Title: **Expectations on Partners' Contributions to Alliances in Emerging Economies: the Impact for European Executives and Policy Makers**

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Abstract:
This paper presents a comprehensive and comparative literature review of partners' contributions to international strategic collaborations in emerging economies. It analyses four different partner perspectives: the foreign investor's view of their contribution to the venture as well as the contribution of the other partner, the perception of the local partner of the proposed foreign investor's contribution as well as their own contribution.
In addition three categories of differences in perception are identified. These four perspectives and three categories are discussed and justified using the appropriate research findings from relevant literature. The paper then discusses the implications of the identified perceptual conflicts for European practitioners, researchers and policy makers.

Key Words

Emerging Economies, Partner's contributions, transnational alliances, comparative study

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INTRODUCTION

The increasing importance of Transnational Strategic Alliances (TSAs) alongside transnational production has been pointed out by several authors (Dunning 1997; Lorange & Roos 1993; Hennart 1988; Shan, Walker & Kogut 1994; Raveed & Renforth 1983). Co-operation opportunities have been used not only by large established corporations but also by smaller companies. These co-operative agreements may be utilised to enter the markets of emerging economies as well as to expand the technological knowledge to those economies.

Buckley & Casson (1988, p.39-40) draw attention to the fact that co-operation success relates to characteristics of the management of the venture itself. Traditional forms of entry, particularly those based on financial ownership and tight control, are being substituted by partnerships based on the complementarity of resources and skills (see Glaister & Buckley 1997), mutual trust, and on the ongoing development of business relationships (Lane & Beamish 1990). Particularly at the partner selection stage of the collaboration, managerial perceptions could be decisive. This paper focuses on the differences in managerial perceptions of potential partners' contributions in an alliance.

THEORY

Perceived Differences in Partners' Contributions to the Alliance

Geringer (1991) points out the importance of partner selection with regard to International Joint Ventures (IJV) and, by implication, to other forms of international collaboration among firms. In the study, he suggests that the choice of a partner may influence the "overall mix of available skills and resources, the operating policies and procedures, and the short and long-term viability of an IJV". Other authors highlight the time and effort senior management spend in finding the right partner (Lane & Beamish 1990; Young *et al.* 1989). Lane & Beamish (1990, p.95) suggest that this is true particularly in Less Developed Countries

(LDCs), the reason being that executives in these countries are likely to be more relationship oriented than North Americans or, by implication, other Anglo-Saxon cultures such as the British.

Murray, Millson & Wilemon (1996, p.45) list several items a firm needs to be aware of concerning a prospective partner for a new product development partnership. These are seen to be, the

> "prospective partner's resources, motives, competencies, and weaknesses, alongside relative size of the firms, technological factors (product lines, process capabilities, patents, R&D), marketing factors (distribution, customer knowledge, and image), existing alliances, and similarities and differences in corporate cultures".

Stopford & Wells (1972, p.101) affirm that the inclusion of partners in entering foreign markets may be seen as a response to <u>costs</u> (potential conflicts) and <u>benefits</u> (potential contributions) from a prospective partner, in addition to the need to complement resources.

Murray, Millson & Wilemon (1996, p.42) propose two stages closely connected to the intention of pursuing an alliance, namely: "awareness" and "exploration". In the stage designated "awareness" the firm would identify the firm's own needs, and assess other firms' competencies in those areas. Subsequently, the "exploration stage" would include the assessment of the partner's needs. Furthermore, a successful joint venture and potentially, a collaborative agreement, is based on co-operation towards meeting the needs of both partners over the long term (Lane & Beamish 1990). In addition, Dong, Buckley & Mirza (1997) suggest that each partner should identify areas of potential disagreements or conflicts and remain aware of this throughout the duration of the venture. According to Lane & Beamish (1990), successful joint ventures need to recognise the specific long-term needs of the venture, those of prospective partners and how these needs may be filled. The latter is emphasised by Dong, Buckley & Mirza (1997) whose study has shown that a full awareness of the partners' needs (or in a reverse perspective, potential contributions) is very important.

The importance of potential partners' contributions, as pointed out by Stopford & Wells (1972), depends upon the strategy of the firm, and on the availability of each factor under examination. What Stopford and Wells mean by strategy is the ongoing total strategy for the firm and its impact on the venture, the availability of factors would include company internal resources. Geringer (1991) points out the need for research of the differences in criteria weighting based on culture and nationality. On the other hand, a recent study (Glaister & Buckley 1997), could not support this claim regarding the importance of these issues concerning British firms' collaborative ventures with firms of the Triad. Another recent study (Dong, Buckley & Mirza 1997) indicates differences in the perceived importance of contributions between culturally different foreign investors. Furthermore, in certain emerging economies (e.g. Latin American countries) business deals and partners may be found in circumstances as fortuitous as cocktail parties (see Lane & Beamish 1990, p.95). However, it is likely that any executive involved in a potential alliance will have a mindset that will value the potential contributions of each of the partners. Specifically this may well result in objective or subjective weightings of the contributions.

The literature presenting lists of alliance partners' contributions and conflicts is somewhat limited. Seven publications with detailed lists of potential contributions of partners or, using Beamish (1987 & 1994) reversed perspective terminology, (potential) needs of partners, were found. Due to the focus of the study on Emerging Economies and Less Developed Countries (LDCs) five of these studies were compared as shown in Table 2 (Stopford & Wells 1972; Raveed & Renforth 1983; Beamish 1987 & 1994; Erden 1997; and Dong & Buckley & Mirza 1997). The other two studies (Geringer 1991; Glaister & Buckley 1997) were not considered directly due to their focus on collaborative arrangements between partner-firms within the Triad.

Four different perspectives of "partners contributions", can be examined in the context of transnational alliances, between the firms of developed and emerging economies. Each partner perceives contributions deriving from their own firm, as well as those contributions brought in by the other partner firm. Although only examining developed countries, Glaister & Buckley (1997) found some supporting evidence of the variation regarding the relative importance of selection criteria with the primary geographical location of a collaborative venture. In Table 1 the perspectives considered in each study are summarised.

