"ORGANIZATIONAL LEARNING IN EAST-WEST JOINT VENTURES: THE ROLE OF HRM"

by

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Organizational Learning in East-West Joint Ventures: The Role of HRM

The purpose of this research was to explore how human resource management policies and practices contribute to organizational learning in joint ventures between Western European companies and Central/Eastern European companies. Our discussion is based on extensive interviews and field observation, as well as survey data, at multiple levels of the organization in three joint ventures (JVs) between Western European and Central/Eastern European companies (French-Polish, German-Czech, and Swedish-Hungarian).

These cases provide the opportunity to consider the conditions felt necessary for learning to take place in joint ventures, particularly across the East/West divide. Human resource management (HRM) was found to play an important role in organizational learning in the following ways: 1) in promoting the sharing of responsibility between local and foreign managers; 2) in contributing to the development of new attitudes and behaviors through training and reward systems; and 3) in helping to create a new corporate culture and value system.

The capacity to learn and adapt is crucial to all organisms. In the case of organizations, learning involves the constant improvement of both individual and collective competencies to meet internal and external environmental demands. According to Watkins and Marsick (1993: 8-9):

- Learning results in changes in knowledge, beliefs, and behaviors.
- Learning takes place in individuals, teams, the organization, and even the communities with which the organization interacts.
- Learning is a continuous, strategically used process integrated with, and running parallel to, work.
- Learning also enhances organizational capacity for innovation and growth.
- The learning organization is one that learns continuously and transforms itself.
- The learning organization has embedded systems to capture and share learning.

In addition, managers in learning organizations need to be open, to be willing to suspend their need for control, and to demonstrate cultural awareness and "humility" - respecting the values and customs of others. "Cultural-functional narrowness and/or ethnocentricity results in an educated incapacity that reduces the ability of organizations and managers to learn." (McGill, Slocum and Lei 1991: 11). Learning is also fostered by flexibility and a willingness to take risks and make mistakes. In strategic alliances such as joint ventures, given different cultures -- both national and corporate, different priorities, and the need for innovation, "organizational learning becomes a threshold condition for alliance success" (Parkhe, 1991).

HRM and Learning

The development of HRM policies and practices in joint ventures provides a particularly fertile site to study the conditions necessary for learning. According to Pucik (1988), "The transformation of the HR system to support the process of organizational learning is the key strategic task facing the HR function in firms engaged in international cooperative ventures". As such, learning is thought to be enhanced under the following conditions:

- high priority is given to learning activities
- strategy is effectively communicated
- long-term planning
- two-way transfer of knowledge and skills
- incentive for the transfer of "know-how"
- focus on obtaining and retaining high quality staff
- reward and performance appraisal that focuses on long-term goals, learning activities, and global strategies
- career structure is conducive to learning
- training is provided in cross-cultural competencies
- HR function has knowledge of the partners' strategies
- early involvement by the HR function.

Pucik (1992:71) further argued that, "Global organizational learning is driven by teamwork across boundaries, acceptance of risk, and the willingness to invest in new initiatives". This learning can be accelerated by common language, the creation of a common strategic vision, a willingness to share information, mutual trust, and the opportunity to observe innovative behavior. By "tapping into the potential of local managers" and delegating responsibility, there is a greater involvement and commitment by employees as well as greater opportunities for learning.

HRM and Learning: The Central/Eastern Europe Context

There is great potential for organizational learning in East/West European joint ventures. Western partners with a vision to enter the Central/Eastern Europe market and desiring access to a well-educated, less expensive workforce are ready to invest capital and equipment and to transfer technology and managerial "know-how". In turn, local employees are eager to learn new skills, to demonstrate their competence, and to reach a standard of living similar to that of their western counterparts. However, despite strong motivation on both sides, learning new ways of thinking and doing can run into difficulties.

These difficulties have been described by several sets of researchers investigating joint ventures in Hungary. Csath (1990, 1992), for one, has noted that problems arose when the foreign

partner failed to appreciate and accept local knowledge, and to learn about cultural differences. Overstaffing with foreign managers, in some cases, implicitly signalled a lack of trust in local managers. Furthermore, learning and change were hindered when poor communication prevented employees from understanding the company mission, when decisions were not delegated to the business level, and when open criticism was not tolerated.

