Chapter 12
Cultural Problems During an International Joint Venture:
A Study of Sino-Indian Joint Venture

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ABSTRACT

In the brace of globalization, the number of international joint ventures (IJVs) has shown a steep rise over the past two decades, with the aim of becoming more globally unified and increasing the range of exploitable complementary resources that increase the capacities, efficiencies, and core competencies of the IJV companies. The IJV companies face several issues related to intercultural differences and do a lot of maneuvers to ensure a successful venture. This chapter elaborates such issues and how the company resolves them through a phenomenological approach. The research objective is to investigate whether the success of joint venture can be attributed to the solutions of intercultural problems in congruence. During the research, eight employees from the top management were interviewed, who highlighted several intercultural problems and also discussed the solutions which could effectively resolve such issues. Further study has been recommended on an unsuccessful venture where the IJV failed due to such cultural problems to check the effectiveness of the solutions used.

INTRODUCTION

Over the past two decades, there has been phenomenal increase in the number of International Joint Ventures (IJVs) as companies have strived to become more globally interconnected (Silva & Oliveira, 2017; Zhang et al., 2013; Zheng & Larimo, 2010), both in terms of frequency and for gaining strategic importance (Geringer & Hebert, 1991). The companies look for several advantages while entering into an IJV, like an increase in the range of exploitable complementary resources by both local and parent companies to innovate the capacities, efficiencies and core competencies (Geringer & Hebert, 1991; Zheng & Larimo, 2010). Gatignon and Anderson (1988, pp. 307, cited in Li et al., 2001), state that "joint venture may be seen as a way of bridging culture gaps" and "joint venture with local investors promises to reduce political complications while diversifying against exportation risks (Brouthers & Brouthers, 1988)."

According to Robson, Leonidou, and Katsikeas (2002), there are many factors which influence the success of an International Joint Ventures such as Business Environment, Government Policies, Culture, level of analysis, geographic focus, performance measurement of IJV Partners and so forth. Among all these factors, culture has been considered as one of the most important factors (Al-Khalifa & Peterson, 1998; Madhok, 2006; Madhok et al., 2008; Dumludag, 2009). Many researchers have argued that various features of culture might affect the development of International Joint Ventures. Al-Khalifa and Peterson (1999) concluded with the statement that "it is important that future partners understand the impact of differences in culture before they begin a joint venture." They added that the lack of compatibility of cultures represented in the joint ventures always leads to problems of misunderstanding and limited effectiveness. According to Meschi (1997), the poor performance of the venture is often generated internally by the cultural differences between the partners. According to Wilson and Gilligan (2005), there is a negative relation between inter-organizational performance and differences in cultures. Many theorists have explained that the actions of IJV partners to develop capabilities will minimize the interpersonal and organizational differences of the partners (Cao & Xiang, 2012).

Several studies have been conducted to resolve cultural problems during International Joint Ventures. As Pharmaceuticals is one of the most developing and the most regulated industry in the world there is a need for a greater understanding of how cultural problems are being resolved during an IJV in pharmaceutical companies.

This research discusses the successful multi-party IJV among three companies, incorporated in 1993. The reason behind the selection of joint venture between these companies is that it is the first Sino-India joint venture in the pharmaceutical industry. It is in a unique position to act as a bridge between two of the world's largest healthcare markets and as a communication platform for both Chinese and Indian healthcare professionals. Moreover, it is a very successful joint venture of an Indian company, of all times. All these factors make this research topic a unique research. The name of companies involved in the research work is not being revealed in compliance with the confidentiality.

Out of many cultural problems, this chapter only concentrates on the five major cultural problems such as trust building, miscommunication, management style, the perception of genders and selecting partners, and the way these problems have been resolved by the company to make a successful IJV. For this study, the authors will view culture as defined by Hill (1997, p. 67), "a system of values and norms that are shared among a group of people and that when taken together constitute a design for living."

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