Table 1: Four Possible Perspectives on Partners' Contributions to Alliances

Studies	**Contributions of the Local Partner**		**Contributions of the Foreign Partner**	
	local investor's perspective	**foreign investor's perspective**	**local investor's perspective**	**foreign investor's perspective**
Stopford & Wells (1972)		✓		
Raveed & Renforth (1983)	✓	✓	✓	✓
Beamish (1987 & 1994)		✓	✓	
Erden (1997)		✓		✓
Dong & Buckley & Mirza (1997)		✓✓ (1)		✓✓

(1) Dong *et al.* (1997) compared two groups of foreign investors;

All of the above studies examined the potential contributions of the local partner, although only Raveed & Renforth (1983) explored the views of the local partner and, in fact, theirs was the only study to examine all four potential perspectives. The foreign investors' perspective was the main focus in all studies. Four studies examined foreign partner's potential contributions (Raveed & Renforth 1983; Beamish 1987 & 1994; Erden 1997; Dong & Buckley & Mirza 1997), although only the first two studies examined the perspective of the local partner, whereas other authors explored the foreign investors' perspective.

Description of the Studies

The studies investigated different samples, using various methodologies. For instance, Stopford & Wells (1972, p.99) examined 155 US based MNCs that included overseas facilities for manufacturing. They examined contributions from the local partner as well as possible problems or conflicts between partners. Raveed & Renforth (1983, p.48) investigated six major forms of foreign equity investments used by US MNCs, including joint ventures between US MNCs and private local firms which were seen as the most advantageous to both parties. The study was conducted in Costa Rica in 1979. Two groups were interviewed: executives from US MNCs and representatives of the economic elite of the host country, namely Costa Rican business leaders and government officials. A significant difference was established regarding the perceptions of MNC executives, and the business leaders in Costa Rica in the ranking for both, 'firm oriented objectives' (interpreted as contributions sought from the local partner) and (host) 'country oriented objectives' (interpreted as contributions sought from the foreign partner). Beamish (1987 & 1994) studied 12 ventures connected to food processing and consumer products, 10 of which were in market economies in the Caribbean. Beamish identified 16 contributions that were applied to both MNCs executives and local general managers. This author explored the importance of one partner's contributions from the perspective of the other partner. MNE executives indicated their views on the local partner contributions, whereas local executives on their foreign partner's contributions. Erden (1997) used a sample of 150 firms with foreign capital in Turkey during the autumn/winter 1993/1994. The companies may be considered large having approximately 400 employees on average. The sample covered several industries. Erden focused on the perspective of the foreign investor, although 70% of the respondents, mostly general managers, were of Turkish origin. Within this perspective this author used content analysis in order to identify the most important contributions of the local partner, as well as of the foreign partner. Finally, Dong, Buckley & Mirza (1997) focused on IJVs between countries of the Triad (USA, West Europe, or Japan) or Overseas Chinese, and their local (Chinese) partners, formed between 1985 and 1987. The data collection was carried out in 1991 and 1992. A total of 114 joint ventures were included in the study. A mail survey and a number of interviews were used. From the 23 items used as motivations and partner selection criteria by the foreign partner, 19 were selected as potential contributions from the local partner. Four items were not used in the comparison due to the focus and scope of the study. They relate to strategy (profit, follow competitors, geo-diversification) and to the host country of the partner-firm.

The reader should bear in mind the intrinsic limitations of comparing the potential contributions in all these different contexts. These are discussed in the next section.

DISCUSSION

A Comparison of different views in Partners Contributions to Alliances

In this section comparison of the listed partners' potential contributions in the above studies is carried out. This is achieved relative to <u>local partner contributions</u> (Table 2) and <u>foreign partner (investor) contributions</u> (Table 3). In Table 4 an account of the differences encountered are summarised. In each line of the following tables one particular contribution is examined. The best associated contribution in each one of the studies, if present, is placed in the respective column. The objective here is to identify similar meanings of items from different studies. Naturally there are differences in the wording used by some of the studies regarding a particular item. Whenever possible, the rank of the contribution in their respective study is also shown.

Trying to be as comprehensive as possible a list of the most relevant 18 local partners' and 11 foreign partners' contributions was compiled[1]. These contributions are commented on below.

[1] This list of contributions followed a similar list from a previous study not published, although the comparison performed in this study includes four new papers (see De Mattos & Goncalves Neto 1997)

