Control and Performance of Strategic Alliances in Emerging Countries: The Case of International Joint Ventures in Vietnam

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Abstract:
The research aims at understanding the nature of control and its impact on performance of international joint ventures (IJV) in Vietnam. The case studies permit to identify principal determinants of control in IJV, namely capital contribution, technological and managerial contribution, strategic importance of the IJV and partners’ relative bargaining power. Besides, the results show that the control of IJV in Vietnam corresponds to a system combining two subsystems of control, one specific to foreign partner and the other specific to local partner. The control of local partner is operational and decentralized whereas the control of foreign partner is essentially strategic and financial. Beyond the clear distinction between foreign control and local control of international joint venture, the results show that the perception of performance of international joint venture could vary depending on whether it is analysed from the viewpoint of foreign partner or Vietnamese partner. The research ends with conclusions, limitations and our proposal for further research.

Introduction

The opening of emerging countries to foreign investment has offered a new application field for the entrance of international joint ventures. The joint venture is one of international alliances more formalized as it is characterized by the creation of a legal and organizational entity distinct from local and foreign partners, but co-managed by them.

Setting up business in an emerging country is one of the functions of the international joint venture, which is a good reflection of the potential value creation inherent in this formal type of alliance. This is found to be the case “when two or more sponsors (partners) bring given assets to an independent legal entity and are paid for some or all of their contribution from the profits earned by this entity” (Hennart, 1988: 362). The joint venture is particularly seen as an inevitable, effective entry mode to emerging countries whose

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economic, political, cultural and regulation characteristics are the most differentiated. In such a context, setting up a subsidiary out of nothing or acquiring a local company is often a long and difficult process. This is where the joint venture demonstrates its value-creating dimension by accelerating entry, facilitating knowledge of the local environment and reducing the transaction costs.

However, while their shareholder value creation potential seems considerable in theory, empirical studies that focus on analysing performance of alliance (Das et al., 1998; Anand & Khanna, 2000; Hubler & Meschi, 2000; Meschi, 2005) have obtained inconclusive results. Specifically concerning international joint ventures, i.e., formed for the purpose of investing in a country or a geographical area, the results are not any more positive. Many studies point out the difficulties faced by joint ventures in their medium and long term value creation process. The rate of joint venture failure, whether identified by dissolution of the joint venture or by the departure of one of the partners, is still high and varies from at least 30% (Killing, 1983; Gomes-Casseres, 1987; Kogut, 1989; Hennart, 1998) to 50% (Harrigan, 1988; Bleeke & Ernst, 1991).

In fact, international joint ventures that set up business in emerging countries accumulate the difficulties inherent in the management of this form of alliance (two-headed management, a decision-making process slowed down by continual negotiation between partners, conflicts and divergence of aims between partners, multiplicity of decision-making centres, etc…) and the difficulties associated with the uncertain environment in emerging countries. Because of the uncertainty of the local environment, managing a joint venture is a difficult exercise. Indeed, the "headed" management in the alliance must succeed in finding a balance between local and foreign partners with different objectives, resources and distinct values.

As noted by Geringer and Hebert (1989, p. 236): "Despite their potential contributions, international joint ventures are not without their drawbacks. The presence of two or more partners can make international joint ventures difficult to manage and often characterized by poor performance". Besides the traditional difficulties, are added managerial difficulties those related to economic and political uncertainty in emerging countries. All of these problems
make international joint ventures that set up business in emerging countries, a risky investment that requires significant control.

Numerous empirical studies have focused on the control of international joint ventures and its relationship to performance (Geringer & Hebert, 1989; Yan & Gray, 1994; Luo et al., 2001). These studies (Geringer & Herbert, 1989; Groot & Merchant, 2000) have strongly suggested that international joint ventures failed due to poor monitoring and control practices leading to tension, conflict and dissolution. Further, Groot and Merchant (2000) have demonstrated the positive effect that control mechanisms have on the IJVs ability to achieve its strategic objectives, both corporate and marketing. In order to gain insight into these control practices, this study investigated how partners exercise control over their IJV relationships, and its relationship to IJV performance.

