Master Thesis

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Decision Making
From Chinese Partners’ Perspective
In Sino-Foreign Joint Ventures

May 2009
Acknowledgements
It is my pleasure indeed to take the opportunity to thank my supervisor, my method teacher, friends who help me to contact interviewees, all the interviewees from joint ventures and parent corporations of China, and my family. First and foremost, I would like to thank my master thesis supervisor Desiree Holm. Because of your generous guidance, the thesis could follow on a perfect direction from beginning to the end. I would also like to thank my method teacher Rian Drogendijk. The course Method that you gave us is very useful and meaningful for thesis research. I must say thank you to my lovely friends. All the help you have given me is enormous. Fourth, I would like to thank my friend Åsa Käfling: Thanks for the inspiring talk. I would like to thank all persons for transferring interviews to right persons, for accepting interviews, for accepting and attending interviews, and for attending interviews twice. Without your contribution to this thesis, it would not come out with some significant results for empirical study and business firms. Finally, I would like to thank my husband Bingwen He and my parents. Thank you very much for your hundred percent supports.

Abstract
As the Chinese rate of growth has accelerated, China is increasingly considered as an important market for a diverse range of goods and services, including the advanced and complex. This has caught the attention of foreign firms in general and Swedish multinational companies in particular (Demir & Söderman 2007). This thesis focuses on a Chinese perspective of Chinese partners’ decision making in SFJV, which is lacking in previous research. Six variables which are related to Chinese partners’ decision making in SFJV are founded on a theoretical background. Then these six variables are compiled into a Chinese partners’ decision making model. Each of these six variables is further divided into several factors. Data is then collect by a case study in which several SFJVs and their Chinese parents-Chinese partners are interviewed. This data is later used to verify and improve the original model which is founded on theoretical background. Finally an updated Chinese partners’ decision making model is created. The thesis concludes with the important findings and a discussion of the applicability of this model, contribution of the research, and future possible research orientation.

Keywords: SFJV, Chinese Partners, Decision Making, Bargaining Power, Cultural Distance, Driving Forces, Changes, Consequences, Law of China, Objectives, Sweden, China
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1 Introduction

As the Chinese rate of growth has accelerated, China is increasingly considered as an important market for a diverse range of goods and services, including the advanced and complex. During China’s transition to a market economy, a critical challenge is to transform public enterprises from passive, command-based producers into relatively efficient market and customer-oriented businesses. In this light, it seems reasonable to assume that the transitional process of Chinese enterprises is a quest of acquiring skills in a complex context; it is a struggle towards improvement or a “race to learn” (see e.g. Hamel 1991).

Thus, Chinese central government has encouraged a large number of foreign firms to invest in China since 1979, especially joint ventures with Chinese local firms by benefit policy. The United Nations Conference on Trade and Development (UNCTAD) report that FDI inflows in year 2007 grew by almost 20 percent over the previous year and the country of China is now the third largest recipient of FDI after the UK the US (UNCTAD 2006). In the 1980's and 1990's, thousands of companies from more than thirty nations attempted to establish joint venture relationships with China (US-China Business Council 1995). More joint ventures were formed in China than any other nation during the 1980s (US Department of Commerce 1991). Sino-Foreign Joint Venture\(^1\) (SFJV) has become an important sector in China’s business models\(^2\). SFJVs offer foreign firms strategic means to gain access to China's domestic market, reduce costs, acquire legitimacy, learn about the Chinese environment, and gain power vis-à-vis their competitors. At the macro level equity SFJVs offer China a way to help develop its economy through the transfer of technology, acquisition of managerial skills, influx of capital, development of its infrastructure, and access to export markets that can provide foreign exchange. Indications are that the trend of foreign investment in China taking the form of joint ventures is likely to continue (Antoniou & Whitman 1998). Figure 1 shows that contracted value of joint venture in China has increased rapidly from 1999 to 2007.

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\(^1\) Sino-foreign joint venture (also known as Joint Ventures Using Chinese and Foreign Investment) is between two corporate bodies, one being a company or companies organized in China and the other a foreign company or foreign companies. The parties set up a limited liability company, which will be established as a contractual joint venture (Regulations for the Implementation of the Law of the People's Republic of China on Joint Ventures Using Chinese and Foreign Investment 3rd Revision 2001).

\(^2\) A business model performs two important functions: it creates value, and it captures a portion of that value. It creates value by defining a series of activities from raw materials through to the final consumer that will yield a new product or service with value being added throughout the various activities. The business model captures value by establishing a unique resource, asset, or position within that series of activities, where the firm enjoys a competitive advantage. (Henry Chesbrough, "Open Business Models", 2006 Harvard Business School Press)
1.1 The Importance of Understanding Chinese Partners

As explained by Yan & Duan (2003, p. 554), the underlying strategy for Chinese firms to establish partnerships, such as joint ventures and strategic alliances, with foreign multinational enterprises (MNE) is “to extract and internalize the skills of their partners and thus either improve their own competitive position or reduce their partner’s capability for autonomous action within and outside the partnership”. At the same time, it is also suggested that foreign firms are likely to ally with local firms as they recognize a shortage of resources, such as market specific business knowledge (Lindstrand 2003). Opportunistic behavior is thus likely to occur for both parties, especially since they may be heavily dependent on each other for resources (Guler & Guille’n & Macpherson 2002).

The difference in management systems, technological practice, and cultural background among the partners within joint ventures brings difficulties to the function of joint venture. For example, Dickinson (2008) states a common fundamental mistake that most foreign partners tend to make, that is, the foreign investors too often assume that a Chinese joint venture company is managed according to a common Western model, under which a board of directors has controlling power over the company. Since the board is selected by a majority vote of company owners, most foreign investors will strive to obtain a 51% ownership interest in the EJV. As majority owner, the investor then assumes he has the right to elect the entire board, and thus effectively control the company. However, unintentionally, the foreign investor’s struggle for board control is rendered meaningless because they will
frequently allow the local side to appoint the representative director and the company general manager.

Mohr and Puck (2006) present yet another view from their study of German–Chinese joint ventures. They found that German joint venture partners adjust their practices to the Chinese partners’ at a lower rate in areas where they consider themselves more competitive. This reluctance to behavioral adaptation signals that as the Chinese counterparts run their economic and market oriented transitional agenda, the counteractions taken by the foreign partners results in ‘slowing’ down or even resisting the Chinese’s quest for rapid transition. This line of argument thus suggests that previous notions are incommensurable in the sense that mutual resource interdependence is only a special case, which will depreciate as the Chinese transition process continuously improves the local firms’ own resources and knowledge. However, Buckley, Glaister, and Husan (2002) assert that the relation between partners rely on the skills of managing cultural differences and the local language. Further, they suggest diplomacy, negotiation and even political skills as focal issues rather than imposing their own norms or moral onto the partner (Demir & Söderman 2007). Most of the research believes that in a SFJV the Chinese partner is at a disadvantage over its foreign counterparts. The unsatisfactory relationship is easily affecting successes of joint venture business (Demir & Söderman 2007).

Therefore, foreign firms increasingly intend to spend more effort in studying proper strategies of managing risks in their joint venture businesses (Shen & Wu & Ng 2001). In fact, all these evitable failure experience necessitates the improvement in understanding of Chinese partners, both during the establishment of a SFJV and during running business operation of a SFJV. In order to better understand each other, foreign partners should realize what factors lead to such a decision making of Chinese partners.

1.2 Aim of The Thesis
International joint ventures are normally adapted as an organizational entry model which has received ceaseless interest by researches in a variety of academic disciplines. Extensive research has been done, almost all from foreign partners’ point of view, to reveal possible reasons behind e.g. performance issues in SFJVs. Despite this increasing attention in joint ventures, there is unfortunately a lack of analysis of SFJVs from Chinese partners’ perspective. Given the fact that a SFJV is jointly established together with a Chinese partner, studies from this point of view should undoubtedly provide equally, if not more, valuable information for running a successful SFJV. This thesis will attempt to fill this research gap. This thesis will analyse how Chinese partners in SFJVs reason their decision making. Six variables, which in existing previous research are regarded related to Chinese partners’ decision making in a SFJV, are compiled into a Chinese partners’ decision making model. Each variable is further divided into several factors. A case study is then carried out in order to collect data to verify and improve this model. By utilizing the collected data an updated Chinese partners’ decision making
model is presented. In the end the thesis concludes with a discussion of the applicability of this model and future possible research orientation.

2 Literature Review

There are several variables related to the decision making of Chinese partner in SFJV. Yan and Gray (1994) adopt an inter-partner negotiations perspective on joint venture formation. They envisioned joint ventures as mixed motive games between partners who cooperate and compete simultaneously (Las & Sebenius 1986; Hamel & Doz & Prahalad 1989). Furthermore, they adopted a negotiations perspective to explain the distribution of control between the partners in a joint venture. But different with that, by reviewing available literature, variables and factors that Chinese partners in SFJVs regard as important for decision making will be complied into a model.

2.1 Chinese Partners’ Decision Making

The literature definition of decision-making itself is wide, especially in the earlier research. The oft-made statement that decision-making is the organizational activity (Barnard 1938; Simon 1957) has encouraged scholars from many disciplines to its study. Hawley and Wirt (1968) have worked in the areas of community decision-making and foreign policy decision-making using a political science approach; while March and Simon (1958), Cyert and March (1963, 1992), and Gore and Dyson (1964) have attempted to use an interdisciplinary framework of decision making.

One of the most general statements that can be made about the theories of organizational decision-making is that they fall into two broad classes. There are the normative mathematical-economic theories and the so-called behavioral theories. The interest here is in tracing decision empirically to find out what actually happens rather than what is ideally expected to happen (March & Simon 1958; Cyert & March 1963; Pettingew 1973). Normally, plenty articles of business decisions adapt the behavioral theories of decision making.

As Burns (1965, 1966) points out, the Carnegie group attempt to put forward a general theory that will make sense of a wide range of empirical experience of business concerns obtained through research and consultancy. Their model, “derived from the conventions of the computer simulation of business decision-making”, is an attempt “to elaborate a rational model of the business concern” (Burns 1965, 1966). In spite of its interdisciplinary aims, the main point of March and Simon's book organizations is that interrelation of motivation and cognition must be of central concern for organization theory (1958). Therefore, the decision of business decision making must include in terms of two critical individual decisions, the decision to participate and the decision to produce (Pettingew 1973). This thesis explains them as a whole and has not separated them to be an individual item.
Pondy (1967) has remarked that joint decision-making processes between specialist groups and managers are more likely to characterized by bargaining than by problem-solving. Decision-making can affect performance and managerial behavior directly. It more or less likes negotiation of problem-solving in board (Pondy 1967).

