Building Effective International Joint Venture Leadership Teams in China

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An overlooked factor affecting the success or failure of international joint ventures is the effectiveness of the leadership teams put in charge. In this paper, we analyze the special features of leadership teams in Chinese-foreign joint ventures and identify ways to improve their effectiveness. We identify five key elements of the IJV leadership team—composition, process, structure, incentives, and the leader's behaviors—that have important implications for IJV success. Our analysis is based on the literature on top management teams, cross-cultural behavior, international joint ventures, and our own in-depth interviews with leadership teams from international joint ventures in China.

Since the "reopening" of China for business in 1978, joint ventures have been the most frequent entry mode for overseas Chinese entrepreneurs, small and medium-sized international firms, and leading multinational companies who want to do business in this burgeoning economy. The largest multinationals have formed dozens of joint ventures, often with different partners. Unilever, for example, had over a dozen joint ventures in China in 1995 and announced plans to expand to 20 JVs by the year 2000 (Ayala & Lai, 1996).

Unfortunately, international joint ventures (IJVs), including those in China, are exceedingly difficult to manage, often leading to parent dissatisfaction and high failure rates (Beamish, 1988; Dacin, Hitt, & Levitas, 1997; Kogut, 1989; Lei, Slocum, & Pitts, 1997; Parkhe, 1993). Researchers have examined a wide array of challenges in creating and managing international JVs, including issues of partner selection, strategic complementarities, and partner experience with JVs (e.g., Li & Shenkar, 1996; Tsang, 1994). Al-

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though researchers have highlighted cultural differences and human resource challenges (Child, 1994; Shaw & Meier, 1993), they have not addressed one pivotal factor in international JV success: the properties and functioning of the management team put in charge of the venture.

In this article, we analyze the special challenges of leadership teams in Sino-foreign joint ventures, and identify ways to improve their effectiveness. Our analyses were guided by the literature on top management team demography (e.g., Hambrick, Cho, & Chen, 1996), cross-cultural behavior (e.g., Adler, 1991), and international joint ventures (e.g., Pearce, 1997). In addition, we conducted in-depth interviews with over 30 managers in a large number of joint ventures in China. These interviews were part of a large-scale research project to understand management issues within the Sino-foreign joint ventures. The managers we interviewed held various positions in the joint ventures. The ventures were from a variety of industries, including automotive, business services, consumer products, electronics, industrial products, and the pharmaceutical industry, among others. In most instances, we interviewed executives representing both the Chinese and foreign sides of the venture. Even with non-systematic sampling and this wide variation in the types of joint ventures and industries we studied, several common themes emerged.

International Joint Venture Leadership Teams—Basic Features

Managers in an international joint venture typically differ widely in their national origins, cultural values, and social norms, as well as their demographic background, international experience, and experiences with the parent firms. The parent firms in an international joint venture are anchored in different national and cultural environments. In addition, each employee group in the joint venture (e.g., expatriates, host-country nationals, or third-country nationals) has its own characteristics that derive from its nationality, employment history, position in the joint venture's management hierarchy, legal rights and promotion aspirations (Shenkar & Zeira, 1992). In most joint ventures in China, at least some key management team members are operating in unfamiliar territory. Many expatriates working in China have little understanding of the local language and culture. In the midst of this complex system resides the joint venture leadership team, responsible for the venture's daily operations and long-term success. Not surprisingly, given the differing backgrounds and orientations, this top management "team" is not always operating as a "team". For this reason, Hambrick (1994) specifically argued that not all top management teams could be called teams and should instead be called top management groups. But, to remain consistent with previous studies, we use the term leadership team. Indeed, one of the purposes of this paper is to suggest ways for joint venture leadership groups in China to perform like highly disciplined and effective teams.

An international joint venture leadership team consists of the relatively small group of highest-ranking managers of the JV. This includes the general manager, the deputy general manager (if such a position exists), and all other managers who report directly to the people in these two positions. Except for JVs in which one partner is contributing only financial resources, international joint venture (IJV) teams consist of managers drawn from the two parent companies, often with strong allegiance to their respective parents. These teams typically consist of five to ten managers.

