

Successful International Joint Ventures

Case study of the Evergreen Vietnam Corporation

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International joint ventures (IJVs) have become an important option for foreign companies to expand their activities and exploit business opportunities in Vietnam. An IJV with a local company is perhaps the optimal method for developing business partnerships. However, many international parent firms have discovered that the performance of their IJVs in Vietnam does not meet their fiscal or operational expectations. Case study of successful IJVs in Vietnam is a response to the concerns of international firms. The results of this study are intended to identify control mechanisms, which make Vietnam-based IJVs successful. A right control mechanism would be useful to effectively manage IJVs towards success, and obviously, that right choice must depend on many factors. The lessons learned can then be extrapolated to existing and future IJVs to increase their margins of success and ultimately to contribute to Vietnam's industrialization-modernization development process.

Keywords: *control, mechanism, success, international joint ventures, Vietnam.*

1. General information

The Evergreen Vietnam Corporation (Evergreen VN) is an international joint venture (IJV) located in Ho Chi Minh City (Vietnam) which the local partner is Phuoc Vinh Son Corporation, a private company, and the foreign partner is Evergreen Marine Corporation, a transnational corporation from Taiwan. Evergreen VN was set up in 2001 with the investment license number 498/GP-HCM. The operation was licensed until 2022 (21 years). It specializes in marine transportation services.

The total investment capital is 1,000,000 USD by cash only. The local partner contributes 51%. According to the current Vietnamese

law, before fully implementation of the World Trade Organization (WTO) regulation, the foreign investors can only get a 49%-share in this field of business when setting an IJV in Vietnam. However, there are some exceptions based on bilateral state trade agreements, e.g. MOL (Japan), Maersk Sealand (Denmark).

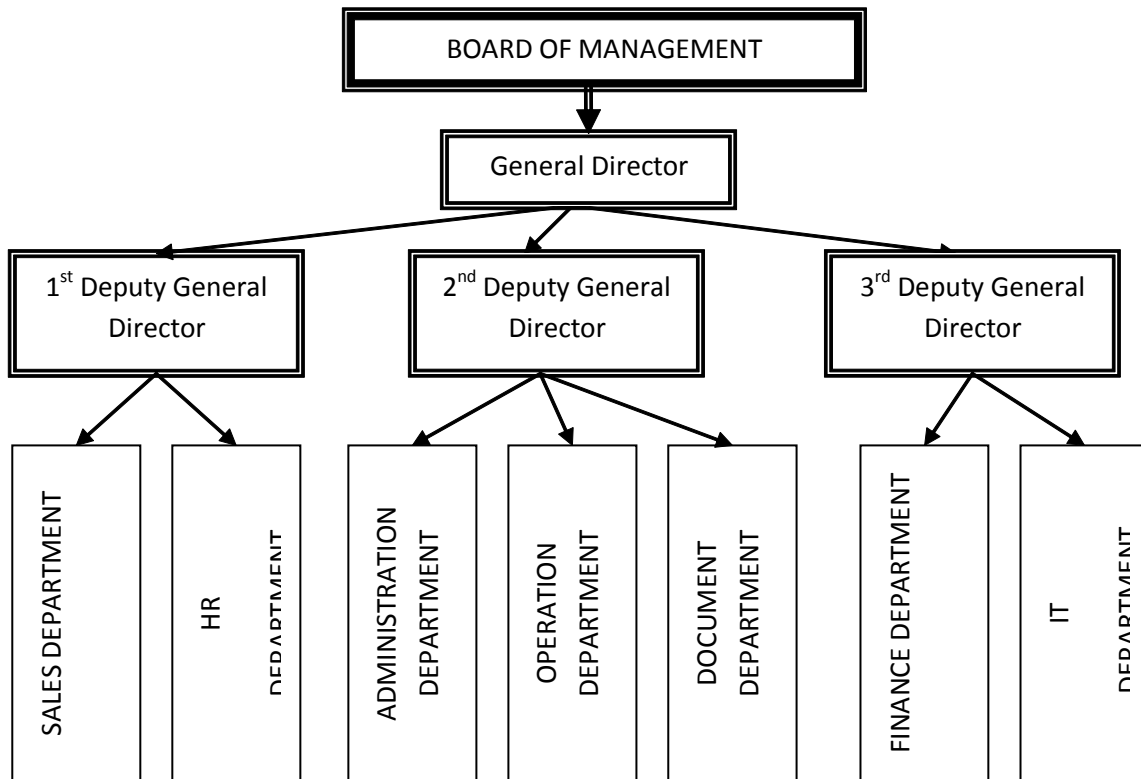
In 2005, Evergreen VN had 94 employees, and five of them (about 5%) were foreign expatriates (Taiwanese). There is a functional structure in the Evergreen VN. It is consisting of a Board of Directors and a limited corporate staff, with functional line managers in dominant organizational areas, such as Sales, Administration, Finance... This structure allows for functional specialization, thereby facilitating

active sharing of knowledge within each functional area:

The Board of Management consists of five members: three from the local partner (one holds the Chairperson in 2005) and two of the foreign partner (one holds the Vice Chairperson). The tenure is five years, and the Chairperson is rotated between the partners. No decisions of the Board of Management shall be made except by unanimous agreement of ALL the five members of this Board.