Table 2: Local Partner Potential Contributions

PARTNER CONTRIBUTIONS	Stopford & Wells (1972)	Raveed & Renforth (1983)	Beamish (1987 & 1994)	Erden (1997)	Dong & Buckley & Mirza (1997)
	KEY: Contributions ranked in 9 positions	**KEY:** Contributions ranked into 15 positions US_Ex US Executives Local_Ex Local Executives	**KEY:** NP No Pattern UN Unimportant ST Short Term Importance LT Long Term Importance	**KEY:** Contributions ranked in 10 positions	**KEY:** PSF Partner Selection Factor FPM Foreign Partner Motivation MNC Multinational Corp. OC Overseas Chinese
1) Capital	Capital (6 o/9)	Obtain local capital (financing) US_Ex: 12 o/15 Local_Ex.:13 o/15	Capital (NP)	Capital (5 o/ 10)	Financial resources PSF (MNC-17 o/17) (OC-11 o/17)
2) Access to raw materials	Access to local raw materials (7 o/9)	Assure raw material availability US_Ex: 14 o/15 Local_Ex.:7 o/15	Raw material supply (UN)	Raw materials (6 o/ 10)	Raw materials PSF (MNC-8 o/17) (OC-9 o/17) Access to raw materials FPM (MNC-12 o/17) (OC-4 o/17)
3) General knowledge of the local economy, politics, and customs	General knowledge of the local economy , politics and customs (1 o/9)	Obtain country -related knowledge US_Ex: 1 o/15 Local_Ex.:12 o/15	Knowledge of local economy, politics & customs (LT)	Market knowledge (1 o/ 10)	Environment relations PSF (MNC-4 o/17) (OC-13 o/17)
4) Knowledge of local financing		Obtain local capital (financing) US_Ex: 12 o/15 Local_Ex.:13 o/15	(*)Knowledge of local financing		Financial resources PSF (MNC-17 o/17) (OC-11 o/17)
5) Guide to important personalities in the local scene		Maintain good relations with the national government US_Ex: 11 o/15 Local_Ex.:1 o/15	(*)Guide to 'Figures of Importance' on the local scene	Governmental relations (2 o/ 10)	Government relations PSF (MNC-13 o/17) (OC-5 o/17)
6) Avoid political intervention		Reduce risk of expropriation US_Ex: 3 o/15 Local_Ex.: 2 o/15	Avoid political interventior (ST)	Governmental relations (2 o/ 10)	Avoid trade barrier FPM (MNC-7 o/17) (OC-12 o/17)
7) To gain political advantages	(*)to provide political advantages	Obtain favourable government treatment in areas of protective tariffs, foreign exchange, and import permits US_Ex: 4 o/15 Local_Ex.: 10 o/15	Local political advantages (ST)	Governmental relations (2 o/ 10)	Use of incentives (MNC-9 o/17) (OC-1 o/17)
8) To meet governmental (legal) requirements for local ownership	(*)to meet government requirements for local ownership	Comply with government laws and regulations US_Ex: 15 o/15 Local_Ex.: 6 o/15	Meet existing government requirements for local ownership or import substitution (NP)	Governmental relations (2 o/ 10)	
9) Faster entry into the local market, considering the existing alternatives tc the foreign partner	Speed of entry into the local market (2 o/9)	Obtain local marketing channels US_Ex: 7 o/15 Local_Ex.: 8 o/15	Faster entry in the local market (UN)	Market knowledge (1 o/ 10) Distribution network (4 o/10) Trademark (8 o/10)	Enter local market FPM (MNC-1 o/17) (OC-3 o/17)

10) Better access to the local market for goods produced by the alliance than would have been possible with a wholly owned subsidiary	Better access to the local market for goods produced by the joint venture than would have been possible with a wholly owned subsidiary (4 o/9)	Obtain local marketing channels US_Ex: 7 o/15 Local_Ex.: 8 o/15 Nurture the best attitude by the general public US_Ex: 5 o/15 Local_Ex.: 3 o/15	Better access to markets than a wholly-owned subsidiary would provide (NP)	Market knowledge (1 o/ 10) Distribution network (4 o/10) Trademark (8 o/10)	Established distribution channels PSF (MNC-15 o/17) (OC-17 o/17) Access to distribution FPM (MNC-12 o/17) (OC-16 o/17) Good location PSF (MNC-11 o/17) (OC-8 o/17) Strong market position PSF (MNC-6 o/17) (OC-10 o/17) Well known brands PSF (MNC-14 o/17) (OC-16 o/17) Low transportation cost FPM (MNC-16 o/17) (OC-17 o/17) Build local image FPM (MNC-3 o/17) (OC-6 o/17) Plant facilities PSF (MNC-5 o/17) (OC-7 o/17)
11) Better access to the local market for goods produced abroad by the foreign partner	Better access to the foreign local market for goods produced outside of it (9 o/9)	Obtain local marketing channels US_Ex: 7 o/15 Local_Ex.: 8 o/15 Nurture the best attitude by the general public US_Ex: 5 o/15 Local_Ex.: 3 o/15	Better access to the local market for goods produced outside it (NP)	Market knowledge (1 o/ 10) Distribution network (4 o/10) Trademark (8 o/10)	Same as item 10 above except Plant facilities
12) Better export opportunities for goods produced by the alliance			Better export opportunities (NP)	International Network (9.5 o/10)	
13) Managing Director	**General Manager (3 o/9)**	Obtain local management US_Ex: 2 o/15 Local_Ex.: 11 o/15	General managers (ST and LT) Local Business knowledge (ST and LT)	Management know-how (3 o/10)	
14) Marketing Managers	Marketing personnel (5 o/9)	Obtain local management US_Ex: 2 o/15 Local_Ex.: 11 o/15	Functional managers (LT)	Management know-how (3 o/10)	
15) Managers or experts on production, R&D or other technical area	experienced production personnel, R&D or other technical skills (8 o/9)	Obtain local management US_Ex: 2 o/15 Local_Ex.: 11 o/15	Functional managers (LT)	Training (technical) (9.5 o/10)	
16) Inexpensive labour			Inexpensive labour (UN)		Low labour cost FPM (MNC-2 o/17) (OC-2 o/17)
17) Technology			Technology or equipment (UN)	Technology (7 o/10)	
18) To bring complementary product lines to the alliance	(*)to bring complementary product lines to the venture				

Notes: (1) The contributions (*) were not assessed by the study, but they were suggested during the respective field work
(2) In Beamish (1987 and 1994) the perspective of the MNE executives is given using the following keys: LT - Long term importance; ST - short term importance; UN - unimportant; NP - no pattern. Here the perspective of the high-performing ventures was taken.