These JV managers face the simultaneous demands of policy makers in each parent company and the various stakeholder groups within the joint venture. They must translate the different, often ambiguous and conflicting, expectations of these various groups into workable strategies for the joint venture.

The generic literature on top management teams has indicated that management team characteristics (e.g., age, education, tenure) affect organizational outcomes such as strategies (Wiersema & Bantel, 1992) and performance (Hambrick, Cho, & Chen, 1996). Others have identified the importance of internal processes (e.g., team dynamics, communications, etc.) in the top team for firm performance (Smith, Smith, Olian, Sims, O'Bannon, & Scully, 1994). Hambrick (1994) reviewed and integrated the literature on top management groups, proposing five major elements for describing and assessing such groups. The five key elements are group composition, processes, structure, incentives, and the team leader.

A Framework for Understanding Top Management Teams

In this article, we use these five characteristics of top management teams to analyze top teams in Sino-foreign joint ventures. Composition refers to the demographic characteristics and national cultural background of the leadership team members. Processes refer to communication flows, decision making process, interpersonal dynamics, and normative behaviors within the team. The structure of the team refers to the roles of the managers (i.e., team members) and relationships among those roles, including issues such as task interdependence, role ambiguity and role conflict. Incentives reflect the characteristics of the compensation structure and the career opportunities for managers in the team. The final element, leadership, highlights the particular importance of the joint venture general manager, who can have a disproportionate and sometimes nearly dominating influence on the team's dynamics and outcomes. Leadership refers to the style and behavior of the person in setting goals and the agenda for the joint venture and his/her ability to develop the team and the culture of the venture.

This framework provides a systematic model for describing major challenges of Chinese JV leadership teams and then proposes ways to cope with and surmount those challenges. Using these five elements and drawing on our interviews in China, we will examine how each of these elements operate in the Sino-foreign joint venture and affect the functioning of the leadership team.

Challenges in the Sino-Foreign JV Leadership Team

Leadership Team Composition

The composition of the management team has important implications for the joint venture's performance because these managers bring their individual experiences, biases, and their parent firms' perspectives to the IJV management team (Mann, 1989; Newman, 1995). Furthermore, the joint venture leadership team almost always includes some managers of differing nationalities and cultural backgrounds. Because of systemic differences in the social and economic institutions of their home countries, the managers may also differ widely on other demographic dimensions, such as age, education, functional background, and international experience.

Joint ventures in China are formed with partners from all nationalities. Managers from both sides often have strong opinions, and often hold prejudicial stereotypes. For example, one Chinese JV manager said that many of her colleagues had clear opinions, based on stereotypes, as to whom they would prefer to work with:

> The first choice would be to work with an American JV partner. They are polite, honest, friendly, and quick to make decisions. Next would be the Singaporeans. They are very efficient and trustworthy, like the Americans, but perhaps not as open or friendly. Taiwanese and Hong Kong Chinese—mostly they are fine, but sometimes they will take advantage of you. The problem is that they think they understand the culture and language, and know all the answers to problems in China. They don't. The Japanese? In fact, they have many of the good traits of Americans or Europeans and the Singaporeans. They are excellent planners, good at detail work, very good with technology. But many Chinese don't trust them. That is just a fact. They cannot forget about centuries of history.

Clearly, this is only one statement from one IJV manager. However, if such views are indeed held by many managers, as this manager explains, then their JV leadership team functioning could be hindered.

In Sino-foreign joint ventures, Chinese JV managers are generally older than their expatriate counterparts. In traditional Chinese culture, elders are respected. As a result, older Chinese managers expect younger members of the IJV leadership team to respect and defer to them. This is a subtle expectation and probably not even perceived by most Westerners, who might not even consider the age of the people with whom they work. If the Western managers behave without such consideration, the resulting friction and strain may be considerable.

