Japan-China Strategic Alliances:
The Effect of National Culture on the Evolutional Path

By
Taemi Magari
2011

A Dissertation presented in part consideration for the degree of
"MSc International Business "

Abstract

In a globalising economy the number of cross-cultural strategic alliances is increasing and the large number of enterprises is entering China by using the form of strategic alliances. However, the failure rate of strategic alliance is high because process and outcome discrepancies emerge as collaboration unfolds. Although there are some reasons which generate those discrepancies, in recent decades, the affect of national culture on discrepancies has been paid attention. In the past research, however, those researches often conducted in culturally far distance countries and there is still little research on cross-cultural strategic alliances within Asian societies. Among Asian countries, especially Japan-China relationship is significant and it has a significant impact on the world economy. The objective of this dissertation is to analyze the affect of national culture on dynamic evolutional path of Japan-China strategic alliances. The dissertation begins by outlining the relationship between culture and cross-cultural alliances, and cultural characteristic of each country is briefly described. Secondly, I show the relevance of theory in terms of cross-cultural strategic alliances and cultural influence on its evolutional path analysing In-depth interview were conducted to analyze this research question. Lastly, this dissertation concludes by explaining the national cultural influence on Japan-China strategic alliances based on Hofstede's cultural dimension, value orientation and Kumar and Nti's alliance framework.

Table of contents:

List of Figures

Acknowledgement

1. Introduction

1.1 Choice of my research topic

This dissertation has been motivated during my master's course in Nottingham. I chose this topic for following reasons. Firstly, I took a module called "Managing organisation" at the first semester. In this module, I learned cross-cultural management especially focused on the significant impact of culture on it. At the second semester, I took a module called "international business strategy" and learned some basic knowledge of international strategic alliances. In this lecture, I briefly learned again that the culture has a great impact on strategic alliances' relationship. Those lectures attract my interest toward the influence of culture on cross-cultural alliance. In addition, my chosen topic is worth studying for the future research. Japan-China business interaction is increasing in recent decades, and its mutual impact on their nation's economy is significant. In addition, further expansion of business relationship between Japan and China is expected and a large number of workers in Japan are communicating with Chinese people. However, failure rate of strategic alliances in China is also high. Finally, I have got a lot of lovely Chinese friends during my stay in the UK. Thorough those friendship with my Chinese friends, I learned some similarities and differences. Therefore, I have become very motivated to investigate how Chinese culture influences on business relationship with Japan. I would like to further expand my understanding regarding China as a key business partner for Japan, and investigate how their culture influence on the development of strategic alliances.

1.2 Background for my research topic

Over the past two decades, increasing numbers of firms have expanded to global markets by conducting strategic alliances (Beamish 1993; Gray and Yan 1997 cited in Calantone and Zhao,2001). Research in this field is of interest to both managers and academicians, because strategic alliances enable firms to pool various forms of expertise in order to upgrade joint operating competencies (Beamish 1993; Buckley and Casson 1996, 1998; Makino and Delios 1996 cited in Calantone and Zhao,2001). Yoshino and Rangan (1995) define strategic alliances as:

(a) The partner firms that agree to form the alliance remain independent after the alliance.
(b) The partner firms are jointly responsible for alliance activities and jointly share benefits.
(c) The firms make an ongoing contribution in key strategic areas.

(Yoshino and Rangan, 1995:5)

There are two types of international strategic alliances, namely, equity joint ventures(EJV) in which two or more firms have equity stakes, and cooperative joint ventures (CJV) in which two companies agree to cooperate on a particular task such as co-marketing in a short term contract (Hill, 2007). The primary driver of strategic alliance is that with the increases in global competition, firms are forced to develop their competitive advantages in this globalization by involving Strategic alliances (Yoshino and Rangan, 1995). There are several advantages for both parent and host firms. Firstly, a local partner who understand business conditions and who has good connections may allow parent firms to successfully enter the unfamiliar market (Hill, 2007). Secondly, Strategic alliances also allow both firms to share the fixed costs. Thirdly, it may bring together complementary skills and assets which neither company could easily achieve on its own. Finally, it will help the firm establish technological standards for the industry that will

2

help the firm.　Those advantages are different from the country, the industry, and the organizations (Hill, 2007). Local partners particularly form developing countries would benefit from the technological knowhow, management skills, and capital brought in by their partner while MNCs can use local partner's knowledge and connection in the host country to reduce risks and increase revenue (Hu and Chen, 1996). The successful alliances should have compatible and abundant advantages for the partner (Hill, 2007). One example is the Renault-Nissan alliance. Their alliance objectives are for the Renault, the automotive company in France, they wanted to strengthen their global presence, cost reduction and learning engineering, production and product quality from Japanese automotive company, Nissan. On the other hand, Nissan wanted to seek cost reduction, restoring their financial position and learning marketing and design know-how that Renault possesses (Segrestin, 2005). Thus, each firm in different industry and country possesses different types of competitive advantages, and by sharing those advantages, their goals were compatible and succeed in developing their competitive advantages. If the firms do not have the required skills or management knowhow, besides there is not enough time to develop these capabilities, strategic alliances may be a good option for the long-term survival of companies (Nkrumah and Strand, 2005).

1.3 Background to Japan-China strategic alliances

In order to gain such competitive advantages in global business, the number of strategic alliances increases by 25% a year, and those of strategic alliances account for nearly one third of their revenues (Hughes and weiss, 2007). After China's entry to the WTO in 2001, increased

level of investment in China was observed (Volger, 2003 cited in Cheung, 2008). Now China is a second largest economy country and thereby it has a significant role in world economy. Japanese firms' foreign direct investment in China has also accelerated (Ma, 2000: 76–80 cited in Li, 2003) due to the openness toward FDI and GDP growths and cheap wages (Na and Lightfoot, 2006). Historically, foreign investment has taken the form of Joint venture in China (Ernst and Bamford, 2005). Between 1979 and 2000, more than 20,000 Japanese firms invested enterprises in abroad, the majority of Joint Ventures were established in China, and contractual investment value had reached nearly US$39 billion (Japan–China Investment Promotion Organization, 2001 cited in Li,2003). As a result, in 2010, China became the second biggest outward investment country for Japan following the U.S. (JETRO official website, 2011). Also for China, Japan is one of the major investment origin countries, and now Japan lank the third investment origin country following Hong Kong and Taiwan (JETRO official website, 2011). Although the number of wholly owned subsidiaries in China is increasing, since China has became the WTO member, joint venture still hold about 50% of Japan's investment in China (Tang,2009).That is, Japan-China strategic alliance relationship has a significant role in both countries' economy, and therefore it is also important for the world economy.

Those Japanese firms which are investing in China are normally motivated involving strategic alliances because the Chinese partner provides management knowhow such as managing local human resource, and Chinese companies may possess administrative negotiation power (Tang, 2009). On the other hand, their Chinese partners are also motivated to involve strategic

alliances with Japan in order to absorb high technology, management knowhow, or to share

global brand power that the Japanese firms possess (Tang, 2009). In recent years, however, the

strategic alliances in Japan as a host country by the Chinese enterprises as a home country have

also started. For example, the most recent case is the Lenovo-NEC joint venture established in

2011. The Chinese computer company, Lenovo ranks the global top five computer brand which

is strength in sophisticated technology and supply chain network. Japanese computer brand,

NEC which has a number one share in Japan is perceived by Lenovo as high familiarity with the

marketing knowhow in Japanese market and its ability to innovate evolutional products which

are preferred by Japanese consumers. They established Lenovo NEC holdings B.V in Japan in

2011, and Lenovo possess 51% of equity and NEC possesses 49%. By involving strategic alliances,

they can combine their strength, and seek a great advance in global market by producing more

affordable but innovative computers (NEC official Website, 2011). Thus, for both countries, they

have some benefits of conducting strategic alliances and it is further expanding in recent years.

However, in spite of the increasing popularity of international strategic alliances activity,

managers express a high level of dissatisfaction (Madhok, 2006), and it has been estimated that

between 37 per cent and 70 per cent of alliances fail (Pothukuchi et al, 2002). That is,

International Joint venture in China is also exceedingly difficult to manage and results in

dissatisfaction of parent companies and high failure rate (Li et al, 1999). There are difficulties

and perplexing issues of alliance management, as alliances bring two or more independent

companies into a collaboration relationship, each with its own agenda, strategies and culture

(Yoshino and Randan, 1995). Among those aspects however, it has been increasingly realized that the difference in national culture can disrupt collaboration and learning between partners (Sirmon and Lane, 2004). This is because National culture which is different from each country affects managerial behaviour and moderates the relationship between structural variables and the performance of strategic alliances (Park and Ungson, 1997) .In fact, a tremendous time and attention is spent in efforts to minimize those cultural differences in multinational joint ventures in the past (Hughes and Weiss, 2007). The ability to exert control may be influenced by firms' strategic intentions and familiarity with the local culture and market (Hughes and Weiss, 2007).

