRM
RESPONDENT

PART-A

COMPANY BACKGROUND

1. Location of Headquarters:
2. Main Product Line(s)/ Services:
3. Number and names of countries in which you operate:
4. How long has your company been involved in its Indian operation?
5. What was the initial entry mode to the Indian market?

- ☐ Exporting
- ☐ Licensing
- ☐ Wholly owned subsidiary
- ☐ International joint venture
- ☐ Other (please specify)

6. How old is the IJV?

(please provide a photocopy of the organisation chart of your company, if possible)

COMMENTS (if any):

WHY INDIA

What are the factors that influenced you to invest in the Indian market?

- ☐ a) large market
- ☐ b) widespread use of English
- ☐ c) Common heritage of legal system and institutional setting
- ☐ d) Low labour cost
- ☐ e) Availability of finance
- ☐ f) Existence of Indian business contacts
- ☐ g) Proximity to Australia (Located within the same Asia-Pacific region)
- ☐ h) Both Australia and India are Commonwealth members
- ☐ i) Ongoing economic liberalisation (post-cold war)
- ☐ j) Special incentives for foreign investors
- ☐ k) Promotional activities on India (Recent emphasis by the Australian government and business)
- ☐ l) Niche market for company product(s)
- ☐ m) Use of NRI
- ☐ n) Recent trend towards westernisation of Indian culture
- ☐ o) India has considerable economic links with other trading nations that provide a conduit for an expanded trade to third parties.
- ☐ p) Accessing technology
- ☐ q) Other (please specify)

☐ MOST IMPORTANT

☐ NEXT MOST IMPORTANT

COMMENTS (if any)

PART-B

GEOPOLITICAL FACTORS AS MOTIVATORS TO CHOOSE IJV MODE

P1. Did geopolitical variables (viz., the time dimension, such as historical events; place dimension, such as geographic distance and size; and the demographic dimension, such as population size and ethnicity) impact on your firm's decision to form an IJV in India with an Indian partner?

Definitely yes ☐ Some impact ☐ No impact at all ☐

P1.1a Did the colonial legacies that are still reflected in the anti-west attitude impact on your firm's decision to form an IJV in India with an Indian partner?

Definitely yes ☐ Some impact ☐ No impact at all ☐

P1.1b Did the cold-war legacies such as India's pro-socialist stand and protectionist role played by India to regulate foreign investment during the cold war period impact on your firm's decision to form an IJVs in India with an Indian partner?

Definitely yes ☐ Some impacts ☐ No impact at all ☐

P1.1c Did the collapse of the Soviet Union impact on your firm's decision to form an IJV in India with an Indian partner?

Definitely yes ☐ Some impact ☐ No impact at all ☐

P1.1d Did India's geopolitical realignment through improved relationships with the US and its allies (e.g., Australia) impact on your firm's decision to form an IJV in India with an Indian partners?

Definitely yes ☐ Some impact ☐ No impact at all ☐

P1.2a Did geographic distance between Australia and India impact on your firm's decision to form an IJV in India with an Indian partners?

Definitely yes ☐ Some impact ☐ No impact at all ☐

P1.2b Has the absence of common membership of Australia and India in any of the active regional forum impacted on your firm's decision to form an IJV in India with an Indian partner?

Definitely yes ☐ Some impact ☐ No impact at all ☐

P1.3a Has the very large poor segment in the Indian population impacted on your firm's decision to form an IJV in India with an Indian partner?

Definitely yes ☐ Some impact ☐ No impact at all ☐

P1.3b Has the relative absence of non-resident Indians (NRIs) in Australia impacted on your firm's decision to form an IJV in India with an Indian partner?

Definitely yes ☐ Some impact ☐ No impact at all ☐

P1.3c Has the *Neo-Swadeshi* (indigenisation) movement in India impacted on your firm's decision to form an IJV in India with an Indian partner?

Definitely yes ☐ Some impact ☐ No impact at all ☐

P1.3d Have the religious rivalry and fundamentalism in India impacted on your firm's decision to form an IJV in India with an Indian partner?

Definitely yes ☐ Some impact ☐ No impact at all ☐

COMMENTS (if any):

PART-C

OTHER ENVIRONMENTAL FACTORS MOTIVATING THE FORMATION OF IJVs

P2 Have other host-country environmental elements (apart from geopolitical factors), such as its economic environment, cultural setting, legal structure, politics, firm's access to market information and human resource management practices impacted on your firm's decision to form an IJV in India with an Indian partner?

Definitely yes ☐ Some impact ☐ No impact at all ☐

P2.1a Has the level of inflation in India impacted on your firm's decision to form an IJV in India with an Indian partner?

Definitely yes ☐ Some impact ☐ No impact at all ☐

P2.1b Has the exchange rate fluctuation in India impacted on your firm's decision to form an IJV in India with an Indian partner?

Definitely yes ☐ Some impact ☐ No impact at all ☐

P2.1c Did the possibility to minimise the environmental-specific transactions costs (e.g., tax, tariffs and other import duties imposed by the Indian government) impact on your firm's decision to form an IJV in India with an Indian partner?

Definitely yes ☐ Some impact ☐ No impact at all ☐

P2.1d Has the highly competitive state of Indian market impacted on your firm's decision to form an IJV in India with an Indian partner?

Definitely yes ☐ Some impact ☐ No impact at all ☐

P2.1d Has the uncertain demand condition mainly due to a large poor segment of Indian population impacted on your firm's decision to form an IJV in India with an Indian partner?

Definitely yes ☐ Some impact ☐ No impact at all ☐

P2.1e Has your requirement for rapid market access in India impacted on your firm's decision to form an IJV in India with an Indian partner?

Definitely yes ☐ Some impact ☐ No impact at all ☐

P2.2a Has the minimisation of political risks in India associated with the uncertainty due to the change of governments impacted on your firm's decision to form an IJV in India with an Indian partner?

Definitely yes ☐ Some impact ☐ No impact at all ☐

P2.2b Has the minimisation of political risks in India associated with ongoing separatist movements and their destructive impacted on your firm's decision to form an IJV in India with an Indian partner?

Definitely yes ☐ Some impact ☐ No impact at all ☐

P2.2c Has the minimisation of political risks in India associated with the ongoing religious rivalry impacted on your firm's decision to form an IJV in India with an Indian partner?

Definitely yes ☐ Some impact ☐ No impact at all ☐

P2.2d Has the minimisation of political risks in India associated with the protest from the environmentalists against specific foreign investments impacted on your firm's decision to form an IJV in India with an Indian partner?

Definitely yes ☐ Some impact ☐ No impact at all ☐

P2.3a Has the high level of import duties, tariffs and quotas imposed by Indian government impacted on your firm's decision to form an IJV in India with an Indian partner?

Definitely yes ☐ Some impact ☐ No impact at all ☐

P2.3b Has the taxation law in India impacted on your firm's decision to form an IJV in India with an Indian partner?

Definitely yes ☐ Some impact ☐ No impact at all ☐

P2.3c Has the foreign investment policy in India impacted on your firm's decision to form an IJV in India with an Indian partner?

Definitely yes ☐ Some impact ☐ No impact at all ☐

P2.3d Has the insurance industry in India with a public sector monopoly impacted on your firm's decision to form an IJV in India with an Indian partner?

Definitely yes ☐ Some impact ☐ No impact at all ☐

P2.3e Has the lack of enforcement of intellectual property rights in India impacted on your firm's decision to form an IJV in India with an Indian partner?

Definitely yes ☐ Some impact ☐ No impact at all ☐

P2.3f Has the Indian law allowing automatic approval of upto 51% equity participation (since 1993) in a number of selected industries impacted on your firm's decision to form an IJV in India with an Indian partner?

Definitely yes ☐ Some impact ☐ No impact at all ☐

P2.3g Has the changing legal and regulatory environment impacted on your firm's decision to form an IJV in India with an Indian partner?

Definitely yes ☐ Some impact ☐ No impact at all ☐

P2.4a Has low labour productivity in India impacted on your firm's decision to form an IJV in India with an Indian partner?

Definitely yes ☐ Some impact ☐ No impact at all ☐

P2.4b Has the difficulties related to the dismissal of workers because of the absence of consistent exit policy in India impacted on your firm's decision to form an IJV in India with an Indian partner?

Definitely yes ☐ Some impact ☐ No impact at all ☐

P2.4c Has the reputation of Indian labour force as being 'militant and obstructionist' impacted on your firm's decision to form an IJV in India with an Indian partner?

Definitely yes ☐ Some impact ☐ No impact at all ☐

P2.4d Have the difficulties in finding high quality local staff impacted on your firm's decision to form an IJV in India with an Indian partner?

Definitely yes ☐ Some impact ☐ No impact at all ☐

P2.5 Has the lack of necessary market information in India impacted on your firm's decision to form an IJV in India with an Indian partner?

Definitely yes ☐ Some impact ☐ No impact at all ☐

P2.6a Have the 'distance, and unfamiliarity of Australian companies with Indian culture impacted on your firm's decision to form an IJV in India with an Indian partner?

Definitely yes ☐ Some impact ☐ No impact at all ☐

P2.6b Have the difficulties in dealing with corruption and bureaucracy in India impacted on your firm's decision to form an IJV in India with an Indian partner?

Definitely yes ☐ Some impact ☐ No impact at all ☐

COMMENTS (if any):

PART-D

ORGANISATIONAL-SPECIFIC FACTORS MOTIVATING THE FORMATION
OF IJVs

P3 Have the organisational-specific factors, such as the attainment of economies of scale; transaction cost minimisation; accessing the distribution network; sharing technology and other resources; human resource management; and inter-partner learning impacted on your firm's decision to form an IJV in India with an Indian partner?

Definitely yes ☐ Some impact ☐ No impact at all ☐

P3.1 Has the quest for economies of scale impacted on your firm's decision to form an IJV in India with an Indian partner?

Definitely yes ☐ Some impact ☐ No impact at all ☐

P3.2 Has the quest for the organisational-specific transactions cost minimisation impacted on your firm's decision to form an IJV in India with an Indian partner?

Definitely yes ☐ Some impact ☐ No impact at all ☐

P3.3 Has the quest for access to a distribution network impacted on your firm's decision to form an IJV in India with an Indian partner?

Definitely yes ☐ Some impact ☐ No impact at all ☐

P3.4a Has the sharing of technology impacted on your firm's decision to form an IJV in India with an Indian partner?

