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Do Japanese use Japanese-European joint ventures as Trojan horses in foreign market?

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Abstract

The purpose of this paper is to test the Trojan horse hypothesis which argues that the main goal of joint venture partners is to internalize the knowledge contributed to the joint venture by the partners. In this view joint ventures are learning races. Once they are established and partners bring knowledge to the joint venture, each partner will then transfer the knowledge to its wholly-owned operations and uses it to compete with the joint venture partner. After one partner has acquired the knowledge of the other it will seek to dissolve the JV. Hence joint ventures will be inherently short-lived.

Proponents of the Trojan horse hypothesis have argued that Japanese firms tend to see joint ventures as learning races. Japanese firms enter the markets (country/region or product/service) of Western partners through joint ventures to steal Western partner's knowledge or technology. Japanese firms tend to win these learning races because they have a greater ability to learn and clear learning intention, while their knowledge is less accessible to their Western partners because it is more tacit.

Proponents of the Trojan horse hypothesis have pointed out that Japanese joint venture partners tend to dissolve joint ventures with their Western partners as soon as they have learned in order to prevent their Western partners' learning from them. If Western partners refuse to dissolve the joint ventures, or sell their shares to the Japanese partner, the Japanese firms will request to increase the profit share gained from the joint ventures because the Japanese partner will have a strong bargaining position by virtue of having won the learning race. This behaviour will increase inter-partner conflict, which will lead to the dissolution of the joint venture.

In contrast to this view, studies on inter-organizational collaboration provide evidence that Japanese firms form long-term relationships. For example, the literature on supply chain management has shown that Japanese auto assemblers arrange inter-organizational learning networks with their component suppliers in Japan and overseas, where these participants can combine mutual knowledge to maximize inter-organizational collaboration performance. Do Japanese choose such cooperative specialization strategies to combine mutual complementary resources based on reciprocal and long term inter-partner relationship, or do they engage into learning race behaviour?

This paper will briefly review the literature on Trojan horse hypothesis. Then we will construct operational hypotheses to test them and will show results of our data analysis of Japanese and European joint venture partnership in foreign markets.

Keywords: Joint ventures, Trojan horse hypothesis, inter-organizational collaboration

Service supply chain integration in multi-organisation networks – Aligning process capabilities and associated performance metrics

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Abstract

Increasing competition due to market globalisation, diverse service offering and innovation breakthrough has encouraged supply chain collaboration with other key supply chain partners. This has resulted in more global and complex multi-organisation networks, depending on establishing relationships with key supply chain partners. The network perspective provides a new approach to how firms might acquire and exploit the capabilities of multiple firms in supporting future products and services. It is therefore becoming important for supply chain partners to understand how to integrate processes across the network. As services represent a growing share of revenue for some manufacturing companies, the area of service supply chain (SSC), a key enabler of this transformation, remains largely unexplored.

This research study introduces a methodology for integrating processes across the multi-organisation network (MON) using a process-capability and performance assessment process. The full scope of this study involves case study research into multiple partners of a UK complex multi-organisation network. The UK defence and aerospace sector has been selected as a point of interest due to the significant changes undergone during the last years in order to underpin a transformation towards a service and support oriented environment.

Preliminary results demonstrate that the agreement of a common set of integration enablers can be applied as an integration filter on critical process capabilities and performance metrics in MON. Furthermore, a process and performance hierarchy can be defined to support the integration of business, strategic and operational drivers, as well as to support the development of shared goals across the network.

Theoretical implications include a series of integration enablers for MON and a methodology for evaluating processes across network members. Practical implications include an integration process tool and new approaches to multi-organisation service network design. The outputs will be used to define key processes in managing or integrating multi-organisation networks.

Keywords: Service supply chain, multi-organisation networks, network integration process capabilities, performance metrics

The effects of cultural distance on cross-border merger and acquisition: empirical evidence from the international electricity industry ¹

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Abstract

This study examines the impact of national cultural distance on foreign direct investment through merger and acquisition. By using cross-border merger and acquisition transaction data in electricity industry in 2001 and 2008, we aim at understanding how cultural distance influences the location choice of foreign direct investment through merger and acquisition and how such influence changes after 7 years of continuing industry globalization. We propose that cultural distance should be described along two dimensions: cultural difference and cultural connection. A multiple regression quadratic assignment procedure (MRQAP) is used to perform the estimation and the empirical analysis. We find negative relationship between foreign investment flow and cultural difference and positive relationship between foreign investment flow and cultural connection after controlling for major economic, and institutional differences among the countries in our sample. The estimation results imply also a decreasing trend of the influence of both dimensions on investment flow.