The Board of Directors consists of four members: three from the foreign partner (one is the General Director in 2005) and the local partner holds the First Deputy General Director. The tenure is also five years, and the General Director is rotated between the partners

Figure 1. Organizational chart of Evergreen VN



Source: Evergreen VN

according to the Charter. The affairs of the IJV shall be managed by the Board of Directors, in this case it has been agreed that the Board will be a 50% - 50% consensus from both parties.

Most of functional departments are in charge by the local partner's members, except Finance and Administration ones.

Three structural variables, formalization, centralization and complexity, which have been commonly used to analyze the structure of an organization, were considered. Most of the interviewees supposed that successful IJVs when compared with less successful ones would be likely to be less centralized in their approach to managing activities and relationships.

The main theme of management

in Evergreen VN is "Manage by walking around". The IJV has set up a clear division of work and responsibilities as well as decentralized administration by legal documents. The managers are given enough power to fulfill themselves, but it does not mean that they are not supervised. The Board of Directors usually "walk around", not only to control but also to handle arising problems timely. It also helps the managers feel more secure in work. In addition, thanks to this positive structural management, interface management [1], which means structuring the exchange of information and resources amongst the partners, has not been set up in the IJV. If any problem is arisen, it will be an item on the agenda of the Board of Directors or the Board of Management.

2. Criteria to assess IJV performance

Evergreen VN uses both IJV outcomes and IJV satisfaction to assess the performance (success or failure) of the IJV. The IJV outcomes are data in profit, sales growth and market share. Therefore, they are very objective. However, according to Dr. Le Vinh Truong, the First Deputy General Director, the IJV outcomes sometimes do not say anything useful for each partner because the partners may have different goals in the IJV. As a result, a subjective indicator should be needed and it is the IJV satisfaction. That is partners' satisfaction on the co-operation and partnership in the IJV as well as the performance in terms of profitability, market share, and sales growth. They are the best ways to assess the IJV performance precisely and truly.

Table 1. The Evergreen VN's performance in recent years

	2001	2002	2003	2004	2005	Accumulative	Average
Net profit (USD)	800,000	920,000	1,080,000	980,000	1,100,000	4,880,000	976,000
Market share (%)	7.00	6.40	8.00	9.00	6.90		7.46
Sales growth (USD)		450,000	500,000	580,000	610,000		535,000
(%)		8.44	8.65	5.38	5.37		6.96
Profit/Capital (%)	80.00	92.00	108.00	98.00	110.00	488.00	97.60

Source: Evergreen VN

With the good outcomes of Evergreen VN in recent years, both the partners show their satisfaction by annual spiritual and material incentives to the managers and staffs of IJVs. The partners also totally satisfy with the co-operation and partnership in the IJV. As a result, without any doubt, Dr. Truong confirmed Evergreen VN is a successful IJV. However, they will not stop. Although no specific target is given, a lot of strategies are setting up to keep and increase the financial and market success. One of them is "Cut cost and cut cost".

3. General affecting factors

Dr. Truong and some senior managers have given remarks on some main external and internal factors that affect Evergreen VN and other IJVs in Vietnam:

3.1. External factors:

- The country risk is one of the most important factors for any IJV. Riskiness of the host country refers to the likelihood that changes in the business environment will reduce the profitability of doing business there. For example, changes in the ruling party brought about by election or even civil war may result in major policy changes that lead to the expropriation of foreign firms' assets, foreign exchange control, higher tariffs,

elimination of foreign direct investment (FDI) incentives, and so on. Fortunately, foreign investors could now have a trust in Vietnam's stability due to an ongoing improvement in the economic policy risk and economic structure risk.

- National foreign policy also affects the IJVs. If Vietnam opens up the relation to any other nations in a positive manner, the influence will soon be felt. Formerly, there were not many Middle East countries committing investment in Vietnam, but when Vietnam opens all the market to these countries, in the year 2005 till now, many conglomerates coming to Vietnam as Dubai Port, Qatar Airways... The warmer relation with China is also noteworthy by bauxite projects in Tan Rai, Nhan Co.

- Vietnam became the official member of WTO from January 2007. Therefore, the FDI sector would be treated equally as other economic sectors. Wholly owned subsidiary (WOS), the favorite FDI type of foreign investors, would be licensed in almost economic areas. Therefore, it is possible to have a big change in the investment and ownership level of this IJV in coming years.

- Location of investment and

industry characteristics. As the most economically dynamic city in Vietnam, Ho Chi Minh City (HCMC) has always reported high levels of economic activity, constantly leading in terms of economic growth. The city's high economic growth makes it an important contributor to the country's GDP (20.2% in 2005). HCMC is the largest economic hub in Vietnam that has many advantages: booming economy, booming local market, rapidly developed infrastructure... so that almost key business activities are available there. Therefore, although the marine and river ports of HCMC are not large, they play a very important role in the transportation services for the whole region. Both of local and foreign investors are very interested in this field of business.

- Cultural distance is one of the most investigated factors in previous studies of entry mode choice. Yet results have not been very consistent. In Evergreen VN, the cultural distance is really an issue. Although both of Vietnam and Taiwan are eastern countries, their cultures are quite different.