Replicating Geringer and Herbert’s (1989) conceptual model of IJV control dimensions, namely, mechanisms, extent and focus, this study examined the dynamic nature of IJV control in a new context. Previous research has focussed on IJV’s between developed countries and/or developing countries, but has not addressed dynamic control in emerging nations (Killing, 1983, Beamish, 1985, Groot & Merchant, 2000). To address this limitation, this study focussed on IJVs between an emerging country, Vietnam, and developed one.

This was done in order to provide new knowledge on the market with distinctly different business and cultural environments.

In addition, researchers (Calantone & Zhao, 2001; Luo et al., 2001) have highlighted the lack of research illustrating both sides of the IJV dyadic relationship. In order to address this limitation, both actors in the IJV relationship participated in the study, allowing a dual parent perspective to be obtained. This permitted the study to illustrate both sides of the dyadic relationship, and both actors’ perceptions of both conflict events. Gaining both partners’ perspectives allowed the simultaneous observation of how control operates within these partnerships and how control and performance interrelate.

From this perspective, we will rely on a qualitative methodology approach by applying a case study methodology with deep investigations at three international joint ventures in Vietnam whose foreign partners are European. This article will follow the following plan: in the first part, we present the research methodology and the characteristics of the studied international joint
ventures. In the second part, we review and discuss the main results of the three studies. Finally, in the conclusion part we summarize the findings and identify several directions for future research.

**Methodology of the Research**

This study utilises interpretative case study research approach in order to delve deeply into the research context and to gain understanding of the relationship between control and performance of international joint ventures in Vietnam. We have preferred a qualitative methodology for gathering information to a quantitative methodology. This choice is motivated by the exploratory nature of our research. Although the relationship between control and performance in international joint ventures has been the subject of numerous empirical studies, the fact remains that in the specific context of our research, Vietnam, we are prompted to opt for a qualitative methodology. First, international joint ventures in Vietnam have been rarely studied so far. Second, the lack of research practice usage in the field of management makes the access to information in business in Vietnam very difficult. These difficulties also accrue in the context of international joint ventures because they involve mostly Vietnamese public partners, i.e. government agencies, who are not familiar with being questioned about their managerial choice (Augier, 1999). For all these reasons, we consider that the case study methodology is most appropriate, although it takes time to establish trustworthy relations with local actors.

Three cases of international joint ventures were studied. They are Alpha, Beta and Gamma. The names of the joint ventures as well as that of European and Vietnamese partners have been modified in accordance with the desire for confidentiality of these different organizations. These joint ventures have been selected because they show different profiles in terms of business, objectives, size and distribution of capital between partners. Nevertheless, they have in common with foreign partners who are from the European Union. These joint ventures have also been selected because they show a certain stability.

All three joint ventures present a longevity more than eight years and have passed the period of three to six years which is considered by specialists as a critical period for the survival of the joint ventures. Indeed, it has been observed
from different samples and in different geographical context that approximately 15 per cent of joint ventures are disappeared in their first two years of existence and over 50 per cent within five years after their creation (Kogut, 1989 & 1991; Leung 1997; Meschi, 2005). Table 1 presents the main characteristics of three studied joint ventures.