Normally before starting a joint venture some decision makings for SFJVs should be done respectively by Chinese partners and foreign partners, for example if such a SFJV is really necessary to establish. After the establishment of SFJVs, decision makings for important issues should be done by meetings between persons in charge from both the Chinese partner and foreign partner. Meanwhile some decision makings for the SFJV will remain to be done respectively by each partner.

Within the scope of this thesis, the definition of Chinese partners’ decision making is that, after the establishment of a SFJV, during business running process, the Chinese partner in SFJV would like to make decisions in such a way that the SFJV, as well as Chinese partner itself, can survive and develop. The purpose of such a definition is to focus on MNCs which are currently running SFJVs in China, to reveal the thinking behind decision makings of Chinese partners to SFJVs. As mentioned, this definition of decision making falls into the class of behavioral theories as business decision making of plenty articles.

In this study, joint venture decision making will be measured as the average degree of the MNC parent’s make the decision of profitability, sales, product quality, labor productivity, marketing, customer service, reputation, growth, technology development, and management after joint venture established. These items cover several variables of SFJVs’ decision making. Those variables are possible to be related to decision making of SFJVs’ Chinese partners. There should be some factors behind those variables which are also possibly related to decision making of SFJVs’ Chinese partners.

2.2 Variables Related to Decision Making

International joint ventures in China have attracted the interest of researchers and consultants from a wide variety of disciplines and they have used a variety of frameworks to describe and analyze these ventures in China (Antoniou & Whitman 1998). Operational issues such as human resource management, are the focus of over half of the studies conducted to date (Osland 1993). Among previous researches, six variables are regarded related to decision making by Chinese partner. They are Bargaining Power of Chinese Partners, Driving Force, Objectives of Chinese Partners, Cultural Distance, Possible Changes and Consequent Impacts, and Law of the People’s Republic of China. There are several factors inside each variable.

2.2.1 Bargaining Power

Bargaining power refers to a bargainer’s ability to favorably change the “bargaining set” (Lax & Sebenius 1986), to win accommodations from the other party (Dwyer &
Walker 1981; Tung 1988). The negotiations perspective suggests that the relative bargaining power of partners is a critical variable in determining patterns of control in joint ventures (Blodgett 1991; Harrigan & Newman 1990; Lecraw 1984). Within the scope of this thesis, bargaining power always refers to only that of a Chinese partner’s unless stated otherwise. It related to the decision making of Chinese partners closely. Four factors related to bargaining power will be discussed.

2.2.1.1 Local Knowledge

Hymer believe that the lack of knowledge about the foreign markets could be compensated for by a firm-unique asset (Hymer 1970; Forsgren 2007). Market knowledge largely consists of knowledge about business partners’ capabilities developed through exchange with these partners (Forsgren 2007). Jiang (2006) described that the local knowledge and skills are required to run businesses effectively in the Chinese operating environment. Because of the importance of local knowledge, Chinese partners may try to hold and keep control with the local knowledge. Demir and Söderman (2007) mentioned that it is then plausible that the “weaker” local partner (i.e. in this case the Chinese) in terms of resources and international business experience, tries to keep control of local knowledge and thereby holds foreign company from acquiring critical knowledge that will allow the foreign company to “go it alone”. Demir and Söderman (2007) also suggest the cooperative styles of the Swedes facilitate to out-learn the rest of the local organization and the local partner in the IJV.

2.2.1.2 Resource Dependence

Resource dependence theory (Pfeffer & Salancick 1978) suggests that the possession or control of critical resources constitutes power in interorganizational relations. If a firm contributes more critical resources to an interorganizational arrangement than its partner, it will be more powerful than the partner in the partnership between them. Put simply, the relative bargaining power of potential joint venture partners is determined by who brings what and how much to the venture (Harrigan 1986). A partner gains bargaining power if the joint venture depends heavily on resources it contributes that are “costly or impossible for other partners to replace” (Root 1988, p. 76) and critical to the venture’s success (Harrigan & Newman 1990).

In the internalization theory, in contrast, knowledge about foreign markets is noticeably absent as an element of importance for the creation of the multinational firm. Instead, internationalization arises through the cost-efficient coordination of transactions across borders (Forsgren 2007). In this case, the lower production costs in China pay the world’s attention. Costs in labor resources and part of raw material resources are lower in China as many newspapers referred. The Major advantage China has over the U.S. is its high population that offers a cheap labor force (Academic Resources Center Inc. and Essays 411, 2006). These wages also affect the total costs of production and lower the price of products. It's a general consumer behavior that they always want to buy the highest quality product by paying the
lowest fee (Academic Resources Center Inc. and Essays 411, 2006). Local resources should be cheaper if raw material resources are counted with transition costs.

2.2.1.3 Strategic Importance
Advocates of bargaining theory have proposed that the stakes of the bargainers in a negotiation and the availability of alternatives influence their bargaining power (Bacharach & Lawler 1984). The contextual sources of power include the availability of alternatives to the specific International Joint Venture (IJV) and the strategic importance of the venture to the parents. Therefore, strategic importance is related to decision making of partners in a certain way. Without doubt, the partners here are including Chinese partners in SFJVs.

From the power dependence perspective (Emerson 1962; Cook 1977), the IJV sponsor having more potential partners to collaborate or more alternative modal choices for entering a market has greater bargaining power, because at any moment, it can threaten to walk away from the current negotiation with any problem on board and stock shares, and to exercise its “BATNA” (Bartlett & Gohshal 1986; Koza & Lewin 1998) have argued that IJV sponsors do not deem the partnership equally important in their overall strategic portfolio. Yan and Gray (2001) state that a partner that has a large strategic interest in a joint venture may indeed prefer to have control.

However, it is important to differentiate between “desired” and “exercised” control, or between what one wants and what one can actually achieve. From the power dependence perspective, the exercised control in IJVs is not determined by any individual partner’s unilateral intentions. Rather, it is a consequence of inside partner bargaining. When an IJV is strategically important to a partner, this partner’s dependence is on the venture increases. The more dependent a partner is on a specific arrangement, the more costly it is for this partner to forgo the opportunity of cooperation, and therefore, the less powerful this partner is at the bargaining board in shaping the outcomes of the negotiation with respect to the prospective venture’s control structure (Yan & Gray 2001).

2.2.1.4 Business Network
Business relationships are established and developed by investing time and resources in promoting interaction between actors. Such relationship-specific investments may include the adaptation of products, processes and routines (Forsgren 2007). The business relationships are critical and necessary to the firm’s business as them necessary for partners make the decisions. They are difficult for an outsider to comprehend because they comprise a number of different and complex dependencies,

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3 The best alternative to a negotiated agreement
involving technical, logistic, cognitive and economic know-how, which are shared between the parties (Håkansson & Johanson 1988, in Forsgren 2007). The Chinese partner in a SFJV usually is in possession of a good relationship in China with local suppliers and customers, which might be shared later with the SFJV, or even with the foreign partner(s) in the same SFJV. Moreover, the Chinese partner in a SFJV may also have a close relationship with local government, which arguably will have a potential crucial impact on the SFJV business operation.

2.2.2 Cultural Distance

Among the many inter-partner relationships that have been studied, cultural distance has received the greatest attention, especially in relation to IJVs. Most of the cultural distance issues that have been studied, such as entry mode (Kogut & Singh 1988), partner control (Gomes-Casseres 1989), goal divergence (Yan & Gray 1994), and joint venture longevity (Hennart & Zeng 2002), are based on differences in culture. Cultural distance should be an important variable for decision making of Chinese partners, also the other partners.

One area frequently cited as a source of conflict and failure within a Sino-Western joint venture is a lack of true understanding of the cultural differences between partners (Habib 1987). Laurent (1986) indicate that, whatever may be the international firm’s strength, cohesiveness or stated nature of their corporate culture, attempts to apply a “home” policy or practice are likely to be given different meanings by different cultural groups. Culture background influences management style and conflict-handling strategies (Lin & Germain 1998). A greater cultural distance may hinder the board of directors from setting up a well-defined and integrated management system to govern the executives of IJVs, which leads to greater role conflict and ambiguity for the executives (Frayne & Geringer 1993; Schaan & Beamish 1988; Shenkar & Zeira 1992) and poorer firm performance. The cultural compatibility of the parent companies is therefore an element that substantially influences IJV performance (Lane & Salk & Lyles 2001). A higher level of cultural distance means greater risk, to the extent that foreign parents may reduce their shareholding to avoid such risk (Kogut & Singh 1988).

2.2.2.1 Chinese Culture and Guanxi

Chinese culture is directly related to decision making of Chinese partners in SFJVs. They make the decisions more or less reveal the cultures they have. Actually, in reality, not just Chinese partners, most partners would reveal their own cultures when they are making decisions for joint ventures. As can be seen from Appendix 1 (Jiang 2006), many responses agree that quite a lot of Chinese cultural related factors are very important to understand to operate joint ventures more effectively in China. In this table, the business cultural variable, way of doing business in China, is deemed the most important factor among all Chinese cultural related factors. The reason behind this is about the Chinese culture related deeply with their decision making. Understand Chinese partners’ decisions, their culture should be understood at first.
While all three employee variables, employees’ loyalty to company, hardworking characteristics of employees and employees’ expectation from the company also play an important role. Social cultural variables including language, social structure of society and Chinese people’s way of life appear to have somewhat moderate impacts on the effectiveness of venture operations in China (Jiang 2006). And they are all related to Chinese partners’ decision making.

"Guanxi" describes the basic dynamic in the complex nature of personalized networks of influence and social relationships, and is a central concept in Chinese society. It supposes to relate to decision making of Chinese partners closely as a business style in China. In Western media, the pinyin Romanization of this Chinese word is becoming more widely used instead of the two common translations—"connections" and "relationships"—as neither of those terms sufficiently reflect the wide cultural implications that Guanxi describes. Appendix 2 (Jiang 2006) suggests that good relationships with all parties in business are regarded important to the effectiveness of joint venture operations in China. Jiang (2006) points out that the relationship with Chinese government authority and the relationship with Chinese partner were the most important variables among the work & business relationship variables. Personal relationships between Chinese and expatriate managers was ranked as the most important one among personal relationship variables (Jiang 2006), because “Guanxi” is always something they would be considered when they make the decisions.