Definitely yes ☐ Some impact ☐ No impact at all ☐

P3.4b Has the sharing of establishment costs and other resources impacted on your firm's decision to form an IJV in India with an Indian partner?

Definitely yes ☐ Some impact ☐ No impact at all ☐

P3.5a Has the HR related issue, such as managing selection, promotion and compensation impacted on your firm's decision to form an IJV in India with an Indian partner?

Definitely yes ☐ Some impact ☐ No impact at all ☐

P3.5b Has the meeting of appropriate training requirements impacted on your firm's decision to form an IJV in India with an Indian partner?

Definitely yes ☐ Some impact ☐ No impact at all ☐

P3.5c Have other HR related problems, such as resolving wage dispute, managing labour unrests and deciding working hours impacted on your firm's decision to form an IJV in India with an Indian partner?

Definitely yes ☐ Some impact ☐ No impact at all ☐

P3.6 Has the quest for inter-partner learning (e.g., exchange of technological knowhow and management style) impacted on your firm's decision to form an IJV in India with an Indian partner?

Definitely yes ☐ Some impact ☐ No impact at all ☐

COMMENTS (if any):

PART-E

FORMATION PROCESS

P4 How extensive was the involvement of your firm throughout the IJV negotiation process?

Significant ☐ Moderate ☐ Minimal ☐

P4.1a Who made the first approach to form the IJV?

Parent firm ☐ Host firm ☐

P4.1b From where did you receive information about your prospective partners?

P4.1c With how many Indian firms did you initially begin to select a partner for an IJV operation?

P4.1d How much time did you spend in preparing for the formal negotiations with your Indian partner?

Months Days

P4.1e Did you consider the needs of your firm during the preparatory stage?

Yes ☐ No ☐

P4.1f Did you consider the needs of your partner during the preparatory stage?

Yes ☐ No ☐

P4.1g Did you introduce any additional arguments/resources beyond the immediate IJV objective during the bargaining?

Yes ☐ No ☐

P4.1h On how many occasions did you meet with your partner before you finalised your negotiations?

P4.1i On how many occasions did you visit India to meet with your partner before finalising the negotiations?

P4.1j How extensive was your financial investment in the preparatory stage of the negotiation?

A\$

P4.1k Did you organise any pre-contract training for the participants from your company to enable them to better negotiate with their Indian counterparts (with emphasis on learning Indian management style and culture)?

P4.1l Which management level was entrusted with the responsibilities of directly negotiating with the Indian counterparts?

☐ Senior ☐ Middle ☐ Junior ☐ Mix

P4.2a In which city was the final negotiation held?

P4.2b What was the rationale for the selection of the venue?

P4.2c What was/were the language/s used during the formal negotiation and the preparation of documents?

P4.2d Did you face any major difficulties during the final negotiation?

P4.2e If Yes (ref: P4.3e) , how did you overcome it/them?

P4.2f Did you sign a separate licensing agreement for technology transfer?

Yes ☐

No ☐

P4.2g If yes, did the negotiation run separately or simultaneously?

P4.2h How long did it take to get the approval from the Indian government?

P4.2i Were any special efforts required to get the approval?

Yes ☐

No ☐

P4.2j If yes, please specify.

P4.3a Did you employ anyone from your company or from outside to assist in understanding the legal aspects of negotiation during the preparatory stage? (please specify).

P4.3b Did you engage any law firm from India and/or Australia to propose necessary alterations after taking appropriate scrutiny of the draft documents before signing them? (if any, please specify the firms)

P4.3c Did you interpret the document according to the Australian law?

PART-F

IMPLEMENTATION STAGE

P5.1 Is the choice of an appropriate partner an important pre-condition for the success of the IJV between Australian and Indian firms in India?

Definitely yes ☐ To some extent ☐ Not at all ☐

P5.2a Do you consider the sharing of decision making between IJV partners to be an important pre-condition for the success of IJVs between Australian and Indian firms in India?

Definitely yes ☐ To some extent ☐ Not at all ☐

P5.2b Which partner influences most in the major decision making processes in this IJV?

- ☐ Exclusively made/guided by policy guidelines of the foreign parent
- ☐ Exclusively made/guided by policy guidelines of the host management
- ☐ Jointly made/guided by policy guidelines of the both partners
- ☐ Made by the IJV with some policy guidelines from the partners

P5.2c Has flexibility of control had positive impacts on the IJV success?

Definitely yes ☐ Some impact ☐ No impact at all ☐

P5.2d Has the level of equity share had an impact on the level of control over the IJV?

Definitely yes ☐ To some extent ☐ Not at all ☐

P5.2e What are the existing equity levels (in %) of the IJV?

Parent firm Host firm

P5.2f Has the level of technology contribution had an impact on the level of control over the IJV?

Definitely yes ☐ Some impact ☐ No impact at all ☐

P5.2g Has the structure of the IJV board of directors had an impact on the IJV success?

Definitely yes ☐ Some impact ☐ No impact at all ☐

P5.2h What is the structure of the IJV board of Directors representing parent and host firms?

Total members ☐ Parent firm ☐ Host firm ☐

Chaired by HCN ☐ PCN ☐

P5.2i Do you consider that control through sharing of IJV personnel is a pre-condition for IJV success?

Definitely yes ☐ Some impact ☐ No impact at all ☐

P5.2j What is the current ratio of personnel between the Host and Australian partners in the IJV?

Host : Parent = :

P5.2k How many persons at each level below are drawn from each partner?

Mangement levels	Number of persons drawn by	
	Host firm	Australian parent
CEO		
Production/Tecnical Managers		
Marketing Managers		
Personnel/HR Managers		
Accounts and Finance Managers		
Other Managers		

P5.3a Has the appropriate selection of IJV personnel had an impact on the IJV success?

Definitely yes ☐ Some impact ☐ No impact at all ☐

P5.3b Do you consider the use of experienced parent country nationals (PCN) to India as a pre-condition for a successful IJV operation?

Definitely yes ☐ To some extent ☐ Not at all ☐

P5.3c What is the average management experience of the PCN managers installed in the IJV?

Years

P5.3d Is it important to provide specialised training for the expatriate managers on Indian culture and management practice before you sent them to the IJV?

Definitely yes ☐ To some extent ☐ Not at all ☐

P5.3e Is it important to provide specialised training for the Indian managers on Australian culture and management practice before they are sent to the IJV?

Definitely yes ☐ To some extent ☐ Not at all ☐

P5.3f Is it important to offer special compensation allowance (Including relocation) to the expatriate managers working in India?

Definitely yes ☐ To some extent ☐ Not at all ☐

P5.3g Do you pay any special allowance to the expatriate managers working in the IJV in India?

Yes ☐ No ☐

P5.3h Do you consider the use of host country nationals (HCNs) in key IJV positions as a pre-condition for the IJV success?

Definitely yes ☐ To some extent ☐ Not at all ☐

P5.4a Do you consider the inter-partner learning (e.g., exchange of technical knowhow and management style) as an important issue that impacts upon the success of the Australian-Indian joint venture in India?

Definitely yes ☐ Some impact ☐ No impact at all ☐

P5.4b Are you satisfied with the level of learning you achieved from your partner?

Yes ☐ No ☐

P5.4c If not, why?

P5.4d Do you have a technology sharing agreement with your partner? If so, could you please specify the inter-partner learning scenario as follows:

- ☐ Is your partner the net gainer in terms learning from technology sharing?
- ☐ Are you the net gainer in terms of learning from technology sharing?
- ☐ Inter-partner exchange of knowledge of technology is evenly shared?

P5.5a Is the building of a separate IJV culture (a hybrid of local and the parent culture) one of the most important pre-conditions for the success of an Australian firm joint venturing with an Indian partner?

Definitely yes ☐ To some extent ☐ Not at all ☐

P5.5b Is a separate IJV culture evolving in your IJV?

P5.6a For how many years do you envisage the IJV being operational?

Years

P5.6b Do you have any other IJVs with Indian firms?

Yes ☐ No ☐

P5.6c If so, in which product market?

P5.6d Do you envisage joint venturing with Indian firms other than the existing one?

Yes ☐

No ☐

P5.6e If so, in which product market?

P5.7a Have you faced any difficulties from the environmental-specific factors in managing the IJV, such as

☐ historical events, such as colonial, cold war legacies and post-cold-war scenario

☐ geographic location

☐ host-country demographic characteristics

☐ host-country macroeconomic environment

☐ host-country political situation

☐ host-country legal and regulatory environment

☐ nature of the HR practice in the host country

☐ lack of necessary market information

☐ cultural difference and diversity between the host and parent countries

☐ bureaucracy/corruption

☐ other (please specify)

P5.7 b Is the assistance from the local partner important in resolving environmental-specific difficulties?

Definitely yes ☐

To some extent ☐

Not at all ☐

P5.7c Have you ever used any assistance from the local partner to overcome any of the above-mentioned (P5.8a) difficulties? (If yes, how often?)

P5.8a Have you faced any difficulties in managing organisational-specific factors in relation to the IJV operation, such as

- ☐ achieving economies of scale
- ☐ transactions cost minimisation
- ☐ accessing wider distribution channels
- ☐ sharing of resources and capabilities
- ☐ human resource management
- ☐ other (please specify)

P5.8b Is the assistance of the local partner important in resolving organisational-specific difficulties?

Definitely yes ☐ To some extent ☐ Not at all ☐

P5.8c Have you ever used any assistance from your local partner to overcome any of the above-mentioned (P5.9a) difficulties? (If yes, how often?)

COMMENTS (if any):

Would you like to be forwarded a summary copy of the results of this study? (Yes/No)

THANK YOU FOR YOUR COOPERATION

CONFIDENTIAL

**International Joint Ventures as an International Business Mode: A Study of
Australian-Indian Joint Ventures in India**

HOST COMPANY QUESTIONNAIRE

INTERVIEW ☐ FIRM
RESPONDENT

PART-A

COMPANY BACKGROUND

1. Location of Headquarters:
2. Main Product Line(s)/ Services:
3. Number and name of countries in which you operate:
4. How long has your company been involved in Indian operation?
5. How old is the IJV?

(please provide a photocopy of the organisation chart of your company, if possible)

COMMENTS (if any):

RATIONALE FOR SELECTING AN AUSTRALIAN PARTNER

What are the factors that influenced you to choose an Australian partner?