2. Literature review

2.1 National culture and its impact on international Business

Although culture is defined by many researchers in different ways, in this essay, culture is defined as" a patterned ways of thinking, feelings and reacting that is shared by a set of individuals" (Lu,2007). That is, people may have different behavior and interpretation which depend on culture. One of the most fundamental literatures defining culture is Hofstede's cultural dimension. His study provides the most fundamental classifying of culture (Ulijin, et al, 2005). Hofstede (1984) surveyed 116,000 employees in 40 countries and suggested four cultural dimensions along which the countries could be positioned. He added another dimension later and there are five cultural dimensions namely, large versus small power distance, individualism versus collectivism, strong versus weak uncertainty avoidance,

masculinity and femininity, the degree of uncertainty avoidance, and long term orientation. Power distance is the extent to which the member of a society accepts that power in institutions is distributed unequally. People in large power distance such as Latino and Asian societies accept a hierarchical order in which everybody has a place which needs no further justification, whereas people in small distance societies such as Germanic, Anglo and Nordic strive for power equalization (Hofstede, 1984). Regarding Individualism versus collectivism, people high in individualism country such as the USA, the UK and Australia prefer loosely knit social framework, whereas people in collectivism country such as Greece, Mexico and Taiwan prefer a tightly knit social framework. It is commonly premised that western Anglophone nations are proxies for individualistic culture and East Asian nations are proxies for collectivistic culture (Hofstede, 1994). This dimension is related to people's self-concept: "I" or "we" (Hofstede, 1994).Uncertainty avoidance stands for the degree to which the members of a society feel uncomfortable with uncertainty and ambiguity. People in strong uncertainty avoidance societies maintain rigid codes of belief and behavior and are intolerant towards deviant persons and ideas. On the other hand, people in weak uncertainty avoidance societies maintain a more relaxed atmosphere in which practice counts more than principle and deviance is more easily tolerated (Hofstede, 1994). Masculinity stands for a preference in society for achievement, heroism, assertiveness and material success, whereas femininity stands for a preference for a relationship, modesty and quality of life (Hofstede, 1984). Furthermore, the fifth dimension, namely, short term orientation versus long term orientation stands for Virtue regardless of Truth. That is, values associated with long term orientation are

thrift and perseverance. On the other hand, values associated with short-term orientation are respect for tradition, and fulfilling social obligations (Hofstede, 1994).

A large number of empirical studies have suggested that the influence of national culture on firm performance (Li et al, 2001), and it demonstrates that management practices are always embedded in a social setting and heavily influenced by culture (DiMaggio and Powell, 1983 cited in Goodall et al, 2006). Hofstede (1984) himself linked his own discovery of five cultural dimensions with the differences in international business management. For example, regarding the differences along the dimension of uncertainty avoidance, Hofstede (1984) describes there may be the differences in terms of the emotional need for formal and informal rules to guide behavior, types of planning used, and the showing of hiding of emotions. For instance, in China which lank low in uncertainty avoidance, their mode of thinking is holistic rather than analytical, and their management rules such as deadlines are not adhered rigidly (Kumar and Worm, 2004). When it comes to the differences along the dimensions of Masculinity, there may be differences in achievement of motivation vs. relationship motivation. For example, people in masculinity society stress career and assertiveness is appreciated, whereas people in feminine societies, life quality and assertiveness is ridiculed (Hofstede, 1994). Regarding individualism vs. collectivism, its difference may influence on the importance of face and harmony (Hosted, 1984). That is, People in collectivism societies, they fear losing their face and try to communicate in a harmonious way. On the other hand, people in individualistic society are trained to be open and direct rather than in indirect way due to face-consciousness (Hofstede,

1984). Differences in power distance may influence of the meaning of status differences. In cultures low on power distance, powerful people are not supposed to look powerful and status differences are considered undesirable. By contrast, cultures high in power distance, status differences contribute to the superior's authority and subordinates' respect for it (Hofstede, 1984). Having acknowledged Hofstede's cultural dimension, Lu (2007) found that individualistic cultures prefer a forcing strategy more than collectivistic culture for the conflict management. By contrast, collectivistic cultures are more likely to use withdrawing, compromising and problem-solving strategies than individualistic cultures. Kazan (1997) also developed Hofstede's cultural dimensions and linked with the relationship with the conflict management. This study focused on conflict management because conflict is the most emotion-arousing of phenomena, and it is associated with various, but mostly negative emotions which are affected by culture because different interpretations and appraisal of the same situation. According to his study, there are five distinct styles toward conflict, namely, competing, accommodation, collaboration, avoiding and compromise. For example, countries which lank high in the collectivism and power distance, the higher the collectivism and the higher the power distance, the lower the perception of intensity such as anger, fear and sadness were observed. That is, those countries tend to communicate negative emotions to in-groups because they may threaten group solidarity and interpersonal structure. Therefore, they may use strategic behavior in less competing but a more accommodating and an avoiding way (Kazan, 1997). Countries which respect harmony use a long-time frame for judging effectiveness of resolution. That is, they firstly cultivate their friendship, and then pursue their objectives through a variety of stratagems designed to manipulate feelings of friendship, obligation guilt or dependence.

Thereafter, various form of attitude toward conflicts can be observed depends on culture which country has. However, dissolution rate is estimated about 50% (Harrigan, 1988; Kogut, 1988 cited in Park and Ungson,1997).From those large number of study regarding national culture , it is obvious that national culture has impact on the management styles, and conflict management, thus overall relationship development in cross-cultural strategic alliances.

2.2 The comparison of Japanese and Chinese culture

The Chinese civilization is much older than those of Japan, and the Chinese and Japanese had cultural and commercial relations that date back to 200 A.D. Afterward, Chinese culture influenced on Japanese culture to some extent such as language, religion, and system of government. For example, regarding religion, Buddhism and Confucianism is originally important feature of Chinese culture (Legge, 1881). Those religions were also transformed to Japan and influenced on Japan's society and governance. Since then it has been attractive for the Japanese and Japan have borrowed basics of the Chinese culture (Jacobs et al, 1995). Still now both China and Japan, Confucian philosophical principles remain (Yum, 1988). Therefore, Japan and China have close relationship compare to the relationship between East and Western countries, and there are some similar features. However, even though both countries belong to the same Asian society, their culture is not such a close (Alston, 1989). For instance, according to Hofstede's study, scores in masculinity and uncertainty avoidance are higher in Japan than those in China, whereas scores in power distance and long-term-orientation are higher in

Chinese culture, and both China and Japan lank relatively high in collectivism (See,Figure 1).In addition, there is own culture that can not be explained just by using Hofstede's cultural dimension.

Figure 1: Hofstede's cultural dimension: Japan and China
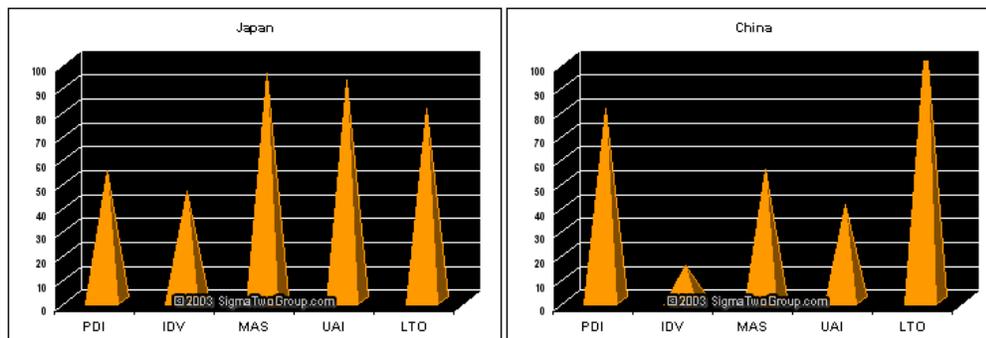
(Source: itim international official website, 2011)

Chinese culture: Although both Japan and China rank high in collectivism, Kumar and Worm (2004) found that in China, reciprocal interdependence is emphasized and demanding *guanxi* (Goodall et al, 2006). *Guanxi* is one of the most major dynamism deeply embedded in Chinese society for 2000years (Luo, 1997). *Guanxi* refers to special relationship between two people. This relationship is utilitarian rather than emotional (Kumar and Woem, 2004), and its characteristic is that the exchanges tend to favor the weaker member (Alston, 2001). That is, *guanxi* links two unequal rank's persons and weaker person can ask more favor to the one who voluntarily gives more than he receives (Alston, 2001). The moral dimension operating here is that person who does not follow the rule of equity and refuses to return favor to favor loses face (Alston, 2001).The importance of *guanxi* means that day-to-day policy is based on perceived personal interest and can change drastically. Therefore unfortunately, policies changes as quickly as personnel, but it also has a positive aspect that Chinese managers are

highly adaptable and entrepreneurial (Alston, 2001). In addition, as China belong to low in

uncertainty avoidance, the way they think is polychromic, and deadlines are not adhered to

rigidly (Kumar and Worm,2004). The attitude toward their boss may be loyal as China lank high

in power distance, and emphasize the importance of maintaining social order (Kumar and

Worm, 2004). Therefore, their decision makings are made from top-to –the bottom (Alston,

1989). Since the Chinese emphasizes the importance of *guanxi*, the another key to success in

doing business is the personal connections because the right connections can bring some

benefits such as cheap and reliable materials suppliers, tax concessions(Alston, 1989). However,

since Chinese people value long term orientation, trust relationship cannot be built in a short

period (Goodall, 2006). In addition, China has a long history based on Confucianism principle

and it forms the basis of Chinese business. Confucianism emphasizes that thing and person

should fall into proper places and order, so that they can relate to each other in supportive and

harmonious way (Zhang et al, 2005) For example, fear of losing face, cooperation between

government and business, business people's aversion to formal contract, and importance of

rank and hierarchy are all shaped by Confucianism principle (Jacobs et al, 1995).