Table 3: Foreign Partner Potential Contributions

FOREIGN PARTNER CONTRIBUTIONS	Raveed & Renforth[1] (1983)	Beamish[3] (1987 and 1994)	Erden (1997)	Dong & Buckley & Mirza [2] (1997)
	KEY: Contributions ranked into 4 positions US_Ex US Executives Local_Ex Local Executives	**KEY:** NP No Pattern UN Unimportant ST Short Term Importance LT Long Term Importance	**KEY:** Contributions ranked in 10 positions	**KEY:** PSF Partner Selection Factor LPM Local Partner Motivation MNC Multinational Corp. OC Overseas Chinese
1) Capital	Maximise net capital flow into the country - US_Ex: 1 o/4 Local_Ex.: 1 o/4 Maximise foreign exchange US_Ex: 2 o/4 Local_Ex.: 3 o/4	Capital NP	Capital (3 o/ 10)	Financial resources PSF (MNC-6 o/16) (OC-3 o/16) Access to financial resources LPM (MNC-11 o/16) (OC-7 o/16)
2) Access to raw materials		Raw material supply ST	Raw Materials (6 o/ 10)	Raw materials PSF (MNC-15 o/16) (OC-12 o/16)
3) General knowledge of the foreign economy, politics, and customs		General knowledge of the foreign economy, politics, and customs ST	International network (5 o/ 10)	
4) To obtain political advantages from foreign governments				
5)Better access to a foreign market for goods produced by the alliance than would have been possible without the mentioned association		Better export opportunities LT	Trademark (4 o/ 10) International network (5 o/ 10)	Established distribution PSF (MNC-13 o/16) (OC-8 o/16) Good market position PSF (MNC-5 o/16) (OC-6 o/16) Gain reputation LPM (MNC-8 o/16) (OC-16 o/16) Well known brand PSF (MNC-2 o/16) (OC-4 o/16)
6) Better export opportunities to goods already in production by the local partner		Better export opportunities LT	International network (5 o/10)	Access to foreign market LPM (MNC-10 o/16) (OC-5 o/16) Gain reputation LPM (MNC-8 o/16) (OC-16 o/16)
7) Managing Director	Maximise transfer of the entrepreneurial know-how to the country US_Ex: 4 o/4 Local_Ex.: 4 o/4	General managers UN Knowledge of (foreign) current business practices NP	Management know-how (2 o/10)	Learn Management Skills LPM (MNC-7 o/16) (OC-11 o/16) Learn I B skills LPM (MNC-4 o/16) (OC-1 o/16) Management Skills PSF (MNC-12 o/16) (OC-13 o/16)
8) Marketing Directors/Managers	Maximise transfer of the entrepreneurial know-how to the country - US_Ex: 4 o/4 Local_Ex.: 4 o/4	Functional managers (marketing, production, finance, etc.) NP	Management know-how (2 o/10)	Same as item 7 above
9) Managers or experts on production, R&D or other technical area	Maximise transfer of technological knowledge in the country - US_Ex: 3 o/4 Local_Ex.: 2 o/4	Functional managers (marketing, production, finance, etc.) NP	Training (7 o/10)	Assistance of technical personnel PSF (MNC-16 o/16) (OC-14 o/16)
10) Technology	Maximise transfer of technological knowledge in the country US_Ex: 3 o/4 Local_Ex.: 2 o/4	Technology or equipment ST	Technology (1 o/ 10)	Technology transfer PSF (MNC-1 o/16) (OC-10 o/16) License / Patents PSF (MNC-9 o/16) (OC-9 o/16) Technology / equipment LPM (MNC-3 o/16) (OC-2 o/16) R&D PSF (MNC-14 o/16) (OC-15 o/16)
11) To bring complementary product lines to the venture				

Notes: (1) Not all Raveed & Renforth 'country oriented objectives' were interpreted as contributions expected from the foreign partner; (2) Not all Dong & Buckley & Mirza (1997) 'local partners' motivations were interpreted as contributions expected from the foreign partner.; (3) In Beamish (1987 and 1994) the perspective of the local executives is given using the following keys: LT - Long term importance; ST-short term importance; UN-unimportant; NP-no pattern. Here the perspective of the high-performing ventures was taken.

c1) Capital: This item, as shown in tables 2 and 3, may be a contribution from either partner-firm of the alliance. It is understood as capital originating in either partner's established businesses. This contribution was mentioned in all studies considered. Most of the studies examined have not differentiated this item from 'knowledge or access to financial resources'(please refer to "knowledge of local financing"--item c5). In general, "capital" shows a medium or low importance as a contribution of the local partner as may be observed in Table 2. A difference in perceptions is observed in the study of Dong *et al.* (1997) between executives of Multinational Corporations (MNCs) who ranked as the contribution of lowest importance, and Overseas Chinese (OC) investors who place it at a medium level. It would seem that this pattern follows closely the "use of incentives" through the partnership. However, most importantly, it shows a possible difference in "mind set" which could be based on a "minimum risk borrowing" of Chinese culture (The Economist 07.10.1998). Investors perceptions of their own contribution follows a similar pattern: OC placing it higher than their MNC counterparts. Finally, "capital", as a contribution of the foreign investor partner-firm, was ranked high in most of the studies presented.

c2) Access to raw materials: This item can also be a contribution from either partner firm. It indicates the capability of the firm to obtain the necessary raw materials for production. There may be difficulties in obtaining raw materials caused by factors such as governmental restrictions, geographic distances, tariffs, previous agreements with suppliers, distribution systems, etc. All studies include 'access to raw materials' as a potential contribution from the local partner. It should be noted that there is a difference in perception between local and foreign executives in both the Raveed & Renforth (1983) study and in Dong *et al.* (1997) study. In both cases local executives and OC investors tended to rank this item higher than US and MNC executives. It would seem that the importance of this item could depend on the sector and manufacturing activities of the firm. It could well be that this may become in certain cases a sensitive negotiation or bargaining item. Recent work (Wu 1997) shows that in certain circumstances as in the case of establishing manufacturing bases in China, "access to raw materials" is still an attractive contribution for the foreign partner.