Pearce (1991) found that local (Hungarian) managers were overdependent on foreign managers and tended to avoid responsibility. In the past, ambiguity in accountability was widespread and led to distrust and miscommunication. Furthermore, employees did not see the link between performance and salaries. Under the old system, Hungarian managers and employees had a large percentage of pay "at risk" and a yearly bonus could range from 0 to 200% of base salary. Because incentive bonuses were often decided (unreliably) by the immediate supervisors, the reward system failed to provide employees with incentives for performance, let alone learning. Also, as promotions were based on "personal (or party) connections", employees were likely to distrust and resent management. Thus the perception of "unfair" rewards (e.g. promotions) interfered with mutual goal sharing and problem solving. As the criteria for rewards were never clear, this led to learned helplessness, anxiety, negativity, and low self-efficacy. These systems were described as "person based" rather than "performance based" (Pearce, Branyiczki, and Bakacsi, 1994).

In another study of joint ventures in Hungary, Child, Markoczy and Cheung (1992) found that although local managers were involved at the operational level, the degree of participation was limited. Subsequently, attempts were made to decentralize operational decision making within a clearer framework of accountability, further supported by training programs. Salaries in these joint ventures were above the local average in order to create an incentive to accept change, to hire quality people, and to discourage employees from "moonlighting" (taking on second and third jobs) which in the past had been necessary for survival. Nonfinancial incentives, used by about half the companies, were viewed as positive by employees and as signs that the company cared for them. Thus establishing a balance of power and creating cultural compatibility among partners was seen as necessary for success.

Organizational learning in this context requires learning the new as well as "unlearning" the old ways. For this to happen, several conditions appear necessary. First, there is a need to demonstrate the links between goals, effort, performance, and reward (in line with goal setting and expectancy theories) and to promote perceptions of fairness (procedural justice), in order to develop a sense of efficacy for the individuals as well as the organization.

Second, an attitude of mutuality in problem solving and responsibility must be developed in managers and employees. This requires communication and information regarding company policies and strategies, participation in formulating objectives, setting clear goals, and providing the knowledge to perform task roles through training. Only then can accountability be assigned and responsibility accepted.

Third, managers must be encouraged to take initiative, take risks, and make mistakes. These behaviors run counter to the previous norm. Self confidence and self efficacy must be reestablished without problems created by "overconfidence" as in the case of Russian managers decribed by Puffer (1994). And finally, opportunities must be created for vicarious learning through observing innovation and by creating winners.

Thus the role of HRM is crucial in fostering learning at the individual as well as organizational level. With this in mind, three joint ventures were chosen in which to survey the perceptions and reactions of employees. Both foreign and local were both interviewed and surveyed related to the *modus operandi* of current operations as reflections of the conditions necessary for learning to occur, and as a way to explore the role of HRM in creating those conditions.

We take as evidence of organizational learning the success of each operation. For example, in the French-Polish JV the improvements during the first year were clearly measurable. Absenteeism was reduced to less than 4.5 percent. Quality had reached Western levels; with a rejection rate of less than one percent, down from 33 percent a year earlier. In November 1992 one team from the JV won the coveted "Quality Leadership Award" for the best European quality team. In addition, five different products were introduced in 1 1/2 years, an unusual feat considering two is the usual number of products initiated annually. Further, the company's high technology production units became as successful as in other foreign parent's operations. One high-tech component was made nowhere else in the foreign parent organization.

In the German-Czech JV, productivity had increased 40% since the start-up of the venture. In fact, when the German partner subsequently ran into financial difficulty and was unable to infuse more capital as had been planned, the success of the JV made it possible to continue without it. In the Swedish-Hungarian JV, productivity had also shown significant improvement, and financial results were ahead of budget. In all the ventures, employees indicated that they were learning new skills through extensive training programs, transfers, and working along side of their foreign counterparts.

Methodology

Three joint ventures between French-Polish (FR/PL), German-Czech (GR/CZ), and Swedish-Hungarian (SW/HG) companies were the sites of the investigation. All joint ventures had begun in 1991 and the study was conducted approximately 1 1/2 years after start up (December 1992 - February 1993). All JVs are in the manufacturing sector but differ in size of operation (# of employees - FR/PL: 3,100; GR/CZ: 17,000; and SW/HG: 260). The joint ventures in Poland and the Czech Republic had previously been government owned and operated, while the Hungarian JV was a start up operation with a private partner. All joint ventures were in manufacturing (consumer electronics, automotive, telecommunications equipment).

Data was obtained from extensive interviews with senior managers and other employees, coupled with survey questionnaires and participant observation. Approximately twenty semi-structured interviews were conducted in each joint venture with employees drawn from multiple levels: members of the senior management group; HRM managers and staff; selected middle level managers; union representatives; and production workers. Interviews lasted from between 45 minutes and two hours. A translator was used when necessary. Interviews were tape recorded if given permission.