Table 1: Main characteristics of studied Joint Ventures

<table>
<thead>
<tr>
<th>Characteristics</th>
<th>Alpha</th>
<th>Beta</th>
<th>Gamma</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sector of Activity</td>
<td>Fast moving consumer goods (FMCG)</td>
<td>Electrical equipment</td>
<td>Distribution</td>
</tr>
<tr>
<td>Date of Establishment</td>
<td>1994</td>
<td>1994</td>
<td>1996</td>
</tr>
<tr>
<td>Total investment (millions of U.S. dollars)</td>
<td>60</td>
<td>24</td>
<td>30</td>
</tr>
<tr>
<td>Capital distribution (foreign partner/local)</td>
<td>66.7/33.3</td>
<td>65/35</td>
<td>65/35</td>
</tr>
<tr>
<td>Contractual Duration (in years)</td>
<td>30</td>
<td>35</td>
<td>50</td>
</tr>
<tr>
<td>Target market</td>
<td>Local with small part of export</td>
<td>Local</td>
<td>Local with small part of export</td>
</tr>
<tr>
<td>Foreign partner’s Objectives</td>
<td>To open Vietnamese market and to increase turnover in Asia</td>
<td>To open Vietnamese market and to increase turnover in Asia</td>
<td>To open Vietnamese market and to increase turnover in Asia</td>
</tr>
<tr>
<td></td>
<td>Lower labor costs</td>
<td>Lower labor costs</td>
<td>Lower labor costs</td>
</tr>
<tr>
<td></td>
<td>Profit</td>
<td>Profit</td>
<td>Profit</td>
</tr>
<tr>
<td></td>
<td>To develop durable relationships with Vietnamese public powers</td>
<td>To develop durable relationships with Vietnamese public powers</td>
<td>To develop durable relationships with Vietnamese public powers</td>
</tr>
<tr>
<td>Local partner’s Objectives</td>
<td>Learning and transfer of technological and managerial competences</td>
<td>Learning and transfer of technological and managerial competences</td>
<td>Learning and transfer of technological and managerial competences</td>
</tr>
<tr>
<td></td>
<td>Growth of turnover</td>
<td>Growth of turnover</td>
<td>Growth of turnover</td>
</tr>
<tr>
<td></td>
<td>Funding/Capital</td>
<td>Funding/Capital</td>
<td>Funding/Capital</td>
</tr>
<tr>
<td></td>
<td>Import substitution</td>
<td></td>
<td>Profit</td>
</tr>
</tbody>
</table>

Although belonging to different sectors of activity, three Euro-Vietnamese joint ventures appear to have roughly similar characteristics: they present an unbalanced distribution of capital with the advantage of foreign partner. However, this unbalanced distribution does not reflect some certain of
equilibrium that exists in the needs of each partner regarding the joint venture: local partners are essentially preoccupied by the questions of professional training and transfer of technological and managerial expertise; foreign partners, on the other hand, try to benefit from political influence enjoyed by local partners who are state-owned enterprises.

This strong interdependence between partners is expressed by an expatriate from Alpha Joint Venture in the following way: “working with a Vietnamese state-owned enterprise is essential for a multinational company like us because our target is to produce and distribute our brands within the country. For this objective, it is necessary to have multiple authorizations and business licenses. In this context, a state-owned enterprise would be more helpful than any other local company. It quickly tells us to contact persons within the Ministries, organizes the appointments and recommends us heartily. The local partner is also involved in discussions and advises us on what we can ask and what we do not ask. Without such a partnership, I think we would not be able to build a plant and sell a single product in Vietnam”.

All three joint ventures are analyzed first, in terms of control and its different dimensions (i.e., mechanisms, extent and focus of control) and then, in terms of performance. The information was collected during several periods of field observation in 2006 (for a total duration of six months for all studied cases) and through a series of semi-structured interviews with various foreign and local respondents at three international joint ventures. In total, 15 interviews were conducted with members of General Direction (BOD), local personnel and expatriates as well as with representatives of foreign and Vietnamese partners. More precisely, these interviews are distributed as follows: 6 were conducted at Alpha, 4 at Beta, and 5 at Gamma.

A standard interview guide was elaborated from the concepts and definitions developed in studies on the relationship between control and performance in international joint ventures (Geringer & Hebert, 1989; Yan & Gray, 1994; Luo et al., 2001). This interview guide was reformulated for certain questions and was enriched with new questions with the progression of the interview progress.

The interview guide consists of five main parts focusing on the determinants of control (managerial skills held by each partner, allocation of
capital between partners, bargaining power of partners, strategic importance of the joint venture for partners), the control system (mechanisms, extent and focus), the performance of the joint venture (criteria and evaluation), and respondent identification (education background, experience, speciality and responsibility within the joint venture).

Finally, three sources of information are used: the research journal with reports of meetings and transcripts of semi-structured interviews, internal documents and external secondary sources (notably from the Vietnamese press and the LexisNexis). The compilation of this information permits to constitute a specific database to each joint venture. Following the recommendations of Miles and Huberman (1984), we first identify in each database for each addressed theme (determinants of control, system of control and performance of the joint venture) and for each of three joint ventures, items and key variables, based on the frequency or intensity of their appearance in the databases. Next, we conduct a cross-case analysis in order to achieve a synthesis of three studied cases.