This seems to indicate that there are differences in perception that could be associated with national culture and also with different circumstances. Perhaps this is a feasible explanation for the differences in perception in the Dong, Buckley & Mirza (1997) study. As a contribution of the foreign partner this was seen, in general, as short term and of low importance by most studies.

c3) General knowledge of the economy, politics, and customs: This item, given the appropriate context (i.e. local as opposed to foreign, or non local), may be a contribution either from the emerging economy (local) partner or from the developed economy partner (e.g., European or US). Hence when focusing on the local partner "knowledge" refers to the local economy, politics, and customs. Several studies pointed out this contribution as the most important on the part of the local partner (see table 2). Waack & Vasconcellos (1989), in their study about the association Vallée-Mérieur in Brazil, confirm that this is an important contribution of the local partner. By looking at differences in perception in table 2, it would seem that the closer one is to a cultural context, the lower the valence given to this contribution. This idea is corroborated by the lower rank allocated by the local executives of the Raveed & Renforth study and the lower rank of OC investors in the Dong *et al.* study. Erden (1997, p.164), although pointing out from the literature that "general knowledge" is an important contribution, does not explicitly use the term 'knowledge of local economy, politics, economic and customs" as a potential contribution of the local partner.

However "general knowledge" may be a contribution from the foreign partner, in which case "knowledge" refers to a "foreign country", that is a country other than the emerging economy. This could prove valuable to the local partner if the alliance plans to enter foreign markets. Two studies examined issues related to 'general knowledge of a foreign economy, politics and customs'. In this context it was positioned in a medium position or having short-term importance.

c4) Knowledge of local financing: This item applies solely to the local partner. It concerns raising capital from third parties in the local market. It was a suggestion in the survey of Beamish (1987 & 1994). It differs from the item "capital" as the latter implies the use of the firm's own capital. Established firms would usually be expected to make this type of contribution to the venture. The "knowledge of local financing", could be expected in a firm on good terms with banks, or development agencies. These contributions could occur together or independently. The studies examined, relative to contributions of the LDC partner-firm, do not differentiate between these two capabilities of a firm or entrepreneurial group. Different perceptions were noted in the Dong *et al.* study and have been discussed previously.

c5) Guide to important personalities in the local scene: This contribution could be expected from the local partner. It includes not only personalities from the government but also those connected to research centres and universities. This knowledge, in both the political and technical areas, could be valuable for the establishment of an alliance. Most studies focus attention on governmental relations. For instance, on the foreign investor perspective there was a substantial difference between the OC and the MNC executives in the Dong *et al.* study. The latter placing it in a lower importance position. Moreover an even stronger difference was observed between the perspective of local and US executives.Tthe former place it as the highest contribution in importance, whereas the US executives downplay its importance, paralleling MNC executives mentioned previously. This could show patterns of behaviour connected to differences in cultural background. However in certain sectors (e.g., the biotechnology sector), it seems that connections in the scientific arena could be essential for technical development as well as for innovative productivity.

c6) Avoid political intervention: This is another contribution usually expected from the local partner. It is connected with pre-emptive retaliatory or politically driven government intervention (e.g. avoid trade barriers or reduce risk of expropriation). Moreover, other interventions such as price controls, or the establishment of state-owned firms in the sector would also be encompassed here. This contribution or a similar idea was proposed in five out of the six studies examined. The importance of this item is usually high. Again, a difference in perception between MNC and OC executives may be observed in the Dong *et al.* study, the former placing it in a higher position.

c7) To gain political advantages: This item can be used in relation to both the local and the foreign partner. With regard to the local partner this item is associated with "guide to important personalities", not encompassing, however, personalities or key players in the technical area. With regard to the developed country (e.g., European or US) partner this contribution is understood as the permission *from foreign governments* to use certain technologies, special tariffs, etc. Some substantiate the idea that this contribution could be important in certain cases. Buckley & Casson (1979 & 1994) mention that government intervention on regulations as in taxes, tariffs and preferential duties influences the location of FDI. Among the three advantages of establishing a manufacturing base in China, Wu (1997, p.166) includes government incentives. Once more, differences in perceptions are noted between executives of different cultural background (as in Dong *et al.* 1997), as well as between the foreign and local investors (as in Raveed & Renforth 1983). The directions of these differences are however opposite. This seems to suggest differences due to timing or circumstances of the studies. 'To gain political advantage' was not examined as a contribution of the foreign partner in any of the studies mentioned.

c8) <u>To meet governmental (legal) requirements for local ownership</u>: This item refers to the local partner. It is associated with regulations or policies from the host country as import substitution, or the commercialisation of certain products, etc. Blodgett (1991) comments that government restrictions tend to give an advantage to the local firm, both initially and later. In her study, 69 out of 81 US-LDCs joint ventures were identified as having had direct or indirect governmental restrictions as a reason for its establishment. This suggests that this is a reality in several LDCs, and may be assumed in the particular case of emerging economies. With respect to Brazil, Waack & Vasconcellos (1989) point out that it is easier to receive permission to commercialise or produce pharmaceutical products when the multinational (foreign firm) has an association with a local firm. A relatively large difference in the perceived importance is observed between US executives and local executives in the Raveed & Renforth (1983) study. The US executives placed "to meet governmental requirements" at the lowest level of importance, whereas local executives placed it at a medium importance. Erden places this item as having high importance. One possible explanation for the low importance allocated by foreign executives is that any local firm could accomplish the contribution of "meeting governmental requirements". However, the high importance allocated by local executives could be linked to other political advantages that only a few local partners could bring to the venture.

c9) Faster entry into the local market, considering the existing alternatives to the foreign partner: This is usually seen as an important contribution from the local partner. By comparing the alliance with alternative entry modes in a foreign market (exporting, licensing, and wholly owned subsidiary) and their respective speed of entry, this item's objective is made more clear. It has been used directly or through associated items by all authors. Some studies (Erden 1997; Dong & Buckley & Mirza 1997) break it down into activities that would contribute toward a faster entry. This break down shows that related activities, such as reputation, and established distribution channels, etc., are in general ranked high (see Table 2). Surprisingly, this contribution was seen as unimportant by the foreign executives in the Beamish (1987 & 1994) study. There was agreement of US executives and local executives in the Raveed and Renforth study, placing it in a medium position of importance. A similar pattern of agreement may be observed between MNC and OC executives in the Dong *et al.* study, although they placed it in very high positions of importance.