2.2.3 Driving Forces Behind A SFJV
Understanding the driving forces behind a SFJV will help partners to improve their attitude on holding a successful SFJV, so partners would consider them as key essential ingredients. Driving forces as a category of variables exist in both partners. Driving forces are the foundation of partners’ decision making, including the Chinese partner in a SFJV. The driving force of a SFJV includes common goal of partners, goals in contract of the SFJV, and trust between partners.

2.2.3.1 Common Goals Among Partners
Paolillo, Jackson, and Lorenzi (1986) suggested a number of strategies for enhancing goal integration which are relevant to joint ventures. Socialization, which involves the initial gathering of information, both formally and informally, about goals and values, provides a framework for the shifting partners’ goals towards a middle ground (Shore & Eagle & Jedel 1993). More effective strategy involves the negotiation of a set of mutually agreeable goals (Shore & Eagle & Jedel 1993). Goal integration and mutually agreeable goals are all about common goals. Common goals as one of the driving forces can integrate joint venture partners focusing on the main problems which relate to profits. Partners would have less branching on the other problems. Common goals can always bring partners work hard together even through they have something divaricating. Common goals may serve as an informal control mechanism that renders the pattern of formal management control less critical than it is when partners' objectives radically diverge (Yan & Gray 1994). Different socialization
strategies utilized by an organization to control and direct the behavior of the members can play an important role in achieving the desired goal integration (Van Maanen 1978). Thus it can be seen, common goals are the basic factor which influences Chinese partner making decision in joint venture. If the common goals of joint venture disappear or lost, the joint venture will be no longer existed. Partners will not want to continue joint venture. Usually, the core of common goals is profit. That maybe is the main reason that Chinese Parent Corporation always allows joint venture Company to use western style of management. They believe western style of management can really help to make profits.

2.2.3.2 Goals Written in Contract
Goals written in Contract are also called institutionalization of goals. These specific contractual stipulations probably served as an alternative means of control for the weaker partner to ensure that its goals were reached (Yan & Gray 1994). Alternatives available to negotiators specify the extent to which they can choose different arrangements for achieving the same goals sought in the negotiation (Yan & Gray 1994). Thus, goals written in contract are also related to decision making of Chinese partners in SFJVs.

2.2.3.3 Trust Among Partners
Parkhe (1993) specified the importance of trust on the stability and performance of IJVs. Styles and Hersch (2005) found that IJV relationships are stronger when goodwill trust develops, when the personal trust between partners increases, and when affective commitment develops. Interpersonal trust is vulnerable to changes in key personnel and the possible breakdown of interpersonal relationships (Dodgson 1993), and thus to maintain long-term collaboration between business partners, trust should be embedded within the norms and values of an organization. Boersma, Buckley, and Ghauri (2003) developed a process model of trust building in IJVs, and found that different types of trust play different roles in the process. Zaheer (2006) argued that levels of trust differ across international borders, and hence both the nature of trust and the institutional and cultural support for trust can vary across national contexts. This situation would be happen in IJV and also includes SFJV. Trust among partners as a necessary driving force in SFJV is obviously related to decision making of Chinese partners. If the level of trust among partners is deeper, the argument about Chinese partners doubt to foreign partners’ decision and making another kind of decisions would be less.

When a high level of mutual trust exists between partners, or they share objectives, or those goals are highly institutionalized, joint ventures in which the foreign parent is dominant can still satisfy both partners' needs. This finding supports Beamish's (1988), Koenig and Wijk's (1991) arguments that interpartner trust is critical to venture success. Because strategic alliances are built on trust and convergent goals, the partners may not trust operating a certain "way" or have divergent goals under conditions. Even with similar strategic goals, two partners who lack trust in each other
may lack the willingness to reciprocate. When joint venturing, be prepared to give and take is necessary (Vauthey 2006). Thus, trust among partners is deeply influencing the decision making of all partners, including Chinese partners.

Thorelli’s (1986) observed that trust may supplant contractual arrangements in Asian cultures. One of the foremost world authorities on trust is Francis Fukuyama (1995) of the Rand Corporation. In his definition he refers to trust as “the expectation that arises within a community of regular, honest and co-operative behavior.” When he discusses the Chinese in a management sense, he says that Chinese have a more difficult time than Westerners to become professional managers because of their inclination to deeply trust only people related to them or to whom they have a very close relationship. On the other hand, says Fukuyama, Chinese are likely to distrust people outside of their family or close inner group. In order to move quickly in business today, there is often not enough time to establish relationship or to follow the habit of favor. Based on all of the above, he identified China as a “low trust” society (Gallo 2009). This “low trust” of course will affect their decision making; whereas, they can also make some decisions in SFJVs in order to improve the trust among partners. For example, they use partners’ managerial style in their SFJVs because they trust their partners’ managerial style would be more efficient than theirs.

2.2.4 Possible Changes and Consequences
Some Changes and Consequences from long-term are normally indicated to be the indirect effects of an organization, because they usually influence the decision making of SFJV not in the short-term. The indirect effects identified in (Yan & Gray 1994) which are different from those previously identified. It includes the multinational parent’s strategy (Franko 1971), strategy-structure fit (Geringer & Hebert 1989; Janger 1980), and fit between the areas of control and control mechanisms (Schaan 1983, 1988). Those strategy and control issues are related to decision making. Partners should make the decision on what kind of strategy and control they want to hold in SFJVs. There are certain situation of changes and consequences related to strategy-structure fit and control fit too. For instance, inter-learning between partners can bring more understanding to partners, they may find out the strategy-structure and areas of control are not so fit for SFJV. Environmental changes, joint venture’s own capacity growth, and localization of SFJV itself can all bring doubts for partners to reconsider about the strategy-structure and the way of control are fit for SFJV or not. Definitely, these doubts by partners include Chinese partners’. Therefore, those possible changes and consequences are related to the decision making of Chinese partners for their SFJVs.

2.2.4.1 Inter-Learning Between Partners
Research has discovered that partners in a joint venture tend to learn from each other. Vernon (1977) pointed out that the term obsolescing bargain to capture the impact of learning on bargaining power. Hamel (1991) argue that the effective learner in an IJV will raise the “price” for its continued participation in the partnership. It brings some
changes to joint ventures after the partners’ inter-learning. However, Yan and Gray (1994) suggest that the Chinese partners did not significantly gain bargaining power through learning. Maybe the changes of learning will not as strong as other factors to reflect to decision making immediately. It may reflect to decision making of Chinese partners in long-term situation.

Another reason for inter-learning is not connected strongly to decision making of partners, is about some partners were cautious in transferring their technologies to their joint ventures and kept the key technological secrets firmly in their own hands or because these technologies were low in transparency, raising high barriers to learning (Hamel 1991).

2.2.4.2 Environmental Changes
Changes in a venture’s local environment, particularly in government policies, can trigger structural reconfigurations in joint ventures (Yan & Gray 1994). Environmental changes can shift the original bargaining agreement between partners (Harrigan & Newman 1990; Sharfman & Gray & Yan, 1991). Thus Chinese partners should pay close attention to environmental changes which might be used as an advantage to shift the original agreement in their preferable way. They will make some affective decisions for SFJVs to adapt the business environment changes in China, or local subtle environment changes, even though geography environment changes.

2.2.4.3 Joint Venture’s Own Capacity Growth
IJVs accumulate their own bases of knowledge and skills, becoming less dependent on their parents (Prahalad & Doz 1981). SFJVs will also less dependent on their partners if their knowledge and skills increase. However, if this accumulation is accomplished in an unbalanced manner, by acquiring knowledge or skills only from one parent, this parent’s contribution will eventually be devalued (Yan & Gray 1994). This change also can strongly influence Chinese partner to make decisions. They do not want to be the devalued side. They may make the decisions to give knowledge and skills slowly to their SFJVs.

2.2.4.4 Localization
SFJVs will have their own channels of suppliers and customers. They will turn to be localization. They may not need any kind of help from parent partners. Yan and Gary (1994) suggest that material procurement channels for a joint venture constitute a source of bargaining power for the partner who provides those channels. Since both partners have inherent, though different, motivations for increasing local content, this change can diminish the bargaining power of the partner, typically the foreign partner, on whom the joint venture depends for imported materials. Therefore, SFJVs are turning independent to Chinese partners. They are becoming no need from Chinese partners. They stand local and to be localization. Then, Chinese partners’ decision making for them may turn to simple, control less, and base on contract and the objectives of Chinese partners.
2.2.5 Law of the People’s Republic of China
Since all joint ventures must be approved by the Ministry of Commerce in China, and since most Chinese joint venture partners are SOEs or provincially owned, the motivation behind Chinese companies’ establishment of joint ventures tend to conform with the motives expressed in Chinese law (Käfling 2009). Obviously, the law of China has the highest respect. Several classes of laws are related closely to Chinese partners’ decision making without doubt.

China’s new Company Law came into force on January 1 2006, amending legislation that had been in force since 1994. The PRC economy has become increasingly open and market-oriented so the time was ripe for a review of China's corporate law. The new Law represents a staging post on the road towards consolidating the corporate regimes applicable to domestic entities and to foreign-invested enterprises. Although the impact of the new Law might be tempered somewhat by the fact that the laws applicable to foreign-invested enterprises continue to govern where the latter have express provisions on similar points, there is no doubt that its influence will be felt and longer lasting (Chong 2006). This new law, which must be obeyed by every company that wants to run a legitimate business in China, should be carefully inspected by every SFJV as well as its partners so that they can make legitimate decisions, including the Chinese partners’ decision making. Undoubtedly any laws concerning this matter, along with all possible emendations, should also be taken into consideration.