3.2. Internal factors:

- Motives of each partner are the major premise for the

Table 2. Motives of partners in Evergreen VN

	Local partner	Foreign partner
Common	Spreading costs and risks; Benefits of economies of scale and advantages of size; Creation and exploitation of synergies -> learn to cooperate and cooperate to learn [2].	
Separate	Access to new technologies and customers; Access to innovative managerial practices; Encouraging entrepreneurial employees.	Defensive response to blurring industry boundaries and globalization; Pre-empting competitors; Influencing structural evolution of the industry.

formation of an IJV. An IJV is much more likely to be the result of a number of different motives, which means that expectations are complex. This is one of the main reasons explaining why it is vital for IJV management to clarify its goals.

- Investment amount and duration. The challenge for the foreign parent is to secure an ownership level that balances appropriability risks and its dependence on complementary assets. An efficient ownership level should stabilize and support the continuing existence of the venture, while an inefficient ownership level could destabilize an IJV and lead to its termination. However, managers agreed that a right decision on investment amount and duration would help investors feel secure in the venture's prosperity as well as the capital turnover rate and time. Then, the pressure on the IJV's capital will not be critical for not only the IJV but also the partners.

- Technology is one of the most important factors for the survival of IJVs. In this fierce competitive game, the marine corporations have to find out ways to upgrade the competences, maximize the capacity, and minimize cost...

- Advertising intensity is not

a concern in Evergreen VN. Because most of export from Vietnam are under FOB type (and CIF for import), almost their customers come from abroad, which are in charge by the foreign partner through their large network.

- Partnership is very important for the IJVs' survival. The partners usually try to set up a good and closed relationship, because they realize that partner alignment would be useful in any situation. Bargaining power, cooperation, trust... are its main factors.

- Control. Viewing that difference in business practices between foreign and local partners may influence the IJV performance, the partners have agreed on a control mechanism, which gives the IJV enough autonomy to make short-term adjustments to environmental changes. It has also adaptable management systems and mechanism for governance guidance and coordination. However, in reality, due to the characters of the "transnational" form and Eastern culture, the representatives usually ask the partners' advice in any situations. Therefore, the managers of Evergreen VN supposed control mechanisms play a key role in the

success of an IJV in Vietnam.

4. Control mechanisms and affecting factors

Some managers defined control as the process by which one partner influences, to varying degrees, the behavior and output of the other partner, using power, authority and a wide range of bureaucratic, cultural and informal mechanisms. The control mechanisms refer to the means by which control is exercised and they need to be examined to get a better understanding of how they can affect the performance of IJVs. Evergreen VN uses many control mechanisms depending on the characteristics and requirements of each functional departments and divisions. The level of control mechanisms are shown in Table 3.

Firstly, in Sales and IT departments, Evergreen VN uses the control mechanism, which partners can monitor results and intervene when necessary. Groot and Merchant (2000) [3] defined it as "result-control mechanism". Evergreen VN uses this control mechanism at the high level and confirms its necessity in the success of an IJV. The interviewees also suggested some factors positively affecting

Table 3. Evaluation of interviewees on control mechanisms and affecting factors

FACTORS		Low	Medium	High
1.	Action-control mechanism		√ X	
1.1.	Interdependency			√ X
1.2.	Bargaining power			√ X
1.3.	Cultural differences			√ X
1.4.	Conflict resolution techniques			√ X
2.	Result-control mechanism			√ X
2.1.	Commitment			√ X
2.2.	Trust		√	X
2.3.	Communication		√	X
3.	Personnel- control mechanism (HRM)		√	X
4.	Relationship- control mechanism		√	X
4.1.	Trust/Commitment		√	X
4.2.	Information sharing		√	X
4.3.	Interactive skills		√	X

Notes:

√: The current level of control mechanisms and affecting factors in Evergreen VN assessed by interviewees.

X: The importance of control mechanisms and affecting factors on the IJVs' success perceived by interviewees.

the effectiveness of this result-control mechanism: commitment, trust, communication.

Almost opinions were given that the level of commitment between partners, which is generally defined as an implicit pledge of relational continuity between exchange partners with partners showing their commitment through their willingness to adopt a long-term perspective to the relationship, should be high in this control

mechanism. The reason is they know that the IJV is successful only when there are partner's commitment to IJV goals and objectives, a commitment to make an effort for alliances and a commitment to stay in a relationship. The partners have teamed up by all of their intelligence, capital, and strength to set up and develop the IJV to lead to the attainment of parent firms' motives. The partners always try to study each other's

motives and behavior carefully in order to get the highest level of commitment.

Commitment is expressed in appropriate actions that distinguish commitment from trust, which is simply an attitude of expectation. In Evergreen VN, commitment is at the high level because the partners' contribution of special resources is the most important sign of commitment in this IJV. The contributions made by both sides are much more significant for the development and preservation of commitment. There are some signs of commitment in Evergreen VN:

(1) Partner companies move their best employees into the IJV;

(2) Partners contribute special resources to the IJV.