In addition, foreign and Chinese managers often differ widely in education. Although senior managers in China usually have good technical training, until very recently, few had formal training in business and management. Indeed, as one Chinese manager told us, "when I was in college, there was no such major as business or management." Though there is a rapid increase in the number of business schools in China, the number of business graduates still lags behind that of the US by a wide margin (Xin, Zhao, & Tsui, 1997). For example, fewer than 1,000 MBA degrees were awarded in China in 1997, compared to over 80,000 MBA degrees awarded each year by U.S. business schools. Thus, it is not common for a Chinese manager in a joint venture to have formal management training.

Furthermore, the Chinese JV managers may have little international experience or understanding of a free-market economy. To illustrate, one older Chinese manager confided in Chinese to our interviewer, "you know, they (referring to the American partner) really just came here to make a profit!" This manager considered this shocking. This reaction is not surprising given that none of the top managers from the Chinese side had any international experience to help them understand other economic systems. This example illustrates how wide the gulf can be. The Western side might not emphasize that it is forming an IJV "just to make a profit," but certainly it cannot conceive of entering into one unless it is likely to be profitable.

These differences create great difficulties for many management teams in China. The different educational level and background may lead to differences in perspectives on a substantive level and lower affinity on an interpersonal level. Age and experience may even complicate the situation further. The Chinese managers expect age and general life experience to be accorded some priority in discussions and decisions. The foreign managers usually put more weight on expertise and experience specific to the business task. During our interviews, we observed repeated instances of relationship conflicts resulting from cultural and demographic differences within IJV top management teams. These conflicts make it difficult for the team to capitalize fully on the unique perspectives and experiences that each member brings to the team.

Furthermore, because the IJV top managers tend to represent their respective parent firms, managerial factions based on parental subgroups often exist within the IJV top management team. Managers in different parental subgroups often avoid dealing with each other and compartmentalize their tasks to minimize interaction (Hambrick, Li, Tsui, & Xin, 1998). In China, this in-group ("us")/out-group ("them") distinction may be particularly pronounced due to major language and cultural barriers. Moreover, the distinction between the in-group and the out-group is particularly important in Chinese culture. In China, in-group members are those with whom one has kinship or other particularistic ties. The term guanxi is used to refer to these particularistic ties and the special relationship that develops with these ties (Tsui & Farh, 1997). Guanxi is often considered a necessary, albeit not sufficient, condition for business success in China (Xin & Pearce, 1996). Because the expatriate managers do not have any family relationship or share other common past experiences (e.g., same school, same native origin) with the Chinese managers, they may not have meaningful guanxi with them. This further hampers the development of a harmonious and supportive relationship for the leadership team. Given these wide variations in backgrounds and ideologies, it is not surprising to see schismatic perceptions and behaviors among top managers of international joint ventures in China, with accompanying negative implications for joint venture performance. The surprise, therefore, is not why so many JVs fail in China, but rather how any can succeed at all.

Processes

Team processes refer to communication flows, information exchange, decision making processes, interpersonal dynamics, and normative behaviors within the leadership team. Language barriers are well known for directly causing mistrust and miscommunication and also for making it difficult to surmount mistrust that stems from other sources. However, seemingly minor behaviors—such as body language, speech rhythms, and punctuality—vary systematically by nationality, further causing interpersonal unease and mistrust (Mesquita & Frijda, 1992). We found widespread evidence that body language affected perceptions in the joint venture management teams. One Chinese top manager was profoundly irritated that his Western teammate would put his feet on top of the desk. "How terribly rude, and he continues to do this even to this day!" Even though this Chinese manager did not differ from the American manager in opinions about management practices of the JV, he still did not have much good to say about his Western counterpart. This Chinese manager simply found it distasteful to have to work day-to-day with someone so rude. Interaction between these managers, as a result, was seriously frayed.

An exceedingly difficult situation is when the Western managers know little or no Chinese language (and seem to have little understanding of Chinese culture) and the Chinese senior managers know little or no English. In such cases, all communication thus must be conducted through interpreters. But, even when both sides have some common language facility, communication style often differs. For example, we have observed wide variations in the use of silence in team meetings. Americans typically cannot tolerate silence of more than 10 or 15 seconds. Chinese feel at ease thinking about a topic in silence for more than 30 seconds before speaking. But, since 30 seconds seems like an eternity to Americans, they often speak up, breaking the silence. The Chinese partner may be offended or frustrated, sometimes refraining from speaking out again.