- ☐ a) Convenience of using English
- ☐ b) Common heritage of legal system and institutional setting
- ☐ c) Availability of finance
- ☐ d) Existence of Australian business contacts
- ☐ e) Proximity to India (Located within the same Asia-Pacific region)
- ☐ f) Both Australia and India are Commonwealth members
- ☐ g) Promotional activities on Australia (Recent emphasis by the Australian and Indian governments and businesses)
- ☐ h) Niche market for company product(s)
- ☐ i) Use of NRIs
- ☐ j) Australian multiculturalism
- ☐ k) Australia has considerable economic links with other trading nations that provide a conduit for an expanded trade to third parties.
- ☐ l) Australian partner preferred IJV with Indian partners
- ☐ m) Other (please specify)

MOST IMPORTANT

NEXT MOST IMPORTANT

COMMENTS (if any):

PART-B

GEOPOLITICAL FACTORS AS MOTIVATORS TO CHOOSE IJV MODE

P1. Did geopolitical variables (viz., the time dimension, such as historical events; place dimension, such as geographic distance and size; and the demographic dimension, such as population size and ethnicity) impact on your firm's decision to form an IJV in India with Australian partners?

Definitely yes ☐ Some impact ☐ No impact at all ☐

P1.1a Did colonial legacies that are still reflected in the anti-west attitude impact on your firm's decision to form an IJV in India with Australian partners?

Definitely yes ☐ Some impact ☐ No impact at all ☐

P1.1b Did the cold-war legacies such as India's pro-socialist stand and the protectionist role played by India to regulate foreign investment during the cold war period impact on your firm's decision to form an IJV in India with an Australian partner?

Definitely yes ☐ Some impact ☐ No impact at all ☐

P1.1c Did the collapse of the Soviet Union impact on your firm's decision to form an IJV in India with an Australian partner?

Definitely yes ☐ Some impact ☐ No impact at all ☐

P1.1d Did India's geopolitical realignment through improved relationships with the US and its allies (e.g. Australia) impact on your firm's decision to form an IJV in India with an Australian partner?

Definitely yes ☐ Some impact ☐ No impact at all ☐

P1.2a Did geographic distance between Australia and India impact on your firm's decision to form an IJV in India with an Australian partner?

Definitely yes ☐ Some impact ☐ No impact at all ☐

P1.2b Has the absence of common membership of Australia and India in any of the active regional forums impacted on your firm's decision to form an IJV in India with an Australian partner?

Definitely yes ☐ Some impact ☐ No impact at all ☐

P1.3a Has the very large poor segment in the Indian population impacted on your firm's decision to form an IJV in India with an Australian partner?

Definitely yes ☐ Some impact ☐ No impact at all ☐

P1.3b Has the relative absence of non-resident Indians (NRIs) in Australia impacted on your firm's decision to form an IJV in India with an Australian partner?

Definitely yes ☐ Some impact ☐ No impact at all ☐

P1.3c Has the *Neo-Swadeshi* (indigenisation) movement in India impacted on your firm's decision to form an IJV in India with an Australian partner?

Definitely yes ☐ Some impact ☐ No impact at all ☐

P1.3d Has the religious rivalry and fundamentalism in India impacted on your firm's decision to form an IJV in India with an Australian partner?

Definitely yes ☐ Some impact ☐ No impact at all ☐

COMMENTS (if any):

PART-C

OTHER ENVIRONMENTAL FACTORS MOTIVATING THE FORMATION OF IJVs

P2 Have other host-country environmental elements (apart from geopolitical factors), such as its cultural setting, legal structure, politics, firm's access to market information and human resource management practices impacted on your firm's decision to form an IJV in India with an Australian partner?

Definitely yes ☐ Some impact ☐ No impact at all ☐

P2.1a Has the level of inflation in India impacted on your firm's decision to form an IJV in India with an Australian partner?

Definitely yes ☐ Some impact ☐ No impact at all ☐

P2.1b Has the exchange rate fluctuations in India impacted on your firm's decision to form an IJV in India with an Australian partner?

Definitely yes ☐ Some impact ☐ No impact at all ☐

P2.1c Did the possibility to minimise the environmental-specific transactions costs (e.g., tax, tariffs and other duties) impact on your firm's decision to form an IJV in India with an Australian partner?

Definitely yes ☐ Some impact ☐ No impact at all ☐

P2.1d Has the highly competitive state of Indian market impacted on your firm's decision to form an IJV in India with an Australian partner?

Definitely yes ☐ Some impact ☐ No impact at all ☐

P2.1e Has the uncertain demand conditions due to the large poor segment of the Indian population impacted on your firm's decision to form an IJV in India with an Australian partner?

Definitely yes ☐ Some impact ☐ No impact at all ☐

P2.1f Has your requirement for rapid and wider market access impacted on your firm's decision to form an IJV in India with an Australian partner?

Definitely yes ☐ Some impact ☐ No impact at all ☐

P2.2a Has the minimisation of political risks in India associated with the uncertainty due to the change of governments impacted on your firm's decision to form an IJV in India with an Australian partner?

Definitely yes ☐ Some impact ☐ No impact at all ☐

P2.2b Has the minimisation of political risks in India associated with ongoing separatist movements and their destructive activities impacted on your firm's decision to form an IJV in India with an Australian partner?

Definitely yes ☐ Some impact ☐ No impact at all ☐

P2.2c Has the minimisation of political risks in India associated with the ongoing religious rivalry impacted on your firm's decision to form an IJV in India with an Australian partner?

Definitely yes ☐ Some impact ☐ No impact at all ☐

P2.2d Has the minimisation of political risks in India associated with protests from the environmentalists against specific foreign investments impacted on your firm's decision to form an IJV in India with an Australian partner?

Definitely yes ☐ Some impact ☐ No impact at all ☐

P2.3a Has the high level of import duties, tariffs and quota imposed by Indian government impacted on your firm's decision to form an IJV in India with an Australian partner?

Definitely yes ☐ Some impact ☐ No impact at all ☐

P2.3b Has the taxation law in India impacted on your firm's decision to form an IJV in India with an Australian partner?

Definitely yes ☐ Some impact ☐ No impact at all ☐

P2.3c Has the foreign investment policy in India impacted on your firm's decision to form an IJV in India with an Australian partner?

Definitely yes ☐ Some impact ☐ No impact at all ☐

P2.3d Has the insurance industry in India with a public sector monopoly impacted on your firm's decision to form an IJV in India with an Australian partner?

Definitely yes ☐ Some impact ☐ No impact at all ☐

P2.3e Has the lack of enforcement of intellectual property rights in India impacted on your firm's decision to form an IJV in India with an Australian partner?

Definitely yes ☐ Some impact ☐ No impact at all ☐

P2.3f Has the Indian law allowing automatic approval of up to 51% equity participation by foreign companies (from 1993) in a number of selected industries impacted on your firm's decision to form an IJV in India with an Australian partner?

Definitely yes ☐ Some impact ☐ No impact at all ☐

P2.3g Has the changing legal and regulatory environment in India impacted on your firm's decision to form an IJV in India with an Australian partner?

Definitely yes ☐ Some impact ☐ No impact at all ☐

P2.4a Has low labour productivity in India impacted on your firm's decision to form an IJV in India with an Australian partner?

Definitely yes ☐ Some impact ☐ No impact at all ☐

P2.4b Have the difficulties related to the dismissal of workers because of the absence of a consistent exit policy in India impacted on your firm's decision to form an IJV in India with an Australian partner?

Definitely yes ☐ Some impact ☐ No impact at all ☐

P2.4c Has the reputation of Indian labour force as being 'militant and obstructionist' impacted on your firm's decision to form an IJV in India with an Australian partner?

Definitely yes ☐ Some impact ☐ No impact at all ☐

P2.4d Have the difficulties in finding high quality local staff in India impacted on your firm's decision to form an IJV in India with an Australian partner?

Definitely yes ☐ Some impact ☐ No impact at all ☐

P2.5 Has the lack of necessary market information in India impacted on your firm's decision to form an IJV in India with an Australian partner?

Definitely yes ☐ Some impact ☐ No impact at all ☐

P2.6a Has the 'distance' and unfamiliarity of Australian companies with Indian culture impacted on your firm's decision to form an IJV in India with an Australian partner?

Definitely yes ☐ Some impact ☐ No impact at all ☐

P2.6b Have the difficulties in dealing with corruption and bureaucracy in India impacted on your firm's decision to form an IJV in India with an Australian partner?

Definitely yes ☐ Some impact ☐ No impact at all ☐

COMMENTS (if any):

PART-D

ORGANISATIONAL-SPECIFIC FACTORS MOTIVATING THE FORMATION OF IJVs

P3 Have the organisational-specific factors, such as the attainment of economies of scale; transaction cost minimisation; accessing the wider distribution network; sharing technology and other resources; and inter-partner learning impacted on your firm's decision to form an IJV in India with an Australian partner?

Definitely yes ☐ Some impact ☐ No impact at all ☐

P3.1 Has the quest for economies of scale impacted on your firm's decision to form an IJV in India with an Australian partner?

Definitely yes ☐ Some impact ☐ No impact at all ☐

P3.2 Has the quest for the organisational-specific transaction cost minimisation impacted on your firm's decision to form an IJV in India with an Australian partner?

Definitely yes ☐ Some impact ☐ No impact at all ☐

P3.3 Has the quest for accessing wider distribution networks impacted on your firm's decision to form an IJV in India with an Australian partner?

Definitely yes ☐ Some impact ☐ No impact at all ☐

P3.4a Has the sharing of technology impacted on your firm's decision to form an IJV in India with an Australian partner?

Definitely yes ☐ Some impact ☐ No impact at all ☐

P3.4b Has the sharing of establishment and other costs impacted on your firm's decision to form an IJV in India with an Indian partner?

Definitely yes ☐ Some impact ☐ No impact at all ☐

P3.5a Has the HR related issue, such as managing selection, promotion and compensation impacted on your firm's decision to form an IJV in India with an Australian partner?

Definitely yes ☐ Some impact ☐ No impact at all ☐

P3.5b Has the meeting of appropriate training requirements impacted on your firm's decision to form an IJV in India with an Australian partner?

Definitely yes ☐ Some impact ☐ No impact at all ☐

P3.5c Have other HR related problems, such as resolving wage disputes, managing labour unrest and deciding on working hours impacted on your firm's decision to form an IJV in India with an Australian partner?