c10) Better access to the local market for goods produced by the alliance than would have been possible with a wholly owned subsidiary: This item is a subset of the previous item. It makes, however, the comparison between an alliance and the establishment of a subsidiary more explicit. Local partner contributions such as channels of distribution and administrative infrastructure are also included here (Please refer to table 2).

c11) Better access to the local market for goods produced abroad by the foreign partner: This item is usually seen as a potential advantage for the foreign partner. Its importance will depend on factors such as established channels of distribution and business infrastructure on the part of the local partner. When modified to represent the *local partner* perspective, it shows easier access to foreign markets for goods produced locally. Dong, Buckley & Mirza (1997) referring to joint venture arrangements in China suggest that in the case of overseas Chinese partners, they would seek operational resources such as outward channels of distribution, and strong market position. Some studies did not use this contribution, but performed a break down of the activities that could be related to it (see table 2). In doing so they shed some light on further differences or components that would lead to the same result, that is a better access to the local market for goods produced abroad. In general this item could be seen as of medium importance, and maybe linked to the sector of activity.

c12) <u>Better export opportunities for goods produced by the alliance (or those already in production by the local partner)</u>: This item could be perceived as a possible contribution from either partner. Both partners might be able to contribute with the knowledge on how to trade in its respective base country as well as to other markets in which the firm is already operating. The firms can also be seen as "spring boards" to regional markets (e.g. EU or Mercosur). The local partner can also be essential for raising export incentives from the host government. Three studies examined this as a contribution from the local partner. This is not seen as an important contribution from the local partner. Three out of four studies concerning foreign partner contributions examine this item (see table 3). In these studies, the contribution of the foreign partner in the issue of "exporting opportunities" was seen as relatively important. Although using different scales, a contrast in perceptions seem to exist between the responses of local managers in the Beamish study, who placed this item as of long term importance, and the managers in the Erden study who allocated a medium rank in importance to this item. A possible interpretation would be that in the latter case a "international network", and consequently more "export opportunities", is not so important in the short term as it would be in the long term. In this case the results would be comparable. Another difference in perception is observed between the MNC and OC executives in the Dong *et al.* (1997) study, the former allocating less importance than the latter concerning "access to foreign market" as a contribution of the foreign partner. One possible explanation would be the underlying strategic thinking of each group of executives. While the MNC executives would be focusing in the Chinese market itself, the OC executives would have at least partial attention towards the international market.

c13) Managing Director: On the one hand, this item can be seen as a potential contribution of the local partner. Stopford & Wells (1972) point this out as one of the three most important contributions of the local partner. It is considered that a collaborative venture would benefit with an experienced executive used to local practices (see Waack & Vasconcellos 1989; Beamish 1987 & 1994; Lane & Beamish 1990). In addition Lane & Beamish (1990) based on their research and experience suggest that good local partners are more likely to have access to competent local managers than do foreign firms. In general this item was seen as of high importance with regard to the local partner. A considerable difference between US executives (2 out of 15) and local executives (11 out of 15) perceptions may be observed in the Raveed & Renforth (1983) study. It would seem plausible that this result shows hidden or non-agreed objectives. The former group of respondents might have been targeting only the internal or regional market of the host country, and in consequence would need this expertise embodied in a local executive. On the other hand, the latter could have been expecting an inclusion in a more world-wide market strategy, and thus deemed the local managers unprepared. To some extent, the executives that were interviewed by Erden (70% of whom of Turkish origin) corroborate this idea by allocating a relatively high importance to this item. A foreign executive, however, could contribute by bringing up-to-date managerial practices to the venture (Dong & Buckley & Mirza 1997). In this regard the studies from Beamish and Raveed & Renforth agree on allocating a low importance to "Managing Director" as a contribution from the foreign partner. By contrast Erden (1997) places this contribution of the foreign partner as one of the most important. This could be due again to strategic direction towards international markets or, in particular, to the European market. In the Dong *et al.* (1997) study, a difference between MNC and OC executives perceptions suggests that the latter believe themselves better prepared in International Business skills, whereas the former believe themselves better prepared in general management skills.

c14) <u>Marketing Director or managers</u>: This item is similar to the previous one focusing however in the marketing position. The knowledge of cultural aspects might be essential for the development of a marketing strategy. In this case the choice of a local marketing manager would be more sound, than one from overseas. As a contribution of the foreign partner Dong, Buckley & Mirza (1997) comment on its importance as bringing managerial skills to the venture. It would have higher importance the more global the marketing strategy be. Blodgett (1991) in her study also considers this as one of the possible contributions from partners. One of the studies (Dong & Buckley & Mirza 1997) did not examine directly this item as a contribution from the local partner. Implicitly, however, this contribution is part of marketing factors cited (e.g. established marketing and distribution systems). Usually this item was seen as important. Only one study (Stopford & Wells 1972) used "marketing personnel" as a specific skill, whereas other studies aggregate this item under local management using different nomenclatures. As pointed out previously there is a difference in the Raveed & Renforth (1983) study between the perception of local, and US executives concerning the employment of local management. In the Dong *et al.* (1997) study a difference between MNC and OC executives suggests that the latter believe themselves better prepared in International Business (IB) skills than the former in general management skills. Another difference worth note is between the local managers in the Beamish (1987 & 1994) study and the managers of foreign capital enterprises in the Erden study in Turkey. There was no pattern with regard to the former when examining the aggregated category of "functional managers", whereas the latter placed "management know-how" as one of the most important contributions of the foreign partner.