**Results**

_What are the main features of the control system implemented in international joint ventures in Vietnam?_

From the three studied cases, it is possible to specify the existence and the implementation of a control system of which the contours and the nature (mechanisms, extent and focus) are relatively identical from one to another. Regarding the focus of control, it is observed that in three international joint ventures, foreign and local partners are assigned precise and distinct zone of control. Thus, the Vietnamese partners develop an operational and decentralized control. Certain operational activities are subject to particular attention. They are technology transfer between foreign partners and the joint ventures, industrial productivity and professional training within the joint venture. The follow-up of professional training is a good illustration of the control system developed by the local partners. In all three studied cases, the human resource management has been confided in its entirety to the local partners. Besides the recruitment of qualified personnel, the directors of human resources of international joint ventures add professional training to their assignment. In this context, they
multiply the operations of professional training to all hierarchical levels and systematize a formal result assessment of these operations (training and retraining for employees, learning, and improvement of performance at workplace). On the other side, foreign partners focus on financial and strategic control of the joint ventures. In this sense, the focus of control implemented by foreign partners is much broader than that of local partners.

As noted by one expatriate of Alpha: "We come here to establish a long term relationship with our partner, to produce and distribute our brands. The investment in Vietnam is part of a broader and longer-term expansion in Asia. Our primary concern is that Alpha Vietnam will develop in line with requirements of the overall strategy of Alpha Group in Asia". This vision of control by the sides of foreign partners is completed by the expatriate General Manager of Beta: "Generally, our control is more global than that of Vietnamese partners. We focus on overall and financial performance while they concentrate on specific operations."

With regard to the extent of control between partners, there is less convergence between studied cases. Indeed, Alpha privileges a shared control within the joint venture while Beta and Gamma try to dominate the control system. In this regard, the foreign General Director of Alpha justifies the position of the company as follows: "I do not think that the dominant control is a good option to manage a joint venture in Vietnam. Our respective contributions to the joint venture are distinct but equal. We must establish a control that is a facilitator and not an inhibitor of cooperation. Therefore, we need to share control to guarantee the exchange of experiences and mutual trust".

Another expatriate from Alpha continues by stating that "the negotiation phase of the alliance with Vietnamese partner was very important. It allowed us to construct future cooperation, to determine our position and fix certain limits. Whether your strategic objectives are different, the priority should be given to communication between partners. The control of the joint venture is part of this logic. We have spent much time on talking about how we want to control the joint venture, notably its strategic and financial aspects. We identify what is important to us and what is not. Of course, communication must be bilateral, and we expect the same behaviour from our partners".
Although Alpha privileges the dialogue and presents a willingness to share control between partners, the fact remains that in the three joint ventures, some strategic positions, offering an overview of the joint venture’s operations and significant opportunities of control, are systematically occupied by representatives of the European partners. This applies to the positions of General Director, Director of production, Director of Finance, and Director of the technical centre. The only senior positions that are available to representatives of local partners are those of deputy General Director, Sales manager and Director of human resources. As stated by local deputy General Director of Gamma: "we are only their assistants". Unlike the Vietnamese partners, the foreign partners attach to the position of General Director and do not want to give it up. On the other hand, local partners are anxious to get the post of deputy general director and consider that there is no real hierarchy between the two positions. Indeed, within Alpha and Gamma, there is very little difference in the decision power between expatriate General Director and local deputy General Director. This is not the case of Beta where the General Director possesses more managerial prerogatives and decisional powers than the local deputy General Director, particularly in terms of control. The deputy General Director told that “the foreign partners always consider the joint venture as one of their own children so they want to utilise their own standards. They try to control it in great detail”.