Definitely yes ☐ Some impact ☐ No impact at all ☐

P3.6 Has the quest for inter-partner learning (e.g. management skills, technical knowhow etc.) impacted on your firm's decision to form an IJV in India with an Australian partner?

Definitely yes ☐ Some impact ☐ No impact at all ☐

COMMENTS (if any):

PART-E

FORMATION PROCESS

P4 How extensive was the involvement of your firm throughout the IJV negotiation process?

Significant ☐ Moderate ☐ Minimal ☐

P4.1a Who made the first approach to form the joint venture?

Parent firm ☐ Host firm ☐

P4.1b From where did you receive information about your prospective partner?

P4.1c With how many foreign firms did you initially begin negotiations to select a partner for an IJV operation?

P4.1d How much time did you spend in preparing for the formal negotiations with your Australian partner?

Months Days

P4.1e Did you consider the needs of your firm during the preparatory stage?

Yes ☐ No ☐

P4.1f Did you consider the needs of your partner during the preparatory stage?

Yes ☐ No ☐

P4.1g Did you introduce any additional arguments/resources beyond the immediate IJV objective during the bargaining?

Yes ☐ No ☐

P4.1h On how many occasions did you meet with your partner before you finalised your negotiations?

P4.1i On how many occasions did you visit Australia to meet with your partner before finalising the negotiations?

P4.1j How extensive was your financial investment in the preparatory stage of the negotiation process?

A\$/Rs

P4.1k Did you organise any pre-contract training for the participants from your company to enable them to better negotiate with their Australian counterparts (with emphasis on learning Australian management style and culture)?

P4.1l Which management level was entrusted with the responsibilities of directly negotiating with the Australian counterparts?

☐ Senior ☐ Middle ☐ Junior ☐ Mix

P4.2a In which city was the final negotiation held?

P4.2b What was the rationale for the selection of the venue?

P4.2c What was/were the language/s used during the formal negotiation and the preparation of the documents?

P4.2d Did you face any major difficulties during the final negotiation?

Yes ☐ No ☐

P4.2e If Yes (ref: P4.3e) , how did you overcome it/them?

P4.2f Did you sign a separate licensing agreement for technology transfer?

Yes ☐

No ☐

P4.2g If yes, did the negotiation run separately or simultaneously?

P4.2h How long did it take to get the approval from the Indian government?

P4.2i Were any special efforts required to get the approval?

Yes ☐

No ☐

P4.2j If yes, please specify.

P4.3a Did you engage anyone from your company or from outside to assist in understanding the legal aspects of negotiation during the preparatory stage? (please specify)

P4.3b Did you engage any law firm from India and/or Australia to propose necessary alterations after taking appropriate scrutiny of the draft documents before signing them? (if any, please specify the firms)

P4.3c Did you interpret the document according to the Australian law?

Yes ☐

No ☐

COMMENTS (if any):

PART-F

IMPLEMENTATION STAGE

P5.1 Is the choice of an appropriate partner an important pre-condition for the success of IJVs between Australian and Indian firms in India?

Definitely yes ☐ To some extent ☐ Not at all ☐

P5.2a Do you consider the sharing of decision making between IJV partners to be an important pre-condition for the success of the IJV between Australian and Indian firms in India?

Definitely yes ☐ To some extent ☐ Not at all ☐

P5.2b Which partner influences most in the major decision making processes in this IJV?

- ☐ Exclusively made/guided by policy guidelines of the foreign parent
- ☐ Exclusively made/guided by policy guidelines of the host management
- ☐ Jointly made/guided by policy guidelines of the both partners
- ☐ Made by the IJV with some policy guidelines from the partners

P5.2c Has flexibility of control had positive impacts on the IJV success?

Definitely yes ☐ Some impact ☐ No impact at all ☐

P5.2d Has the level of equity share had an impact on the level of control over the IJV?

Definitely yes ☐ To some extent ☐ Not at all ☐

P5.2e What are the existing equity levels (in %) of the IJV?

Parent firm Host firm

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Definitely yes ☐ Some impact ☐ No impact at all ☐

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P5.2h What is the structure of the IJV board of Directors representing parent and host firms?

Total members ☐ Parent firm ☐ Host firm ☐

Chaired by HCN ☐ PCN ☐

P5.2i Do you consider that control through sharing of IJV personnel is a pre-condition for IJV success?

Definitely yes ☐ Some impact ☐ No impact at all ☐

P5.2j What is the current ratio of personnel between the Host and Australian partners in the IJV?

Host : Parent = ☐ : ☐

P5.2k How many persons at each level below are drawn from each partner?

Mangement levels	Number of persons drawn by	
	Host firm	Australian parent
CEO		
Production/Tecnical Managers		
Marketing Managers		
Personnel/HR Managers		
Accounts and Finance Managers		
Other Managers		

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Definitely yes ☐ Some impact ☐ No impact at all ☐

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Definitely yes ☐ To some extent ☐ Not at all ☐

P5.3c What is the average management experience of the PCN managers installed in the IJV?

Years

P5.3d Is it important to provide specialised training for the expatriate managers on Indian culture and management practice before you sent them to the IJV?

Definitely yes ☐ To some extent ☐ Not at all ☐

P5.3e Is it important to provide specialised training for the Indian managers on Australian culture and management practice before they are sent to the IJV?

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P5.3f Is it important to offer special compensation allowance (Including relocation) to the expatriate managers working in India?

Definitely yes ☐ To some extent ☐ Not at all ☐

P5.3g Do you pay any special allowance to the expatriate managers working in the IJV in India?

Yes ☐ No ☐

P5.3h Do you consider the use of host country nationals (HCNs) in key IJV positions as a pre-condition for the IJV success?

Definitely yes ☐ To some extent ☐ Not at all ☐

P5.4a Do you consider the inter-partner learning (e.g., exchange of technical knowhow and management style) as an important issue that impacts upon the success of the Australian-Indian joint venture in India?

Definitely yes ☐ Some impact ☐ No impact at all ☐

P5.4b Are you satisfied with the level of learning you achieved from your partner?

Yes ☐ No ☐

P5.4c If not, why?

P5.4d Do you have a technology sharing agreement with your partner?

Yes ☐ No ☐

P5.4e If yes, could you please specify the inter-partner learning scenario as follows:

- ☐ Is your partner the net gainer in terms learning from technology sharing?
- ☐ Are you the net gainer in terms of learning from technology sharing?
- ☐ Inter-partner exchange of knowledge of technology is evenly shared?

P5.5a Is the building of a separate IJV culture (a hybrid of local and the parent culture) one of the most important pre-conditions for the success of Indian firms joint venturing with the Australian partner?

Definitely yes ☐ To some extent ☐ Not at all ☐

P5.5b Is a separate IJV culture evolving in your IJV?

Yes ☐ No ☐

P5.6a For how many years do you envisage the IJV being operational?

Years

P5.6b Do you have any other IJVs with Australian firm?

Yes ☐

No ☐

P5.6c If yes, in which product/service market?

P5.6d Do you envisage joint venturing with Australian firms other than the existing one?

Yes ☐

No ☐

P5.6e If yes, in which product/service market?

P5.7a Have you faced any difficulties from the environmental-specific factors in managing the IJV, such as:

☐ historical events, such as colonial, cold war legacies and post-cold-war scenario

☐ geographic location

☐ host-country demographic characteristics

☐ host-country macroeconomic environment

☐ host-country political situation

☐ host-country legal and regulatory environment

☐ nature of the HR practice in the host country

☐ lack of necessary market information

☐ cultural difference and diversity between the host and parent countries

☐ bureaucracy/corruption

☐ other (please specify)

P5.7b Is assistance from the local partner important in managing environment-specific difficulties?

Definitely yes ☐

To some extent ☐

Not at all ☐

P5.7c Have you ever rendered assistance to the Australian partner to overcome any of the above-mentioned (P5.8a) difficulties? (If yes, how often?)

P5.8a Have you faced any difficulties in managing organisational-specific factors in relation to the IJV operation, such as

- ☐ achieving economies of scale
- ☐ transactions cost minimisation
- ☐ accessing wider distribution channels
- ☐ sharing of resources and capabilities
- ☐ human resource management
- ☐ other (please specify)

P5.8b Is assistance from the local partner important in managing organisational-specific difficulties?

Definitely yes ☐ To some extent ☐ Not at all ☐

P5.8c Have you ever rendered any assistance to your Australian partner to overcome any of the above-mentioned (P5.9a) difficulties? (If yes, how often?)

COMMENTS (if any):

Would you like to be forwarded a summary copy of the results of this study? (Yes/No)

THANK YOU FOR YOUR COOPERATION

CONFIDENTIAL

**International Joint Ventures as an International Business Mode: A Study of
Australian-Indian Joint Ventures in India**

QUESTIONNAIRE FOR IJV MANAGEMENT

INTERVIEW ☐ FIRM
RESPONDENT

PART-A

COMPANY BACKGROUND

1. Location of IJV:

2. Corporate form:

- ☐ Private Limited (Pvt. Ltd.)
☐ Public Limited (Public Ltd.)
☐ Deemed Public Limited
☐ Public Limited with Shares Listed on the Stock Exchange

3. Main Product Line(s)/ Services:

4. How old is the IJV?

5. Export Orientation

- ☐ 100% export oriented
☐ 50-99% export-oriented
☐ 10-49% export oriented
☐ No export

6. Provide an estimate of the size of the IJV at the end of the last financial year

Number of Employees	<input type="text"/>
Total Assets (A\$/Rs)	<input type="text"/>
Annual Total Sales (A\$/Rs)	<input type="text"/>
Annual Total Exports (A\$/Rs)	<input type="text"/>
Annual Total Profit/Loss (A\$/Rs)	<input type="text"/>

7. Contribution of technology (if any) by

Parent firm:

Host firm:

(please attach a photocopy of the organisation chart of your company, if possible)

COMMENTS (if any):

PART-B

IJV IMPLEMENTATION

P5.1 Is the choice of an appropriate partner an important pre-condition for the success of the IJV between Australian and Indian firms in India?

Definitely yes ☐ To some extent ☐ Not at all ☐

P5.2a Do you consider the sharing of decision making between IJV partners to be an important pre-condition for the success of the IJV between Australian and Indian firms in India ?

Definitely Yes ☐ To some extent ☐ Not at all ☐

P5.2b Which partner influences most in the major decision making processes in this IJV?