c15) <u>Managers or experts in production, R&D or other technical area</u>: This item is usually perceived as a contribution of the foreign partner because it is related to technology. Stopford &Wells (1972), as well as Erden (1997), place it as one of the contributions of lowest importance of the local partner. In contrast, although in aggregated form as "local managers" or "functional (local) managers", this item is perceived as important by US executives in the Raveed & Renforth study as well as of long term importance in the Beamish (1987) study. In both studies technology was not an issue or was deemed unimportant. Thus it would seem that the term "management" in these studies is more associated with marketing or general administration positions. In addition, it was pointed out by Waack & Vasconcellos (1989, p.32) as an important contribution of the local (Brazilian) partner. Particularly when the venture involves technology transfer or product adaptation it seems reasonable that a qualified team on the reception side would facilitate the process. Bower & Whittaker (1993a, p.13) suggest that parallel expertise is important if not essential in both organisations entering a R&D collaboration. These authors also indicate the importance of the knowledge transmitted informally through the development of a joint-project. (Bower & Whittaker 1993a) It would seem reasonable that this knowledge would be more efficiently transmitted, the more similar it is the technical expertise of the partners. Buckley & Casson (1979 & 1994) affirm that skilled labour availability will influence the location strategy of firms. Furthermore, Lane & Beamish (1990) point out that the development of local human resources could contribute to the venture's competitive advantage and protect parent firms' investment. Examining the perspective of the local partner a recent study (Dong; Buckley & Mirza 1997) cite gaining access to technology as an expected contribution from the foreign partner in ventures in China. The local partners value technology resources, patents and licenses foreign MNCs bring to the venture. In addition, Luo (1995) demonstrated that R&D intensity has a strong effect on performance of ventures. Surprisingly, this item was not perceived as an important contribution of the foreign partner by three of the four studies considering this perspective.

c16) <u>Inexpensive labour</u>: This item can be seen as a contribution more dependent on the host country conditions than on the local partner firm. Beamish (1987 & 1994) points out that local partners of a joint venture would be able to provide inexpensive labour more easily than a MNE operating with its own subsidiary. It could be an important factor in determining the location of R&D, if it is understood on the basis of inexpensive <u>skilled</u> labour (Buckley & Casson 1979 & 1994). By contrast in the Dong *et al.* (1997) study both foreign investors place "low labour cost" as one of the most important attracting factors in the Chinese environment. Wu (1997) corroborates this idea. Finally it would seem that in certain industry sectors and environments cheap unskilled labour still makes a difference. With regard to high technology industries the availability of skilled labour would be the focus. In this case emerging economies could have skilled labour with wages below international prices, as this input to production is yet not mobile.

c17) <u>Technology</u>: This potential contribution of the local partner was ignored by Raveed & Renforth (1983), Stopford & Wells (1972) as well as by Dong *et al.* (1997). It could have been deemed unimportant due to the sector or product, or the stage of industrialisation of the host countries. Beamish (1987 & 1994) corroborate this view. In contrast, it was seen as of medium importance in Erden (1997).

As expected, all four studies which focused on the foreign partner contribution examined "technology". Beamish (1987), Erden (1997), and Waack & Vasconcellos (1989), present it as the most important contributions of the foreign partner. Here it may be noted that Buckley & Casson (1979 & 1994), concerning the argument of centralised R&D, accept that routine development could be more diffused. It seems natural that executives of non-developed countries (encompassing here Less Developed Countries, Emerging Economies, and Newly Industrialised Countries) are aware of the need of technology development for inclusion in the mainstream of the world-wide (international) industries. Beamish (1987 & 1994) emphasises that the successful transfer of equipment or technology does not guarantee the joint venture success. In this regard, Lane & Beamish (1990) indicate the importance of technology as a long- term motivation to the local partner. They point out that the absence of a constant upgrading of technology after the initial technology transfer has led to collapse a number of joint ventures in LDCs.

Dong, Buckley & Mirza (1997, p.190) point out that IJV arrangements provide local Chinese partners with the opportunity of gaining access to technology among other advantages. These opportunities would be offered by both Western and Japanese MNCs resources. In this regard Blodgett (1991) suggests that technology would confer dominance to a firm in a joint venture.

Beamish (1987 & 1994) also mentions that firms from developed countries establish ventures with local partners as a way to disseminate their technology to as many markets as possible.

Chol & Beamish (1995) point out that for Korean joint ventures in LDCs technology was seen of medium importance after the need for local marketing knowledge, government regulation on ownership, and need for partner's capital. This reminds us that the contributions have value by themselves but they have also an interaction or a combined effect. In this regard, Buckley & Casson (1979 & 1994) call attention to the importance of information flows in referring to firms integrating production, marketing and R&D.

c18) <u>To bring complementary product lines to the venture</u>: This could be a contribution of either partner. It was not utilised in any study connected to LDCs or Emerging Economies firms either as a local or as a foreign partner contribution. Stopford & Wells (1972) mention it as a suggestion from the executives interviewed. The work of Waack & Vasconcellos (1989) suggests it is an important contribution from the foreign partner in a Brazilian venture. Geringer (1991) used an item that may easily be associated here, that is "full line of products or services". Glaister & Buckley (1997) have used "the product itself". As a task-related selection criterion, it would be related to the viability of the venture. It could be seen as a potential contribution of a generic partner-firm that operates in a similar line of products.

The reader will find in Table 4 a summary of the main contrasts concerning differences in perceptions of partners' contributions. The contrasts were defined by identifying key conclusions from the previous studies discussed above and presented in table 2. These were then summarised into three categories which are defined as suggested causes of the observed conflicts in perception by investigating the date and place of the study and the type of respondent. This allowed for the creation of the categories, namely: (1) between local and foreign partner perspective; (2) between foreign investors of different cultural background; and (3) differences that could be accountable to differences in time or circumstances. Examples of category one conflicts would include differences in the perceptions of the importance of local knowledge to the alliance, Local governmental regulations on ownership and differences in the perception of the importance of local management. Examples of category two differences are differences in perception regarding gaining political influence as a contribution of the local partner and technology as a contribution of the foreign partner. Examples of category three differences are differences in perception regarding access to inexpensive labour and access to raw materials. Thus with regard to the first category relative to the local partner contributions, the study of Raveed & Renforth provides the perspective of the local partner, as well as that of the foreign partner under the same conditions. Other studies provide only the view of the foreign investor. The study of Dong & Buckley & Mirza provides the comparative material for the second category, that is differences of investors of diverse cultural background. The third category was assessed by comparing Stopford & Wells (1972) with the more recent papers.