The interview questions included strategic issues (such as ownership and control, the perceived

reasons for and expectations of the joint venture by each partner, how responsibilitity was shared), cultural issues (such as differences in values, attitudes and behavior between local and foreign employees), as well as HRM-related topics (such as staffing and selection, communication, training, appraisal and reward systems) (see Appendix A).

A 37 item questionnaire was developed. The summary of content items appears in Table 1. The items reflect the interview questions and address perceptions of strategy, responsibility, communication, HRM practices, and culture. The questionnaire was translated into each language and then translated back to English by different bilinguals. In addition, each version of the questionnaire was piloted to determine if the items were clear and the format for responding was understandable. Responses were indicated on a 5-point Likert scale.

The questionnaires were distributed to a stratified, random sample of employees in each joint venture. The number of questionnaires distributed varied depending on the size of the JV. Three hundred questionnaires were distributed in the French-Polish JV (284 returned - 95% response rate) and German-Czech JV (189 returned - 63% response rate). In the Swedish-Hungarian JV, 150 questionnaires were distributed and 120 were returned (80% response rate). Questionnaires were analyzed comparing means and standard deviations between countries. Results were also compared by level within the company.

A wide variety of company documents were also obtained (e.g. annual reports, organizational charts, company newsletters, brochures and manuals, policy statements, presentations, HRM forms, employee handbooks, and press articles). On-site presence of up to two weeks in each JV provided opportunities for observation and informal conversations including factory tours, lunches in the canteen, and attendance at meetings at multiple levels in the organization.

The Companies

A brief sketch of each JV is provided in the following paragraphs.

JV 1: A French-Polish Joint Venture

The JV was established in 1991 between the French parent (51% ownership) and what had been a state-owned factory. The venture was large (3100 employees), which included eight expatriates who formed the top management team (two were French, the others having some Polish background and could speak the language). Leadership and training were stressed as the keys to joint venture success. Management levels were referred to as minus one and minus two, the general manager being "0". HR policies were imported from the French parent with minimal modification, including use of the Hay system to classify all jobs (3,000 jobs were classified within three months soon after the start-up). Pay levels were to be linked to job classifications. Since the start-up of the venture quality had improved 5 to 20 times, and rejects were less than one percent.

JV 2: A German-Czech Joint Venture

This JV began in 1991 between a state-owned company and a German company (31% ownership) and had 17,000 employees. The top management group consisted of three Germans and two Czechs, and 80 German expatriates and 160 Czech managers at the next management level. The HR manager explicitly stated that the JV was to be a "*Learning Organization*". German and Czech managers were paired in an effort to transfer "know-how". HR policies were to be jointly developed; the HR slogan was "*Integration versus Domination*". Considerable training was provided. Productivity levels had increased by 40% according to some estimates since the beginning of the JV, and absenteeism had been reduced.

JV 3: A Swedish-Hungarian Joint Venture

The venture started in 1991 between the Swedish company (owning 74%) and a private Hungarian firm. The number of JV employees is 260, which included 22 expatriates. The explicitly stated intent of the Swedish partner was to transfer their corporate culture into the JV setting. That culture emphasized "a family" environment, with a focus on communication, employee participation, and teamwork. The majority of technical training was provided in English, on-site. Productivity levels in the venture were good, and financial results were ahead of budget.

Results

Table 1 provides a comparison of JV means on each questionnaire item. Results are summarized below by topic in keeping with the structure of the interview format and include the interview responses.

Table 1
Cross-Country Comparisons

Item	Pol	Czch	Hngry
1. local/foreign mgrs have similar goals	3.6	3.4	4.0
2. foreign mgrs have primary responsibility	3.9	3.6	3.0
3. local mgrs have primary responsibility	2.5	2.4	2.8
4. better understanding of competitiveness	4.4	3.2	3.6
5. company has long-term benefits	4.1	4.6	4.5
6. more concern for production than people	4.0	3.6	2.8
7. more emphasis on individuals than groups	3.6	3.2	2.8
8. change is positive	3.6	3.8	4.1
9. important to avoid mistakes	4.8	4.4	4.5
10. control on the job	3.1	3.5	3.6
11. more concern for present than future	2.9	3.0	2.5
12. need to go through supervisor	3.6	3.3	3.2
13. good personal connections are important	4.1	4.2	4.0
14. cultural differences are respected	3.6	2.8	4.4
15. employees selected for technical skills	3.5	3.2	3.5
16. fair chance for promotion	2.3	2.6	3.2