While information exchange might be considered to be straightforward to many Westerners, Chinese often do not think to share information that has not been explicitly requested. In one interview, a Western joint venture manager expressed utter dismay about his Chinese counterparts' behavior. The two sides were working together already, but negotiating on a possible new venture. The Westerner thought a deal was about to be concluded when his Chinese partner suddenly ended the negotiations. When asked why, the Chinese manager replied, "Oh, we have now concluded the deal for the new project with your competitor. Perhaps we had not mentioned that we were also negotiating with them . . . ” In this instance, the news went unspoken not because of Chinese guile or deceit, we believe, but rather communication style. The Chinese saw no need to exchange any more information than was explicitly required or directly requested.

Preferred approaches to decision making may also vary among the Sino-foreign leadership team members. It may be difficult for Chinese managers whose behavior patterns were shaped during the Cultural Revolution to make difficult decisions quickly. Millions of Chinese learned during this period, and had deeply etched into their personalities, that one way to avoid pain and persecution was to profess agreement with whatever opinion was held by the questioner. Thus, many Chinese senior managers born before 1950 still exhibit reluctance to make bold statements or decisions. This is especially true for joint venture managers who had spent the 1980s in government jobs or in state-owned enterprises. One study found that Chinese managers reported much stronger reliance on widespread beliefs as a source of guidance in their decision making than did managers in other nations (Smith, Wang, & Leung, 1997). Thus, Chinese managers are usually not proactive or bold when making decisions, and they often do not offer independent opinions on particular decisions.

Differences in preferred approaches to decision-making may also occur because Chinese put more emphasis on personal relationships than task-related performance. In one IJV, a Western general manager instructed that certain products be shipped to a specific customer “today, before the close of business.” Noticing several hours later that the task was not getting done, he restated that “this must be completed today.” When the two shipping clerks went home without finishing the task, the general manager insisted that the two clerks be fired, and they were. More than a year later, all the senior managers on the Chinese side still maintained that this was not grounds for dismissal, and that the shipping clerks should have been treated more humanely. But, no matter how carefully or extensively the issue would have been discussed before the final decision, it is clear that the two sides would have come up with different answers in this case. Such situations impede the development of team cohesion, perpetuating the idea of two sides or factions rather than “one team.”

Structure

The structure of a management group involves role definitions and cooperation among JV top managers. We focus here on three important structural issues relating to IJV top managers in China: role conflict, role ambiguity due to redundant staffing by respective parents, and the role of the communist party in the operations of the IJV.

Role conflict, while inherent in the practice of management, is typically magnified for JV top managers. The presence of two or more parent organizations, cultural differences, divergent sets of expectations, goals and desired performance outcomes provide major challenges to JV top managers (Geringer & Frayne, 1993; Shenkar & Zeira, 1992). In addition to running the venture itself, the JV top managers must also manage relationships with each of their parent firms, who often have conflicting objectives and operating policies. Therefore, JV top managers are likely to face considerable role conflict.

Role ambiguity can also occur due to inherent problems of IJV control. Typically, each parent would like to exert more control over the JV than the other. One major control mechanism is the top managers who occupy critical positions. As a result, each parent wants their own people to occupy the key positions, and heated debates over this issue often occur in JV negotiations. As a compromise, two managers, one from each parent, sometimes fill the same functional position with a slight variation in title. For example, in one large pharmaceutical JV in China, both parents wanted control over financial/accounting areas, and neither side would compromise. As a result, they created two senior positions in charge of the finance/accounting functions, one with the title of Chief Financial Officer, the other Controller. The roles of these two senior managers were not clearly defined and were actually impossible to distinguish clearly. As a result, Chinese senior managers would refer questions to the Chinese chief financial officer, and the Westerners would refer to the Western controller, and the two financial managers did not communicate with each other. Not surprisingly, this venture failed in less than three years.