Interpersonal behavior and, in the case of this IJV, intercompany behavior are based on a continuous process of give and take, in which neither side wishes to bear more of the cost than the other and each side wishes to profit from the situation as much as possible. In a word, we can say that the development of commitment can be directly influenced by perceived economic benefit. The level of commitment, which is believed to exist, is essentially a matter of subjective perception. If, for example, the contribution of a partner company is no longer seen as adequate, tensions arise which might be tackled in a variety of ways.

In order to study more about the level of commitment, discussions were raised about the IJV's longevity and premature

termination. The premature termination of an IJV may be precipitated by the actions of one partner. For example, when one firm is trying to learn from its partner in order to reduce its dependency, the partner that is doing the learning may have very different longevity objectives than the partner that is providing the knowledge. Thus, if at least one of the partners anticipates a long-term relationship, premature termination of the venture would constitute instability. However, it is important to emphasize that IJV longevity does not equate with IJV success. Many firms view IJVs as intentionally temporary and recognize that their ventures will not last indefinitely. In fact, an IJV that is prematurely terminated also may be evaluated as successful, depending on the criteria used to evaluate its performance. In Evergreen VN, although the possibility of premature termination is high [4], it is not evaluated as unsuccessful because both of the partners already have had specific plans for the termination. Moreover, the success of an IJV depends on many criteria, especially the partners' objectives.

In another aspect, almost interviewees thought that the level of trust between partners should be high in this control mechanism although it is not high now. For some time now, trust has been regarded as an extremely significant sector in organizations in general and in IJV in particular. Trust stabilizes the relationships between organizations, reduces the need for complex contractual agreements, permits open

exchange of information and reduces transaction costs. In short, trust supports the formation, coordination, handling and, not least, the success of IJVs. There is no exception in Evergreen VN. All of the Evergreen VN managers think that the level of trust between partners should be high in successful IJVs. The main reason is that only trust can solve any problem effectively: "Partner trusted to show loyalty"; "Partner makes effort to keep commitments"; "Relationship marked by a high degree of harmony"; "We do not take advantage of each other"; "We share work related problems"; "Close personal ties between us"...

Trust is built at two levels in this IJV: first, as personal trust between IJV managers; second, as institutional or systemic trust between the partner companies. Out of the possible sources of personal trust, three are especially relevant here: personal qualities (attitudes, reliability, values, competence and fairness), situational factors (reinforcement, opportunities for sanctioning and controlling, duration, dependencies) and the pattern of interactions between the partners (the processes of perception, attribution and self-revelation). Trust increases in proportion to integrity, in the sense of recognizable honesty and open discussion of ideas.

This creates special challenges, because trust usually depends on the managers working in the IJV rather than on the links between the partner companies. Furthermore, managers' ratings

of existing levels of trust tend to be higher than ratings made by other employees. This suggests a possible difference between upward-directed trust and downward-directed trust. Downward-directed trust may be greater because the managers have had a hand in choosing their subordinates and the power of their positions makes them less sensitive about trust, it is probably more difficult to develop trust from a weaker position than from a stronger one, particularly when the power of stronger positions is protected by formal hierarchies. It is therefore more important that management should try to ensure continuity of tenure of key positions.

However, a Taiwanese manager said that trust mainly depends on the macroeconomics policies of Vietnam. If the policies are usually changed (which are worse for the foreign investors), they will have no more trust on the Vietnamese government as well as the Vietnamese partner.

The interviewees supposed that communication between partners should be high in this control mechanism for successful IJVs. Communication is important for securing mutual advantages. The more open the communication, the higher will be the level of commitment. To guarantee commitment, communication must perform four functions: guidance (instruction and feedback), information function (reduction of uncertainty), socialization function (communicating a "we-feeling") and the coordination function (harmonization, clarification of

dependencies). However, the level of communication is not high in this IJV. They need more friendliness and openness.

The interviewees in Evergreen VN agreed that the three aspects of communication behavior (the quality of information, the level of information sharing and the level of participation in planning and goal setting) between partners should be noted. Information quality is perceived as a key aspect of transmitting information and includes such aspects as the accuracy, timeliness, adequacy and credibility of information exchanged. Effective information sharing increases information value for people in the organization is associated with trusting and committed relationships and reduces the potential for conflict within collaborative relationships. Participation in planning and goal setting has been also found to be key predictor of success in IJVs because when one partner's actions influence the ability of the other to compete, the need for participation becomes necessary to define roles and responsibilities.

Furthermore, an awareness of communication processes is essential if maximum efforts are to be coordinated and directed towards the IJV success. In Evergreen VN, there were initial consensus in processes so that the cooperation could be easier. Effective collaboration requires connections at three levels across organizations, represented by continuing contact among:

(1) Top management to develop broad goals and monitor

progress;

(2) Middle managers to develop plans for joint activities;

(3) Operational personnel, who carry out the day-to-day work of the alliance.

The second control mechanism is action-control mechanism, which "partners can take steps to ensure, through legal, physical, or administrative means, that certain desirable actions are taken or undesirable actions not taken" (Groot and Merchant, 2000). It is used in some functional departments such as Finance, Administration, Operation, and Document. Evergreen VN used it at the medium level and confirmed its medium level of necessity in the success of an IJV. This mechanism requires adherence to pre-specified, defined, planned actions, policies, and procedures. They also suggested factors directly affecting the effectiveness of this mechanism: interdependency, bargaining power, cultural differences, and conflict resolution techniques.