17. concern about lay offs	4.2	2.8	1.9
18. employees feel loyal	3.9	3.4	3.9
19. have information to do the job	3.8	2.7	3.9
20. have information about company policies|	2.1	2.4	2.8
21. managers listen to employee ideas	2.7	2.6	3.7
22. managers don't always share information	3.3	3.4	2.6
23. communication problems due to language	3.4	3.9	2.9
24. enough training for the job	4.2	3.4	4.0
25. learning new skills on the job	4.1	4.0	4.1
26. learning new skills in class	2.9	3.0	3.0
27. sufficient training b	3.0	2.9	3.7

Item	Pol	Czch	Hngry
28. satisfied with salary	2.5	2.7	3.2
29. salary based ability/performance	2.8	2.3	3.4
30. salaries depend on who you know	2.8	2.6	1.8
31. should be bonuses	4.5	4.5	3.8
32. enough company social benefits	2.9	3.1	3.7
33. rewards are fairly distributed	2.4	2.4	3.3
34. understand job goals	4.3	4.3	4.5
35. know what to do to get rewards	3.3	3.8	3.4
36. receive feedback for performance	2.8	3.3	3.5
37. future of the company is positive	3.9	4.3	4.7

SAMPLE:

	FR/PL	GR/CZ	SW/HG
n	284	189	120
male	71%	84%	72%
average age	35.8	42.6	35.2
yrs in company	8.4	19.3	2.3

Strategy

In all three joint ventures there was agreement that the Western partners had a long-term commitment to the success of the venture, and that the local and foreign managers had similar goals. In both the French-Polish and German-Czech joint ventures, primary responsibility for management of the JV was seen in the hands of the foreign partner, although according to the interviews responsibility was gradually shifting to local managers as they gained confidence and received training. In the Swedish-Hungarian JV management responsibility was viewed as shared.

Culture

In all cases, employees strongly felt loyal to the JV, and believed the company had long-term benefits, that change was desirable, and that the future of the venture was positive. In the FR/PL and GR/CZ JVs, employees perceived a greater emphasis on production requirements than on people's needs while in the SW/HG venture emphasis was placed on both production and people, and teamwork. In all three JVs good personal connections were considered to be important. Employees (especially technical and production workers) indicated strongly that it

was important to avoid mistakes.

National cultural differences were perceived by employees as more respected in the SW/HG and FR/PL than in the GR/CZ JVs. In general, local employees felt the foreign partner could be more open to learning what had worked well in the plant prior to the JV, to better understand local conditions such as markets or customers, and to be more sensitive to culture.

Communication

In all the joint ventures, employees indicated that communication needed improvement. Respondents mentioned that they needed more information about company policies, and that managers did not always share information. Employees felt they had enough information to do their jobs, but less so in the GR/CZ JV. In the FR/PL venture, production workers felt they were better informed than were technical or managerial staff. In both the FR/PL and GR/CZ companies, respondents felt managers did not always listen to employee ideas.

Communication due to language differences tended to be problematic, but less so in the SW/HG JV where a large number of Hungarians spoke English, and received technical training in English (the international language used by the Swedish partner). In both the GR/CZ and SW/HG JVs, senior managers found language to be more a problem than did production employees.

Training

Training in all JVs was given high priority and was broad based (language, technical, market systems). Learning was most likely to occur on the job than in the classroom. Employees generally felt they had enough training to do their jobs, however, employees in all companies indicated they needed to have a better understanding of how competitiveness could be achieved. Respondents in both the FR/PL and GR/CZ JVs felt only moderate amounts of training were provided by the foreign partner. In the SW/HG JV employees felt they had gained more than adequate technical expertise through training. In all cases, foreign employees felt the foreign partner provided more training than did the local employees.

Staffing

Employees tended to be selected for technical skills, although other characteristics such as personality (e.g. ability to take initiative, "quality of a smile"), and language ability were also considered in the three companies. Emphasis was placed on hiring young employees who had not had experience under the old style of management. This was considered to be less problematic at the SW/HG JV due to the newness of the technology.

The proportion of foreign managers in the FR/PL JV was the smallest (8:3100) but they held key positions and worked together in a process to import French-based strategies into the JV. At the GR/CZ JV expatriates (80:17,000) were paired with local managers in an effort to jointly develop and implement HR and other policies. The SW/HG JV had the highest percentage of expatriates (22: 260) who were responsible for transferring Swedish technology

and the organizational culture (of the Swedish parent) to the JV.

Performance and Reward

In all three cases, employees indicated that they understood the goals for their job, knew what was required to get rewards, and received feedback on performance. SW/HG JV employees felt that there was a fair chance for promotion, although senior managers felt promotions were more fair than did other levels of employees. In the FR/PL and GR/CZ companies employees felt fairness was somewhat lacking. Employees were especially concerned about layoffs in the FR/PL JV where unemployment in the local region remained very high.