In several Sino-foreign joint ventures we visited, we observed different types of organizational arrangements affecting the role and responsibility of the general manager. In many cases, the general manager (either expatriate or local) and the deputy general manager from the other partner often share equal authority. Whenever such a twosome was at the top, we found neither leader could truly lead. Instead, a de facto "dual-chain of command" develops within the JV. In several JVs, we observed expatriate managers reporting to the top expatriate leader, while local managers worked more closely with the top Chinese leader.

In very few of these "dual chain of command" situations did we observe truly effective leadership. Unfortunately, the two top-most managers sometimes thought everything was working well, when in fact problems existed. In one JV, the Western general manager reported to us that all was going quite well, with the only "minor dissatisfaction" being with the deputy general manager. The deputy, according to the general manager, really had no responsibility or authority, but still managed to slow down many decisions by bringing up irrelevant issues, typically minor personnel problems. The Chinese deputy general manager said that he often intervened because the general manager tended to make bad decisions. "In any event," said the Chinese deputy general manager, "the JV has a fair chance of success because the organization has learned to largely ignore the figurehead person who holds the general manager title." In his assessment, the operation would succeed because he, the deputy, was really running the show. In this case, each manager thought he ran the joint venture and each believed the other to be the biggest problem in JV management. This JV also failed.[1]

An additional complexity also occurs in IJVs in China. Until recently, a Communist Party hierarchy existed in every firm or plant. Every plant manager had to live with his shadow, the Party boss. The Party may not have been on the "plant's organization chart," but it was always there. Although formal party control has been relaxed, something similar often appears. For example, in one joint venture we visited, employees belonged to a labor union. The leader of the labor union (actually one of the plant's managers, in this instance) represented all the workers, much like a Party official would have in the past. This role of union leader is becoming more common and is often not clearly defined. While the union leaders do not hold any formal position in the managerial hierarchy, they sometimes have extraordinary influence in many decisions affecting the venture. In one joint venture, the Western side reached full agreement with all top management team members on a particular issue, including the Chinese side, only to find the decision later "vetoed" by the union. While similar problems can occur in the West, this situation took this group of Western managers by surprise. Since China has nothing truly comparable to Western labor unions, the Western managers had not been prepared for this possibility. In truth, the new "labor leader" was simply filling the vacuum left by the senior Party official.

Incentives

Incentives and rewards for IJV leadership teams can have a strong impact on their success. We focus here on three critical incentive issues for IJV managers: compensation disparity among JV top managers; whether incentives are tied to the joint venture or parent firm performance; and differences in career opportunities for JV managers.

Dispersion in compensation among the IJV leadership team is an important factor affecting behaviors of leadership team members. The large pay differences between expatriate and local managers often lead to considerable resentment among local managers in IJVs (Mann, 1989). In China, this is particularly true because the pay disparity is so great. For example, expatriate managers are often paid as much as fifty times more than their local counterparts (Tsang, 1994). Moreover, expatriate managers are usually younger and have less work experience than local managers holding similar positions, which makes the disparity even more disturbing. Such disparity in pay does not facilitate constructive, cooperative relations between the members of a top management team.

A particularly ironic problem occurs when expatriate managers are of Chinese ancestry—either overseas Chinese (from, say, Hong Kong or Malaysia) or Chinese-Americans (or, say, Chinese-Canadians) who were assigned by their parent firms to work in the China joint venture. Although some have the advantage of speaking Chinese, there are other unexpected problems. From our interviews, we found several cases where ethnic Chinese expatriates working for JVs in China experienced far more adjustment problems than their Western counterparts. For example, they were often only begrudgingly accepted by their local Chinese peers. The disparity of compensation between local and overseas Chinese managers contributed to this problem. The local managers may begrudgingly accept the idea of Westerners coming to China and earning fifty times more than them. But, working alongside a manager who looks Chinese, and maybe even speaks Chinese, who makes fifty times as much, is more than the psyche can take. Envy and its consequences may become severe in such circumstances.