Japanese culture: On the other hand, In Japan, they value group loyalty and consensus

rather than the personal relationship (Alston, 2001). In addition, collective responsibility

(Gelfand and Brett, 2004) and trust among workers are emphasized (Kumar and Worm, 2004).

The Japanese value *wa* which means the search for or the existence of mutual cooperation so a

group's members can devote their total energies to attaining group goals (Alston, 2001). *Wa* tekes place within a group context, thus, the Japanese rarely interact with one another or foreigners as a group (Alston,2001). Therefore, the Japanese emphasizes attending to and fitting in with others and importance of harmonious interdependence (Markus and Kitayama, 1991) so that members of a group achieve total agreements through consensus (Alston, 1989). In addition, the willingness to subordinate the truth is illustrated in a term *makoto,* which is equivalent to the English term "sincerity". Being sincere in Japan means being emotionally supportive. Since sometimes telling the truth may upset someone and threaten group's *wa,* the Japanese prefer to surface agreement until a consensus has been reached (Alston, 1989). The Japanese is also tend to have a longer time orientation than western countries, thus they may exercise more patient in achieving the ideal outcome (Kumar and Worm, 2004). In addition, Japan is highly masculine society that has distinct gender roles de-emphasizing recognition, and advancement much higher than other East countries (Zhang et al, 2005).

Based on Confucianism principle, there are of course also similar culture between Japan and China. Since both the Japanese and the Chinese rank relatively high in collectivism and power distance, they tend to hide their emotion, thus, they do not prefer open communication in public and convey their unhappiness indirect way. Therefore in China, the negotiation pace is slow because they are more subtle and indirect in sharing their concern (Kumar and Worm, 2004). In addition, both in Japan and in China, it is very important to maintain the good interpersonal relationships with the partners (Ulijin et al, 2005). For example, Chinese business men also respect rapport and tend to express good feelings for initial meeting and social

gathering (Ulijin et al, 2005). The Japanese also think trust relationship is the most important aspect for the performance because performance depends on transaction costs (Gelfand and Brett, 2004).

In such a way, although Japan and China seem culturally close countries, each country has own national characteristics, and those culture may influence on their business management. Having acknowledged those national cultural differences and its impact on business management, relationship between those national culture and strategic alliances have investigated by some scholars. Although there are mainly three types of cultures, namely, individual, organizational, and national culture. Among those cultures, Schriber and Gutek (1987) argue that organizational culture is the key to survival for the organization because it demands effective scheduling, coordination, and synchronization of people and tasks through time. On the other hand, Among many types of culture, national culture has been perceived the most important aspect for international business because national cultures are given facts for each country's management (Hofstede, 1994). Common organizational cultures across borders are what keep multinational together while organizational cultures are somewhat manageable (Hofsetede, 1994). Kumar and Nti (2004) also suggest that although organization culture may help to modify behaviors, it is not embedded to the core assumptions derived from national culture. Therefore, National cultural differences have a greater impact on the evolution of IJVs because it is modifying the core assumptions of individuals and make differences among nations. In the next section, the framework of the development path of an

alliance is explained. Then, influence of national culture on the evolutional path of an alliance is described.

2.3 Culture and strategic alliances: theoretical framework

 Kumar (2004) analyzed alliance functioning at two levels, namely, process level and outcome level. Former means the mode of interaction among the partners. The latter indicates the tangible achievement of alliance such as the development of the new products, market penetration and alliance profitability (Kumar, 2004). When the partners are dissatisfied with the interaction with their partner, that is, when there are high level of conflict, opportunistic behavior and lack of timely and relevant communication are observed, they will experience the process discrepancies (Ulijin et al, 2010). On the other hand, outcome discrepancies emerge when each partner evaluates the alliance outcomes based on their priori expectations and it below the partners' expectations. (Kumar and Nti, 1998) An alliance may result in fail if unfavorable process and outcome emerge and it tend to succeed when both process and outcome discrepancies Kumar and Nti (2004) found that for those discrepancies, absorptive capacity and the pattern of interaction are extremely important , and how to react those discrepancy will shape the evolutional path of an alliance (Kumar and Nti, 1998).

Figure 2: The evolutional path of an alliance

(Source: Kumar and Nti, 1998)
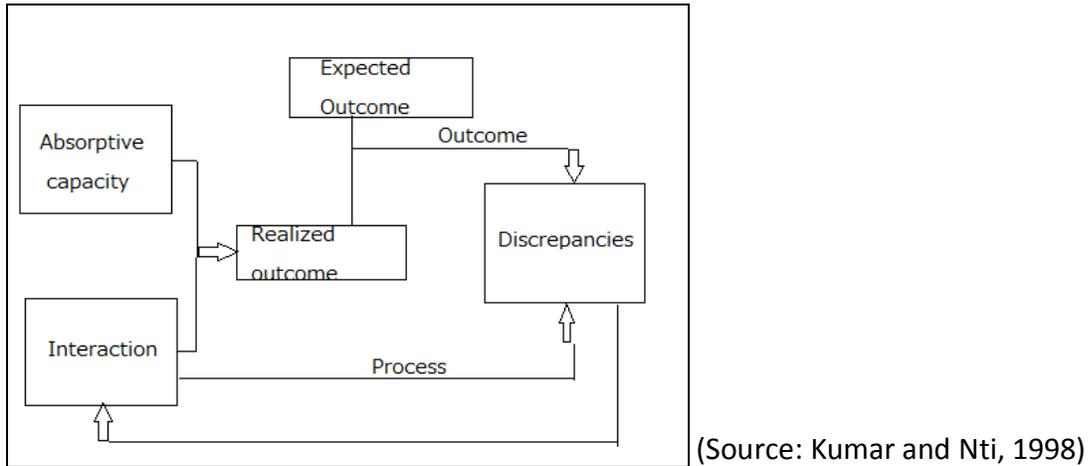
As illustrated in figure 2, the developmental path of strategic alliances, absorptive capacity and cooperative interaction jointly influence on the evolutional path and those aspects results in outcome and process discrepancies because those aspects may affect the partners' feelings of psychological attachment of the relationship (Kumar and Nti, 1998).

Absorptive capacity: Many scholars suggest that firm's absorptive capacity plays a key role in the process of coevolution (Bosch et al, 1999). Cohen and Levinthal (1990) define absorptive capacity as the ability of a firm to recognize the value of new, external information, assimilating it and applying it to commercial ends. Outside sources of knowledge are essential to the innovation because majority of innovations are generated by borrowing rather than innovating (March and Simon,1958 cited in Cohen and Levinthal ,1990). Thus learning from a partner is crucial in sustaining and deepening commitment in the alliance (Das and Kumar, 2007a). However, absorptive capacity is different in each firm because it is related to the quality of individual employees, its knowledge base, the resources of its disposal and the management

system which depends on their experiences in the past (Kumar and Nti, 1998). Absorptive capacity is strongly associated with the individual level of capacity. However, it is not simply the sum of the absorptive capacities of its employees because absorptive capacity is not only the acquisition or assimilation of information by an organization but also to the organization's ability to exploit it(Cohen and Levinthal, 1990). Therefore, a communication skill within organizations as well as the outsiders is the very important skills in order to enhance absorptive capacity together with intensity of effort. (Cohen and Levinthal, 1990) Therefore, not only prior knowledge experiences enhance the absorptive capacity (Cohen and Levinthal, 1990), mutual adjustment between individuals that is, organization form and combinative ability are also needed to be considered (Bosch et al, 2006). This combinative capability is largely influenced by culture in terms of identity. The infusion of beliefs and values take place over time and generate a distinct identity for its workers (Bosch et al, 2006). If those coherent set of beliefs, high degree of shared values, a common language are strong, it can affect the inflexibility of absorptive capacity because strong culture may resist change and tend to foster inbreeding (Bosch et al, 1999). The degree of efficient absorptive capacity depend their experience in the past, coordination mode and their shared culture. Since it may alter the competitive advantage and the bargaining power of the partner which is directly related to the realized outcome, or some firms may not wish to share their knowledge or skills, absorptive capacity may affect the feeling of the alliance partner (Das and Kumar, 2007b). Only one sided commitment may also generate competitive compromise (Hamel et al, 1989). Consequently, those issues may generate the outcome discrepancies, and it has a significant role in an alliance performance.