Overall, respondents reflected dissatisfaction with salaries and did not think rewards were fairly distributed, although this was less so in the SW/HG company. In the FR/PL venture production employees were far less satisfied with rewards than were managers. In all cases, respondents indicated a strong preference for bonuses. This sentiment was especially strong for production and technical employees. Social benefits were considered satisfactory in the SW/HG JV, but employees in the other companies thought there was room for improvement in this area.

Discussion

Neither the survey nor the interviews were intended to directly measure learning, neither at the organizational nor individual level. Rather, the purpose of the study was to explore how employee attitudes and the HRM practices contributed to joint venture success. Increases in productivity, improved quality performance, and innovation are taken as evidence of organizational learning. Based on the findings, the conditions/perceptions that facilitate or hinder organizational learning in joint ventures can be described as shown in Table 2.

Table 2
Conditions Facilitating/Hindering Organizational Learning

Forces For --->

-- change is positive
-- future is positive
-- long term benefits
-- similarity of goals local/foreign
-- loyalty
-- understand job goals
-- know what to do to get rewards
-- receive feedback for performance
-- enough training (mostly ojt)
-- cultural sensitivity

<--- Forces against

-- need a better understanding of competitiveness
-- foreign managers perceived to have primary responsibility

-- problems delegating to locals
-- lack of knowledge of local conditions (by expats)
-- concern for production vs people
-- avoid mistakes
-- need to go through supervisor
-- need for good personal connections
-- need for more information on company policies
-- managers don't share information
-- managers don't listen to employee ideas
-- communication problems
-- dissatisfied with rewards

Forces facilitating learning

Learning is likely to be facilitated when there is perceived similarity of goals between the local and foreign partners, i.e. the importance of the compatability of partners as discussed by Child et al (1992). Indications that change is positive, that the future is positive, and that the JV will provide long term benefits, also reflect conditions that encourage learning. This learning climate is further enhanced by perceptions that cultural differences were respected as discussed by McGill et al (1991).

Clear job goals, sufficient job related information and training, feedback on performance, and perceived links between performance and reward serve to enhance learning as well as to reduce ambiguity which can result in lack of trust (Pearce, 1991). Learning is thus created through performance-reward links which enhance self-efficacy derived from training and the experience of success.

Local staff can be encouraged to accept greater responsibility following mentorship and training programs which provide skills and lend confidence as noted by Child et al (1992). In turn, as locals acquire a better understanding of competitiveness and other market-oriented systems, foreign managers will be more comfortable relinquishing control. This creates a "virtuous circle" as local managers become more willing to accept responsibility. The extensive training found in these joint ventures was thus critical to creating shared responsibility and eventual transfer of responsibility to local management.

Learning from East to West was facilitated when expatriate managers had previous international experience. Prior exposure to different cultures and environments seemed to lend a degree of openness and flexibility in listening to, and considering, the local perspective. In the case of the FR/PL JV, the fact that several members of the top management team had Polish background and language skills contributed to a better understanding of the local situation and a willingness to consider how things might have been done in the plant prior to the JV. On the other hand, the use of expatriates with local background can create friction if they have "distorted views of the old world" from immigrant parents or have not lived under the previous conditions.

Forces hindering learning

The most critical impediment to learning is the desire to avoid mistakes, as overwhelmingly indicated by all employees across all joint ventures. The lack of calculated risk-taking prevents

staff from taking intitative and innovating. In only one case were local employees at risk in terms of unemployment such that avoiding mistakes could be considered as fear of being fired. Under Communism, individual initiative and personal success were reason for suspicion. It was undesirable to be seen as wanting more for oneself, or attracting attention. In order to change these old values and ideologies, rewards will provide incentives for learning, innovation and risk-taking. So far, the reward systems had fallen short of these objectives. In one case, 20% of salary could be *witheld* for poor performance or absenteeism. While this may get across the message that you are expected to work for your salary and not for a bonus, this may restrict the incentive for learning and risk-taking.

Learning was also hindered due to ineffective communication. To some extent, this was due to language differences. However a lack of information on company policies, and the failure to share information or listen to employee ideas may also be contributing factors. If learning at multiple levels requires strategic and policy information as argued by Pucik (1992) and Csath (1992) then these problems need to be addressed.

Having good personal connections was necessary under former Communist regimes. However, under the present conditions, the emphasis on connections is unlikely to foster a positive climate for learning and growth. Instead, this is most likely to result in distrust and dissatisfaction (Pearce 1991). Although most employees indicated that they would like to have bonuses, one supervisor said that he was glad not to have to haggle over bonuses with his direct reports as he had done in the past. Also, the perceived need to have to go through the supervisor, adhering to formal channels, inhibits more fluid forms of organizations wherein flexibility and innovation are encouraged.