Another determinant of team behaviors is the extent to which incentives are linked to the parent firm performance, the joint venture's performance, or the manager's performance. When a significant component of a manager's compensation is determined by the performance of the joint venture itself, the team members are more likely to cooperate with each other. However, when the incentive system is structured to reward managers for meeting the parent firms' goals, the focus of the joint venture's top managers is on achieving those goals. This can create a high degree of factionalism between the parent subgroups within the JV leadership team, leading to political behavior and dysfunction. Therefore, parent firms that base their JV top managers' compensation on whether the manager meets the parent company's goals may unwittingly reduce the effectiveness of the JV and in turn hinder the achievement of their own goals.

The career path for joint venture top managers is also critical for the effective functioning of the venture's leadership team. If the promotional opportunities of the managers are clearly within one of the parent firms, the manager may have a strong incentive to work towards the goals of the parent company, rather than those of the joint venture.

Team Leader

The leader of the top management team, the general manager, can have a major impact on team functioning. Given the job's challenging context, the joint venture general manager represents a critical variable to the effective functioning and performance of the IJV. In addition to running the day-to-day operation of the venture, the general manager must also manage relationships with each of the parent organizations, which often have divergent or even opposing objectives and operating policies (Frayne & Geringer, 1995; Shenkar & Zeira, 1992). Moreover, the geographic distance from the headquarters and cultural differences create additional complexity in their job (Geringer & Hebert, 1989).

Of the JVs we have observed, the most successful had a highly effective leader guiding the JV top management team. Unfortunately for those looking for easy answers, there was no single profile among the most effective leaders. Some were ambitious and aggressive. Others were reflective and self-effacing. Some made decisions quickly, while some were painstakingly careful. If there was one factor common to all effective JV leaders it was that they forged a team at the top. What do these leaders do to build a cohesive team when all the conditions work against cohesion? One Chinese general manager forged his team as much by listening as anything else. He was able to make all parties feel involved, often simply dropping by other managers' offices and engaging in informal discussions. These informal visits helped team members to open up to him and the team began to work together. Their numerous differences began to fade into the background.

Another general manager was a Westerner who knew little of the Chinese language, but seemed to have a "feel" for Chinese culture. He knew when to offer small gifts and other gestures important in the Chinese culture, and knew when to use inaction rather than action to solve a sticky personnel problem. He developed the team by following local customs. He led by example. Soon his fellow expatriate managers also learned to become sensitive to local practices and norms. Relations between the two sides became cordial and differences were resolved harmoniously. The team began to work like a real team rather than two factions.

A third effective JV leader was a Chinese female executive who was very open and friendly but also conveyed an "all business" and "in-charge" attitude. Although she spoke no English, she was able to communicate warmth with body language and her direct Western-style eye contact. Thanks to her gracious interpersonal style, and the help of very competent interpreters, expatriate managers found themselves forgetting that their conversations with her were not in English. Several of the American managers gave us English language quotes from her, which struck us as interesting since she does not speak English. But she clearly indicated her desire to communicate with and influence the Americans. This leader succeeded in earning respect from local and expatriate managers. Teamwork among the top leadership team naturally followed.

Suggestions on Improving the Effectiveness of the Sino-Foreign Joint Venture Leadership Team

Although the foregoing analysis has identified many challenges that top management teams face, our research also shows that some JV leadership teams can overcome these problems. Accordingly, we can set forth some recommendations for improving the functioning of the IJV top management team.

1. Pay Attention to Team Composition

When assigning managers to the joint venture, parent firms often consider their technical and business acumen and availability, rather than their ability to work in a cross-cultural setting that is inherently ripe for conflict and stereotyping. Managers in the parent firms need consider how the characteristics of the managers they send to the JV will affect the functioning of the JV leadership team and the venture's success.

For instance, to avoid the formation of managerial factions due to compositional factors, teams—whenever possible—

should be formed with a high level of demographic heterogeneity. Instead of appointing all expatriates from the US for an US-China joint venture, some managers could come from Europe, Australia, or other parts of Asia. Similarly, age, education, and functional backgrounds of members can be intentionally diversified, as a further way to achieve "cross-cutting categories" (Brewer, 1994) and to minimize "faultlines" (Lau & Murnighan, 1998). The aim is to minimize the substantive and perceived divisions due to parent company affiliation (Marcus-Newhall et al., 1993), thus leading to less intergroup differentiation, stereotyping, and conflict.