Pattern of interaction: Regarding the pattern of interaction, it consists of cooperative strategies adopted by the partners and managerial mechanism governing the alliance which determine the outcome and influences on the partner's psychological relationship with the partner (Kumar and Nti, 1998). Firstly, as far as cooperative strategies are concerned, there are two kinds of collaborative strategies; collaborative strategy and non collaborative strategy (Kumar and Nti, 1998). To create a great economic value, each firm must share resources and effort to the alliance. If there is a great deal of information sharing, they can maximize their competitive advantages while if there is limited information sharing, distribution of knowledge among partner tends to be inequitable (Kumar and Nti, 1998). The former refers that partner supplies an optimal level of resources and effort to the alliance and share information. The latter mean the firm suppliers substantial resources and put effort on the alliance is also reluctant to share information. If the firm use cooperative mode of behavior, it has positive impact on psychological feeling, because it will influence on the higher order of attitude such as the level of commitment, trust and social harmony. Thereby it will improve the harmonious relationship with the partner (Kumar and Nti, 1998).By contrast if the firm adopts no cooperative mode of behavior, they tend to generate dissatisfaction among the partner (Kumar and Nti, 1998). Higher order of attitude is very important because for example, trust has a role in diminishing the need for highly detailed rules therefore allowing for greater flexibility (Jefferies and Read, 2000). For example, if both partners respect each other and commit in a collaborative way, it may result in the smooth decision making process, because they do not need to resolve their problems or punctuality of their relationship (Jefferies and Reed, 2000).

Cooperative strategy must be achieved for the higher order of attitude. In addition, it may also be related to the absorptive capacity because since absorptive capacity related to mutual adaptation, trust and high motivation have a great role in absorptive capacity. This demonstrates that interaction pattern and absorptive capacity are not separated but they are linked for some extent.

Secondly, managerial mechanism is another type of interaction pattern for the firms. Managerial mechanisms refer such as decision making process, the allocation of responsibilities among the partners and how work is coordinated with the alliance (Kumar and Nti, 1998). For example, cultures may differ in terms of the emphasis that they give to each of decision making. Kumar (Das and Kumar, 2009a) suggested four different types of decision making styles; factual, intuitive, analytical and normative. Assumption of the factual style is that facts have a objective reality, that is, facts such as data will automatically lead to the reality. Intuitive style prefers more creative thinking whereas analytical style tends to analyze every unique situation. Normative decision style refers that manager use their own perception of what is appropriate for the decision making (Das and Kumar, 2009a). Manager in each country act behavior using their own conceptions of what is appropriate in making decisions. For example, the Japanese managers tend to emphasize the problems in human terms and are more respect for maintaining harmony, thus they do not use an analytical style when they make a decision. Culture may also influence on the locus of decision making (Das and Kumar, 2009a). For example, in Japan their culture generated *ringi* system which all employees various stages of

staffs are motivated to involve in the decision making, namely, bottom-up system (Jones et al, 1995). On the other hand, top-down decision making system is usually shown in the countries lank high in power distance such as China. That is, the boss is expected to set a decision in those countries (Jones et al, 1995). Thereby, culture may effect on cooperate interaction not only decision making but also wide range of operational or the day-to-day functioning of an alliance (Kumar, 2004). Hoftede's cultural dimensions help us to understand investigating the differences of a firm's behavior across culture because it focuses on more behavior rather than cognitive aspect.

Absorptive capacity, and the pattern of interaction which consists cooperative interaction and management mechanism are very important for the development path of an alliance, and it is strongly related to the raised outcome. In cross-cultural alliances, Difference in culture is embedded in individuals and it may reflect in difference in absorptive capacity. In addition, national culture may strongly influence on difference in organizational routine or standard operating procedures (Kumar,2004). That is, culture may influence on absorptive capacity and the pattern of interaction process which may lead increasing of process and outcome discrepancies although culture is not only the reason if this raised outcome is lower than one expected, it will generate the outcome discrepancy. In addition, however, it is not the end of the alliance. Alliances have more dynamic scales because the final outcome of the alliances depends on how those discrepancies are managed by the managers. The strategic level conflicts are another impact of culture strongly related to the final outcome (Das and Kumar,

2009b). That is, how to react to those discrepancies are the decisive, and it will shape the development path of an alliance (Kumar and Nti, 2004).

Discrepancy management: Kumar and Nti (2004) further developed cultural influence on strategic behavior, that is, the influence of national culture on discrepancy management and suggested a framework of those outcome and process problems management using Kluckholn and Strodbeck's value orientation (1961 cited in Kumar and Nti, 2004). The impact of national culture on international strategic alliances conflict resolution strategies and performance is complex, and the nationality of the International strategic alliances' manager is found to be significantly related to conflict resolution strategies (Lu, 2007). Kluckholn and Strodbeck (1961 cited in Das and Kumar, 2009) demonstrate that national culture influence on the differences in value orientation which is embedded in individual manager's unconsciousness and it dominates the different variations across cultures. Kumar and Nti (2004) linked this value orientation with the process and outcome discrepancy management which is different across culture. That is, impact of value orientation on the interpretation of managers who make a decisive decision of the discrepancies and found that different cultural groups have different preferences for dealing with similar issues (Kumar and Nti, 2004). In this section, their theory of value orientation is used together with Hofstede's cultural dimension because value orientation focuses on cognitive dimension of culture rather than behavioral dimension which Hofstede's focused (Das and Kumar, 2009b). Since discrepancy management is related to interpretation which is embedded to unconscious in managers, and conflicting interpretative systems are

rooted in cognitive component of culture (Kumar, 2004). Therefore, using value orientation may help us to understand core of discrepancy management rather than rely on Hofstede's cultural dimension. According to this variation, managers tend to interpret and behave towards discrepancies. There are five different value orientations;

1. Relationship of humans to nature: Is the desirable goal to achieve mastery over nature, live in harmony with it, or be subjugated to it?

2. Time orientation: is it desirable to have a past, present, or a future orientation

3. Assumptions about human nature: Are individuals primarily evil, are they good, or are they a little bit of both?

4. Activity orientation: Is it desirable to have a doing as opposed to a being orientation?

5. Relationships among people: Is it desirable to be responsible for others or should one primarily look after oneself?

    (Kumar and Nti, 2004: 347-348)

Using those value orientations, Kumar and Nti (2004) investigated discrepancies management which is divided into three stages namely, conflict detection, conflict attribution and conflict reaction. Each stage has its major characteristic. In detection stage, the commonly shared interpretation of conflict has a major role and it is different across culture. In a conflict attribution stage, partners differ in how they actively seek to manage those problems. Finally in a reaction stage, it concerns how to react to their discrepancies. Thus, discrepancy management develops from interpretation, attribution to reaction stage.

Regarding a detection stage, according to their study, each country has different ways to interpret process and outcome gaps (Kumar and Nti, 2004. For those countries which are classified in doing-oriented culture such as the American stress the task accomplishment (Kumar and Nti, 2004). They are more sensitive to the outcome discrepancy compare to

process discrepancy while people in being oriented culture is more focus on process discrepancies rather than outcome discrepancies. (Kumar and Nti, 2004). In addition, Das and Kumar (2009b) also suggest using collectivistic vs. Individualistic dimensions and suggest that cultures in individualistic are less concerned about process, and the process discrepancy is not so important. Their society is strongly goal oriented, and this is very different from what is commonly prevalent in more collectivistic societies. Managers in country that emphasize the importance of collectivistic think the process discrepancy are very important, and needs to be controlled in a satisfactory way. If they could not achieve common interpretation, they may be forced to reevaluate the alliance. This reevaluation is may determine one or both to whether they exit from the alliance. (Kumar and Nti, 2004).

Regarding a conflict attribution stage, each company gives explanation for the discrepancies which may be different across culture (Kumar and Nti, 2004). As far as outcome discrepancy is concerned, those countries which emphasize the importance of harmony such as Asian culture prefer situational attribution. That is, they think the alliance is generating losses because the external conditions have changed such as market and environment. On the other hand, people in achieving mastery over nature such as the American and the European, they think the losses are generated because their partner has not put in enough effort or the motives. Regarding process discrepancy such as the problem during the decision-making process, mechanism for conflict resolution and human resource practice, people who think human is good tend to share failure with their partner whereas people who think human nature is mixed, they perceive failure as a lack of commitment of their partner. (Kumar and Nti, 2004).

In the last stage, conflict reaction stage, has the last issue of how to react to those discrepancies. For the outcome, people in dominant orientation such as the American tend to demand more effort from themselves or their partner whereas people who respect harmony such as the Asian prefer changing their own or partner's expectation. Regarding reaction to the process discrepancy, people in a country where people think human as mix or evil will react by changing their level of commitment to the relationship. By contrast, people in a country where perceive human as good, they deal with the process discrepancy by demanding changes in the managerial mechanism. (Kumar and Nti, 2004).

The effective management of discrepancy also may be influenced by value orientation which is different across culture. Since culturally close countries belong to same value orientation, their management may be effective than culturally distant country in terms of organizational and administrative practices, and interpretation of and response to strategic issues (Park and Ungson, 1997). The strategic alliances have shown evolutional path which is strongly influenced by national culture. However, the managers do not recognize that their behaviors and interpretations are influenced by schemata which are deeply embedded in individuals (Das and Kumar,2009b).