The interviewees supposed that high level of interdependency between partners would be helpful for action-control mechanism because interest and duty are always associated. If one partner wants to get more interest, they have to contribute more to the IJV, and, of course, it depends on the other partner's interest and duty. Therefore, in the Evergreen VN, interdependency is high because the partners usually pay attention to the others' interest and duty before any strategy, particularly in the first stage when both of the partners had the same level of

bargaining power.

As mentioned above, both of local and foreign investors are very interested in this field of business. This industry has numerous players and thus is intensely competitive. However, the ability of a firm to provide differentiated products through its own brand name represents a key ownership advantage. Hence, despite the risk of fierce competition, the opportunity for a well-known trademark like Evergreen is still very big in this enormous market. Moreover, to survive in the first phase in this emerging market, the IJV has exploited and combined all of the partners' advantages so that the cooperation could be stable and developed for a long time.

Within the literature, interdependency is defined as the degree of replace ability and dependency of each company on its partner in terms of both investment and resources. In Evergreen VN, they are marketing capabilities, market information, customer service, human resource, management skills, administrative and financial support. Multinational corporations only set up IJVs if they find interdependency with potential partners because if they have enough resources and advantages, a WOS would be preferable. Therefore, complementary competencies are very important for any IJV. In Evergreen VN, the local partner has a good relationship with the local government and agents while relationship with foreign clients is a competency of foreign partner.



A manager said that the partner who has the complementary skills or the resources needed to perform particular value-creation activities of the IJV should control those activities in the IJV. The others agreed, but some believed that it depends on many objectives of both partners as well as the IJV. In Evergreen VN, for example, although the foreign partner seems to be “stronger”, the interdependency is very high due to the everlasting development of technology and relationships. The control is always based on the theme “Manage by walking around”.

At a general level, bargaining power in IJVs is based on the relative urgency of cooperation, available resources, commitments, other alternatives, and the strengths and weaknesses of each partner; in other words,

the relative bargaining power of IJV partners is determined primarily by what each partner brings to the venture. Besides, some managers supposed that the bargaining power also depends on the skills of the partners’ representatives. Another issue is that, although the probability of the IJV buyout is high, it does not relate to the bargaining power in this IJV.

In another respect, with higher advantages and knowledge (technology, experience, client, capital capability...), the foreign partner seems to have a stronger bargaining power although they now have a less share. There is also no serious problem in the cooperation, but its riskiness is high due to the cultural distance. Another opinion is the partners’ need to control the IJV and interfere in its decisions increases

with:

- (1) The IJV’s strategic significance for the partners;
- (2) The value and quantity of the shared resources;
- (3) The degree of transfer between the partners and the IJV.

Another discussion was raised on the viewpoint that if the parent firms still see value in the division of labor based on the competence of the respective partners, the IJV will continue and may flourish over time. On the other hand, if at least one partner thinks it has learned enough about the skill it was lacking at the outset of the IJV, the IJV will likely cease to exist. Most of the interviewees agreed that if there is the only objective of the partners.

One more point is that, in an international environment with many differences in culture,



there must also be many issues in the action-control mechanism. As mentioned above, the cultural differences is the main barrier to communication in Evergreen. Some eastern culture, including Taiwanese and Vietnamese, could be seen as “nepotism” [5] so that cultural differences is high here and interviewees assessed it at a high level of necessity in the success of an IJV. There are often some conflicts between the teams representing the partners. They are all politeness and reason, but the Taiwanese always want and try to make a large distance between different working classes. Especially, the Vietnamese is very sentimental, not only in daily relationship but also in work, while the Taiwanese is more serious. For example, when being invited to a party, a Vietnamese can refuse due to any legitimate reasons, but the Taiwanese host would think he is arrogant and not sincere. As a result, they need more friendliness and openness. Managers and employees of both partners usually have to

learn the other culture and self-adjust to have an appropriate behavior. Another resolution is effective communication by the large quantity as well as quality of information exchange between partners. Only effective communication on the first level (top management) could keep this IJV exists and succeeds.

In another perspective, many interviewees did not think that this control mechanism would have less conflict between partners in successful IJVs because conflict cannot be avoidable in any organization, even in a family. The more important issue is conflict resolution techniques.

Conflict can take the form of cognitive differences in ideas or opinions, or it can include more affective components, such as tension, frustration, and annoyance. Some reasons for conflicts in Evergreen VN were cultural differences, management style and operational procedures. They supposed that the conflict resolution techniques are more important and should be at a high level. Therefore, it is not

necessary for partners to try their best to get the lowest level of conflict.

A popular type of conflict existing in Evergreen VN is procedural conflict, which is rooted in disagreements over how such decisions are reached and executed. It is inherently linked to issues surrounding the distribution of control and responsibility in a cooperative relationship. To overcome it, the IJV has set up a clear division of work and responsibilities as well as decentralized administration, which is each level having its proper responsibility.