- ☐ Exclusively made/guided by policy guidelines of the foreign parent
- ☐ Exclusively made/guided by policy guidelines of the host management
- ☐ Jointly made/guided by policy guidelines of the both partners
- ☐ Made by the IJV with some policy guidelines from the partners

P5.2c Has flexibility of control had positive impacts on the IJV success?

Definitely yes ☐ Some impact ☐ No impact at all ☐

P5.2d Has the level of equity share had an impact on the level of control over the IJV?

Definitely yes ☐ To some extent ☐ Not at all ☐

P5.2e What are the existing equity levels (in %) of the IJV?

Parent firm Host firm

P5.2f Has the level of technology contribution had an impact on the level of control over the IJV?

Definitely yes ☐ Some impact ☐ No impact at all ☐

P5.2g Has the structure of the IJV board of directors had an impact on the IJV success?

Definitely yes ☐ Some impact ☐ No impact at all ☐

P5.2h What is the structure of the IJV board of Directors representing parent and host firms?

Total members Parent firm Host firm

Chaired by HCN PCN

P5.2i Do you consider that control through sharing of IJV personnel is a pre-condition for IJV success?

Definitely yes ☐ Some impact ☐ No impact at all ☐

P5.2j What is the current ratio of personnel between the Host and Australian partners in the IJV?

Host : Parent = :

P5.2k How many persons at each level below are drawn from each partner?

Mangement levels	Number of persons drawn by	
	Host firm	Australian parent
CEO		
Production/Tecnical Managers		
Marketing Managers		
Personnel/HR Managers		
Accounts and Finance Managers		
Other Managers		

P5.3a Has the appropriate selection of IJV personnel had an impact on the IJV success?

Definitely yes ☐ Some impact ☐ No impact at all ☐

P5.3b Do you consider the use of experienced parent country nationals (PCN) to India as a pre-condition for a successful IJV operation?

Definitely yes ☐ To some extent ☐ Not at all ☐

P5.3c What is the average management experience of the PCN managers installed in the IJV?

Years

P5.3d Is it important to provide specialised training for the expatriate managers on Indian culture and management practice before you sent them to the IJV?

Definitely yes ☐ To some extent ☐ Not at all ☐

P5.3e Is it important to provide specialised training for the Indian managers on Australian culture and management practice before they are sent to the IJV?

Definitely yes ☐ To some extent ☐ Not at all ☐

P5.3f Is it important to offer special compensation allowance (Including relocation) to the expatriate managers working in India?

Definitely yes ☐ To some extent ☐ Not at all ☐

P5.3g Do you pay any special allowance to the expatriate managers working in the IJV in India?

Yes ☐ No ☐

P5.3h Do you consider the use of host country nationals (HCNs) in key IJV positions as a pre-condition for the IJV success?

Definitely yes ☐ To some extent ☐ Not at all ☐

P5.4a Do you consider the inter-partner learning (e.g., exchange of technical knowhow and management style) as an important issue that impacts upon the success of the Australian-Indian joint venture in India?

Definitely Yes ☐ To some extent ☐ Not at all ☐

P5.4b Are you satisfied with the level of inter-partner learning within the IJV?

Yes ☐ No ☐

P5.4c If not, why?

P5.4d Is there any technology sharing agreement in the IJV between the partners?

Yes ☐ No ☐

P5.4e If yes, could you please specify the inter-partner learning scenario as follows:

- ☐ Is the Australian partner the net gainer in terms learning from technology sharing?
- ☐ Is the Indian partner the net gainer in terms of learning from technology sharing?
- ☐ Inter-partner exchange of knowledge of technology is evenly shared?

P5.5a Is the building of a separate IJV culture (a combination of local and the parent culture) one of the most important pre-conditions for the success of Indian-Australian joint venture?

Definitely Yes ☐ To some extent ☐ Not at all ☐

P5.5b Is a separate IJV culture evolving in the IJV?

Yes ☐ No ☐

P5.7a Have you faced any difficulties from the environmental-specific factors in managing the IJV, such as

- ☐ historical events, such as colonial, cold war legacies and post-cold-war scenario
- ☐ geographic location
- ☐ host-country demographic characteristics
- ☐ host-country macroeconomic environment
- ☐ host-country political situation
- ☐ host-country legal and regulatory environment
- ☐ nature of the HR practice in the host country
- ☐ lack of necessary market information
- ☐ cultural difference and diversity between the host and parent countries
- ☐ bureaucracy/corruption
- ☐ other (please specify)

P5.7b Is the assistance of the local partner important in resolving any environmental-specific difficulties?

Definitely Yes ☐ To some extent ☐ Not at all ☐

P5.7c Have you ever used any assistance from the local partner to overcome any of the above-mentioned (P5.8a) difficulties? (If yes, how often?)

P5.8a Have you ever faced any difficulties in managing organisational-specific factors in relation to the IJV operation, such as

- ☐ achieving economies of scale
- ☐ transactions cost minimisation
- ☐ accessing wider distribution channels
- ☐ sharing of resources and capabilities
- ☐ human resource management
- ☐ other (please specify)

P5.8b Is the assistance of the local partner important in resolving organisational-specific difficulties?

Definitely Yes ☐ To some extent ☐ Not at all ☐

P5.8c Have you ever used any assistance from the local partner to overcome any of the above-mentioned (P5.9a) difficulties? (If yes, how often?)

COMMENTS (if any):

Would you like to be forwarded a summary copy of the results of this study? (Yes/No)

THANK YOU FOR YOUR COOPERATION

Appendix III

AN EXPLANATORY NOTE ON THE INTERPRETATION OF RESPONSE SETS WITH RESPECT TO THE PROPOSITIONS DEALING WITH THE AUSTRALIAN FIRMS' MOTIVATION TO JOINT VENTURE

Responses from both the Australian firms and their Indian counterparts are taken into consideration in order to examine the influence of environmental and organisational-specific variables on the Australian firms' decisions to joint venture with local partners for investment in India. The rationale for considering data collected from both partners is elaborated upon below.

This study commences from the presumption that the decision to enter the Indian market has already been taken by the respective Australian firms. The emphasis of this research is to reveal why the Australian firms have chosen IJVs with local partners as a *modus operandi*. The propositions have been structured with an aim to test whether a range of conjectured factors influences the decision taken by Australian firms to joint venture with an Indian partner. Clearly, the primary emphasis is on responses from the Australian firms. However, it is presumed that the responses from the Indian partners on the importance of the same factors can augment understanding of the motivation to joint venture. Hence, the analysis to follow considers both partners' responses.

In this respect, it is critical to examine the respondents' particular contexts. For the Australian parents, the part of the questionnaire that dealt with the environmental as well as organisational variables was aimed at focusing primarily on the inhibitive issues which supposedly discouraged them from investing more extensively in India.

However, some of the positive issues were also considered to reflect the attractiveness of the market. The IJV mode might have been chosen to minimise uncertainty and riskiness through the active collaboration of their local partners, and to exploit the opportunities available in India.

Throughout the interpretation of the data from both the Indian and Australian partners, four scenarios may arise. These are shown in Table 1.

Table 1
Possible Scenarios Arising from the Responses on the Importance of Factors
Influencing the Motivation to Joint Venture

Possible scenario	Responses of all or the majority of the	
	Australian firms	Indian partners
Scenario 1	Importance	No Importance
Scenario 2	Importance	Importance
Scenario 3	No Importance	Importance
Scenario 4	No Importance	No Importance

- **Scenario 1** This scenario is represented by the case of all or a majority of Australian respondents attributing moderate to significant importance to a factor, while the Indian respondents attribute little or no importance to this factor. In this case, with the active collaboration of the Indian partners, the Australian firms are poised to overcome problems or limitations. This scenario recognises the Indian firms' advantages in dealing in India. In this respect, the Indian firms do not require assistance from their foreign IJV partners. The Indian firms' abilities to manage inhibitive factors, and their expertise in optimising on the exploitation of the favourable ones, are perceived to complement the limitations of the Australian

firms. This scenario is likely to be more common in the data supporting the propositions.

- **Scenario 2** In this situation, all or the majority of both the Australian and Indian partners assign moderate to significant importance on the impact of a specific factor. There are two types of issues to consider in this respect. If the factors are inhibitive, both the partners are likely to seek assistance from each other to overcome them. However, if the factors are facilitative, the Australian partners may optimise the available opportunities using the expertise of their Indian counterparts. In this case, the scenario is mutually supportive and tends to confirm the propositions.
- **Scenario 3** In this situation, all or the majority of the Australian partners do not attribute importance to the specific factor, whereas moderate to significant importance is attributed by all or the majority of the Indian partners. Here, the scenario tends not to support the proposition concerned. Recall that the propositions are couched in the context of the Australian firms' decisions to joint venture. However, this factor may have had a complementary effect on the decision of the Indian firm. For example, the Indian firm might find the Australian parent capable of contributing to its portfolio through sharing technology, other valuable resources and managerial expertise. This may also create an enhanced business relationship between the partners.
- **Scenario 4** In this situation, the responses from all or the majority of the Australian firms as well as their Indian counterparts do not confirm the influence

of the factor on their decision to joint venture. In this case, the evidence is unlikely to offer support for the proposition concerned.

Identifying these four scenarios is critical for the data collection as well as the interpretation of the data with respect to the propositions dealing with the Australian firms' motivations to joint venture. Propositions, as mentioned before, are framed from the Australian firms' perspectives. To respond to these propositions, one might consider the Australian firms' responses exclusively. However, the responses from the Australian firms can be augmented with those from the Indian firms to better reflect the importance of the factors considered and how they might influence the Australian firms' decisions. That is, while on face value, the Australian and Indian responses might appear to be different, when consideration is taken of their particular perspectives, these seemingly different responses might well offer support on the one hand or no support on the other, of the propositions.

Appendix IV

PUBLISHED WORK RELEVANT FOR THIS THESIS

As-Saber, S.N., Dowling, P. J. and Liesch, P. W. (1998), The Role of Human Resource Management in International Joint Ventures: A Study of Australian-Indian Joint Ventures, *International Journal of Human Resource Management*, Vol. 9(5), October, pp. 751-766.

This work is placed in a pocket attached to the inside back cover. This has been done in accordance with the University of Tasmania Research Higher Degrees Handbook (1998).