It is also possible to enhance the top management team dynamics by appointing managers who are professionally and personally apt for the challenges of such tension-laden settings. For instance, it is helpful to select managers who have considerable international exposure, obtained through educational or professional experiences. Managers should be selected not just for their technical and business acumen, but also according to their tolerance, open-mindedness, and cooperative tendencies (Kelley & Stahelski, 1970). And, while not always possible, it is useful to include managers who have facility with the other partner's language (or to provide significant language training or assistance).

2. Increase Role Interdependence among IJV Top Managers

The breakdowns of a JV leadership team can be avoided or minimized if the top managers' tasks are designed to be interdependent, thus requiring contact and collaboration tasks. Instead of carving out distinct, tightly-bounded managerial assignments, interdependence should be created, so that managers must work together to solve problems. The top management team should be held jointly responsible for the overall team and the JV's performance. The greater the task interdependence, the greater the need for coordination, joint problem solving, and mutual adjustment (Hambrick, 1994; Pearce, 1997).

Increasing personal contact between opposing groups should reduce intergroup conflict and promote further collaboration (Cook, 1978). Contact may allow managers to discover that their values and attitudes are more similar than they had assumed given their different backgrounds. This discovery can lead to mutual understanding and elimination of the initial negative feelings towards each other. However, contact alone is usually not sufficient (Hoffman, 1985). Only under certain conditions will contact lead to understanding and acceptance between otherwise differentiated groups. In the IJV context, we have observed two such conditions for achieving "quality contact."

First, it is important to minimize indicators of status differences wherever possible. With the exception of the general manager, representatives of both parents should be placed on equal organizational levels, in terms of titles, office space, and roles in group deliberations. There is no practical way to overcome the wide pay differentials that will exist between Chinese and expatriate managers on a team, but every other possible means of signaling status equality and importance must be taken.

Second, contact must be of a certain level of intimacy and richness. Superficial contact in a formal, stilted setting does not remove the psychological distance between members of different groups. Therefore, task forces and project teams that involve real work-related interactions can provide opportunities for frequent, informal, and meaningful contact that in turn will lead to understanding, acceptance, and appreciation.

3. Improve Group Process Skills and Feedback

The basic skills for working effectively in a small work group are equally useful in an IJV leadership team. These include listening skills, helping skills, and skills in observing and evaluating group process (Aaron et al., 1978). When team members possess these skills, the team is more likely to succeed. Such skills are obtained through the selection process, or through training, group facilitation and feedback.

Research has shown that people are generally very poor listeners and are worse when they face people who are different from them (Reardon, 1995). In the Chinese context, there is added challenge when people are trying to communicate in something other than their native tongue. For example, an American must listen very carefully to understand many Chinese when they speak English, and vice versa. Although using one's native tongue and an interpreter is another solution, communication is sometimes hindered when interpreters fail to grasp the nuance of a message or may add unintended meaning. Effective listening involves not only an understanding of the true meaning of the spoken words but also a correct interpretation of body language and demeanor which can be culture-bound as well (Hambrick, Davison, Snell & Snow, in press). For example, the Western manager who put his feet on the table conveyed an unintended meaning of disrespect.

A related and equally important interpersonal competence in the group is the helping skill. Each member of the group must demonstrate that he or she values other members of the group by extending help to them. The group leader has the added responsibility of rewarding and reinforcing helping behavior and discouraging competitive behavior among the team members. While the Chinese managers may be eager to learn about the partner's technological and business knowledge, true learning at the interpersonal level may not readily occur due to emotional schism between the two parties. Further, Chinese concern about maintaining "face" might not only discourage Chinese managers from seeking help, but cause them to resist help from their expatriate managers. Expatriate managers may overcome this resistance by requesting help from the Chinese managers. That is, to be effective in offering help in China, one must first be skillful in asking for help.

A third skill of particular value to diverse groups is the skill to observe and evaluate group process. JV top managers must develop the skills to anticipate and observe signs of process breakdown. Feedback or training on group process can help the groups to function more effectively over time (Watson, Kumar, & Michaelsen, 1993).