Table 4: Observed Differences in Perceptions

Key: ○ - similar; ✓- different; ✓✓- very different ? - comparison not possible, NA - not available	Between Local & Foreign Partner Perspectives	Between Foreign Investors of Diverse Cultural Background	Differences due to timing or circumstances
CONTRIBUTIONS OF THE LOCAL PARTNER			
1) Capital	○	✓	✓✓
2) Access to raw materials	✓	✓	✓✓
3) General knowledge of the local economy, politics, and customs	✓✓	✓✓	✓
4) Knowledge of local financing	○	✓	?
5) Guide to important personalities in the local scene	✓✓	✓	✓✓
6) Avoid political intervention	○	✓	✓
7) To gain political advantages	✓	✓✓	✓✓
8) To meet governmental (legal) requirements for local ownership	✓✓	?	?
9) Faster entry into the local market, considering the existing alternatives to the foreign partner	○	○	?
10) Better access to the local market for goods produced by the alliance than would have been possible with a wholly owned subsidiary	○	○	?
11) Better access to the local market for goods produced abroad by the foreign partner	○	○	?
12) Better export opportunities for goods produced by the alliance	?	?	✓
13) Managing Director	✓✓	?	○
14) Marketing Managers	✓✓	NA	✓
15) Managers or experts on production, R&D or other technical area	✓✓	NA	✓
16) Inexpensive labour	○	○	✓✓
17) Technology	?	NA	○
18) To bring complementary product lines to the alliance	NA	NA	?
CONTRIBUTIONS OF THE FOREIGN PARTNER			
1) Capital	○	○	?
2) Access to raw materials	?	○	?
3) General knowledge of the foreign economy, politics, and customs	?	NA	?
4) To obtain political advantages from foreign governments	NA	NA	NA
5) Better access to a foreign market for goods produced by the alliance than would have been possible without the mentioned association	?	?	✓
6) Better export opportunities to goods already in production by the local partner	?	✓	✓
7) Managing Director	○	?	✓
8) Marketing Directors/Managers	○	?	✓
9) Managers or experts on production, R&D or other technical area	○	○	○
10) Technology	○	✓	✓
11) To bring complementary product lines to the venture	NA	NA	NA

CONCLUSIONS AND IMPLICATIONS

As suggested from the literature, expectations concerning alliance partners' contributions may vary. This seems to hold true in the case of the three comparisons carried out, that is (1) between local & foreign partner perspectives; (2) between foreign investors of diverse cultural background; and (3) differences due to timing or circumstance. These differences in perceptions and expectations may be anticipated to generate conflicts between partners, and consequently hinder the maximisation of the alliance's potential benefits. This may be especially true of the rising number of technology collaborative agreements of European MNEs in emerging economies (World Investment Report 1998), which demand high skilled labour. One way of addressing and potentially pre-empting this problem is by identifying and examining these differences. This paper is designed to add to the debate in this area.

The importance of this issue to both policy-makers and managers are interconnected.

The managerial aspects are important to the success of alliances. European Managers operating in different business environments should be aware of these potentially conflict generating sources. Whatever the causes of conflict, the potential impact of identified differences in perception that can effect business operations cannot be underestimated. They should be considered when starting or carrying out negotiations with potential transnational partners.

In this context, as a pragmatic measure, check lists of expected contributions could be used on the initial meetings or negotiations concerning the establishment of a transnational alliance. European Executives or Managers, especially those in charge of international operations, should be able to amplify their perception concerning differences between their home environment, and an operation theatre abroad. Particularly relevant are the differences in expectations concerning partners' contributions to the potential venture. This would entail research prior to carrying out an assignment overseas. Maximising the understanding of their own concerns and preferences might avoid unnecessary initial conflicts and improve the collaboration. Studies from various countries or regions were compared in this paper. This could help European managers or policy makers to adapt their strategy or policy towards not only the country under focus but to other non-distant (either culturally or geographically) countries or regions.

In considering extending the results of any study from the literature to other situations or countries limitations are important and should be considered. Executives should note that these findings represent a picture of a moment in time. Understanding these results in the light of the associated background might bear fruits at the time one extrapolates the findings to similar situations.

These perceptual conflicts could also be present in 'Industry – University' agreements, especially important in cutting edge technology sectors. In the process of fostering co-operation between these groups, European policy makers should attempt to accommodate this possibility. For instance, one way of avoiding conflicts would be the discussion of the general contributions each party expects. Moreover, pre-empting a potential conflict of expectations could be relatively more important here considering that academics in general would tend not to concentrate on the existing shorter-term targets and constraints of a dynamic business environment.

This paper and the research it represents is a distillation of what is written about the subject to date. In the authors' view the subject is under investigated and more research needs to be done. To provide workable concepts and ideas for practitioners there needs to be more case material which tracks the evolution of alliances between partners from developed and emerging economies. The dynamics of such alliances is an important research topic for as alliances develop differing relationships and differences may emerge. There may well be a discrete set of stages that such alliances go through which in turn have associated differences in perception. This would have important implications for the design and management of strategies within partnering organisations.

A further caveat is that the propositions in the paper may indeed apply to all alliances not just those between organisations in developed and emerging economies. Whilst all of the papers examined were concerned with alliances between organisations in emerging and developed economies, there is a need to add to the current studies as well as a need to use similar methodologies with alliances between organisations in developed economies and with alliances between organisations in emerging economies.

Finally with respect to future research, possible causes for the differences that were indicated by this review may be associated with differences in history, culture, or aspects of the circumstantial business environments, among others. Studies in specific influencing factors could shed some light on the causes. This could help both European practitioners and policy makers in designing their strategies in diverse business environments.

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