The role of human resource management in international joint ventures: a study of Australian-Indian joint ventures

Sharif N. As-Saber, Peter J. Dowling and Peter W. Liesch

Abstract Little has been reported to date on human resource aspects of international joint ventures (IJVs) between Australia and India. On the basis of nine case studies, this paper examines the influence of HR practices on selecting the IJV as an entry strategy to invest in India and the role of efficient HR management in ensuring IJV success. The case findings suggest that there is a very moderate HR-related influence on the entry mode decision, whereas HR management plays a significant role in IJV success. The paper also identifies several HR issues in relation to Australian-Indian joint ventures which emerged during the study.

Keywords Human resource practices, international business entry mode, international joint venture management, Australia, India

Introduction

Human resource management has increasingly been recognized as a critical segment of international business operations (Dowling *et al.*, 1994; Milliman *et al.*, 1991; Schuler *et al.*, 1993). Effective use of available human resources (HR) in a volatile business environment is particularly critical for the success of any such operation. As one of the most challenging inter-firm linkages to manage, the international joint venture (IJV) is often considered as an entity with a complex set of human resource practices (Dowling *et al.*, 1994). Because of a significant level of interaction among employees from the collaborating firms, IJV partners need to take utmost care in dealing with human resource issues. In order to achieve success, partners in an IJV need to reach an understanding on the role of human resource practices.

For Australian firms joint venturing with local partners in India, human resource management is one of the core issues, with a significant level of complexity. The Indian government's policy of regulating HR practices, along with a preference for using host-country or local nationals (HCNs) by the parent companies, has contributed to the evolution of a unique set of HR practices within Australian-Indian joint ventures. A research project conducted by the authors in nine such joint ventures over the last two years has revealed several special features relating to the HR practices maintained by these entities. On the basis of the research conducted, this paper focuses on the human resource management practices in Australian-Indian joint ventures.

Human resource management in international joint ventures: a review

IJVs are entities where two or more different streams of HR practices from different cultural backgrounds meet each other. The ability to manage human resources in a multicultural context has significant impact upon IJV performance (Schuler *et al.*, 1991;

Nam, 1995). The importance of complying with local HR practices *vis-à-vis* the urge from the parent (foreign, in this case Australian) company to maintain a desired level of parent-country practices is likely to create difficulties in managing human resources within an IJV environment. Typically, a separate set of HR practices is required to be endorsed by the IJV partners that represents an accommodation between the HR practices of each company. Lorange (1986) considers that the IJV must have its own, strong, fully-fledged HR function with clear methods of working closely with each partner. Appropriate staffing of the IJV using PCNs (parent-country nationals), HCNs and TCNs (third-country nationals); developing and maintaining a separate HR policy mix adopting from both the parent and host environments; and using management development to establish a shared vision and mindset towards a joint HR culture are important for a successful IJV operation (Schuler *et al.*, 1993; Nam, 1995). Geringer and Hebert (1989) consider it important to develop an integrated teamwork culture, rather than an 'us-them' culture while operating in a cross-cultural environment. Intensive on-the-job training may reduce the psychic distance and help build up a team spirit in such cross-cultural settings. This may also be done through reciprocal arrangements between the foreign companies and their overseas operations to exchange managers and engineers (Zeira and Pazy, 1985). Lei and Slocum (1991) state that there are three key aspects of HR management which are important for efficient IJV operation: training and developing managers in negotiation and conflict-resolution skills; acculturation of managers to work with a foreign partner; and the harmonization of management styles (i.e. the flexibility of managers to cope with unfamiliar HR practices). Along with these, control through staffing and staff loyalty is another important issue to consider (Schuler *et al.*, 1992; Schaan, 1988; Dowling *et al.*, 1989).

In addition, various country-specific HR issues are required to be taken into account while doing business in India. It is argued that local circumstances have a significant impact on international business operations with regard to management of human resources (Schuler and Sluijs, 1992; Monks, 1996). The Indian regulatory environment is a major concern with a relatively large number of laws regulating HRM practices (Lawler *et al.*, 1995). For instance, it is not easy to dismiss employees, once hired, under Indian labour law (*The Economist*, 1994a, 1994b). There is also the problem of availability of quality people. Although India has a large pool of well-educated people (*Asian Business Review*, 1995), since the economic liberalization of the early 1990s, it has become very difficult for foreign companies to find high-quality local staff. This is because of the unprecedented increase in demand for skilled people following a rapid rise in the level of foreign and local investment in India. Despite the availability of cheap labour, low labour productivity is a common complaint among existing manufacturers in India. A poor selection decision may result in low productivity. According to the Australian Department of Foreign Affairs and Trade (1995a), the low amount of capital invested per worker and a work culture which does not encourage high-performance work practice are mainly responsible for the low level of productivity. Labour unrest is another problem when doing business in India. The labour-force in India has a reputation for being militant and obstructionist (Thakur, 1993). In addition, most of the Indian labour unions have strong links with political parties and many politicians are current or former union leaders (Clarke and Von Glinow, 1996).

Local culture and management style is another important HR consideration. India is considered to be one of the few countries with a heterogenous cultural setting and a

relatively large degree of dissimilarity and diversity among different groups or subcultures (Fatehi, 1996). It is a country with a complex cultural array, having a massive population base, which is predominantly agrarian, with fourteen recognized languages, seven major religions and numerous castes. Diversity, therefore, is the root of a complex cultural disposition in India that has a significant impact on the Indian management style (Sharma, 1984; Husain, 1994). Australia, on the other hand, as an industrialized developed country, has a cultural set-up different from India's. According to Grant (1982: ix, 5), Australia is a nation loyal to the West and historically comprised of 'convicts and immigrants'. With a huge land mass and a relatively homogenous but small population, Australia is a 'Western culture - developed and wealthy, without a peasant class' (Australian Department of Foreign Affairs and Trade, 1995b: 7). However, it is to be noted that, despite British origins, Australia is somewhat different from Great Britain and the rest of Europe and the US (Dowling and Nagel, 1986; Dowling and Boxall, 1994). Australian culture, therefore, is uniquely 'Australian' but with a strong Western influence. Such differences between the Australian and Indian cultural environments are important for Australian firms to consider when investing in India.

It has been argued that, in relatively unfamiliar and culturally distant locations, investing firms are likely to adopt the IJV mode as a preferred entry option (Awadzi, 1987; Kogut and Singh, 1988; Benito and Welch, 1994; Barkema *et al.*, 1996). According to Benito and Welch (1994), 'in the culturally less familiar locations there tends to be less confidence and a stronger feeling of needing local partners in order to successfully adapt'. Kogut and Singh (1988) argue that the IJV option is less costly than acquisition in terms of organizational integration in a distant culture. IJVs also create the opportunities for inter-partner learning (Kogut, 1988; Hamel, 1991). According to Doz and Sheun (1988), companies often form joint ventures to leverage their capabilities and to learn from one another. Superior information exchange among the partners is the core of such a learning process (Harrigan, 1986).

Similarly, one of the major motivations for Australian companies to form IJVs in India is in order to manage various HR-related issues with the active collaboration of their local partners (As-Saber *et al.*, 1996). Because of their experience and familiarity with the local business environment, it is relatively easy for the local partners to handle these issues efficiently. For example, an experienced local partner may make a useful contribution in identifying a suitable workforce for the IJV. Also, the IJV may use the existing human resources (internal labour market) of the local partner which has a known efficiency level. IJVs which utilize these local contacts are able to minimize the need to send high-cost expatriate managers to India. Overcoming cultural difficulties through the active collaboration of the local IJV partner and enriching each other through inter-partner learning are also important considerations. In addition, with the assistance of the local expertise of their Indian partner, the IJV will be more able to deal with different HR issues, such as training requirements, wage disputes, labour unrest and working hours.

Background to the study

In recent years, India has become more prominent for business executives and researchers from around the world. The end of the cold war era, and the subsequent economic liberalization process, has transformed the Indian market into an attractive destination for foreign investment (Tait, 1995). There has been a particular enthusiasm

among foreign investors to establish IJVs with Indian partners (As-Saber *et al.*, 1996). The breakdown of communism in Eastern Europe and the demise of the Soviet Union has dramatically changed the international strategic order by bringing an end to the cold war era. This transformation has redefined India's strategic position in both the global and regional context. Pakistan has lost its importance as the protector of Western interests and, with Western governments and firms ever vigilant for new markets, India, with its enormous market potential, has moved towards the West. In addition, India has attracted special attention from the US in order to counterbalance the supremacy of China in the region (Gordon, 1993).

The repositioning of the Indo-West relationship has improved the Australian relationship with India. Moreover, India's ongoing economic liberalization has ushered in a more favourable investment climate for foreign companies. Also, Australia's proximity to India and the recent emphasis by the Australian government on the potential of the Indian market have attracted many Australian companies to invest in India (East Asia Analytical Unit, 1994). Nonetheless, Australian companies, like their Western counterparts, have not considered the business environment in India to be adequately supportive of foreign investment. This has been reflected in the recent trend of reliance on IJVs among Australian investors as a preferred *modus operandi* to service the Indian market (Hook, 1995).

However, studies addressing various aspects of Australian-Indian joint ventures are relatively sparse. Moreover, few studies have given adequate attention to HR issues in IJVs (Gordon, 1993; Gurry, 1993; Mathur, 1994; Vicziany, 1993, 1994; As-Saber *et al.*, 1996; Dowling *et al.*, 1996). The increasing numbers of Indo-Australian IJVs along with a dearth of knowledge about the HR implications of IJVs in this region have prompted the need for this study.

Research propositions

During the research process, HR issues were looked at from two major perspectives: to what extent do HR practices in India influence the decision of Australian companies to joint venture with an Indian partner while investing in India? and, at a subsequent stage, how dependent is the IJV on the efficient management of HR for its success? These perspectives, along with the existing literature and available information, were used to frame the propositions. Propositions help identify the relevant information about the 'unit of analysis' (e.g. type of organization to be studied). It is argued that without such propositions, a researcher might be tempted to try to collect 'everything', which is impossible (Yin, 1989: 31). The propositions framed for this study are:

- P_1 The nature of human resource management practices in India influences the decision taken by Australian firms to joint venture with Indian firms in order to enter the Indian market.
- P_2 The success of Australian firms joint venturing with Indian partners depends upon the efficient management of human resources.

These propositions were examined during the research process.