Evergreen VN always tries to recognize the potential for conflict and use problem solving techniques to try to avoid conflict arising. Conflict should be seen as constructive and beneficial through having mutual objectives, constant feedback, a balance of power and systematic resolution of conflicts. Joint problem solving allows a mutually satisfactory solution to be reached, thereby enhancing alliance success. The problem

solving process in Evergreen VN is using some techniques such as learning about the reasons carefully, solving based on the sense of cooperation, openness and long-term benefit of both partners.

Another discussion was raised when one said that even efforts by each IJV partner to resolve conflicts might become the most serious sources of conflict because each side typically attempts to resolve them by using methods that have proven successful in their own country. Understanding the ways in which people from different cultures approach resolving conflict is, therefore, of great importance. It is said that people from individualistic cultures would prefer a distribution dimension (obliging and forcing), while people from collectivist cultures would favor an integrating dimension (avoiding and problem solving). In the globalization era nowadays, there seems not to have a clear division between individualistic and collectivist cultures anymore. One from this culture can behave in the others' style because he studies, works and even lives there. Hence, the most important factor is not the individualistic or collectivist cultures, it is the personality of specific ones.

Thirdly is the personnel-control mechanism. Although Evergreen VN used it at a medium level, all interviewees suggested that IJVs should apply this mechanism at the highest level in every division. This mechanism is "partners can take steps to ensure either that

the IJV personnel are willing and able to perform well or that the IJV's culture leads them to perform well, such as through socialization and peer control" (Groot and Merchant, 2000). This mechanism includes selecting partners, recruitment, training, and leadership so that human resources management (HRM) is the main factor positively affecting its effectiveness.

This is a very sensitive issue so that we agreed with the method suggested by interviewees, which was generalizing a conclusion for IJVs from a set of facts.

Bad HRM is blamed to be the most critical reason of failure in many IJVs in Vietnam. The managers who have good basic business skills are one of the most important factors for the success of an IJV. For a long time, many local partners, especially state-owned enterprises, did not pay much attention in moving their best employees into the IJV, while foreign partners always do it. Therefore, many local partners' representatives usually did not have ability to work. Most of them are old and not skilled. Almost no one was basically trained in IJV knowledge, English, international culture, and behaviors that are the basic requirements to work in an international environment. They were assigned as compensation from the local partner for the previous contribution and loyalty so that they often had inappropriate thoughts and behaviors that negatively affected to the IJV (and the local partners, too). As a result, the young and dynamic managers

from the foreign partners did not accept such a burden in the IJV's operation. Conflict started.

The weaknesses in HRM also created good conditions for negatives in IJV that led to failure. Many foreign partners over-priced the technology, know-how, or equipments they contributed to the IJV. Therefore, they could soon get the higher profit by depreciation in spite of the poor performance of the IJV. There were also too many different types of price applied in an IJV that were fixed by foreign partners or foreign partners' parent companies. Low capability and too many difficulties in communication with foreign partners, local partners could not control the real cost and profit of the IJV which would loss, but foreign partners or foreign partners' parent companies got big profit. Thus, the IJV could not be survived for a long time.

Effective leadership was also a reason for the failure of an IJV. The General Director who was also the foreign partner and in charge of the joint venture's output was present in the joint venture only two months a year. He had so many investments that he cannot care all of them. Besides, the Vietnamese partner did not specialize in this field of business. Too many difficulties occurred and failure was, of course, obviously. Wrong strategy, wrong technology, wrong management... lead to wrong investment.

Meanwhile, some other representatives were resigned to their fates so that they always followed what the foreign partners

did despite they were harmful to the IJV and the local partners; on the other hand, some always showed their non-cooperation to the foreign partners. For a long time, the staffs were not aware of their roles; they were in a jumble mission whether they should serve for the IJV or the parent firm. As a result, they were in doubt by both the local and foreign partner. In other words, there were no trusts.

Another gap in HRM of failed IJVs was the lack of legal procedure. There was no official system (such as the collective labor agreement, the intramural regulations, the job description, and the payroll). Many Boards of Directors had to be changed many times in a short period while middle managers and senior staffs were fired unreasonable. The role of the Labor Union that is regulated according to the law in force was not paid attention. Hence, complaints and denouncements were unavoidable. For a long time, the labor disputes were one of the main reasons for the ineffectiveness in the IJVs' performance because lawsuits are always costly and time-consuming.

Therefore, good HRM means good selection. Partners should know each other thoroughly to co-operate well and solve any conflict in win-win thinking. We have to choose right partner from the negotiation phase (before setting up an IJV). Partners must have real ability and unanimous agreement in main points of view: main strategies and policies, parent control structure, transfer

of technology, fields of business and incentives, communication, and conflict resolution. Then, the positive co-operation, the openness, the straightforward attitude, selflessness, (limited) concessions within the partners, and building a win-win working environment in order to get the common goals of alliance are required in any IJV. Partners should also have inquiring mind that is learning each other's competencies and experience. It does not mean that they would have intent to get the buyout after learning everything. The main aim is to form and maintain a close relationship between partners so that they can sympathize and assist together.