2.2.6 Objectives
Objectives should always be a major determinant of decision making. The objectives of western foreign MNCs to joint venture in China are earning money, developing a significant market share in China, and developing a low-cost sourcing base (Yan & Gray 1994). Different from that except a common goal of earning money between joint venture partners, from the standpoint of the government of the PRC, the motives for trying to attract foreign investments through joint ventures are no different than for governments elsewhere (Daniels & Krug & Nigh 1985). The influx of investment under specific conditions may conserve foreign exchange, increase efficiency, and create jobs (Daniels & Krug & Nigh 1985) from a government perspective. Some parts of these objectives should coincide with Chinese partners. For instance, learn from foreign counterpart through the foreign exchange, better access to technology to increase efficiency, and better access to foreign markets is also an efficient channel. Another report indicated that Chinese firms actively seek out foreign partners because the pursuant joint ventures are free from some of the inhibiting operational requirements of various Chinese government agencies (Trends & Issues 1985). Anyhow, these all objectives about Chinese partners are related to their decision making directly whatever they related to government perspective or not. When they make the decisions for their SFJVs, objectives of them will be appeared because they hold their SFJVs as necessary as their own corporations survive and develop.
2.2.6.1 Better Access to Technology
Daniels, Krug, and Nigh (1985) state that the most often mentioned reason for Chinese participation in joint ventures was that technology could be transferred more effectively this way. Furthermore they have seen some cases in which foreign firms were simply unwilling to move the desired process or product technology without gaining some of the greater control which is possible through an equity holding in the operation (Daniels & Krug & Nigh 1985). Better access to technology may express on decision making of Chinese partners in cooperation.

2.2.6.2 Better Access to Foreign Markets
Daniels, Krug, and Nigh (1985) also argue that joint ventures give Chinese firms a better opportunity to penetrate foreign markets. They again argue that a typical pattern is for the Chinese partner to handle internal sales and for the American partner to handle the marketing outside of China. In addition to gaining access to marketing channels and skills, the partnerships have also enabled the Chinese firms to make a product which is more saleable abroad. Chinese partners may make some decisions for their SFJVs in order to gain the better access to foreign markets. This objective may not only exist on the establishment of SFJVs. It may continually exist on looking better opportunity in foreign markets. Chinese partners’ decision making should be followed on this objective.

2.2.6.3 Learn From Foreign Counterparts
It seems reasonable to assume that the transitional process of Chinese enterprises is a quest of acquiring skills in a complex context; it is a struggle towards improvement or a “race to learn” (Full Text via Cross Ref Hamel 1991), which includes learning to produce and apply advanced technologies in diverse fields (Child & Yan 2003). Chinese joint venture partners want to learn more about new technologies, new managerial styles and how to manage capital in an efficient way (Si & Bruton 1999) in addition to adopting technological equipment and management skills. Learning advanced technology has always treated as an evident objective of Chinese partners. If this is true, Chinese partners’ decision making should relate to this objective. They would make the decisions for holding SFJVs in order to learn advanced technology if this is their objective.

Yan and Gray (1994) figured out that to gain management expertise is a main objective for two of the four companies of their research. Many Chinese State-owned Enterprises (SOEs) have serious financial problems and have to be restructured (Cauley & Sandler 2001). For many Chinese SOEs, the possibility of establishing a joint venture with a western company has become the last chance to catch the straw that has the potential to save them from bankruptcy (Käfling 2009). Chinese partners may want to learn about western managerial style to reform their own corporations which are confronting with damages. This condition absolutely could be related to their decision making.
2.3 Variable and Factor Connections

There are some connections among variables which are also mentioned by several business articles. In brief, there are three connections which can be found among those six variables or the factors inside those six variables. They are connections between trust among partners and cultural distance, between trust among partners and inter-learning between partners, and between law of the People’s Republic of China and environmental changes. Trust among partners is a factor inside the variable of driving forces. Inter-learning between partners and environmental changes are both inside the variable of possible changes and consequences. Cultural distance and law of the People’s Republic of China are two of the six variables.

2.3.1 Trust Among Partners and Cultural Distance

A factor of driving force such as trust between parents may well provide a clearer picture of the impact of culture on IJV performance. In Chinese culture people often emphasize trust and relationships, and thus are more motivated to cooperate when there is a high level of trust between partners. The trust is indicated as the trust of strategic establishment, management, and companies’ business, not personal trust. The need for tight control between parents in a situation of a large cultural distance is thus reduced when there is a higher level of trust. Trust between parents has a moderating effect on the relationship between the performance of IJVs and the cultural distance between parent companies (Ng & Lau & Nyaw 2007).

2.3.2 Trust Among Partners and Inter-Learning Between Partners

Learning and trust are positively related, while trust and the use of informal and formal controls are negatively related, so establishing mechanisms to enhance trust may benefit the relationship between alliance partners (Schuler 2001 b). Partners learn more about their counterparts, the trust between them would go deeper.

2.3.3 Law of the People’s Republic of China and Environmental Changes

The changes of business environment require a suitable power law. Chinese company law and joint venture law make changes if business environment is changed. In the other word, the law must adept the changing conditions of business. It is understandable for the Chinese government to make policy changes in accordance with circumstances and the country's corresponding regulatory needs (Brad Luo 2009). Without a balanced approach to adjustments in policy changes, China will be in actuality doing itself a disservice in creating unnecessary uncertainty in its capital markets (Brad Luo 2009).

2.4 Chinese Partners’ Decision Making Model

A theoretical decision making model from Chinese partner’s perspective is compiled according to the above-mentioned variables, as depicted in Figure 2. Each rectangular box denotes one variable that is related to the decision making of Chinese partner in
SFJV. In each rectangular box the variable is again divided into several factors to detail this variable. Later in the thesis this model will be verified. Possible modifications to the model might occur as well.

![Diagram](image)

Figure 2: A theoretical model of variables that are related to decision making of Chinese partner in SFJV.

3 Methods

3.1 Method Selection

Due to the fact that there are not many available researches conducted in this area, and the directions which this research might take can not be predetermined or delimited, a qualitative research methodology is employed in the thesis. 25 questions were designed for the interview, in a way that they are related to some of the variables and factors in the Chinese partner’s decision making model.

Management personnel, who are either from Chinese partners or the representatives of the Chinese partners in SFJVs, and are currently participating in decision making of the SFJVs, should be interviewed. Interview data will be collected from their answers to our designed questions. Base on the answers, the Chinese partner’s decision making model should be examined. Any inconsistency discovered during this examination should be analyzed and explained. Meanwhile all the interviews should be documented in very detail, by either recording or taking notes, to avoid missing any valuable information that could possibly change the direction of the research.

As listed in Appendix 3 and Appendix 4, there are both English version and Chinese version for questions. Figure 3 is the SFJV decision making model updated with
questions marked on corresponding areas.

3.2 Case Selection

Researchers have called for rigorous case studies of international joint ventures (Parkhe 1993a; Parkhe & Shin 1991). In this research, Ericsson, a company in the Kingdom of Sweden is used as the foreign partner for case study. Six joint ventures together with their six Chinese partners in the People’s Republic of China will also be studied.

3.2.1 Why choose Ericsson as the Foreign Partner to Study

The chosen foreign partner for the case study is one of the most famous Swedish MNCs, Ericsson, a world-leading provider of telecommunications equipment and related services to mobile and fixed network operators globally. The reasons for chosen Ericsson as the foreign partner are showing as follow.

High brand name recognition in China. Over 1,000 networks in 140 countries utilize its network equipment and 40 percent of all mobile calls are made through its systems. It is one of the few companies worldwide that can offer end-to-end solutions for all major mobile communication standards. It is the major supplier and share holder of China Unicom, the world's third-biggest mobile provider. Hence, it is that kind of firm which is well-knowing all over the world. To learn about its Chinese partners will have enormous practical contribution for the other MNCs.

Long history of cooperation in China. Ericsson's presence in China can trace back to 1892. In 1985, Ericsson set up its first office in Beijing, China's capital. In 1994,
Ericsson (China) Co. Ltd., was established. In 2002, China developed into one of Ericsson's three global supply hubs with full-line production capacity located in Beijing, Nanjing and Chongqing.

**Many joint ventures and business operations in China.** Ericsson has established six SFJVs with six different Chinese partners in China. Currently, with 4 whole owned enterprises, 10 joint ventures and 26 offices in China, Ericsson is providing a full range of communication solutions and services to its customers in China. The wide and deep development in China of Ericsson will be a perfect sample for those MNCs which also have or want to have greater development in China.

**Chinese telecommunication corporations is becoming competitive.** While the overall economic growth rate of China is high, its telecommunication industry is also growing rapidly. Chinese telephone-equipment maker, Huawei, which is now regarded s Ericson's largest competitor, is now holding a huge advantage in this area\(^4\). It is time to learn about Chinese companies and Chinese partners.

**3.2.2 Chinese Parent Corporations and Joint Ventures**

In this thesis totally six SFJVs established between Ericsson and six different Chinese partners in the whole region of Greater China will be studied, as listed in Table 1.

<table>
<thead>
<tr>
<th>Name of Chinese Partner</th>
<th>Name of Joint Venture</th>
</tr>
</thead>
<tbody>
<tr>
<td>Panda Electronics Group Co., Ltd</td>
<td>Nanjing Ericsson Panda Communication Co., Ltd</td>
</tr>
<tr>
<td>Beijing C&amp;W Electronics (Group) Co., Ltd</td>
<td>Beijing Ericsson Communication Systems Co., Ltd</td>
</tr>
<tr>
<td>Shanghai Simtek Industry Co., Ltd</td>
<td>Shanghai Ericsson Simtek Electronics Co., Ltd</td>
</tr>
<tr>
<td>Chongqing China Mobile Communications Corporation</td>
<td>Chongqing Ericsson Communication Co., Ltd</td>
</tr>
<tr>
<td>Langchao Group</td>
<td>Ericsson Langchao Wireless Technology Co., Ltd</td>
</tr>
<tr>
<td>Lorom Industrial Co., Ltd</td>
<td>Ericsson Lorom Technology (Hangzhou) Co., Ltd</td>
</tr>
</tbody>
</table>

Table 1: Six Chinese partners and joint ventures established between each of them and Ericsson.

\(^4\) In 2006, Huawei ranked No.1 in the global NGN market (Infonetics), No.1 in Mobile Softswitch (In-Stat), No. 2 in Optical Network (Ovum-RHK), No.1 in IP DSLAM (Infonetics), No.2 in broadband convergence routers (Gartner), and No.1 in MSAN market (Infonetics).
Nanjing Ericsson Panda Communication Co., Ltd, company code ENC, was established in 1992 between Ericsson and Panda Electronics Group Co., Ltd, the most important joint venture partner of Ericsson in China.