Lack of local knowledge by expatriates prevented learning to occur East to West. Not only did foreign managers lose opportunities to learn about what might have worked well before, but their lack of information about the local history and language contributed to perceptions of cultural insensitivity in some instances. Furthermore, it is not always obvious what has been learned by the "foreigner" that could be of use for their next assignment.

Implications for East-West Learning: Issues, Prescriptions, and Challenges

The most obvious form of learning that occurs in East-West joint ventures is in the area of technology transfer - primarily accomplished through staff transfers and technical training programs. Less consideration is normally given to <u>how</u> learning occurs between the partners and how that learning is related to developing HR policy and practice. In the joint ventures in this investigation learning appeared to occur at both strategic and tactical levels. The stated intent by all foreign partners was to leave management control in the hands of the local partners.

Drawing on the data from questionnaires, interviews and on site observation, several issues related to learning in East/West European joint ventures deserve further elaboration. Of special importance were: 1) how responsibility was shared between local and foreign managers; 2) how a new corporate culture could be developed that encouraged learning and

calculated risks in a post-Communist era; 3) how training contributed to a "learning organization"; and 4) how rewards were structured to provide an incentive for learning. Key ingredients for learning which emerged from the current investigation are discussed in the following sections.

Creating Partnerships for Change: Sharing Responsibility

The development of a "partnership" between local and foreign managers that fostered trust and mutual respect was an important component of the learning process. Efforts to involve local managers in the creation of new strategies, structures and practices allow JVs to benefit from the strengths of both partners. Ideally not only would local managers be willing to accept additional responsibilities, but foreign managers would be more open to learning about local practices that worked well in the past.

As local employees gained competence through training, coaching and teamwork, foreign managers were more likely to give additional responsibility to local workers. Local managers are proud, and want to prove they can both adapt to new ways, as well as offer unique contributions to the venture. As one Czech manager said, "We want to show the Germans that we are as good". Mutual respect is critical. In one joint venture, the local employees mentioned they sometimes felt they were treated like "natives just down from the trees".

In the German-Czech JV, local and foreign managers were paired. Although in theory, this staffing arrangement was a way to transfer technical and managerial "know-how" into the JV, in reality the success of this practice depended on foreign managers who were willing to take a long-term view of what could be accomplished. However, two pitfalls to learning were identified: 1) trying to balance short-term success with long-term development; and 2) matching employee expectations with what could realistically be achieved considering the large-scale transformation required in the venture.

Finding middle ground between the methods and practices in use by the foreign partner, and the development of new policies to match the unique requirements of the JV posed a significant challenge. By jointly planning and creating strategy, information and practices can be exchanged as was done to some extent in the Czech plant. This encourages attention to utilizing local and foreign knowledge tailored to the JV.

The Question of Culture

In the wake of the Communist system in Poland, Hungary and the Czech Republic, the impact of culture was significant in at least two important ways. First, unlearning the old culture was needed to correct for the previous Communist ideology which discouraged individual initiative, risk-taking, quality performance, and competitiveness. Learning at the organizational level required a change in work values and philosophy. Cultural sensitivity on the part of foreign managers to these previous conditions and practices was considered to be an important aspect in joint learning. As one German manager explained:

> "The issue is that the people [Czechs] have to adjust themselves to a free and

> democratic society - that they are no longer under strict regulations that...they were forced to take as a system of life. And they lived with it and now they are free, and they are looking for new values to replace the old regulations, and this is not so easy."

Second, creating and learning a new corporate culture was necessary -- a culture that had relevance to the values and requirements of the locals, while at the same time was consistent with foreign policy and practice for the accomplishment of specific company strategic objectives. This means moving from a "person-based" to "performance-based" system of HRM as described by Pearce et al (1994). However, collectivism as part of the Communist value system, as well as earlier traditions can interfere with this learning. Arriving at a balance of group solidarity and strong leadership with individual initiative and delegation provides an interesting challenge.

In the French-Polish joint venture this involved:

1. creating results-oriented structures and systems
2. an emphasis on quality
3. goal setting and feedback to employees
4. encouraging employees to accept responsibility
5. development of new reporting systems
6. creating new financial, reward and training systems.