2.4 Limitation in literature review

Although it has been realized that cultural aspect largely affects the effective management of strategic alliances, and cultural influences on strategic alliances are investigated in empirical

study, few study however, have examined cultural influence on developmental path of alliances and how process of cooperation actually take place in alliances (Kelly, et al, 2002).

Firstly, majority of those studies are limited to focus on part of the alliance path such as decision making style and negotiation style. Those studies are demonstrating that cultural difference influence on the behaviour, but still there is lack an understanding of more dynamic scale of cultural influence on an alliance caused by the differences of core assumptions which affect the process and outcome discrepancies and its management style. Therefore, in depth research using the framework of Kumar and Nti (2004) may enrich this field of research. However, they are still lack of examples that demonstrates the real cases of the cultural influence on development path of alliances, and "how" and "why" are still limited or fragmented (Ulijin, 2010). For instance, they do not specify how day to day operational conflicts caused by different culture are generated, and how those differences affect their psychological feeling and how those feeling generate the overall consequent of an alliance. Therefore, the more in-depth research which can be achieved only by in depth interview is required.

In addition, more and more Japanese knowledge intensive firms such as the service industry and the IT industry are now trying to invest their market in China. Since the knowledge intensive industry requires more absorptive capacity (Bosch et al, 1999), therefore, absorptive capacity should not be ignored for the developmental path of alliances. However, the numbers of study which study how absorptive capacity affects alliances are still limited. In addition, since absorptive capacity requires some skills such as communication within the organization, not only their past experience but cultural influence on them may also take to the account. Therefore it should be investigated for further shoeing some examples.

Thirdly, although large number of local customer and enterprises may be involving their strategic alliances at the same time, majority of empirical study investigated only inter partner relationship, and the role of the environment such as the government and the other organization which may affect their relationship is still absent.

Finally, although it has been described by many researchers that cultural impact on an strategic alliance between culturally distant partners can be difficult, majority of study focused on only culturally distant countries, and sufficient research in culturally close countries are not conducted yet. That is, majority of research focus on west-east alliances and there are limited number of examples of alliances within Asian countries. Therefore, there has been especially little in-depth research regarding management practices in Japan–China strategic alliances. Although Japan and China are culturally close compare to western countries, their business do not run in the same principle, rather, there are distinct differences among Asian culture (Alston, 1989). As I described before, there are increasing number of interaction between Japanese and Chinese business, there are some cultural characteristics that should be mentioned.

Therefore, in this study, I undertake a first step in this direction by addressing the following research question: How does national culture evolve in Japan-China strategic alliances evolutional path? That is, how absorptive capacity and their interaction influence on their insight of their feeling and their management style toward discrepancies. In addition, how national culture affect on their discrepancy management is investigated.

3. Methodology

3.1 Approach and method

Based on gaps that I want to close, I decided semi-structured interviews in qualitative research would be the best suitable in gaining me what I want to understand. Since my topic of this dissertation focuses on the influence of culture on dynamic evolution in international strategic alliance, internal emotion and cultural sensitivity as well as how those relationships have developed should be measured based on the literature review. However, in the majority of past research, survey interviews were used. Although it will allow researchers to access a large number of respondents in a relatively short period, survey interviews may be difficult to correct psychological feeling of the respondents. That is, it is easy to fail to understand complex situations, collaboration of partial aspect, and hardly understandable the relationship development and its impact on the outcome. This is because survey interviews are not as flexible as semi-structured interview which can be more flexible, iterative and continuous (Rubin and Rubin, 1995). Semi-structured qualitative interviews allow researchers to understand experiences, and reconstruct events in which they did not participate (Rubin and Rubin, 1995). In addition, the researchers can develop questions emerged during the interview, and to delve deeply into social and personal matters are allowed (Bloom and Crabtree, 2006). Semi-structured interview may be very helpful to recognize the inner-side of their feeling, behaviors, beliefs and values which are essential to understand culture in depth.

In all interviews, I was allowed to use audio recording so that I can remind the contents of the interviews later. Although interview was conducted one to two hours, by using Audio recording,

not only I could concentrate on the interviews rather than taking memo, but also it gave me more information than transcript on such matters as voice tones and inflexion. Thereby, audio recording helps me to pick up the interviewees' emotion (Thorpe and Holt, 2008).

Regarding questionnaire, based on the literature review that I would like to investigate, I wrote it in Japanese and translated into English later for this dissertation. This questionnaire consists of 15 questions which divided into three parts (see Appendix). In the first part, basic knowledge such as the percentage of the equity, the motivation for the strategic alliances, and the language used for communication are listed. In the second part, it focuses on the absorptive capacity and management styles of each enterprise, such as the decision making style, the mode of interaction, and their interpretation regarding absorptive capacity. Thus by combining some questions into simple questions, I tried to find out the differences of their absorptive capacity and day to day operation between their alliance partners, and how discrepancies are generated. At the last section of the questionnaire, I asked them how do you interpret these discrepancies and how did you deal with those discrepancies. By asking those questions, it allowed me to figure out the dynamic evolution of the strategic alliances, and their feeling and its impact of their relationship in depth.

In addition, together with primary data, I collected secondary data on the internet such as journals and newspapers that are suitable for my research topic. I found JETRO's study is especially useful for my research which JETRO interviewed about thirty companies in Japan. Their report helped me to compare and contrast with my study and find some common characteristic although their interview questions are different from mine. Since the number of my cooperative enterprises has been limited, those six enterprises may still not enough to

support my idea compare to other research. Therefore, those secondary data may allow me to enrich my study supporting my argument and reducing my bias.

3.2 Finding co-operation enterprises

In order to find co-operation enterprises, firstly by using Google research, I searched some firms that are involving strategic alliances with Chinese partners and listed up 30 enterprises randomly which are located close to Tokyo. I targeted Tokyo and some other prefectures where close to Tokyo because those places were easy for me to access to face-to-face interview as I have been living in Tokyo. But why I did not spesify the target firms such as the industry, B to B and the size of the enterprises was because I believe that asking variety of firms for interviews will increase the possibility of accessibility, and gain variety of opinions which may be different from each enterprise. Thereafter, I firstly contacted them by phone call, asking their cooperation for the interviews. For some firms which showed positive response, I sent personal email including my personal information and brief introduction to my research topic, and a questionnaire forms in advance.

By doing so, finally six affirmative replies were received; three firms were from manufacturing companies called Tombo instruments ltd, Oriental engineering Ltd and Sagami Chemical Metal Ltd., an IT companies called East ltd, and a retailer company called AEON, and a designing company called Architects GAIA. Face to face interviews were allowed with three of them namely, Tombo, Oriental engineering and Sagami chemical metal. AEON and Architects GAIA responded to the questionnaire by email first, and I was allowed to ask them further questions by telephone interview afterwards. Sagami chemical metal also gave me answers but as they

have already interviewed once by another organization, they gave me an answer of a questionnaire which the organization made. Although this answers does not wholly answer to my questionnaire exactly, since it contained very helpful information for me to investigate my research such as some behavioral differences and their feeling, I decided to use this report to enhance my understanding. Thus I succeeded to conduct in in-depth semi-structured interview to five Japanese firms and another Japanese firm also shared their experience with their joint venture in China.

Regarding face-to-face interview location, I chose the place where convenient for them. Therefore, I was invited to their office and factory where they are actually working every day. Therefore, I met other workers and saw some of their products and machines they use, and felt the atmosphere of their work place. Although I acknowledged overall information about their companies in advance on the internet, those working place helped me to know more about the company which cannot be learned on the internet. For example, one of the interviewed in manufacturing company explained me showing their piece of the products which was manufactured with their Chinese partner in China. Another interviewed showed me a space where they actually use with their Chinese partners for their meeting, and introduced me some Chinese workers.

3.3 Introduction of co-operating enterprises

1) Oriental Engineering Ltd.

Oriental Engineering was established in 1952 in Tokyo. This is a manufacturing company operating thermo mechanical treatment which is used for many machines and products such as

cars, rockets and cigarette lighters in order to make their surface materials strong. They have got a tremendous reputation because of its high technology, and now they have got the large number of customers in this field in more than 20 countries including Japanese leading companies such as Toyota, Nissan, Panasonic and Sony. They began internationalization in 1973 and established 2 Joint ventures (IJVs) and 2 other types of alliances with their Chinese partners. They are also conducting strategic alliances with the Malaysian company. The main JV is with the Chinese local company called Yancheng Fendong heat treatment Co.,Ltd. They established joint company called Jiangsy Fengdong Thermal Technology Co.,Ltd which Oriental Engineering Ltd possesses about 20% of equity. Fengdong has been designing, manufacturing, and delivering high quality thermal processing equipment for their customers. I did face-to-face interview at their factory in Chiba prefecture. The face to face interview was conducted with a middle-aged man who has been involving chief director in an oversea business department (Oriental Engineering official website, 2011).

2) Tombo Instruments Ltd.