The studied cases have shown that for both European and Vietnamese partners control was multidimensional. Firstly, European and Vietnamese partners try to rely on formal mechanisms of control. Two formal control mechanisms have especially emerged from studied cases: the inspections by the Board of Directors and the implementation of control by each partner via control procedures and contractual commitments. In order to master the first formal control mechanisms, the partners try to gain the majority of representatives on the Board of Directors of the joint venture. Indeed, the studied cases have highlighted the important role of the Board of Directors in controlling information, strategic decisions and resolving conflicts within the joint venture. For this reason, the appointment of members of the Board of Directors is the subject of lengthy negotiations between partners. In all three joint ventures, the Board of Directors meets at least twice a year to fix the annual strategic
objectives, approve the operating budgets and review the results. The follow-up and the periodic monitoring and verification of the compliance with control procedures and contractual commitments constitute another formal mechanism of control that presents in all three joint ventures. As noted by an expatriate, Director of Finance at Gamma: "You are now friends but one day there may be problems, and if you have a contract, both parties will be forced to sit around a table and try to solve problems. That's why you need a contract formalizing the rights and duties which enforce both sides of the joint venture to respect their contractual commitments". Besides the formal mechanisms, the partners also try to rely on informal mechanisms of control of the venture. It should be noted however that the development of informal mechanisms has been more visible within Alpha and Gamma than in Beta.

The question of the importance and the respect of contract is an indication of the differences between formal and informal mechanisms that are observed by the joint ventures. According to local deputy General Director at Gamma "We have resolved our conflicts in a friendly way through a good communication. The two partners make their apologies and express their regrets. After that we become friends as before. A joint venture should be as a conjugal relation. Over time, events occur which have not been mentioned in the contract. So the survival of the relation will significantly depend on the partners’ abilities to communicate each other and on their mutual respect". Among the informal mechanisms implemented within Alpha and Gamma, the priority has been given to the human resource management, notably professional training (managerial skills, technical and marketing competence transfer), and building a trustworthy relation between partners.

The local partners have utilised professional training as a vehicle to ensure the smooth transfer of technology between foreign partner and the joint and to improve industrial productivity. On the other side, foreign partners have also used professional training in order to improve performance of the joint venture and to evaluate local potential staffs who could replace some expatriates in the short to medium term. Focused initially on technology transfer, professional training progresses rapidly towards the learning of managerial skills (team management, leadership, autonomy, conflict resolution ...). In fact, foreign partners have realized that the technical level of Vietnamese engineers and
managers are good (many of them had been educated at the Technical Universities of the former USSR) and the essential needs are managerial and organizational skills. To construct a trustworthy relation more than a simple compliance with contractual commitments constitutes another informal control mechanism of the joint venture. This was particularly evident at Alpha and Gamma: "It takes time and it is not always easy but I can say that today we have more than a legal partnership agreement with our partner, we've become friends with mutual benefits resulting from our strong relationship" (the local deputy General Director of Gamma).

**Table 2: Key Features of Control System in International Joint ventures in Vietnam**

<table>
<thead>
<tr>
<th>Control System</th>
<th>Alpha</th>
<th>Beta</th>
<th>Gamma</th>
</tr>
</thead>
<tbody>
<tr>
<td>Focus Local Partner</td>
<td>Operational Control (technology transfer, industrial productivity and professional training) and decentralized Control</td>
<td>Operational Control (technology transfer, industrial productivity and professional training) and decentralized Control</td>
<td>Operational Control (technology transfer, professional training) and decentralized Control</td>
</tr>
<tr>
<td>Focus Foreign Partner</td>
<td>Strategic Control</td>
<td>Financial and Strategic Control</td>
<td>Financial and Strategic Control</td>
</tr>
<tr>
<td>Extent</td>
<td>Shared Control</td>
<td>Control dominated by foreign partner</td>
<td>Control dominated by foreign partner</td>
</tr>
<tr>
<td>Mechanisms Local Partner</td>
<td>Rather informal</td>
<td>Formal and informal</td>
<td>Formal and informal</td>
</tr>
<tr>
<td>Mechanisms Foreign Partner</td>
<td>Rather informal (Professional training)</td>
<td>Rather formal</td>
<td>Formal and informal</td>
</tr>
</tbody>
</table>

**What is the performance of international joint ventures in Vietnam?**

The question of performance has been extensively studied in the literature on joint ventures. The studies on performance measures show that they are diverse (economic and financial measures, stock market measures, satisfaction measures, measures of the longevity ...) and adopt different perspectives (from the joint venture partners’ perspectives or from the joint venture itself). In this paper, we use the degree of achievement of the objectives of European and Vietnamese partners as a measure of joint venture success. This choice has been
dictated by the fact that when we discuss the question of performance during the course of interviews, we find that respondents, whether European or Vietnamese, are never placed at the alliance itself but rather at the level of each partner.