Beijing Ericsson Communication Systems Co., Ltd, company code BEC, was established in 1994 between Ericsson and Beijing C&W Electronics (Group) Co., Ltd. This joint venture, as the representative of Ericsson Enterprise in China, has provided practical and effective telecommunication products and solutions for all kinds of enterprise users of China.

Shanghai Ericsson Simtek Electronics Co., Ltd, company code SEC, was established in 1996 between Ericsson and Shanghai Simtek Industry Co., Ltd. As a part of Ericsson Power Modules AB, its main task is to design, manufactures and sells DC/DC power module products.

Chongqing Ericsson Communication Co., Ltd, company code CHQ, was established in 1998 between Ericsson and Chongqing China Mobile Communications Corporation. It was the China hub of microwave transmission products. But now it is functioning as a strategic and competitive sourcing and site-materials base in the western China for Ericsson Global Supply.

Ericsson Langchao Wireless Technology Co., Ltd, company code LJC, was established in 2002 between Ericsson and Langchao Group. This joint venture provides technical solutions and services in the field of emerging wireless and broadband technologies.

Ericsson Lorom Technology (Hangzhou) Co., Ltd, company code CLC, was established in 2005 between Ericsson and Lorom Industrial Co., Ltd. This joint venture focuses on research and development (R&D), manufacturing and sales of telecoms network products and fiber optic solutions for both Greater China and global markets.

3.3 Data Collection

As listed in Chapter 3.2.2, there are six SFJVs and six relative Chinese partners of the SFJVs to contact. All of these 12 corporations were contacted between February 2009 and May 2009. Finally, six corporations have accepted the interview. Five people have been interviewed, because two people are in the same company and another two people represent both their SFJV and Chinese partner. Totally eight interviews and 2 follow-ups have been made. All the interviewees are directly or indirectly in connection with decision making in SFJVs.

Questions used for the interview have been updated once according to the feedback from the first two interviews. There are both Chinese version and English version for the questions. Except that all emails and replies during initial contact were in English, all the phone calls, interviews and follow-ups were done in Chinese. Faxes were made in both English and Chinese version.
While 4 out of all 5 interviewees agreed to record the interviews, yet one interviewee did not agree to have the interview recorded. This unrecorded interview was documented in such a way that notes was taken when the interviewee was answering the question, then the answer to the question got roughly formed, immediately repeated to the interviewee, and had agreed on.

All the interviewees are informed about the content of this research and the fact of their answers will only be used in this research. All materials and information from them will be used anonymously.

![Figure 4: Timeline for data collection](image)

### 3.3.1 Contact

Initial contact was carried out between 10th of February, 2009 and 4th of March, 2009. Contact information was found out on each corporation's website as well as via personal connection. Emails, with description of this research and a request of interview, had been sent out to presidents of each joint venture, the heads of department that is in charge of joint venture business in Chinese partner corporations, and their assistants. Totally eighteen emails had been sent out during initial contact.

One Chinese partner corporation and two joint ventures replied. And they all showed up interest for the research. One was busy at that time but agreed to have the interview one month later, at the beginning of April. The other two would like to have the interview as soon as possible.

While preparing interviews with the two executives, phone calls and faxes were then used to contact the rest corporations that did not reply the initial contact mails. All the phone calls were made in Sweden during the last two weeks of March. They had to be made in the early morning, due to the time difference between Sweden and China.

Two Chinese partners and four SFJVs were not willing to participate in any kind of interview. Therefore the case study will be based on data collected from two SFJVs and four Chinese partners. Soon it was found out that the executives from two SFJVs
can also represent their Chinese partners for the interview. Meanwhile one more contact person was recommended to be interviewed as he has strong background in both the SFJV and the Chinese partner, and is interested in this research. In the end five people were interviewed.

Most of the interviewees have anticipated in the initial negotiations of establishing the SFJVs. All of them have been involved, directly or indirectly, in decision making of their SFJVs for a long time. Three of them are having extensive knowledge about the Chinese partners as well as their SFJVs.

### 3.3.2 Interviews

Among these five interviewees, two of them were first interviewed. Then the questions were revised according to the feedback from these two interviews. The other three interviewees, together with again the two already-interviewed executives, were interviewed with the revised questions. One interviewee asked to take another interview again later to answer the question more thoroughly. There were therefore totally eight interviews, as in Table 2. Note that one vice president has volunteered to be interviewed one more time to thoroughly explain his thought. There are also one president and one employee who have been interviewed twice. This is because they are the first two to be interviewed, and after that the questions have been revised. So they have to be interviewed again, with the revised questions.

<table>
<thead>
<tr>
<th>Position in the corporation</th>
<th>From which corporation</th>
<th>Duration</th>
<th>Recorded</th>
</tr>
</thead>
<tbody>
<tr>
<td>The president (twice)</td>
<td>A joint venture located in East China. Also as the representative of their Chinese partner corporation</td>
<td>1 hour 1 hour</td>
<td>Yes</td>
</tr>
<tr>
<td>Vice president (twice)</td>
<td>Same corporation and same situation as above</td>
<td>2 hours 1 hour</td>
<td>Yes (both)</td>
</tr>
<tr>
<td>The president</td>
<td>A joint venture located in West China. Also as the representative of their Chinese partner corporation</td>
<td>40 minutes</td>
<td>Yes</td>
</tr>
<tr>
<td>Head of Investing Management department</td>
<td>Chinese partner corporation</td>
<td>2 hours</td>
<td>Yes</td>
</tr>
<tr>
<td>Employee from Capital Raising department (twice)</td>
<td>Chinese partner corporation</td>
<td>2 hours</td>
<td>No</td>
</tr>
</tbody>
</table>

Table 2: Details about each interview, which includes the position of the interviewee, the corporation they come from, the duration of the interview, and if the interview was recorded or not.

All the interviews had been at least rescheduled once due to the fact that all the interviewees were always busy. Two interviews had been delayed twice.

Answers from interviewees then were organized and sent back to them. They were asked to review the answers to approve them and feedback with further suggestions or improve their answers if necessary.
Later two interviewees sent back further feedback by email, which had been integrated into the final answer. The rest of the interviewees had orally confirmed that the answers organized in this research correspond to what they expressed their views in the interviews.

During organizing the answer it turned out that three interviewees did not clearly state their ideas of four questions which are mainly about relationship among variables in our model. Emails for follow-up had been sent out. All three interviewees replied with detailed answers, which had been integrated into the final answer as well.

3.4 Limitation of Data Collection
The interviewees are all in telecommunication business. And all the corporations used in the thesis are Swedish-Chinese joint ventures. Thus the findings of this research might only be completely accurate for Swedish-Chinese joint ventures in telecommunication business. However, given the fact that all areas in the SFJV decision making model are general, and so are our question, the findings are still valid, while slight modifications might be need when applying into other situation.

Interviews and data collection process was completed via telephone. Despite the fact that each of these phone calls lasted more than 30 minutes (some of them lasted almost two hours) and the result turned out to be valuable, facial expression and body language which could help to tell better what the interviewee was really thinking and figure out more valuable information, was not able to be perceived.

3.5 Result of data collection
All of those 25 questions from Q1 to Q25 were answered completely by all interviewees. Except the first question, Q9, and Q22, the other answers of questions are similar by interviewees. The main points of those similar answers are the same. However, there are subtle differences between the result of theoretical research and empirical studies. The answers of fourteen questions which are related to four variables are found distinctly by theoretical result. The fourteen questions are Q2, Q4, Q5, Q6, Q7, Q8, Q15, Q16, Q17, Q18, Q19, Q20, Q21, and Q22. The answers of the other questions certified the correctness for the rest of the model which is created by theoretical background (Figure 1). The answers of those fourteen questions involve four variables, which are bargaining power of Chinese partners’, driving force, law of the People’s Republic of China, and Objectives of Chinese partners. In the following chapter of analysis, it will be based on using all collection data to analyze the empirical results.

4 Analysis
According to the data collected from all the interviews, out of all 25 questions, only two questions, Q9 and Q22, were answered totally oppositely among five
interviewees. The answers to the rest of the questions are similar. In this chapter the reason why there is such similarity and difference between theoretical research and empirical results will be analyzed and explained. Also our model of Chinese partner’s decision making will be modified accordingly.

Q9 is about the trust among partners of a SFJV. Q22 is about the factor that interviewees believe is the most related one. Because the SFJVs of two interviewees are in different locations, they have totally different result on trust. One of them locates in a very important city in China. Another one locates in a normal city which is in less develop region in China. Location is very important for partners. It is naturally understandable when some location is important, over worry and distrust between business partners would be appeared. That is the reason when three interviewees who are coming from important locations of SFJVs feel that the trust between the Chinese partner and the foreign partner is hardly over 50%. Meanwhile, another two interviewees who are in the SFJVs of normal cities feel that the trust between the Chinese partner and the foreign partner is definitely over 90%.

The same situation, because the joint venture locates in a city of center business position in China, three persons said bargaining power is very important for the Chinese partner and Chinese partners bargains it as strong as foreign partners. Another two persons said that the Chinese partner and the foreign partner do not bargain their power strongly. It seems rarely concordant between two parent partners. The reason for that is the locations of the SFJVs are less important for the business scheme for their Chinese partners.

4.1 Bargaining Power

In terms of local knowledge, all interviewees believe that their advantages are that they are better at launching new products and knowing legal issues better. They also consider that, with respect to resource dependence, they have two advantages of having lower labor costs and lower raw material costs. They believe their business network is also their advantage. However, the factor strategic importance is not deemed as important between them and their foreign partners. Hence, the decision making of Chinese partners is only related to the factors of local knowledge, resource dependence, and business network in the variable of bargaining power.

Another finding of bargaining power is that the bargaining power of all the Chinese partners interviewed in this research is decreasing. This is because, as explained by some interviewees, that their foreign partners gain more and more local knowledge and business network in China, the bargaining power of Chinese partners’ is becoming less and less.

4.1.1 Local knowledge

SFJVs’ Chinese partners believe that they know better about local knowledge. For instance, they believe they know better in how to launch new products in China.
According to two interviewees, some foreign partners are good at marketing campaign but not good at doing business with local customers. It is also believed by Chinese partners that they are better at attracting and communicating giant Chinese business customers because they share the same culture background and know deeper in personality. Answers to question Q4 to Q7 indicate that all the Chinese partners think their knowledge of legal issues about local market is an evident advantage to them.