Tombo has the history of more than 80 years since it was established in 1917 in Tokyo. They make the harmonicas and the accordions. The qualities of those instruments are highly evaluated by famous players all over the world, and their instruments have been distributed to about 40 countries). They have started JV with the ethic music company in China, and Tombo possessed 40% of equity at that time and now they possess 88% of equity. Tombo has been committing JV in China in order to achieve cost reduction and expanding their market. On the

other hand, Chinese partner seek high technology and management knowhow that Tombo possess. They started JVs because CEO of each company had the same harmonica player teacher. So they knew each other before they started JV. About eight people from Tombo are committing this JV. The interviewed is the Japanese middle-aged man, doing a manager in the business department. Before the interview, he also asked some of the questions to the CEO of this company who began this JV, and gave me a vivid description of the situation. I was invited to their show room in Tokyo where many customers visit every day, and face-to-face interview was conducted. (Tombo official website, 2011).

3)   East Ltd

East is a Tokyo-based software developer which was founded in 1985 and has specialized in providing Windows-based solutions for a variety of business. They are highly recognized as one of the most high technological software company in Japan. In 1992, they established a first Joint venture called EAST information Technology Corporation of Heilongjiang in China with Heilongjiang University. In 2007, they established another joint venture called Estina.cn Ltd. in China with a company called Wuxi Ltd. in China (East official website, 2011).Their purpose for those JV is that for Japan, they wanted to get cheap labor, enhancing their new business, and expanding their market in China. The motivation for the Chinese company is that they want to learn their Japanese partner's high technology. They are also operating strategic alliances with the Korean company and providing their technology to Korean company. The interviewed is the Japanese middle-aged man, involving a manager of a general affair department. I was invited to

their office in Tokyo where there was no wall on a one floor and everybody can see other workers without disruption. Their office clothes were not formal, and I recognized intuitively that they use 'ringi' style for their management.

4)　　Aeon Ltd.

Aeon Ltd is the largest retailing group of 180 companies united in Japan established in 1970 in Tokyo. With retailing as its core, the Group operates lifestyle-enhancing retail and a variety of other services, from general merchandise stores and supermarkets, to fashion-conscious specialty stores, financial services and amusement facilities. They have more than 300 shopping malls in Japan, and now they are rapidly expanding their market in ASEAN countries such as Korea, China and Malaysia. In order to expand their market further in China, they established JVs in Shanghai in 1996 (Aeon official website, 2011). Aeon is motivated to conduct JV because their Chinese partner's familiarity in Chinese market and distribution knowhow. On the other hand, their Chinese partner is doing new town establishment. By establishing Aeon's supermarket, they seek making modern town in rural area. However this JV failed after four years. In 2002, they have started JVs in China again and now they have been conducting JVS in four areas in China including Shanghai and Beijing. The respondent is the meddle-aged Japanese male manager in a business department who is working in China. He has been involving this JV since the beginning in 1996. Fortunately, I was allowed to connect to this person introduced by the worker at Aeon Japan. This manager kindly shared time for me to do interview by email and telephone.

5)   Sagami Chemical Metal Co.,Ltd.

Sagami Chemical Metal launched in 1968. They manufacture and distribute various magnetic products. In 1991, They established San Huan Sagami New Technology Co.,Ltd. This is the joint venture set up with Beijing SanHuan New Materials High-tech Inc., and Sagami Chemical Metal Co.,Ltd is the first manufacturer to have entered China in the field of rare-earth magnets and set up a joint venture there. They have chosen China as their alliance partner because they can access to unique resource called neodymium magnet and cheap labour, whereas their partner was also attracted to Sagami Chemical Metal's sophisticated technology. Now Sagami Chemical Metal has 84% of equity. According to the report they sent, the interviewed was a CEO of this company who has started this JV. In this interview report, the brief introduction of this company, the motivation of the JV in China, the difficulty in negotiation and the way to develop trust relationship are described. (Sagami Chemical Metal official website, 2011).

6)   Architects GAIA

Architects GAIA established in 1989 in Tokyo. This is a B to B business operating architecture designing, building production designing and human outsourcing. In 1999, they established JV called Shangdong GAIA Ltd. with a Chinese company called Jinan ltd. The motivation of this venture for Architects GAIA was expanding their market in Japan. Due to the small size of their firm, there were not enough human assets with cheap cost to handle all of their order.

Therefore, they ordered some of their business that cannot be handled but simple one to their Chinese partner. In addition, although their firm size is small, having business in China has allowed Architects GAIA a global brand image. On the other hand, Chinese partner wants to learn Architects GAIA 's designing skill. Now, their partner made M&A with major architecture Designing Company in China, and their JV no more exist. However, Architects GAIA answered to my questionnaire based on their past experience by email. The middle-aged male manager of the business department sends me an answer and He also replied some of my questions afterwards by email (Architects GAIA official website, 2011).

4. Findings

In this section, based on the interviews that I conducted, firstly, some characteristics of absorptive capacity, the pattern of interaction, and how they react to discrepancies are summarised.

4.1 Absorptive capacity

Regarding absorptive capacity, I asked "do you/your partner have enough absorptive capacity, and why?" There were some responses to this question.

Firstly, the manager of Tombo told me that although their partner have been trying to learn sophisticated skills from Tombo, it takes a long time to teach them even fundamental skills for the Japanese, and the Chinese still cannot absorb all the skills that the Japanese want them to master. The alliance team of Tombo was wondering why their partner cannot absorb them smoothly in spite of the fact that they were using the same machines, same process, and sent the Japanese technicians to their factory. The reason Tombo think was that although some Chinese workers have an outstanding skills, generally the Chinese workers are less sensitive to the quality than the Japanese workers. Since their products are the instruments which require complicated and sophisticated skills, it requires sense of quality which may be related to the environment where they grow up. For example, when the CEO of Tombo first visited China, he was very disappointed that the extremely low quality of harmonica and accordion were sold there. However, the Chinese could not distinguish if this product is the high quality or not. Therefore, even common sense for the Japanese was not always common for Chinese people in China, so the Japanese technicians had to explain what is called good quality. During the

process, the Chinese workers easily give up trying to make sophisticated products, and they even do not recognize it is a bad quality. In addition, Tombo told me that Tombo's technological and management process cannot fully be explained on a manual because some of their process, the Japanese technicians do it based on their experiences and sensitivity. It may increase the uncertainty for the Chinese workers. Since transference of Japanese-style management seems problematic and takes time for the partner to absorb (Li 2003), Tombo thinks that they need to educate them in a long run. However, Tombo thinks that it is difficult to change the value of quality which is embedded in individual. Therefore, Tombo believes that they have to wait until the national level is improved in order to manufacture the same quality as in Japan.

Another company, Oriental Engineering also find it difficult to make high quality products in China. At the beginning, about one third of their products were wasted because of its bad quality even though their Chinese local workers learn very hard. Regarding this issue, the manager of Oriental Engineering also thinks that the level of sensitivity is still low in China, and it is not because of their relationship or manufacturing process. For example, when the Japanese make a machine, it is a common sense to make their line straight and upright. However, when they try to make the same things in China using exactly the same process, the Chinese local workers do not feel it is a bad quality even the product is not a straight shaped machine. Therefore the manager showed them their products comparing bad quality and good quality, and tried to reduce the number of inferior good. However, Oriental engineering also thinks that the level of quality will not be improved until the national level such as the quality of the environment and education is changed and sensitivity which is embedded in individuals is developed.

According to JETRO's report, some companies responded that their partners are not good at detailed work such as accounting management and manufacturing processes. Some managers even responded that although China will become a technologically advanced country in the future, it will take about 10 to 20 years to become such a highly developed country because the level of individual's sensitivity toward quality is not sophisticated. To summarise, many companies are struggling with the absorptive capacity since the Chinese cannot pay attention to detailed work although they spend much effort on it. Since the majority of Japanese companies emphasize the importance of high quality as their competitive advantage, this lack of absorptive capacity may be problematic for the Japanese managers.

4.2 The pattern of Interaction and process discrepancies

In this section, the interaction pattern and process discrepancies which are caused by differences in either mode of interaction or management mechanism are described. Management mechanism is further divided into six sections: language difference, decision making process, commitment for the organization, interaction with outsiders, operation style, and hiding issues .

Cooperative strategies: There was a common tendency that all companies use. That is, all of them emphasized the importance of trust and they are trying to establish rapport with their partner in order to achieve their ideal outcome.

For example, the manager of Tombo told me that, they invite some Chinese workers who are working at their factory once a year. Although China's GDP is increasing, as travelling to Japan is not affordable for the majority of workers there, this is very appreciated by them. In addition, when Tombo invite them to Japan, not only do they rake to the workplace, but also they often take them to an amusement park, and a music concert. The Japanese employees are also taking care of local workers' family. They sometimes visited their worker's living place and talked to their parents about their son and ask other requests that that family has. It has a role that makes the worker proud of being a worker at Tombo and establishing trust relationship with their workers.