The initial objectives of each partner were presented in Table 1. These objectives are different but complementary. These objectives are generally correspond to those that have been described in the literature on international joint ventures in emerging countries (Connolly, 1984; Inkpen & Beamish, 1997; Kale & Anand, 2001; Meschi, 2004): the foreign partner seeks to benefit downstream resources (knowledge of local markets, access to distribution networks and privileged relationships with local authorities), while the local partner wants access to upstream resources (capital, production technology and trademarks). To these specific objectives of international joint ventures in the emerging countries, it is necessary to add those more classic of profitability (profit and growth of turnover). Tables 3a and 3b summarize the principal comments on the objectives of each partner.

**Table 3a: Performance of International Joint Ventures in Vietnam**

(Realization of European Partner Objectives)

<table>
<thead>
<tr>
<th>Principal Objectives</th>
<th>Alpha</th>
<th>Beta</th>
<th>Gamma</th>
</tr>
</thead>
<tbody>
<tr>
<td>Profit, access to Vietnamese market and growth of turnover</td>
<td>2000: 9.8%, 20.4% &amp; 59.1%&lt;sup&gt;a&lt;/sup&gt; -9.6%, -2.2% &amp; -3.8% 3.2%, 4.7% &amp; 15.5%</td>
<td>2001: 9.3%, 21.3% &amp; 43.4% -10.6%, -2.3% &amp; -7% 3.3%, 4.8% &amp; 16.9%</td>
<td>2002: 9.3%, 23.6% &amp; 49.3% -12%, -2.5% &amp; -5.7% 3.1%, 5.2% &amp; 18.2%</td>
</tr>
<tr>
<td>Knowledge of local regulations and preferential access to the public powers</td>
<td>Achieved</td>
<td>-</td>
<td>Partially achieved</td>
</tr>
<tr>
<td>Familiarity with Vietnamese market</td>
<td>-</td>
<td>-</td>
<td>Achieved</td>
</tr>
</tbody>
</table>

<sup>a</sup>The first digit corresponds to the business performance (EBIT/sales), the second to return on assets (EBIT/net assets) and the last to annual growth of turnover of the joint venture.
Table 3b: Performance of International Joint Ventures in Vietnam
(Realization of Vietnamese Partner Objectives)

<table>
<thead>
<tr>
<th>Principal Objectives</th>
<th>Alpha</th>
<th>Beta</th>
<th>Gamma</th>
</tr>
</thead>
<tbody>
<tr>
<td>Profit and growth of turnover</td>
<td></td>
<td>Cf. Table 3a</td>
<td></td>
</tr>
<tr>
<td>Professional training and transfer of technological,</td>
<td>Achieved</td>
<td>Partially</td>
<td>Partially</td>
</tr>
<tr>
<td>managerial and commercial expertise</td>
<td></td>
<td>achieved</td>
<td>achieved</td>
</tr>
<tr>
<td>Capital</td>
<td>Achieved</td>
<td>Partially</td>
<td>Achieved</td>
</tr>
<tr>
<td>Import substitution</td>
<td>-</td>
<td>Achieved</td>
<td>-</td>
</tr>
</tbody>
</table>

The performance level of the joint ventures is contrasted according to respondents of European partners. Alpha and Gamma are generally satisfied with their joint venture, which is not the case of Beta. On the side of Vietnamese partners, the reactions are more homogeneous. They all agree that the overall objectives have been reached, notably those of professional training and competence transfer. Beta presents negative commercial and economic results but Vietnamese partner considers that the results are largely offset by a success of technology transfer. This allows the joint venture to produce locally certain electrical products with recognized quality which until now have been imported from the United States or Europe. This view is not shared by the representatives of European partner to whom the joint venture is a failure. For them, the difficulties faced Beta result form the fact that that the Vietnamese partner has not kept his commitments in terms of commercial and investment realizations. In fact, foreign partner affirms that Vietnamese partner has overestimated the local market, and notably the estimated orders from Vietnam Ministry of Industry (now Ministry of Industry and Trade). Besides, there is a fact that foreign partner has financed 80% of the investment while he hold only 65% of the venture. This creates significant tension between two partners who reject their responsibility for commercial and economic problems in the joint venture.