4.1.2 Resource Dependence
Interviewees affirmed that one other bargaining power Chinese partners’ hold is resource dependence in China, for instance, lower labor costs because of high population and lower raw material resources costs. All the Chinese partners in the interview believe that those advantages could benefit the foreign partners when they are starting business in China, even though some reporters discussed that the costs of raw material resources in China are no longer cheaper, the price is increasing rapidly in recent years.

4.1.3 Strategic Importance
Strategic importance of bargaining power seems not to be considered as an obvious characteristic between Ericsson and those middle-size Chinese partners. Both of them are holding strategic importance as a bargaining power. It is very easy for Ericsson to find partners in China because of high brand name recognition and high level of technology in telecommunication industry, while those middle-size Chinese partners are also easy to find other western corporations to establish SFJVs and benefit from them because of their long experience of managing business in Chinese telecommunication market. Basically Chinese partners do not consider strategic importance as a bargaining power if they are dealing with a SFJV. Hence, after the empirical studies, strategic importance as a factor is not existing bargaining power of Chinese partners’ or foreign partners’.

4.1.4 Business Network
Chinese partners treat business network as a very strong factor of bargaining power. They are satisfied and confident of holding extensive business relationship and personal relationship within their industry in China. They have close and good relationship with local government, local suppliers, and local customers. Business network as their strong factor of bargaining power is also unique in each of Chinese partners. Different Chinese partner has different business network. Some of their business networks are deep and wide. Some of their business networks are weak and narrow. Generally, compare with foreign partners, local business network of Chinese partners is an obvious advantage and bargaining power for Chinese partners themselves when they negotiate shares with foreign partners in SFJVs.

4.2 Culture Distance
The joint ventures are independent of both partners of the SFJV in terms of doing
business. The products they produce are not used to internally supply both partners of the SFJV. If the partners need something from the SFJV, then they need to purchase from the open market. The SFJV takes fully responsibility to its board of directors. Members in board of directors are from two partner corporations, the foreign partner and the Chinese partner. They share risks according to the stocks they hold, investment and technology agreement in joint venture, and some other details like marketing and government procedure.

It should not be possible, or necessary for the joint venture to privately provide any particular information in any form to any of the partners of the SFJV. Therefore Chinese partners just show up in the board meeting, join the discussion, and make decisions as a shareholder. Under certain condition, it might be necessary to change or replace the representative of Chinese partner. However, the legal entity of any partners of the SFJV in the joint venture can not be removed.

4.2.1 Chinese Culture and Guanxi
Culture distance has been, and currently is still being a problem for most of SFJVs. For example, as mentioned by one interviewee, once a Chinese partner in a SFJV changed its name and would like to also change it on the contract of the SFJV. The foreign partner, Ericsson, however found this rather unbelievable and unacceptable and refused to do it, which caused a huge conflict. This example is related to both Chinese culture and Swedish culture. However, Chinese partner’s decision was based on Chinese culture background. Interviewees mentioned that “Guanxi” is a very traditional Chinese culture. Chinese partners’ decision making more or less related to this culture factor without doubt.

4.2.2 Swedish Culture
Because of another parent of the SFJVs in case study is a Swedish corporation, Swedish culture is also related to decision making of Chinese partners in case. This was mentioned by interviewees too. Chinese partners need to learn and consider about the Swedish culture sometimes to make sure the decisions for SFJVs are understandable by both partners.

Some characteristics of Swedish culture are researched by many researchers. Most of Chinese partners have learned about Swedish culture for a long time. To start with, Swedish culture can be most simply described in Berglund and Löwstedt’s (1996) assertion of four cultural characteristics of Swedes. First, they are a fairly homogeneous population, which has throughout history allowed refinement of the Swedish mentality and way of doing things. Second, Swedes are reserved in terms of trust and in their approach to other people. Third, the common Swede is likely to avoid conflicts, yet clear and direct in the way of expressing a standpoint. In a sense, this can be understood as a diplomatic approach. Finally, there is a strong belief among Swedes that rational planning and orientation can accomplish much; a way that easily can be understood as risk and uncertainty avoidance, or at least a risk
minimizing, approach. As a result, Lewis (2000) argues that Swedish management relies on the team for initiatives, and avoids internal competition with peers. Significantly, as suggested by Smith, Anderson, Ekelund, Graversen, and Ropo (2003, p. 503), Swedish management is strongly dependent on consensus building in teams (Lewis 2000; Smith et al. 2003, p. 505).

4.3 Driving Forces Behind A SFJV
Driving forces is one of the basic variables concerning both Chinese partners and foreign partners. All interviewees described trust and common goals are the two most important factors for managing and improving the development of SFJVs. Therefore, they are also the two most important factors of Chinese partners’ decision making. However, interviewees have different opinions on the factor of goals written in contract.

4.3.1 Common Goals Among Partners
The board of directors, which is usually formed by personnel from both partners of the SFJV, of each SFJV studied in this research will meet once or twice per year to review performance in the past, set down annual goals for the coming year and approve future operational plans for the SFJV. These annual goals should be agreed on by both Chinese and foreign partners. Common goals are keys for running a successful joint venture. All of these four Chinese partners are holding the same goal for the SFJV as the western counterpart. This potentially leads to a maximized profit.

4.3.2 Goals Written in Contract
Information from one interviewee suggests that the goals written in contract were long time ago and no longer valid. The SFJV has already begun to make profit. The goals and plans they wrote in contract were achieved during the first three years. Another interviewee indicates that there are no particular clearly-stated goals written in contract. The other three interviewees suggest that there is no difference between common goals and goals written in contract.

4.3.3 Trust Among Partners
Trust is still the fundamental factor of relationships among partners of the SFJV. Therefore, legal contract, regular meeting between executives, and many other activities should be carried out to build up trust. For instance, the joint venture has to equally share all information for both partners of the SFJV. If every issue will be taken care in a regulated way, and the joint venture is running well, then the trust between two partners will be strong. If the management system turns out to be problematic, the trust between two partners might disappear in a short time.

4.4 Possible Changes and Consequences
Generally, interviewees mentioned all factors in variable of possible changes and consequent impacts are related to Chinese partners’ decision making for SFJVs.
4.4.1 Inter-Learning Between Partners
Chinese partner’s attitude towards the joint venture has changed a lot by learning from their previous unsuccessful SFJV cases. Case by case, this learning undergoes a hard way. One interviewee pointed out that they have learnt that it is unwise to abandon familiar products and instead go with completely unfamiliar products. They have had a SFJV with one Korean Software Company, within an area that they are not familiar at all. After several years of non-profitable business operation the SFJV was terminated. Now Chinese partners have learnt that, joint venture is not something so magical that without any wisdom it can make profits. Before establishing a SFJV, the Chinese partner must figure out if in the future this SFJV can be controlled.

4.4.2 Environmental Changes
Interviewees all believe that in the near future, there will almost be no difference in the decisions made by Chinese partners if international or local business environment, local natural environment, or business condition of company changed, as these changes usually only affect long term decisions. In short-term, they don’t believe environmental changes bring anything new to joint ventures. Only one interviewee mentioned that the developments of private-owned companies are becoming very competitive.

4.4.3 Joint Venture’s Own Capacity Growth
Two interviewees mentioned that when the capacity of the joint venture has grown, both partner tend to have less control on the joint venture and give it more power. So the joint venture becomes more and more independent. In three joint ventures that have been interviewed, at the beginning of the joint venture the representative from foreign partner often made most of the important decisions, while later they tend to let the representative from Chinese partner have more control, as the joint venture has learned from the foreign partner.

4.4.4 Localization
An interviewee mentioned that another reason for a joint venture becoming more and more independent is its localization. If the joint venture is running business very well in the local market, it would soon create its own business network. Employees and resources are also from local market, which means it has close connection with local environment. And more and more problems can be solved by the joint venture itself. So both partners of the SFJV would like to give more power to the joint venture, which makes the joint venture more and more independent.

4.5 Law of the People’s Republic of China
Companies in China are strictly restricted by Chinese Company Law. Every move must be legal according to laws of China, including the decision making to SFJVs. According to interviews, three basic laws for SFJV are being frequently referred to in China.
4.5.1 Basic Laws Regarding SFJVs in China

Basic laws regarding the joint venture in China that interviewees mentioned are Company Law of China, Law of People’s Republic of China on Chinese-Foreign Equity Joint Ventures, and Regulations for the implementation of the Law of the People’s Republic of China on Joint Ventures Using Chinese and Foreign Investment (3rd Revision 2001). All five interviewees have emphasized that these three laws with the other relevant laws are functional together and their frameworks have not been changed quite much, while the content has been improved a lot to try to make them perfect. They are all the time obeying those laws closely and perfectly. And they feel no need to make modifications to these laws.

4.5.2 Local Government Policy

Certain regions in China are allowed to establish their own local laws, especially some local government policies and local regulations for implementation, as long as they never conflict with the Constitution of the People’s Republic of China. Thus location, in terms of law, has influence over joint ventures. Joint ventures might need to adapt to different policies in different regions. Meanwhile if a lot of joint ventures are having similar problems with local government policy, local government might revise the local government policy to improve it. However the pressure can also be exercised onto local government by the joint venture. That is also one reason why Guanxi with local government is necessary. Four interviewees mentioned that when they are talking about the business network of bargaining power, the relationship with local government should be an advantage to Chinese partner corporations. Two interviewees discussed the importance of government policy for Chinese partner.

4.6 Objectives

Objectives can be divided to two categories. The first category contains those objectives that exist before the establishment of the joint venture. The second category contains objectives that emerged after the establishment of the joint venture. As the companies studied in this research are established one or two decades ago, when the business condition in China was totally different from it is now, objectives that fall into the first category is not that meaningful now. Hence, this study is focusing on the second category of objectives, the kind that will make the joint venture survive and develop in the near future. Knowing this point is significant for foreign managers to better co-operate with Chinese managers to manage SFJV in a more efficient way, to help overcome the language barrier and obtain deeper understanding about the Chinese partners.

Chinese partners focus on how long it will take the SFJV to start to make a profit after its establishment and how much profit can be attained annually. Yan and Gray (1994) also have a similar finding that profit was the main objective for two of the Chinese partners in their research.