Keywords: Foreign direct investment; merger and acquisition; cultural distance

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A19

Key success factors of creating innovation through international joint ventures for Chinese firms

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Abstract

International Joint Ventures (IJVs) have become increasingly common vehicles for companies to access resources or to reduce the risk of entering new markets in China. The Western company's motivation is to access a vast 1.3 billion person market, and to gain from the low labour costs. On the Chinese side gaining access to Western technology and management methods is seen as the normal motivation. Innovation is the competitive advantage for a firm and the joint venture may be an effective vehicle for its development.

China has traditionally had a very weak innovation research structure. China is still dominated by low value added manufacturing. In many planned economies, production facilities and R&D institutes operate separately. It is already together of course in the Sino-Western joint ventures and strategic alliances, and it is there that we may perhaps most profitably look for current innovation. The import of foreign technology is largely embodied in new machinery and other process equipment. Thus although China still has poor support for knowledge based growth because of its poor technology infrastructure (Nelson, 2004) Sino-Western joint ventures are extremely important in making good this weakness by creating transferable innovation on Chinese soil.

The research is basically qualitative, semi-structured interviews will be used to build up rich pictures of 2 cases, (6 companies, including both parents partner companies and Children companies). This paper will examine the 7 hypotheses for the key successful factors of creating innovative capabilities through IJVs.

H1 Become part of an innovative network in its industry (Powell and Grodal 2005)

H2 Focus on developing IP (Intellectual property) (Granstrand 2005)

H3 Take part in an Open innovation system (Chesborough 2004) in its industry

H4 Relate closely to universities, and particularly their research laboratories. (link and Siegel 2007)

H5 Develop in the JV a social atmosphere that encourages innovation (Fragerberg et al 2005)

H6 Develop system in its strategic planning that lead to innovative thinking (Freeman 1997)

H7 Have innovation as a primary objective of both partners at the outset of the joint venture (Powell 1996)

This paper will explore key success factors for creating more innovation through IJVs for Chinese firms. China is currently an OEM country. However, if it is to transform itself into a brand name country it cannot do this without a much higher level of innovation.

Keywords: Key successful factors, Sino-foreign International joint ventures, Innovation, Chinese Firms

China-UK strategic alliances in higher education: collaboration to succeed

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Abstract

Driven by globalization, strategic alliances have emerged in a wide range of industries, higher education is not excluded. There has been lots of research done on alliances in business fields related to China, but little has been done on alliances in higher education.

This paper intends to fill this gap. By empirically investigating 10 China-UK educational alliances, with 41 face-to-face interviews conducted with senior persons involved in the collaborative projects on both sides, it expects to provide some clear insights on the attitudes and actions that need to be taken by practitioners for them to succeed. Besides, it reveals the specific characteristics and different conditions that prevail in strategies in educational alliances. Hence, it expects to expand established cooperative strategy theory to a broader area.

By giving in-depth examination through the three stages of formation, operation and development of the cases, it finds that, in the formation phase, the most popular form adopted in educational ventures is non-equity alliances, equity joint ventures are rare in educational alliances. The partners are selected based on resource dependency, including a personal link which is often the point of which the alliance is activated. Motives to form an alliance are different in the UK and the China side. Reputation enhancement is the first priority in the UK whereas learning to catch up with world-class universities is imperatively sought by the China side; comparatively, financial pursuit is a subsidiary force for both sides. In the operation's phase, less localized alliances show healthy development; when foreignness in operation remains high, knowledge is shared between partners to the maximum extent and cultural differences are appreciated as a value rather than a barrier due to the different nature of the academic community from the business world.

The development of educational alliances falls in four types: growing, dynamic, limited and questionable alliances. Their further development depends on what they want to achieve, sufficiency of resources, the effectiveness of cross-border communication; the consistency of management and mutual trust and commitment. The government plays a critical role in China, a minor change of policy can shift the direction of educational alliances development.

