

# THE COMPLEXITY OF CULTURE IN STUDYING JOINT VENTURES' PERFORMANCE

Vijayan Munusamy, University of Hawaii at Manoa

## Abstract

*Failure rates and unsatisfactory performance of joint ventures have captured the attention of many international business researchers all over the world. However, the results have been mixed. Some researchers argue that the methodologies used to measure the failure rate might be problematic. Others argue that various theoretical perspectives used to explain the instability and alliance failure have been either too incomplete or too weak (Das & Teng, 2000; Child & Faulkner, 1998; Shenkar & Yan, 2002, Inkpen & Beamish, 1997). While, many of them concur that there is a need for reliable performance measures and methodologies, the effort to do so have often been constrained by continued disagreements among researchers (Geringer & Hebert, 1991). (No wonder why joint venture can fail!)*

*Notwithstanding the definition of failure rates, which was covered extensively by Yan and Zeng (1999), the causal effect of constructs chosen has also been mixed. This paper looks at one of these often used construct; i.e. cultural construct. While, there are many studies that conclude that the differences in organizational and national cultures between partners are reasons for joint ventures to fail, there are many other studies that contradict with this thesis (e.g. Geringer & Hebert, 1991; Barkema et al., 1996; Barkema & Vermeulen, 1997; Harrigan, 1998, Fey & Beamish, 2001; Park & Ungson, 1997). Some argue that cultural differences are often used as an excuse rather than being their real source of joint venture failures (Shaughnessy, 1995). On the other hand, without empirical evidence, some hypothesize that dissimilarity of national and organizational cultures between joint venture partners will ultimately lead to failure due to the rise of opportunism based on transaction cost theory (Brown et al, 1989). This paper presents a review of these studies in the last four decade and proposes that one plausible reason for this mixed result is due to the array of different cultures that are not effectively captured by the cultural construct used which in most cases is based on national culture alone. It argues that the number of different cultures in joint venture can vary anywhere from two to at least five different cultures for a two firm joint venture but national culture only captures two of them at most (i.e. host and foreign culture).*