However, Chinese partners have additional different objectives compared to western
corporations. Si and Bruton (1999) explained that Chinese joint venture partners want to learn more about new technologies, new managerial styles and how to manage capital in an efficient way. In this research, it is found out that the additional objectives of Chinese parent corporations are not exactly as they described. During the interview, all interviewees said that it is hard to evaluate technology issues. The Chinese partner corporation might be positively affected due to technology transition. But this situation is not obvious at all. The reason for this is that the Chinese partner corporation and the joint venture are basically producing different products. The R&D department in the Chinese partner corporation is not affected very much by the establishment of the joint venture.

Learning of managerial styles is even harder to evaluate than technology. Chinese partner corporations normal would agree on using western managerial styles in the joint venture. But there are no evidence indicating that the Chinese partner in the SFJV will also change to use or partly adapt the western managerial styles. All interviewees mentioned that actually almost nothing has been changed in their old management system and their managerial style. Two interviewees said that current management style employed in Chinese parent corporations has been around for a long time. It is very difficult to change the fundamental managerial style in the corporation. One interviewee, the president of a joint venture, mentioned that the Chinese partner corporation sometimes will adapt some useful managerial tips or tricks from western corporations. He also mentioned that most of the managers in the joint venture, which originally came from the Chinese partner corporation, would like to come back to the Chinese partner corporation after they have been working in the joint venture for a while. During this personnel transition some advanced managerial style will be brought back to the Chinese partner corporation. Nevertheless this does not mean that the old way of management will be fundamentally changed.

One interviewee highly agreed that Chinese partner’s objective is a very important variable to consider when the decision making in the joint venture is coming from the Chinese partner. If the foreign partner is familiar with Chinese partner’s objectives, they would have no problem understanding most decision makings done by the Chinese partner.

4.6.1 Complete Industry Chain

Normally the Chinese partner of a SFJV should already have an established production line and target market in China, which also should be very similar to that of the joint ventures. This implies that the joint venture is intended to improve an existing industry or product rather than to create an entirely new one.

Another important reason that Chinese partners want to establish a joint venture is that they want to fill in the vacancy of their industry chain in that industry, in the case of this research the telecommunication business. To establish a SFJV could be a simple way to achieve this objective in a short time, as there will be no Chinese
corporations, which normally should be the competitors of theirs, willing to join force. Even if the competitor is willing to join force and establish this joint venture, there will again be a lot of problems to deal with. This situation forces Chinese firms to establish a SFJV with some western partner, who preferably holds advanced technology in the area, to complete their industry chain and gain competence.

4.6.2 Gain Market Share in China
The Chinese partner corporations normally do not hold a satisfying huge share in the Chinese market. And neither do they have big market share worldwide. They are not strong enough to compete in the Chinese market. By establishing a SFJV with some foreign partner who has high reputations in the industry, they hope their market share in China will increase. They want to become stronger and larger after establishing the joint venture. When they are strong enough, they will no longer satisfy on doing joint venture in local market. They will prefer to choose the development path as described in the model of mergers and acquisition, a way to develop their corporation rapidly, or choose to locate the joint venture outside China.

4.6.3 Enhance Brand Name Recognition in Local and Global Market
The Chinese partner’s brand name recognition in China and worldwide is not satisfying either. All interviewees agreed that with the help of better brand name recognition, they can develop faster, and establishing a SFJV with some western corporation which have great brand name recognition worldwide in the same industry will help achieving this goal. This also explains why those worldwide famous corporations can easily find a Chinese partner, and why Chinese partner tend to join force with those famous foreign corporations.

4.6.4 Better Access to Foreign Markets
Fore interviewees have noticed that Chinese partners, while having their own ways to access the foreign markets, have never considered establishing a joint venture in order to gain better access to foreign markets. Only one interviewee noticed that the Chinese partner is selling their own products to the foreign market, with help from the foreign partner of the SFJV.

4.6.5 Development of Their Own Corporations
According to all interviewees, one of the most critical motivations for Chinese partners to establish and keep joint ventures is to develop their own corporations. If

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5 In business or economics a merger is a combination of two companies into one larger company. Such actions are commonly voluntary and involve stock swap or cash payment to the target (Maddigan, Ruth; Zaima, Janis, 1985).

6 An acquisition, also known as a takeover or a buyout, is the buying of one company (the ‘target’) by another. An acquisition may be friendly or hostile. In the former case, the companies cooperate in negotiations; in the latter case, the takeover target is unwilling to be bought or the target's board has no prior knowledge of the offer (Maddigan, Ruth; Zaima, Janis, 1985).
the joint venture in any way will damage the Chinese partner’s market popularity or
reduce their market share, even this joint venture company might be making profits,
the Chinese partner would not hesitate to by all means control this situation and might
even sell this joint venture if necessary. If the joint venture is doing really well, the
Chinese partner may also consider buying out the whole joint venture and turn it into
one of its own companies. The objective of developing the Chinese partner
corporation is definitely related to the decision making of the Chinese partner.

4.6.6 Learning From the Foreign Partner
The objective of learning from foreign partners is also one of the reasons to establish
SFJVs. If foreign partners hold the kind of managerial style which the Chinese
partners believe better or advanced technology, the Chinese partners normally would
make the decision to adopt them for the SFJV. However, it is really hard for Chinese
partners themselves to adopt because of their complicated background and legislation.

4.6.6.1 Western Managerial Style
While it is commonly believed that western managerial style is something that the
Chinese partner wants to learn, all the interviewees said otherwise. They failed to see
any big changes or influence to the Chinese partner corporation. There are two
reasons that they thought could explain this inconsistency.

First of all, the Chinese parent corporation does not intend to share suppliers with the
joint venture. The joint venture has to find its own suppliers. Even if the joint venture
shares some suppliers with the Chinese partner of the SFJV, the Chinese partner of the
SFJV is not involved in the trade between the joint venture and those shared suppliers.

Secondly, the Chinese partner of the SFJV always has different products or value
chain compared to the joint venture. Therefore, in case that something is going wrong
with the joint venture, it will hardly affect the Chinese partner of the SFJV. The
Chinese partner of the SFJV only concerns if the joint venture is making a profit or
not.

4.6.6.2 Advanced Technology Used in The Joint Venture
It is usually not necessary for the Chinese partner of the SFJV to learn advanced
technology from the joint venture and use it in its own corporation. There are again
two reasons for this. Firstly, the joint venture normally produces different products.
Thus the technology used in the joint venture’s production can not be directly adapted
to the Chinese partner corporation to produce their own products. Also there is a
patent issue. If the Chinese partner in the SFJV is in need of some advanced
technology from the foreign partner, they need to buy the patent rights from their
foreign counterpart.

The Chinese partner agrees to use foreign technology in the joint venture is because
the foreign partner whom they found holds advanced technology, which is normally
better than what the Chinese partner has in this area. Actually the Chinese partner quite often will close the similar production lines in order to avoid meaningless competition with the joint venture.

4.7 Variable and Factor Connections

Three connections were found in the chapter of literature review are all tested by interviewees. They all exist in reality. According to their words, when trust between partners is deep, cultural distance is not really matter. Vis-à-vis, when cultural distance is shorter, trust between partners will deeper. Furthermore, if partners learn more about each other, their trust would be deeper. If the environment changed, the Chinese law would be changed. In 2006, the Company Law of China was changed because business environment was different.

There is a new connection which is found in empirical study. Local government policy is found as a factor in the variable of law of China. The relationship with local government is also connected to business network. Chinese partners believe the relationship with local government is a very essential part in their business network. Positive relationship with local government may improve the local policy tuning more helpful and efficient.
5 Conclusion

According to the case study, our original Chinese partners’ decision making model is updated, as depicted in Figure 5. Several new factors are added for corresponding variables; while some factors are removed from the model. This updated model concludes the findings of this research.

Research approaches that work in the West may not be effective in studying Chinese organizations (Adler & Campbell & Laurent 1989). As researchers, we need to learn more about how to study Chinese management practices and workers (Shore & Eagle & Jedel 1993). In this thesis six variables, bargaining power, cultural distance, driving force, changes, law of China and objectives of the Chinese partner are extracted from a review of previous relevant literatures. Then these variables, which again are divided into several factors, are compiled into a Chinese partner’s decision making model, which is verified and improved according to the information collected by interviewing several executives from SFJVs and Chinese partner corporations of these SFJVs.

This research differentiates itself from other similar studies by focusing on the decision making from the Chinese partners’ perspective and providing those international investors information about how to effectively carry out business operations in a SFJV. It investigates the variables related to Chinese partners’ decision making in SFJVs, which had not been fully addressed by previous similar studies.
During our case study, all the variables and factors in our model are found out to be related to Chinese partners’ decision making in SFJVs. While no necessary changes need to be done to the six variables, several changes have been made to factors within some certain variables. As to the variable bargaining power, its factor strategic importance is not a focus to Chinese partners. All interviewees believe that there is an equal power between foreign partners and the Chinese partner in a SFJV. The reason they mention is that it is not hard to find partners for either party. While common goals do matter to Chinese partners, goals written in contract do not. All interviewees think that most of the goals written in contract are actually the same as the common goals. The rest of goals written in contract that are not the same are simply out of date as they were written a long time ago. Thus goals written in contract are no longer related to Chinese partners’ decision making nowadays. Regarding legitimate issues, joint ventures are constrained by several laws in China. Joint ventures and their partners all need to comply with those laws in China. One extra factor, the local government policy, is regarded related to the law of China and can have influence on Chinese partners’ decision making.

There are many new findings regarding variable Chinese partners’ objectives, which basically can be divided into two parts - why to establish a SFJV and why to keep a SFJV for several years. Development of Chinese partners’ own corporations is always the priority for their decision making. Chinese partners want to increase their competence in the market by completing their industry chain. They also want to gain more market share in China and increase their brand name recognition in China and worldwide. Factor better access to foreign market is not regarded as important according to the interviewees.

Also another objective is to learn from foreign partners. The Chinese partner in a SFJV would like to learn some of western management style to amend their old style. However they would not change the old style completely. Another objective is to learn the advanced technology from foreign partners in order to use it in the joint venture, rather than in their own corporations.