For the General Director of Beta, the solution would be to buy out Vietnamese partner’s capital in the joint venture. Interrogated to this subject, the General Director said: "... that occurs in many joint ventures. If the local
partner decided to solve problems by making us an offer, then we would be happy to continue alone with the joint venture”. This option is particularly justified in the eyes of foreign partner, because that would allow him to restructure the joint venture but for which the Vietnamese partner is not favourable: "If we take total control of the joint venture we will be able to decide totally the management of the joint venture [...] that includes the dismissals of local personnel”.

Unlike Beta, two partner of Alpha fully agree that their joint venture is a success. More than a success, Alpha is considered as one of the most successful international joint ventures in Vietnam. At the award ceremony of "Golden Dragon" in 2004 attributed to Alpha for the fourth consecutive year, the editor-in-chief of the newspaper Vietnam Economic Time, which co-organizes the award with the Ministry of Planning and Investment of Vietnam, expresses his approval for the Euro-Vietnamese joint venture: “Foreign firms have contributed immensely to the economy of Vietnam. Foreign direct investment and transfer of technology and know-how have prepared and facilitated the integration of Vietnam in the Asian and the world economy. Alpha is the most successful example”.

Alpha also received other awards that prove a success not only recognized by both partners but also by its customers, suppliers and the Vietnamese government: Prize of the Prime Minister of the Socialist Republic of Vietnam in 2000 for "its business performance and its contribution to social activities”, in October 10, 2001 award of the Vietnam Labour Medal by the President of the Socialist Republic of Vietnam for "its commercial success and its contribution to economic development of Vietnam”.

**Conclusion:** What is the impact of control system on the performance of international joint ventures in Vietnam?

The aim of this paper was to study the relationship between control and performance of international joint ventures in an emerging country, Vietnam. The observation of three international joint ventures, Alpha, Beta and Gamma, allowed us to identify a number of findings on this relationship.
Firstly, the studied cases show that the control of international joint ventures in Vietnam corresponds to a system combining two sub-systems of control, a specific to foreign partner and a specific to local partner. The nature and contours of the sub-system of local control are relatively similar and stable from one to another Vietnamese partner (see Table 2): the control of the local partner is operational and decentralized. It is particularly focused on the operations of technology transfer between the foreign partner and the joint venture, on industrial productivity and on professional training of Vietnamese personnel in the joint venture. In contrast, the sub-system of foreign control is more heterogeneous. Only the focus of control is identical: it appears therefore that the control of the foreign partner is essentially strategic and financial.

Secondly, it reveals from the different field-work observations that there is a closed relationship between the system of control and performance of international joint ventures. In fact, the choices made by each partner with regard to the focus, the extent, and the mechanisms of control are not neutral. It is even possible to associate certain aspects of control to international joint ventures’ performance: it is the case of extent and mechanisms of foreign control. It has been observed particularly within Beta that the international joint venture that presents the lowest performance is the entity where the foreign partner dominates the control system, whose representatives are majority to the board of directors and mainly utilises the mechanisms with formal procedures and contractual commitments in order to control the proper implementations by the local partner. Unlike Beta joint venture, we could note in the most successful joint venture (see Alpha) that the foreign partner has shared the control system with his counterpart - the local partner, and their control system has been largely based on informal control mechanisms facilitating the construction of a trustworthy relation between partners.

Finally, beyond the clear distinction that has emerged between foreign control and local control of the international joint ventures, the results show that the perceptions of performance could vary depending on whether one takes the perspective of foreign partner or Vietnamese partner. The example of Beta shows that within a single joint venture, the assessment of performance by foreign partner could be different and even opposite to that of the local partner.
In order to generalize these findings, it would be useful to consider some extensions to this research. The research hypotheses could be formulated based on both the exploratory results presented here and on a thorough analysis of the literature on the relationship between control and performance of international joint ventures. Then, these hypotheses would be tested within samples of international joint ventures expansion into various emerging countries.

References