Another example was observed at a software company, East. They also often invite their Chinese co-workers to Japan and working together in order to teach skills to them. The important thing for them is to share private time together. Not only they stay together during their work, but also they spend time together such as having lunch together. By doing so, the manager of East thinks that they can know each other and easy to make rapport with the partner. Their Chinese partner also thinks that the trust relationship is important. Therefore, they also trying to establish rapport by leaning Japanese and culture so that they can understand their business style and habit in Japan. In addition, East has not set any rules for preventing issues such as opportunism, and they open everything and share all information. This is because East believes that without disclosing everything, it is impossible to build trust relationship. Other respondents also responded that they are trying to establish trust relationship by understanding their partner's culture and preparing suitable environment for their Chinese workers. For instance, since Sagami Magnet learned that the Chinese never eat

cold food, they established a cafeteria for their local workers so that the Chinese workers can eat hot food every day. Thus, all companies were using collaborative strategies and maintaining harmonious relationship was observed.

Management Mechanism and process discrepancies:

Language difference: Language barrier is well known for directly mistrust and miscommunication for the cross-cultural management (Li et al, 1999). Regarding this issue, I asked "which language do you use for communication, and is there any misunderstanding caused by language difference?"

Among six companies, three of them answered that they are mainly using Japanese language and two of them are using Chinese language (Another company did not answer this question). One of them is also using translator. Among them, four companies answered they do not have particular issue caused by language difference because their partner is good at speaking either Japanese or Chinese language. In addition, even though when they could not convey exactly what they want to say, still they can communicate in a different way such as using gesture or showing a good example each other in instead of explaining it in language. Although a retail company, Aeon told me that they sometimes struggle with the definition of the word because they use the same word in different meaning which is difficult to understand for the Japanese. However, those issues were somehow manageable. JETRO's report found that language become troublesome when the Chinese use words but it did not mean exactly what it means. For example, the Chinese phrase, "*mei guanxi*" can be translated "Do not worry" in English

however, even though they were in a situation which was not "Do not worry", still they used "mei guanxi". Therefore, when the Japanese firm found that things were going wrong, it is often too late to cope with the issue. However, this issue is not the issue that caused by language difference but it is the nature of do not open directly which can often seen in East Asian countries.

IT software, East told me that although they are mainly using Japanese and there are times that they misunderstand the meaning, the manager of the East emphasized that the language itself is not a serious problem if we also try to understand Chinese language. That is, it is important that Japanese workers should not take using Japanese as a matter of course. Therefore, although they are mainly using Japanese language with Chinese co-workers, The Japanese workers should also try to learn Chinese. Leaning foreign language regardless which company is the parent company, this collaborative attitude is appreciated by their partner and it may have a significant role in improving their mutual understanding and motivation.

Although there is some misunderstanding caused by language difference, it was not serious problem for them.

Decision making process: Regarding decision making process, three of the respondents, namely Aeon, Oriental engineering, and East answered that decision making is the most remarkable differences of their management mechanism. All of the Japanese firms answered that their Chinese partners are using top-down decision making style. On the other hand, in

Japan, bottom-up style is used and all team members are motivated to participate in the decision making. For example, Aeon are using teamwork as a decision making process. Not only the top executives but also each of team members also has a power for making decision. Therefore, when Aeon group and the Chinese managers were talking about an issue, and they finally made a satisfied decision, however, once the top executive of Chinese side dislike the decision, that decision was easily denied by him. In addition, the Chinese workers never tried to negotiate their boss to change his mind, but just once again, they had to discuss about the same issue from the beginning. The Japanese manager of Aeon told me that he was quite irritated because there was no point to discuss with the team because everything was finally decided by the top of the Chinese company. In addition, especially when they talk about their share of equity or ideal outcome, the Chinese partner likely to suggest the idea which is better off only for the Chinese partner. On the other hand, for the Chinese, since the Japanese are too careful for making a decision, and it takes much time, the Japanese manager of Aeon thinks that is may be uncomfortable for their Chinese partner. The Chinese partner is ambitious for seeking their profit and more an aggressive approach is preferred whereas Japanese side was trying to establish a win-win relationship but its process is slow compared to their Chinese partner. To deal with this issue, the manager of Aeon told me that they could just negotiate their Chinese partner many times so that they can understand win-win relationship is important for the sustainable strategic alliances.

Commitment for the organization: Sagami chemical metal had difficulties with the gap between them and their Chinese workers in terms of their value of the degree of commitment

for the organization. In the case of Sagami chemical metal, the Japanese workers were all motivated and proud of being worker of the company. They are seeking dream as a team and delighted that they are one of the team member in the organization. On the other hand, in spite of China lank high in collectivism, the Chinese partner's attitude toward organization was individualistic, and no one had conscious of being one of the members of the firm. They emphases the importance of loyalty only for beneficial relationship for them and once they have found more beneficial opportunity outside of their organization, many people easily retire their work without any compassion. That is, in China, personal loyalties are often more important than organizational affiliations (Alston, 1989). The Japanese workers were surprised with this situation because life-time employment is common in Japan (Alston, 1989) and the Japanese do not easily changes their job. That is, they are working for the firm rather than for their own benefits. Therefore, the manager of Sagami chemical metal wanted their Chinese partner to be more conscious of organization and being proud of being a member of this member because Sagami chemical metal believes that seeking goal as a team will improve communication among partners and lead to improve firm's competitiveness advantage such as absorptive capacity. The Japanese workers started to teach them that working is not just for money but for the organization, and achieving outcome together with other workers supporting each other. However, it was not easy task for the Japanese, because the Chinese could not easily understand this thought. The manager of Tombo also experienced the same issue. He said that they are trying to improving their Chinese partners' pride and loyalty toward the organisation. To deal with this issue, they tried to improve their partners' motivation by inviting a very famous harmonica player to China and playing for them using their products.

This has a role to make them be proud of making Tombo's instruments. This is because Tombo are making some part of their instruments in China, therefore, the workers do not know how their piece of products are finally used. Therefore, showing beautiful products that they partially involved and music using those instruments may have role to inspire their workers.

Operation style: Regarding the operation style, especially manufacturing companies faced process discrepancies in terms of their manufacturing process. The manufacturing firms are very sensitive to their quality of their selling products. The same type of process discrepancies were observed at Both Tombo and Oriental Engineering. That is, when the Japanese managers went to the factory and watch the products, they were disappointed because the qualities of those products were far from their satisfaction. However, their Chinese partners were thinking that quality of these products is good enough to sell in the Chinese market. Therefore, the Chinese partner thinks that they cannot spend too much money for the small matter to improve their quality because it costs a lot and efficiency will be decreased. By contrast, for those Japanese firms, quality and a reputation as a brand are the most important assets even though the number of products was small and efficiency is diminished. The Japanese companies believe that in the long run, the high quality will make more benefits than focus on quantity. However, the Chinese were not satisfied with this management style, and rejected the suggestions of their Japanese partners. In addition, when the more gains than expected were generated, the Chinese partners usually suggest that they should share the extra gains for all workers so that everybody can get a high rate of turnover than usual. They believe that this management style is very important in order to develop their workers' motivation. On the

other hand, the Japanese workers cannot accept this management style describing that those extra profits should be stored for their company in order to react properly to any unexpected situation in the future. Therefore it is very difficult to understand and tried to negotiate them to accept Japanese way of doing business by explaining many times. Compare to the way of Japanese management, their attitude was very flexible, ambitious but unstable and impatient (Goodall et al,2006).

Hiding mistakes: During the process, opportunistic behaviour and hiding their own mistakes were often observed at some companies. Sagami chemical metal was struggling with their last partner's behaviour of sales of goods through illegal channels without permission and they secretly gained all of those benefits. However, they did not tell this fact until this fact was founded by Sagami chemical metal. This matter was nearly put on trial but their Chinese partner strongly rejected to be revealed this issue in public saying sorry to Sagami chemical metal and gave them some of their assets. This issue was very serious because it caused distrust between partners and leads to break off their relationship.

Tombo and oriental engineering are also having difficulties in terms of their partner's hiding their own mistakes which was generated during their manufacturing process. The Japanese companies think that having mistakes is not bad but it should not be hidden. Hiding fault is very troublesome because it will destroy trust relationship and cost a lot for monitoring. In addition, it may generate the outcome discrepancies. The manager of Tombo believes that in order to

achieve a proper outcome, process is very important. Therefore, it is very important to show everything each other so that they can improve some matters or mistakes.

Interaction with outsiders: Not only the companies need to consider the relationship with their partners, but also the parent companies should consider the relationship with outsiders. Regarding this issue, all companies answered that personal interaction with outsiders is a key to succeed business in China. The manager of Architects GAIA said that it is very important to have a personal relationship with the outsiders such as local customers, accounting organization and the government in China. For example, all of them responded that rules and laws in China are often suddenly changed without any announcement. Since this situation rarely happen in Japan, the Japanese companies are often confused this situation. For instance, Tombo experienced that they were told to adopt the new laws without any announcement. If they could not fit in the new law in time, they were punished afterwards. However, those regulation was often controllable depends on the politician. A politician who is powerful and well-known person can forgive their mistake if they have a personal connection. Another example was observed at oriental engineering. They were not familiar with the environment in China first, and they were often in trouble because of the unstable regulative policy. However, after they were introduced a well-known accountants and establish trust relationship, those accountants helped them by negotiating the organization. Thus, in China, the personal relationship is everything in order to adapt unstable regulations. In order to handle their issues, all respondents put effort on the

personal connections with a well-known Chinese politicians and accountants. Those Chinese connections helped them to survive in unexpected circumstances.