Additional finding in the case study is about bargaining power. It is found out in the case study that bargaining power of four Chinese partners is decreasing as the share that the Chinese partner is holding is decreasing. There could be several explanations to this phenomenon. For instance, foreign partners probably have learnt more local knowledge after the establishment of the joint venture. Foreign partner also probably have learnt or built their own business network in local market, which makes Chinese partners’ local business network less valuable. Chinese partners might consequently lose their shares as well as bargaining power in SFJVs.
6 Contribution

In brief of contribution, Chinese partner’s decision making model with a comprehensive set of variables should contribute to help better understanding the factors to how Chinese partners will make their decisions on issues regarding SFJVs even IJVs. There are five obvious contribution of this research. First, the framework is useful in general analysis of Chinese partners in the SFJVs. Second, the model should be particularly suitable for the Sino-Swedish joint venture in telecommunication industry. Third, the whole thesis can help foreign MNCs to understand their Chinese partners across-the-board and figure out future orientation of their SFJVs. Fourth, it increases the chance for Chinese and foreign partners to improve their relationship and own more amounts of successful SFJVs. Fifth, the results of the research can also be used by other researchers to test their relevant studies in other industries or countries so as to further develop these effective theories of general IJV operations.

7 Future Research Orientation

Our model has been limited to contain only six variables of bargaining power, cultural distance, driving force, changes, law in China, and objectives of Chinese partner. It is possible to add some other variables which also relate to the decision making of the Chinese partner in the joint venture. This research has found three connections, which are trust of Strategic Alliance and Cultural Distance, trust of Strategic Alliance and Partners’ learning of Changes, law in China and Environmental Changes which is a factor of Changes. It is again possible to find out more connections among those variables, which might be used as a future direction in further research.
Appendix 1

Table 1. Importance of Chinese Cultural Variables to Effectiveness of Venture Operations in China

<table>
<thead>
<tr>
<th>How important is the understanding of Chinese cultural related factors to the effectiveness of venture operations in China?</th>
<th>Not Important</th>
<th>Very Important</th>
<th>Mean</th>
<th>SD</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>% of responses</td>
<td>% of responses</td>
<td>% of responses</td>
<td>% of responses</td>
</tr>
<tr>
<td>Employee variables:</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td>Employees’ loyalty to company</td>
<td>0.0</td>
<td>0.0</td>
<td>9.1</td>
<td>27.3</td>
</tr>
<tr>
<td>Hardworking characteristics of employees</td>
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<td>0.0</td>
<td>2.3</td>
<td>45.5</td>
</tr>
<tr>
<td>Employees’ expectation from the company</td>
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<td>0.0</td>
<td>6.8</td>
<td>36.4</td>
</tr>
<tr>
<td>Social cultural variables:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Language</td>
<td>0.0</td>
<td>2.3</td>
<td>34.1</td>
<td>31.8</td>
</tr>
<tr>
<td>Social structure of society</td>
<td>0.0</td>
<td>4.5</td>
<td>25.0</td>
<td>36.4</td>
</tr>
<tr>
<td>Chinese people’s way of life</td>
<td>0.0</td>
<td>4.5</td>
<td>25.0</td>
<td>36.4</td>
</tr>
<tr>
<td>Business cultural variable:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Way of doing business in China</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>9.1</td>
</tr>
</tbody>
</table>
## Table 2. Importance of Relationship Variables to Effectiveness of Venture Operations in China

<table>
<thead>
<tr>
<th>How important are the relationships identified below to the effectiveness of venture operations in China?</th>
<th>Not Important</th>
<th>Very Important</th>
<th>Mean</th>
<th>SD</th>
</tr>
</thead>
<tbody>
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<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td></td>
<td>% of responses</td>
<td>% of responses</td>
<td>% of responses</td>
<td>% of responses</td>
</tr>
<tr>
<td>Work and business relationship variables:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Relationship with the government authority</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>6.8</td>
</tr>
<tr>
<td>Relationship with Chinese partner</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>5.1</td>
</tr>
<tr>
<td>Relationship with suppliers</td>
<td>4.5</td>
<td>6.8</td>
<td>15.9</td>
<td>47.7</td>
</tr>
<tr>
<td>Relationship with customers</td>
<td>0.0</td>
<td>0.0</td>
<td>2.3</td>
<td>25.0</td>
</tr>
<tr>
<td>Relationship with the local logistics network</td>
<td>0.0</td>
<td>0.0</td>
<td>4.5</td>
<td>36.4</td>
</tr>
<tr>
<td>Personal relationship variables:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Personal relationships between managerial staff</td>
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<td>0.0</td>
<td>13.6</td>
<td>54.5</td>
</tr>
<tr>
<td>Personal relationships between managerial and non/managerial employees</td>
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<td>11.4</td>
<td>25.0</td>
<td>38.6</td>
</tr>
<tr>
<td>Personal relationships between Chinese and expatriate managers</td>
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<td>2.3</td>
<td>6.8</td>
<td>6.8</td>
</tr>
<tr>
<td>Personal relationships with external individuals</td>
<td>0.0</td>
<td>11.4</td>
<td>22.7</td>
<td>40.9</td>
</tr>
<tr>
<td>Personal relationships with external organizations</td>
<td>0.0</td>
<td>2.3</td>
<td>29.5</td>
<td>47.7</td>
</tr>
</tbody>
</table>
Appendix 3: Interview Questions in English

1. What is your position in your company? What was your function during the establishment of the joint venture, and important event that you have attended?
2. What was the original idea and precondition that made the corporation of Chinese partner willing to join venture with foreign company? What made the joint venture happen and further on succeeded?
3. What kind of variables and factors do you think relate to decision making of Chinese partner after joint venture established?
4. What kind of bargaining power that Chinese side holds after joint venture established? Bargaining power will be explained.
5. How about local knowledge, resources, and business network? Are they matter to decision making of Chinese partner? Anything else?
6. How should the joint venture to be positioned, from a strategic point of view? Is it easy or difficult for Chinese companies to find out a foreign partner? Why?
7. What is the advantage and disadvantage of Chinese partner during the join venture?
8. What kind of common goals that joint venture partners usually have? How about the goals writing in contract?
9. How is the trust between two parent corporations? What is the relationship between them?
10. Could you feel cultural distance between two partners? Please explain it by samples.
11. How is the asset divided between the two parent corporations? How about costs and revenue? How does each parent corporation contribute to the final decision? How is the risk and profit shared? If something changed, would be still the same position?
12. Are partners learning things each other? What happens after these learning?
13. What happens if the social environment or business environment change?
14. Are there other changes relating to decision making of Chinese side?
15. To Chinese partner, what is the change brought by the joint venture? What is good, and bad?
16. Law in China has explicit rules about joint venture. What role are these rules acting in the joint venture? Which laws are the most related?
17. What are the objectives of Chinese partner when the joint venture was established? Please explain from economic, technical, managerial, and the other aspects of points.
18. What are the objectives of Chinese partner after the joint venture was established? Please explain from economic, technical, managerial, and the other aspects of points.
19. How does Chinese partner handle the problem of technology and management?
20. Has Chinese partner achieved expected results in question 17 and 18? If not fully, why?
21. What kind of experience has Chinese partner gained from the joint venture? What
problems exist? How to solve?

22. Which factor has related most of Chinese partner’s decision making in joint venture? Why?

23. Does culture relate to goals or trust? How?

24. What happen with goals and trust when something changed? For example, when partners learn from each other? Changes will be explained.

25. What do you think about the relationship between Chinese law and Changes of business environment? Does Chinese law also relate to other changes?
Appendix 4: Interview Questions in Chinese

中外合资企业中，中方企业及代表人的看法与见解。以下是相关问题，从问题 1 到问题 25：
1. 您在公司里的职位和所从事的工作是什么？您是何时加入该企业的，您在合资公司建立过程中所起到的作用以及所参与的重要事情。
2. 母公司愿与西方企业合资的最初想法和前提是什么？是什么促使了合资公司的产生并走向成功？哪一个合资公司运营最为成功？为什么？
3. 你觉得什么样的因素与中方母公司在合资成立以后对合资公司所作的一些重要决定之间有联系？
4. 中方在合资过程后持有什么样的综合谈判力？综合谈判力的定义会被解释。
5. 那对当地的了解，各种资源，以及关系网呢？他们与母公司作约定之间有什么联系？还有什么别的？
6. 该如何从战略角度上对所成立的合资公司进行定位？中国公司容易或者较难找到外国企业做合资吗？为什么？
7. 中国公司在合资过程中的优势和不足分别是什么？
8. 两家母公司的共同目标是什么？合同里的共同目标又是什么？
9. 两家母公司之间的相互信任的关系是怎样建立的？两个母公司之间的关系又是怎样的呢？
10. 你能感觉到两家母公司的文化差异吗？请举例说明。
11. 两个母公司的资产是如何分配的（大概的百分比）？成本和利润呢？各个母公司是怎样参与决定的？怎样分担风险和收益？如果有什么改变的话，还会是原来的情形吗？
12. 母公司之间互相学习吗？如果会，学习之后会发生什么样的变化呢？
13. 商业环境的改变以及当地社会环境的改变对合资公司有影响吗？中方母公司对此会做出什么样的调整？
14. 有其他的变化会关系到中方母公司决策的吗？
15. 对于中方母公司来说，合资给他们带来什么样的变化呢？哪些是好的？哪些是不好的？
16. 中国法律对合资双方有很多明确的规定，这些规定起到了哪些重要作用？哪部法律联系最密切？
17. 合资公司成立之前中方母公司的目的是什么？请从经济，技术，管理等多方面来谈。
18. 合资公司成立之后中方母公司的目的是什么？请从经济，技术，管理等多方面来谈。
19. 技术和管理方面的问题是怎么处理的？公司合同上有没有关于技术转让的问题，以及专利归属权如何处理分配的问题？
20. 中方母公司预计要达到 17 题和 18 题所提到的目标了吗？如果没有，为什么？
21. 中方母公司通过合资获得了什么样的经验？有什么样的问题存在？如何解决的？
22. 什么因素与中方母公司的决定关系最大？为什么？
23. 合资双方对文化的了解是否有助于加强信任关系？
24. 如果有些东西改变了，目标和信任会随之改变吗？比如，当母公司互相学习
之后？关于改变的定义会进行解释。
25. 经济环境的变化会带来中国法律对合资公司的变化吗？中国法律与其他改变还有联系吗？
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