Keywords: Alliances, formation, operation, development, China-UK, higher education

A27

The dynamics of network innovation projects: a comparative case-study in the agri-food industry

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Abstract

The recent challenges that the Dutch agricultural sector faces require innovative solutions that can only be realized by collaborating networks of actors that combine different disciplines and technologies. These networks offer access to resources and capabilities, knowledge, learning and finance that are not at disposal to any individual actor (Marinova and Philimore, 2003). Knowledge about managing the innovation process in inter-organizational cooperation however is still lacking and the interest from academics and practitioners is high (Todeva, 2006, p.9; Grabher and Powell, 2005). The purpose of this paper is to fill this gap by investigating the effect of formal and informal governance on the performance of innovation projects carried out in networks of firms in the agri-food sector. Based on previous findings by Faems et al. (2008), we propose that successful completion of network innovation projects is dependent on a combination of formal agreements and informal governance mechanisms such as trust, flexibility and commitment. We furthermore argue that the quality of the inter-organizational cooperation process moderates successful project outcomes. We take a process-oriented view while investigating the question how the interaction between and evolution of formal agreements and relational processes during sustainability innovation project life cycle affect the performance of inter-organizational cooperation.

Our framework requires a case study approach to answer 'how' questions and it lends itself for the multiple observations on complex relational processes. The collection of data, which will be finished by the end of April 2009, is performed through in-depth case-studies which are currently being conducted in two agro-food innovation projects. To capture the development of the cooperation process, data are collected on the initial trust levels, the contractual design process, the application of the contract, the evolution of trust and consequently the effect of these processes on the performance of the projects during the course of the project (life cycle). In order to find out the success of the different phases in the project, we take the interim project goals into account. With the intention to improve validity, we triangulate the data by collecting information on the basis of interviews as well as documents (contracts, reports of (steering group) meetings and existing evaluation reports). On the basis of a pre-constructed chronology of the major events, we conduct semi-structured interviews with multiple respondents in order to minimize the chances of bias on the side of the respondents.

Initial results show that high levels of trust and a flexible application/implementation of formal agreements and high levels of information exchange have a positive effect on the relational quality and performance/success of the inter-organizational cooperation in innovation projects. The final results will be presented at the conference.

Keywords: inter-firm collaboration, governance, networks

Network value capture in the global food industry

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Abstract

Companies in the food industry face increasing pressures to collaborate with partners in the global value chain. First of all, a number of scandals such as the Irish dioxin crisis and the melamine-tainted milk affair increased awareness that the quality and safety of food depends to a large extent on the extended value chain rather than on the processes within a single firm. Furthermore, increasing competitive pressures challenged firms to differentiate themselves by investing in innovative products and technologies with relatively high risks of failure and obsolescence. Resources of network partners increase the opportunities of value creation but at the same time also increase dependence on network partners, which may weaken the capacity to capture value by the focal firm. In this study, we explore how network positions of food processing firms influence their ability to capture value from their products and services.

To define value creation, scholars distinguish between use value and exchange value (Bowman and Ambrosini, 2000). Use value indicates the quality of a product/service as perceived by users in relation to their needs. Exchange value refers to the monetary amount the consumer actually pays. Integrating *use value* and *exchange value*, Lepak, Smith and Taylor (2007, p. 182) suggest that value creation “depends on the relative amount of value that is subjectively realized by a target user (or buyer) who is the focus of value creation and that this subjective value realization must at least translate into the user’s willingness to exchange a monetary amount for the value received”. Priem (2007) distinguishes value creation from value capture, which is defined as “the appropriation and retention by the firm of payments made by consumers in expectation of future value from consumption. Value is captured when a firm (1) receives consumer payments by thwarting competitors’ attempts to appropriate those payments (e.g., through imitation) and (2) simultaneously retains those payments by denying claims on them from upstream or downstream members of the same value system (e.g., through channel power). Thus, value capture involves the appropriation of exchange value.” (p. 220).

We conducted an empirical study of the effects of network positions on value capture based on data collected on 3415 alliance agreements in the global food industry between 1990 and 2005. The alliance agreements (cooperative relationships) refer to a wide range of value chain activities, including R&D, marketing, sales, finance, manufacturing, supply, logistics and distribution. Firms with central network positions tend to capture more value from network resources. Furthermore, we find that access to technological and reputational network resources negatively impacts the firm’s ability to capture value in the food industry, whereas access to human resources increases value capture. Marketing and financial network resources do not have a significant effect on value capture in the food industry. Finally, food processing firms that network with other food processing firms capture more value, whereas food processing firms that network with retail and transport firms capture less value. The results suggest that firms in the food industry cannot expect that the use of network resources will routinely translate into value capture for the focal firm. Firms need to carefully design

their network positions and take into account the implications for their value capture capabilities.

Keywords: Value capture, value chain, alliance agreements, network centrality, food industry.