HRM also means selecting staffs. Those who are selected working for IJVs must be honest and trustable. Not only the top managers who master in the field of business, but the skilled and mature staff also contribute to the IJV's success. Only skilled and mature staff can implement perfectly excellent business strategies. Besides, staff should be continuously self-taught and trained to upgrade the specialized ability, update changes of the dynamic economic globalization as well as adapt the increasing need of the IJV. They must be good at foreign languages (not only English but also others) to get effective communication; must be professional in work; must have large experience to prevent errors and solve any problems timely. These will help HRM managers easily complete missions and help local partners increase position and prestige in IJVs.

Meanwhile, the control

mechanism must have clear and detailed division of work and responsibilities by clear regulation, procedures, and directions to avoid any overlap as well as power and influence struggle. The ISO 9001:2000 management system, and decentralized administrations are effective tools to do it. Good control in quality, products, distribution network and cost as well as choosing workers and staffs properly are highly required.

Good HRM should clearly define the control and supervision mechanisms in IJV activities as soon as possible. Good HRM also means putting right person in right position. Therefore, the IJV must have a proper policy on labor training and management. There must be clear, consistent and standard regulations concerning rewards and punishment as well as other labor policy. Especially, the fair reward and fair punishment mechanism is required to guarantee the staff's devotement for the IJV's development. The better work environment and material as well as spiritual life the staffs have, the better the work discipline is. At that time, the big weaknesses of the Vietnamese labor force (low productivity, unprofessional work awareness, and bad work discipline) will be no longer a problem to employers and investors. To successfully implement it, the local Labor Union should have a real strong voice and be respected by top managers.

The interviewees also suggested that Evergreen VN should employ positive control mechanisms such as staffing, participation in planning process and reporting relationships to exercise control



rather than enforce negative control mechanisms such as power of veto and Board of Directors. They thought that successful IJVs when compared with less successful ones use positive control mechanisms as opposed to negative control mechanisms to monitor alliance activities because they supposed that the power of title is only temporary. However, it would be a long-term mission when the power of the Board of Directors still plays a key role in this IJV.

Last but not least is relationship-control mechanism. With the same sensitive reason as the personnel-control mechanism analysis, interviewees only gave some general information that may exist in Evergreen VN. In order to study thoroughly this mechanism, we should know some reasons for multinational and transnational companies setting up IJVs in Vietnam. They are:

- (1) Getting management experience;
- (2) Getting relationship to lobby or bribe;
- (3) Getting the partner's share to lower cost in entering the Vietnam market and building their own brands without concerning to the IJV performance, then increasing

the investment amount, putting the local partner have gone too far to draw back now. Most of the Vietnamese partners could not have enough capital to follow and they are forced to decrease the share percentage, which also means decreasing their bargaining power and real position in the IJV control mechanism.

Another point is the cost burden of using expatriate staff in Vietnam. Accommodation, car, entertainment, etc... Moreover, one issue that is more important is the psychological conflict with the Vietnamese managers who are in the higher position and ability but lower cost.

Therefore, most local partners are disillusioned of being successful by the fame of "big" foreign partner. They lost all money or a lot of money before IJV being successful. The interviewees suggested that partners must know each other thoroughly and deeply to create the position in the control mechanism and avoid being recuperated. In some IJVs, the position of the local partner is weaker due to some conflicts of their top managers so that the IJV succeed because of the foreign partner's strengths. As a result, it is difficult to extend this

IJV's after its time limit.

The IJV must have mutual willingness through each stage, which is shown by the thorough plan quarterly and yearly. They are afraid of changing personnel in the control mechanism will lead a change in business mission. Representatives of partners in IJVs have limited tenure so that they would not have a strong attachment to the IJV wholeheartedly same as their own business. When personnel in the control mechanism have changes, excluding problems from the leaving manager, there are two main issues. Firstly, the staying staff might be psychological hurt: sad, disappointed, anxious... Secondly, the new manager could be on a three-way crossroads: continuing the existing way that might be not good or starting a new way that might be opposed.

These problems could be only overcome if the relationship-control mechanism is applied well. In Evergreen, for example, the new top managers changed the IJV direction and strategy. As a result, the IJV performance dropped down for a long time until the relationship-control mechanism was paid much attention. In IJVs having a long time limit (more than

30 years), the goals are oriented into phases. Each has an advisory board that exists from this tenure to other tenure to make sure the IJV always goes in a right direction and maintains the willingness. This board is used as a component of relationship-control mechanism.

Relationship-control mechanism in Evergreen VN is described as a process in which people are centered in compliance with IJV wish. It relates to counterparts such as government, stakeholders, provision of customer service, supplier, lawyer, consultant, internal staff, etc... It works as *guānxi* in Chinese business with the aim to use IJV strengths to exploit opportunities and overcome threats. Although Evergreen VN used it at a medium level, all interviewees suggested that IJVs should apply this mechanism at the high level.

In some IJVs, the local partner uses their existing relationships to find support from the government through appropriate regulations and policies to implement and develop everlasting projects in the IJV; meanwhile, the foreign partner uses the humanistic mission to convince the government, stakeholders, and customers about their projects' socio-economic efficiency. In many IJVs, some top managers are relatives of senior government leaders so that they can take advantages not only for the IJV but also for themselves.

There are some factors that strongly affect this control mechanism: trust/commitment, information sharing, interactive skills.