In addition, the Managing Director (in the FR/PL JV) recognized the need to better understand Polish attitudes, values and expectations prior to the implementation of large-scale change. Early on, a consultant was hired to conduct a survey of employee expectations for the venture so as to achieve a better level of understanding. Further, it was considered important to signal to local employees that a new form of enterprise could be implemented. One French manager in the French-Polish JV outlined:

> "We want to turn the minds of people and to show them that working with a French company is possible. Working with French people is possible. Winning in some subjects is possible, and for that it was compulsory to...explain the strategy...just to make people a bit more positive or optimistic, seeing the operation starting again."

Communication

Clear communication of long-term and short-term strategy and policies, of goals, and of individual responsibilities and objectives were thought to be crucial to promoting learning. Overall, employees in all three ventures indicated that communication could be improved. Communication tended to be impeded by poor reporting systems, a need for expediency over efficiency, or hoarding information as a way to retain power. In some cases, learning was hampered by a lack of common understanding of market-oriented systems or of the corporate strategy intended for the venture. Communication difficulties due to language differences

existed, but were not as problematic as expected and many local managers and employees expressed a strong desire to learn a foreign language - English.

Training to be a "Learning Company"

Training was given top priority in all the ventures. The stated intention of the foreign partners was to prepare local employees to operate the venture with minimal intervention. Learning was enhanced by 1) a broad scope of training topics in both technical and managerial areas, and 2) the allocation of sufficient personnel and financial resources.

Training across the JVs encompassed a wide range of areas such as: technical skills, management capabilities (delegation, leadership, teamwork, competitiveness), personal skills (communication, conflict resolution), or foreign languages. Training was provided on-site as well as at the foreign partner's facilities. Although intentions were good, in some cases the barrage of training was overwhelming, and some local managers did not understand the underlying intent. In one JV, mid-level managers responded that the training was "interesting but how can I apply it to the job?" Creating a clear linkage between training and job performance was therefore considered to be necessary.

The commitment to training by the foreign partner was evident in their willingness to contribute substantial investments of both time and funds. For instance, in the first three months of the French-Polish JV, 2,000 days of technically-oriented training were provided. In the first year of operation of the German-Czech JV, almost 5,000 employees received some form of training. By the second year of the JV, the German partner had invested DM 5 million in training programs, and the training department had expanded from eight trainers in 1991 to sixty trainers in 1993.

Overall, employees indicated on the questionnaire survey that they did receive sufficient training to do their jobs. Employees in the Hungarian-Swedish JV felt the foreign partner contributed significantly to training activities, while in the other two JVs respondents indicated there could be improvement in this area. The problem for the foreign partner was to keep these newly trained employees in the company.

Revising the Reward System

All employees indicated dissatisfaction with salary. The development of new reward systems was considered instrumental in signalling to employees what behavior is valued -- performance. In all the JVs a similar reward structure existed - one in which there was a fixed portion of the salary and a variable portion (usually about 20%) for performance factors such as quality, productivity and attendance. In one case, a percentage of the variable portion of the salary could be withheld for non-performance.

However, in many instances, managers gave all workers the same salary. This resulted from either a hold-over from the previous "collective" system, and to avoid jeopardizing the employee's employment security, particularly in economies where good jobs were very scarce. In this, the reward system provided either a negative incentive or no incentive for workers --

with no established link between reward and performance.

Neither were "real" incentives provided for exemplary work. Employees indicated they were strongly in favor of a bonus system, and in fact the implementation of such a system may have increased motivation to perform at more competitive levels. Although monetary rewards are important to all workers, other forms of incentives are also relevant in the Central/Eastern European context (e.g. training for the employees, and long term commitment by the foreign partner).

In the Hungarian-Swedish JV, a rather surprising finding was that in a study conducted by the Swedish partner of what was important to Hungarian workers, salary ranked in only eigth to ninth place. Instead, job satisfaction was linked to the work place; training opportunities; job rotation abroad and travel; and pride in being an employee of the venture. This information should signal to JV managers that new and creative ways of rewarding and recognizing employees for performance are worthy of exploration.

Conclusion

Joint venture success between East-West partners depends upon employee commitment and productivity. Thus there is the need to create a nurturing environment in which local and foreign employees can learn together. Learning evolves not only from technical training, but more importantly from a process where foreign managers are able to share responsibility with local managers - and whereby both sides discard a mentality that management practices in the West are best. Development of mutual trust and respect for culture is imperative. Ideally, both local and foreign partners seek to learn more about one another, in a relationship where new values and norms unique to the requirements of the JV can be created.