Research methodology

Case-study method was used to conduct the research. Yin (1989: 3) considers the case-study method as a process to investigate 'a contemporary phenomenon within its real life context'. A combination of deductive and inductive processes was used in order to

capture the complexity and dynamism of the context of a real-life situation. This allows the researchers to look at the scenario more realistically and with flexibility (Perry and Coote, 1994). Prior theories were employed as 'templates' for measuring the empirical case-study outcomes. In this sense, the existing theory helps to interpret the results (Manicas, 1989).

For this research, nine cases were studied. For this type of study, there is no ideal number of cases (Yin, 1989). However, Eisenhardt (1989) advocates between four and ten cases for such a study. Australian firms were considered as foreign partners in all the case studies. India was selected as the host country because of the recent interest of Australian companies in joint venturing in India. Also, the Indian culture and business environment is familiar to one of the authors.

Cases were selected from across different industries, rather than concentrating on a particular industry. A total of seventeen India-based Indo-Australian IJVs were selected for initial contact from the list published by the Australian Trade Commission's directory (Austrade, 1995). From this initial contact, positive responses were received from eight companies with nine IJVs (one Australian parent has two IJVs with Indian partners). All available IJVs were selected for the study. It was considered appropriate to select these cases from different industries because this would strengthen the extent of generalization from the available data. According to Gersick (1988), a strategy of diverse sampling may be adopted to enhance or improve any generalizations from the research findings. Also, the respondents are assumed to 'represent' the larger pool of respondents, so that data from a smaller number of respondents are assumed to represent the data that might have been collected from the entire pool (Yin, 1989).

Multiple sources of evidence were used in order to develop construct validity. This corroboratory mode of data collection encouraged the development of converging lines of inquiry. Throughout the study, a chronological order from the identifying of problems to the final conclusions was maintained. Yin (1989: 102-3) refers to this process as the 'chain of evidence'. Primarily, data were collected from face-to-face interviews in different locations in India and Australia. Interviews were conducted at nine Australian firms to examine the level of HR-related impact on their motivation to joint venture with Indian partners while investing in India. However, to examine the role of HR factors in achieving IJV success, interviews were conducted at nine IJVs along with all their Australian and Indian partners. In-depth interviews were conducted with at least one senior manager from each of the respondent firms. Based on respondents' views, data gathered were categorized according to the major HR ingredients relevant to the respective proposition. Direct observations as well as secondary information were used in analysing these findings.

Limitations of the study

There are a number of limitations of case-study research (Parkhe, 1993; Dick, 1990) and several may be identified in this study. First, as noted earlier, the selection of cases was constrained by a relatively small initial population. Second, because of the considerable geographic distance of all the companies under study from the researchers, only a limited amount of time could be spent in each of the firms. Third, some of the measures employed are perceptual in nature, which could lead to a concern about the subjectivity of responses.

According to Yin (1989), the problems of lack of rigour and possible research bias can be overcome by careful case design and protocol. This research investigated a real

business situation. Multiple case studies help analyse each of the cases in the light of others to strengthen the reliability and validity of the findings (Eisenhardt, 1989).

The cases

The following case studies form the basis of the sample for this study. For the sake of confidentiality, the real names of the IJVs and their parents are not used:

Case one: M-Tel M-Tel is a joint venture between Tel-Australia and M-Corp (India). The IJV is located in the Indian city of Calcutta. M-Tel is a cellular service provider for the Calcutta region. It is a two-year-old IJV with total assets of approximately A\$20 million and employs 103 people.

Case two: Tel-Comm Tel-Comm is a tripartite joint venture among Tel-Australia, ILF Ltd (India) and an Indian public-sector enterprise primarily responsible for the overseas telecommunications service. This IJV is a service provider for India-wide voice and data networks using 'very small aperture terminals' (VSATs). It is a two-year-old IJV with total assets of approximately A\$10 million. Based in Delhi, the company employs sixty-two people.

Case three: Aco Control (India) Pvt. Ltd This is a joint venture between Aco Controls Pty Ltd (Australia) and an Indian investor. This is a manufacturing IJV producing lighting control gears. Located in Mumbai (Bombay), the IJV has been in operation for one year and employs fifteen people. Total assets of this IJV are approximately A\$100,000.

Case four: T-Dry (India) Pvt. Ltd This is a joint venture between T-Dry Building Protection Systems Pty Ltd (Australia) and an Indian investor, which was formed in 1992. As a provider of building protection systems, this is a manufacturing firm. Based in the Indian city of Bangalore, this IJV employs seven people. With total assets of approximately A\$10,000, this IJV registered annual total sales of approximately A\$2 million in 1995-6.

Case five: PB Friction Ltd This is a joint venture between F.I. Products Pty Ltd (Australia) and Brakes India Ltd. Based in the Indian city of Calcutta, it is a manufacturing IJV. The main product line involves the manufacturing of friction materials for railway brakes. With an authorized capital of approximately A\$4 million, this IJV has not yet commenced full operations. The initial agreement was signed a year ago and most of the IJV personnel are yet to be hired.

Case six: G S Co. Ltd. (GSCL) GSCL is a joint venture between MF Pty Ltd (Australia) and G and B Co Ltd of India. It is in the business of providing solutions in 'imagineering', i.e. developing imaginative engineering software solutions. It also develops software in the mechanical CAD/CAM area and provides consultancy services in CAD/CAM development and re-engineering. Based in Pune, the IJV employs 125 people. It has been operating since July 1995. With total assets of approximately A\$1 million, it registered total sales of A\$2.4 million during 1995-6.

Case seven: GP Ltd (GPL) GPL is a joint venture between the TP Group (Australia) and G and B Co Ltd of India. An information technology provider, GPL is involved in

the distribution of computer products and telecommunication networking and has been operating since April 1995. The IJV has its headquarters in Mumbai and employs 400 people located in twenty-four branches throughout India. With total assets of approximately A\$2 million, it registered a total profit of A\$4 million during 1995–6.

Case eight: IW Pumps Ltd This IJV between Warm Pump International Ltd (Australia) and Indus Ltd of India is based in Delhi and is involved in the manufacture of slurry pumps that are used for ash/dust-handling systems for coal-based thermal power stations and steam generating units. The IJV is four years old and has 480 employees. With total assets of approximately A\$200,000, it has annual sales of approximately A\$550,000.

Case nine: Bangalore Exploration Ltd This joint venture between CRAB Exploration Pty Ltd (Australia) and the Bombay Cement Companies Ltd (BCC) of India is based in Bangalore. The IJV involves mineral exploration and future mining. It has been operating for one year and employs thirteen people. It has not yet registered any sales.

Case-study analysis

In this study, it has been assumed that the Australian firms initially decided to invest in India in order to exploit the potential Indian market. In this section of the paper we examine the influence of HR-related factors on the motivation of these firms to select the IJV mode as an entry strategy and the effect of efficient management of various HR issues on IJV success. The data collected are analysed in two sections. The first section deals with the nature of HRM practices in India that influenced the decision of Australian firms to form IJVs with Indian firms in order to enter the Indian market (Proposition P_1). The second section deals with the findings related to the role of efficient HR management as a precondition for IJV success in India (Proposition P_2).

Proposition P_1

The decision-making process regarding the choice of an appropriate entry mode was crucial for the Australian parents wishing to invest in India. This study examines the influence of the nature of HRM practice in India on the decision of Australian firms to adopt the IJV mode. HR practice in India was examined as an environment-specific variable. In addition, a number of organization-specific HR issues were taken into consideration. Nine parent companies were interviewed separately for each of the joint venture involvements. Nine major HRM issues were taken into consideration to examine the validity of proposition P_1 . Of these, five are environment specific: viz., cultural difference and unfamiliarity; low labour productivity in India; lack of consistent exit policy; 'militant and obstructionist' nature of Indian labour-force; and the lack of high-quality local staff. The remaining four issues are organization-specific: selection, promotion and compensation; training and development; managing labour unrest, wage dispute and working hours; and inter-partner learning. Table 1 summarizes the results of the study with regard to the influence of these factors on the decision to joint venture.

Table 1 shows that the findings do not totally support the proposition derived from the literature that the minimization of HR-related environment-specific risks in India

Table 1 Frequency of HR-related factors which influenced the decision of Australian firms to joint venture

HR-related factors influencing the decision to form an IJV	Level of impact on the entry-mode decision*			
	Significant	Some impact	No impact	N/A
<i>Environment-specific:</i>				
Cultural distance and unfamiliarity	2	3	3	1
Low labour productivity in India	2	3	4	—
Lack of consistent exit policy in India	1	2	6	—
'Militant and obstructionist' nature of Indian labour force	2	—	7	—
Lack of high-quality local staff	2	1	5	1
<i>Organization-specific:</i>				
Selection, promotion and compensation	3	5	1	—
Training and development	3	4	2	—
Managing labour unrest, wage dispute and working hours	4	3	2	—
Inter-partner learning	3	6	—	—

Notes

*Level of impact shown is on the basis of respondents' views. Numerals used denote the number of firms falling within respective categories.

N/A = not available

would be one of the major motivations for the Australian companies to form IJVs. Of the five environment-specific factors, cultural difference and unfamiliarity and low labour productivity in India were considered of moderate to significant importance by most of the respondents, whereas the remaining three were not considered important enough to influence the Australian firms' motivation to joint venture. While most of the Australian companies acknowledged their awareness of these inhibitive issues, they did not consider them as a major factor during the entry-mode decision-making process. They also did not regard these HR issues as too difficult to manage. However, organization-specific HR issues had a greater impact on the entry-mode decision. As shown in Table 1, most of the companies responded between 'significant impact' and 'some impact' in relation to all four organization-specific variables. In this respect, the firms intended to manage the organization-specific HR issues with active support from their local partners, which, in turn, acted as a motivation to form IJVs. Nevertheless, during the study it was found that more traditional factors, such as sharing of resources, access to distribution channels, transaction cost minimization and compliance with government regulations (e.g. in the telecommunication industry, foreign investors are allowed to invest only as a minority equity holder with a local partner) played a more important role in the decision to select the IJV mode. Thus, Proposition P_1 appears to be only partially supported.

Proposition P_2

Effective management of various HR-related issues may affect IJV success. Ten major HRM issues were taken into consideration to examine the validity of proposition P_2 .