4. Create a Strong JV Leadership Team Identity

A strong, distinct JV leadership team identity can supersede other bases for the managers' social identity, functional background or parent company affiliation. This team identity can substantially reduce the relational conflicts within the JV leadership team and enhance its social integration. To elicit such positive team feelings, it is important that the team has common experiences and shared responsibility. Team members should engage in "real work"—analyses, decision-making, substantive collaboration—rather than merely ratifying or reviewing the work of others (Katzenbach & Smith, 1993).

One JV used shared experiences to build this identity. Each year, the JV leadership team members and the company's sales personnel participated in a major team building activity. For example, one year, they walked 30.8 kilometers along the original path of Mao Tse Tung's historical Long March (30.8 also coincided with their sales target number). After each ten segments of 3.08 kilometers, the JV donated medicine to the local village on behalf of each participating member. At the end of each annual team building event, the managers spend two days together reflecting on their common experience, discussing their future plans for the joint venture, and re-pledging their commitment to the company (i.e., the JV). This joint venture has been consistently rated one of the ten best-managed joint ventures in China over the past several years. To most of its leadership team members, this JV has come to represent a super-ordinate identity. As a result, parent-based schisms within the JV leadership team do not exist.

5. Link Rewards to JV Performance

The way in which JV team members are compensated can greatly influence behavior and cooperation within the group. A reward system that focuses on individual or parent-firm performance will undermine cooperation; one that focuses on group or organizational performance will encourage cooperative behavior (Cliff, 1987). Unfortunately, the rewards for JV top managers are usually not tied to the JV's performance (Beamish & Banks, 1987). In many JVs, the compensation system instead aligns the managers' interests with those of their parent firm which may not align with those of the other parent or the JV itself (Shenkar & Zeira, 1987). If the reward system emphasizes the results of the parent firm, JV managers are motivated to strengthen their affiliation with their parental subgroups. These allegiances often lead to conflicts within the JV leadership team and tensions between the parent firms. The reward system should be designed so that a significant portion of JV top managers' compensation is linked directly to JV performance, and it should expressly include team-based incentives to encourage cooperative behavior.

Also, it is crucial to be alert to the strains arising due to wide pay disparities between expatriate and local managers. In the long term, localization of management staffing will resolve this issue. In the short term, creative approaches are needed to balance the inequality in pay between the two groups of managers. Opportunities like overseas training trips, housing subsidies, and children's educational allowances in private schools can help in reducing some of the perceived and real differentials.

6. Develop the General Manager's Leadership Skills

The general manager can have an important influence on the functioning of the IJV leadership team. Due to the complexity resulting from multiple partners, the joint venture general manager must rely on the support, cooperation, and approval of a large number of people in order to achieve the JV's goals. This task is exacerbated by the existence of divided loyalties among IJV top managers and other key employees. We consider the general manager's ability to define a common goal and to create a common identity for the IJV to be most important. This requires the general manager to have skill in articulating a vision and a set of core values that are meaningful to the leadership team members. This skill is often attributed to those managers who are called "transformational leaders" (Bass, 1997). However, the requirements of the transformational leader in the international joint venture setting will extend beyond the ability to express vision, values, and expectations. He or she must also have superb skills in diplomacy, cross-cultural understanding, and communications. The uncanny sensitivity of some general managers described earlier in the paper has proven to be important for effective team development in Sino-foreign joint ventures.

Conclusion

Where does all this leave us? Certainly, international joint ventures in China face many challenges. Building a well-functioning leadership team is not easy, particularly given language and cultural differences between the Chinese hosts and their joint venture partners. However, some joint ventures in China do succeed; and in these cases, the JV top management group is typically an integrated team, and not simply a group, and certainly not two factions. However effective JV management teams do not simply happen. Successful teams are characterized by appropriate composition, incentives, structure, process, and group leader. Ignoring these elements can almost certainly lead to poor performance and failure of an international joint venture in China.

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Note

1. This dual control system/position was more prevalent in the 1980s when majority ownership of IJV by the foreign partner was often not allowed.

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