Firstly is trust/commitment. As we studied in the result-control mechanism, although almost

interviewees perceived the high-level importance of trust and commitment in IJV success, some people still have doubts in their existence in IJVs; therefore, they assess its role medium in Evergreen VN. In many IJVs, foreign partners usually put the lobbying, which may be supposed as illegal, to the Vietnamese to avoid legal responsibility. No evidence, nothing can be said. Besides, the local partner sometimes abuse too much to get personal interest, and it is easy to have dispute between the partners. It is one of the reasons leading the control mechanism to failure due to confusion and mistrust.

In Evergreen, the “*guānxi*” of the local partner made the setting up really produce a stir in its business field because there was no precedence for such an IJV. Evergreen, thus, was in top companies in this field. However, the changes in top managers make troubles. There were two different ways of lobbying. The foreign partner wants the government soon has approval for the official transfer to WOS type according to the rules of WTO integration route (before 2012). Meanwhile, the local partner struggled for keeping the right of using land- a “gold-mine” in Vietnam. Moreover, a series of problems will happen if an IJV changes its type: financial division, customer relationships, labor policy... As a result, commitment and trust as well as the relationship were broken because no one knows whether the counterpart would do any harmful action. The relationship-control mechanism needs a high singleness of mind. In this lasting worldwide economic

crisis, there may be a trend of maintaining the IJV, not transfer to WOS. Then, the relationship-control mechanism would be paid much attention to develop the IJV.

The information sharing, a key part of building the relationship, in this era of information boom plays a key role. It is usually a good idea to arrange regular, face-to-face meetings for all the key people involved in the IJV. It helps the relationship-control mechanism keep up with any changes in action and thought of their counterparts to have timely decisions.

One important way to have information for sharing comes from sociology, which studies socio psychology and trends of the society that their counterparts exist. Although its role is not high in Evergreen VN, it is shown that sharing information openly, particularly on financial matters, also helps avoid partners becoming suspicious of each other. The more trust there is, the better the chances that your relationship will work. The endeavor to bridge the cultural distance is the clearest example. Some other tips are equality of co-operation (win-win vision), high level of honesty (clear action), teamwork with partner, exchange of ideas with partner, integration and interaction between partners, keep partner informed about important decisions, co-ordinate closely to solve any problem.

Finally yet importantly are interactive skills that include both knowledge and experience. Knowledge includes technology application (IT, automation...). Like the other factors in this control mechanism, the interviewees perceived its high importance in

successful IJV while it is not high now in Evergreen VN. In this fierce competitive game, the marine corporations have to find out ways to upgrade the competences, maximize the capacity, minimize cost..., and one of the best ways is to build big ships, which is over 12,000 TEUs (TEU: twenty-foot equivalent unit). Therefore, R&D is compulsory and unavoidable. In not only technology, but Evergreen VN has also to do R&D in other related fields such as: Vietnamese customer behaviors (import habits), international macroeconomics policies affecting Vietnam... The R&D budget is about 30% of Evergreen VN's budget each year.

In many IJVs, thanks to technology application, the cost was reduced more than 10% each year. However, its efficiency will reduce the IJV's workforce. It must be an important problem. Relationship-control mechanism will help the managers keep working spirit in the IJV at the high level and settle any labour dispute. In another aspect, political, economic, and social relationships need experts to identify, establish, maintain, and develop by experience only.

5. Conclusion

Although there were some problems in the first phase, everything is stable now due to the application of many control mechanism at the same time depending on the functions and tasks of each department. Moreover, the personnel-control mechanism and the relationship-control mechanism should be highly noticed. Partners and managers should also examine affecting factors carefully. They are decisive to the success of Evergreen VN.

Some general experience for the success of an IJV in Vietnam were suggested by interviewees: Positive cooperation, Openness, Straightforward attitude, Clear division of work and responsibilities, Decentralized administration, Paying attention to the local macroeconomics and world economy, Applying advanced technology, Building a win-win working environment, Eliminating the cultural distance, Respecting the local staff and labor union.

Vietnam is an emerging market with both opportunities and threats for foreign and local investors. It will be useful and helpful for not only investors but also for the local government to enjoy successful joint efforts. This case study will help managers/partners who are building successful IJVs in Vietnam improve the performance of the IJVs in Vietnam. The important by-product of an IJV, which is of primary concern for the local government, is the development of Vietnam's economy and the promotion of a successful populace ●

ENDNOTES

[1]. For example, interfaces at the strategic level are often committees consisting of members of both partners. The usual purpose of an interface committee is to smooth out inter-company conflicts. At the operational level, some methods include creating teams of members of the partners and the IJV, building up relationships between functional areas and creating functional committees.

[2]. First, they can learn to cooperate, that is they learn about the characteristics of the cooperation process, the problems involved and how to deal with them. They can also cooperate to learn, that is they may gain specific knowledge, which can

only be gained through cooperation.

[3]. Groot, T.L.C.M., & Merchant, K.A. (2000). Control of international joint ventures. *Accounting, Organizations and Society*, 25, 579- 607.

[4]. The WTO engagement of Vietnam will make WOS, the favorite FDI type for multinational and transnational corporation, more popular.

[5]. Undue attachment to relations; favoritism shown to members of one's family; bestowal of patronage in consideration of relationship, rather than of merit or of legal claim.

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