These include freedom of decision making by the IJV management; appropriate selection of IJV personnel; use of experienced PCNs; training of expatriate managers about Indian culture; training of Indian managers about Australian culture; joint training of HCNs and PCNs; provision of special compensation to expatriates; using HCNs in key IJV positions; inter-partner learning; and building a separate IJV culture. On the basis of data collected from three different entities (Australian parents, host companies and IJV management), it was found that most of the HR-related issues listed were given some consideration in respect of IJV success. Table 2 summarizes the findings in relation to the HR issues affecting the success of Australian-Indian IJVs.

Although there is an apparent similarity of responses for each of the three groups, some subtle differences are apparent which are important for the overall study. In terms of freedom of decision making by the IJV management, the responses of the parent and host companies are very similar. However, IJV managers are unanimously in favour of significant freedom of decision making. A similar response-set is apparent with respect to the building of a separate IJV culture. For the factor 'use of experienced PCNs', IJV managers expressed stronger support than did the parent and host companies.

It is important to note that the Australian firms' concern at the motivation stage regarding cultural differences and unfamiliarity was endorsed during the implementation stage while addressing the training issues. Most of the respondents agreed that the training of Australian managers about Indian culture and conducting joint training of HCNs and PCNs are important pre-conditions for IJV success. According to one of the Australian respondents, 'we are always aware of the importance of training an international manager about the host country culture. In a complex cultural context in India, it was more obvious to do'. Despite such acknowledgements, it was revealed during the interviews that most of the Australian firms did not organize any comprehensive training for their expatriates. Rather, they organized pre-departure briefing sessions which might not be sufficient to serve the purpose. The training of Indian managers on Australian culture was acknowledged only by the majority of the parent companies as being of moderate to significant importance, whereas most of the host companies and IJV management did not consider this factor important. As a possible explanation, it may be argued that the Australian managers might have faced difficulties in understanding Indian management style because of the lack of sufficient knowledge of the complex nature of Indian culture. The findings regarding the Australian firms' unwillingness to conduct comprehensive training for its expatriates on Indian culture partially support this rationale. Whereas, the Indian managers, already exposed to Western culture, are generally comfortable in dealing with their Australian counterparts. All the IJV managers had a similar background – they were either educated in the West or had prior experience with Western business culture. Nonetheless, the quest to build a separate IJV culture is consistent with the findings with respect to the Australian partners' concern for cultural differences and unfamiliarity during the motivation stage. In addition, the quest for inter-partner learning was found to be more important during the implementation stage than was anticipated during the motivation stage. Overall, there appear to be considerable data in support of Proposition P₂.

Other HR-related findings

Together with the above findings, the study examined some aspects of HRM practices in the context of Indo-Australian IJVs. These are as follows:

Table 2 *Frequency of HR-related factors which affected IJV success*

<i>HR-related factors affecting IJV success</i>	<i>Significance rating¹ for Australian parents</i>				<i>Significance rating¹ for Indian hosts²</i>				<i>Significance rating¹ for IJVs</i>			
	<i>Significant</i>	<i>Moderate</i>	<i>No impact</i>	<i>N/A</i>	<i>Significant</i>	<i>Moderate</i>	<i>No impact</i>	<i>N/A</i>	<i>Significant</i>	<i>Moderate</i>	<i>No impact</i>	<i>N/A</i>
Freedom of decision making by the IJV management	7	1	–	1	8	2	–	–	9	–	–	–
Appropriate selection of IJV personnel	8	–	–	1	9	1	–	–	8	–	1	–
Use of experienced PCNs	4	2	1	2	5	1	3	1	8	1	–	–
Training of expatriate managers about Indian culture	5	–	1	3	5	2	2	1	6	1	1	1
Training of Indian managers about Australian culture	4	3	1	1	–	1	9	–	1	2	6	–
Joint training of HCNs and PCNs	8	–	–	1	6	–	3	1	7	–	1	1
Provision of special compensation to expatriates	5	–	–	4	7	1	2	–	8	–	1	–
Using HCNs in key IJV positions	7	1	–	1	9	–	–	1	8	–	1	–
Inter-partner learning	8	1	–	–	10	–	–	–	9	–	–	–
Building separate IJV culture	6	2	–	1	8	2	–	–	9	–	–	–

¹Significance rating shown is on the basis of respondents' views. Numerals used denote the number of firms falling within respective categories

²The number of host companies is ten because of two host partners for the Tel-Comm IJV

N/A=not available

Use of HCNs The study found that most of the key IJV positions are staffed by HCNs. Out of nine IJVs, only two CEOs are PCNs. However, these two expatriates also considered that it was a better option to use HCNs than employing PCNs in key IJV positions because of their familiarity and experience with the Indian market and culture. For the parent companies, additional reasons for using HCNs included avoiding extra costs to relocate expatriates and the reluctance of many Australian managers to live in India. According to one of the respondents from the parent companies, 'in the Indian business environment, the right Indian will know more than an Australian manager could learn in years on the job'. Most of the host companies do not support employing PCNs because of the availability of experienced HCNs at a lower cost. This is consistent with the observations of Dowling *et al.* (1994) on the use of HCNs. According to Dowling *et al.*, the use of HCNs may be a better option when it is aimed at the elimination of language and other barriers, reduction of hiring costs, improvement of the continuity of management, since HCNs are likely to stay longer in the position, and creating high morale among HCNs as they see their career potential. This is also consistent with other research which reports that many multinationals operating in India entrust key positions to local management talent (Jacob, 1992; Vicziany, 1993).

Use of expatriates (PCNs) Despite the prevalence of using HCNs in the key IJV positions, a majority of respondents from all three groups agreed that employing experienced PCNs is useful at the beginning of IJV operations. This may help to promote inter-partner learning, bridge cultural differences and improve mutual understanding. For technology-based IJVs, the use of PCNs as technical experts is essential at the beginning of technical operations. It was indicated by the majority of the respondents that once a decision is made to send PCNs to the IJV, the quality of the expatriates must be high to ensure IJV success. According to Datta and Rasheed 'a venture is very unlikely to succeed if parents are hesitant to assign their most qualified people or, worse still, if they view the IJV as a "dumping ground" for sidetracked or poorly performing managers' (1993: 264). The importance attributed to sending experienced PCNs to the IJVs by the parent firms is reflected in the following comments made by one of the Australian respondents: 'whenever we send an expatriate to a foreign operation, we try to send the best possible person for the job. If we don't find a suitable person, we rather depend on the experienced HCNs.'

Who will deal with corruption and bureaucracy? Indian bureaucracy is said to be 'parochial and obstructionist' (Thakur, 1993). Corruption is also a serious problem (*The Economist*, 1995a). During the study, it was found that most of the Australian firms do not want to handle these issues directly as an Australian company. They consider it to be one of the major reasons to form IJVs and use host partners to deal with these issues.

Negotiation It was apparent that the larger the size of the company, the longer it took to negotiate the IJV agreement. The negotiation process was found to be lengthier and more complicated when either of the parties belonged to the public sector irrespective of country background. This might be due to the bureaucratic decision-making pattern in those organizations which had multiple hierarchies involved in major decisions.

CEO not a board member In all the IJVs studied (except one), CEOs were not members of the board of directors. According to Indian company law, a full-time board

member cannot hold a full-time management position in a company and receive compensation for both positions. Even if the CEO is appointed to both positions (as a part-time director and the CEO), it would not be possible to draw salaries for both positions (Taxmann, 1995). Thus, there is a negative incentive for CEOs to serve as board members.

Higher demand for experienced local managers With the rapid growth of the Indian economy, the demand for skilled managers is increasing at a rapid pace. This is affecting the salaries of local managers. According to a survey of global compensation trends (Koretz, 1996), India has been experiencing a rapid increase in managerial compensation packages during the last few years. The survey also projected a 23 per cent rise in Indian management salaries during 1997. These survey results corroborate the findings of the present study that to hire qualified people the IJVs had to pay higher salaries. Although the availability of skilled people was not given much consideration by most parent companies during their entry-mode decisions, during the implementation stage the problem of hiring and retaining staff became a critical issue. This study found that continuous pay increases along with a commitment to improve working conditions were two pre-conditions to retain experienced staff. This scenario is particularly common in high-growth industries such as telecommunications and computer software development.

IJV control In a study of East-West joint ventures, Geringer (1993) found HR management often represented a 'crucial strategic control mechanism' in IJVs. Influencing the staffing of IJVs is particularly important in this respect. Two of the nine CEOs of the Indo-Australian IJVs studied were PCNs. With the other seven IJVs, the selection of the CEO was made with the prior approval of both the host and foreign partners. In most of the cases Australian parents played significant roles in selecting people for key IJV positions, such as the IJV general managers and financial controllers.

Overcoming HR-related problems All respondents in the study agreed unanimously that, to resolve HR-related problems, the role of the local partner is critical. The local partner's familiarity and experience with Indian HR practices was considered essential to overcome these problems. However, it was revealed that assistance from the local partner is more critical for managing the environment-specific HR issues than for managing the organization-specific ones. According to one of the Australian respondents:

one of the major motivations to joint venture was to get necessary assistance from the local partner in managing HR issues. We have been using such assistance since the IJV is operational. However, we are much more comfortable to deal with the organization-specific issues than to manage the environmental ones. The HR environment in India is volatile and complex. That's why we strongly need assistance from an experienced local partner familiar with the local environment. Organization-specific variables are not as complex as the environmental ones are. These are more specific and readily understandable. So, we, along with our local partner, can equally contribute to manage these variables.

Conclusion

Managing human resources is critical for conducting international business. It is important to scan environment-specific HR-related issues such as host-country labour law, labour productivity and availability of quality people before deciding upon the entry-mode strategy to an overseas market. Organization-specific HR issues, such as selection, promotion, compensation and training, are equally important to consider at this initial stage. Once the business is established, various HR issues need to be managed effectively for a successful international operation. This study has attempted to unravel these aspects in relation to nine Indo-Australian IJVs. The enormous market potential of India, along with the ongoing liberalization of the Indian economy, has attracted many Australian companies to invest in India. The trend is to set up IJVs with Indian partners. This study looked at the influence of environment-specific and organization-specific HR issues on the decision of Australian companies to select the IJV as an entry mode to India. IJV success factors were examined from a comparative study of the HR-related information collected from three different groups of respondents: Australian parent firms, Indian host firms and IJVs. The study found that the nature of HR practices in India (which include both environment-specific and organization-specific HR variables) had some influence on the motivation to form IJVs with Indian partners. However, the critical role of HR-related issues on IJV success was better established. The study also examined a number of core issues that might be useful in better understanding the current HR scenario in Australian-Indian IJVs.

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