Rather than to completely condemn the previous system, the experience of collectivism can serve as a basis for developing team work and a sense of joint purpose and achievement. As Western firms move more towards self-managing teams as a way to improve productivity and commitment, perhaps they have something to learn from the East. Further, as the importance of "personal connections" is now promoted under the concept of the "network organization", Western companies may be well advised to consider the implications of more collectively-based "relationship" systems. Finally, concerns of social responsibility, community involvement, and employee welfare have a well established tradition in Central/Eastern European countries, and can contribute to the ongoing debate in the EEC. It is perhaps not surprising that the Hungarians saw Sweden as very similar to their own country, not only in terms of size but also in terms of social values.

The true potential for learning in East-West joint ventures is often subtle and elusive. Corporate strategy must be translated and retranslated to meet changing operational demands as former Communist systems and ideologies are discarded, and new ways of thinking and doing are adopted. In Central and Eastern Europe, HRM policies and practices play an important role in signalling to employees what behavior is valued. As discussed in this paper, communication, training, staffing, appraisal and reward systems have the potential to facilitate or hinder learning.

Openness, flexibility, and commitment remain the keys to large scale organizational change. In the Central/Eastern European context, the change has been remarkable and quick, despite external and environmental constraints. Long-term commitment by the foreign partner is imperative - with an emphasis on learning through people. Sharing optimism about the future of the German-Czech JV, one German manager commented,

With such a project, we demonstrate we are optimistic about the future. We trust in the people. We are convinced that we will be the best in Europe...With this skill of the people, I believe I have no fear about accomplishing this objective...Technology is not so important in comparison to the people.

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Appendix A
Interview Schedule

Part A - Strategy/Culture

Strategic Issues

1. How did this joint venture come about?

- reasons for formation?
- what does each partner provide?
- strategic JV philosophy? how created?
- benefits and difficulties?

2. What are your expectations for the venture? What do you think your partner expects?

- convergence or divergence of objectives?
- how are differences reconciled?

3. How is management responsibility shared in the venture (between the local and foreign partner)?

- assignment of the management contract? if so, why?
- specification of joint vs. individual partner responsibility?
- level of responsibility to local managers for strategic and operational decisions?
- do local managers have the necessary information to make decisions?

4. How has the venture evolved over time and what do you see for the future?

Cultural Issues

5. Describe how values, attitudes and behaviors differ between local and foreign employees in the venture.

- task-social (getting the job done vs. good personal relationships)
- group-individual (extent employees identify with their own group)
- uncertainty (re changes and to what extent employees view change as positive or negative)
- risk-taking vs. dependency (on foreign managers)
- internal vs. external control (degree performance is attributed to external factors)
- time (long-term vs. short-term)
- hierarchy (access to various vertical levels)

- politics (resistance to change, use of good "connections", role of bargaining for favors, who is threatened and why)

6. **How does each group adapt (culturally) to the other?**
   - is there sensitivity to cultural differences?
   - which values or behaviors should be changed and which should stay the same?
7. **Which areas have been worked out? Which frictions still exist?**

Employee Attitudes

8. **What is the level of employee morale? loyalty?**
9. **In which areas are employees resistant to change?**

Part B - HRM

The HR Departmental Role

10. **How is HRM policy developed? When?**
    - adopted from parents or newly created for the venture?
    - are cultural differences considered?
11. **What is the HR departmental role?**
    - defined HR objectives?
    - enough staff and other resources?
    - seeks input from multiple stakeholders?

Staffing

12. **How are employees selected to the venture, starting with top management?**
    - which positions are filled from each parent?
    - temporary vs. permanent assignment?
13. **Which qualities or abilities are considered important in employees? (managers, other staff)**
    - current skill levels? future requirements?
14. **Was downsizing necessary? How was this done?**

Communication Systems

15. **Describe how information is exchanged between a) the partners and b) among managers and employees in the venture.**

- How are company strategies, policies and values communicated?
- What information is shared and what is not? Why? When?
- Who gets information and who does not?
- Who reports to whom?
- How are languages differences overcome?

Training

16. **Describe how training is done.**

- what kind of training is available to whom?
- how is training provided? by whom?
- difficulties with increasing employee performance?
- job retraining?

Reward Systems

17. **Describe the reward systems. How do rewards operate at different levels?**

- what is rewarded?
- a bonus system? how developed?
- wage levels? limits on wage increases?
- fringe or social benefits?
- individual vs. group rewards?
- short-term vs. long-term rewards?

18. **Which rewards are preferred by employees? Why?**

19. **To what degree are rewards considered fair?**

- different rewards for local and foreign employees?

Performance Review

20. **Are there formal, written job descriptions? Explain.**

21. **Describe how performance is reviewed.**

- is there a PA system?
- who gets reviewed?
- short and long-term goals?
- how does the feedback system operate?
- who gets promoted and why?
- when are promotions blocked?

Overall, is there anything else you would like to add? Surprises?