According to JETRO's report, almost all companies also suggest that finding a reliable person is the most important aspect for finding enough customers and collecting reliable resources. Since all processes are related to personal connection, if one cannot enough connection, the firm will be in trouble. For instance, their study found that some companies could not get enough orders from their customers due to lack of personal connections. However, some Japanese companies argue that since the Chinese partner use personal connection for any occasion, there is sometimes occasion that there is no well-grounded reason for that behaviour. That is, they rely on others about everything without careful analysis. In addition, the Japanese think it costs much to spend much effort on personal connection. Thus, for some Japanese, this Chinese partners' too much dependence on personal connection generated the uncertainty and discontent.

4.3 Outcome discrepancies

Outcome discrepancies occur when the alliances fail to achieve their objectives such as satisfactory economic value or when they recognize that they learned nothing from their partners (Kumar and Nti, 1998). In this study, some outcome discrepancies are observed.

Firstly, Aeon experienced an outcome discrepancy when they established their store at the first time. Aeon established Joint venture in Shanghai in 1996 with the Chinese organization which have been conducting new town development business. However, their relationship did not last for a long time because of an outcome discrepancy and finally they cancelled their alliance

contract. The motivation of this strategic alliance was that Aeon wanted to learn knowhow of local market and access to distribution capability that the Chinese partner possesses. Their Chinese partner was an organization operating new town establishment. Therefore, the Chinese partner wanted Aeon in order to develop their rural town by introducing Aeon's modern and merge shopping centre. The manager of Aeon told me that they actually learned some information such as local regulations and distribution knowhow that cannot be obtained without Joint venture. However, in spite of careful planning, their plan did not work smoothly. That place where they chose as a target market was not developed and Aeon's products were not sold because of lack of demand. However, they believed that gradually a new town will be developed in few years. Unfortunately, however, there was no indication that a new town will develop in the future. Aeon and their partner were debated about this issue for a long time but Aeon could not get a good answer from their partner that they can develop a new town even in the long run. As a result, Aeon gave up this area and closed their relationship.

Tombo and oriental engineering were also not satisfied with their outcome. This is because they are feeling limitation to produce high quality of products in China. Unlike other manufacturing companies, their manufacturing processes are extremely complicated, and require sensitive processes. Even though they use the same machine and environment, they still cannot produce the high quality of products. It was serious issue for manufacturing companies. According to JETRO'S report, many manufacturing companies also mentioned that the low quality of their products as their main issue.

4.4 Discrepancy management

Regarding the reaction to process and outcome discrepancies, Kumar and Nti (2004) investigated it by dividing into three stages: detection, attribution and reaction. In this section, how the Japanese firms reacted to those process and outcome discrepancies at each stage is described.

Firstly, in order to investigate the reaction to the discrepancies at detection stage, I asked respondents that "process discrepancy and outcome discrepancy, which aspect do you think more important?" one company responded that process discrepancy is more important whereas another company described that outcome discrepancy is more important. Other three companies responded that both process and outcome discrepancies are equally important. The reason why they answered both was that although achieving ideal outcome is apparently the most important thing for their sustainable relationship, in order to achieve target outcome they believe that process discrepancies must not exist. That is, they believe that both process and outcome discrepancies are linked and cannot be considered separately. Therefore, if they could not achieve the ideal outcome, they try to manage their process discrepancies with their partner. For example, when Tombo faced outcome discrepancy in terms of the bad quality of their products, they reconsidered their management functioning such as the value of working and operation style. Similar to this idea, Architects GAIA told me that process discrepancy should be more paid attention because they also think that process discrepancies lead to outcome discrepancies. Therefore, Architects GAIA carefully monitor their process and if they need to change some process discrepancies, they try to diminish it. For example, if they found

more appropriate way of doing job or some mistakes, they spend much money on it and changed their processes.

On the other hand, Aeon does not pay attention to process discrepancies seriously because if only they can achieve the ideal outcome, they do not care for process discrepancies. Thus, although not all companies were focusing on outcome discrepancies, almost all companies believe process discrepancies must be managed in a proper way so that they can achieve their ideal outcome.

Secondly, for the attribution and also for the reaction stage, I asked "Do you/your partner spend 100% effort on your alliances?" Regarding this question, all the Japanese companies responded that they spend whole energy for the successful outcome and their Chinese partner also spends 100% energy on it. That is, nobody mentioned that their or their partner's lack of commitment. For example, Aeon's outcome discrepancy was generated when they could not achieve new town's development with their partner and Aeon's economic benefit was not enough. Aeon explained the reason why they failed their target outcome. It was not a lack of their commitment or their partner's effort but their target place was not suitable for their project because there were no project for development in that area. That is, although it was their error that they chose this place but it was not their lack of commitment or effort. Thus, rather than Aeon seek their exact reason that can be found, Aeon avoided to pursue the exact reason, and attributed it to the external condition.

Tombo and Oriental Engineering also think their outcome discrepancies in terms of their lower quality of products is caused by not low level of commitment of their partner but their core value embedded in individual which may be influenced by external environment. That is, The

Japanese firms' conclusion was that even though they have taught hard in order to develop their level, it is still impossible to make a high quality products as products made in Japan due to the lack of sensitivity of the Chinese toward quality. They live in a society where education is still not sophisticated and surrounding is full of low quality products. Therefore, Tombo and Oriental Engineering believe that with the development of nation's level such as education and its environment, the number of highly educated workers will be accelerated and level of the environment is sophisticated and the technology in the manufacturing industry in China will also automatically develop. Therefore, they have never thought that controlling the level of commitment can be one of the solutions for the outcome discrepancies because they are always committing their 100% effort on strategic alliances each other. Since it is not their partner's fault, Tombo and Oriental have to wait training their workers until the national level will develop in the long run.

For the process discrepancies, when Aeon had difficulties with their partner in terms of their communication using Chinese language, unfortunately it sometimes leads to misunderstanding each other. For example, when they make a contract, it was just a verbal promise for the Chinese while the Japanese were thinking that they have contracted seriously. In addition, sometimes they were misunderstanding caused by language differences (see 4.2). Since Aeon has experienced those discrepancies, they feel anxious every time toward their partner. However they found afterwards that the sense of responsibility is also important for the Japanese to confirm repeatedly. If their partner did not act properly, Aeon thinks that it is also their fault because they did not confirm many times. Thus, Aeon did not complain their

partner's mistakes but they try to solve process issue in a harmonious way. Other companies emphasized the importance of localization of their management in China. Although sometimes process discrepancies such as decision making style are uncomfortable for the Japanese, it is important to trust them and let them do in their way of doing business and share the fault.

As far as reaction stage is concerned, in order to cope with outcome discrepancy, as I described before, Tombo and Oriental Engineering faced outcome discrepancy in terms of the low quality of their products (see 4.3). However, their Chinese partners were still satisfied with the low quality of their products because they achieved efficient production which attracts large number of demand. On the other hand, the Japanese side were disappointed because high quality is the most important competitive advantage for them. Therefore, the Japanese tried to persuade their partner saying that even though quantity is small, but in the long run, high quality of products will get good reputation and overwhelm this benefit. The Chinese sides were also trying to negotiate their Japanese partners saying that the Japanese way of doing business is not efficient and results in low turnover rate besides it is better to make affordable products which are suitable for the Chinese market even though the quality is relatively low. Thus, rather than they control their own or their partners' effort, they tried to change the partners' expectation.

Regarding the reaction to process discrepancies, firstly, when Sagami magnet found that their Chinese workers do not have pride as a worker of Sagami Chemical metal, and there was no commitment for the organisation because the Chinese tend to focus on one on one relationship. , the manager of Sagami Chemical metal thought that it may influence on outcome discrepancies because he believes that loyalty toward the organization is important for high

level of absorptive capacity and smooth operation. To cope with this issue, the manager tried to explain their Chinese partner that the importance of loyalty toward the firm. Tombo also struggled with this difference in terms of the value for working. Therefore, they also tried to take place concert for their local workers.

Other companies also showed that when they faced some process discrepancies, they tried to negotiate their partner by negotiation. For example, when Tombo faced process discrepancies in terms of hiding their mistakes, they tried to explain the openness of their operation. When Aeon faced difficulties in terms of establishing their win-win relationship, they also tried to negotiate them by face-to-face discussion. That is, when they experienced process discrepancies, the Japanese companies somehow tried to change their managerial mechanism in a harmonious way. Almost all companies described that it is very important to repeat and teach their opinion. However it is not only the Japanese for their partner to change their partner's operation.

5. Analysis

It is clear that each alliance has experienced some process and outcome discrepancies caused by absorptive capacity and interaction, and the way they react to those discrepancies also showed some characteristics. In this section, based on the framework of Kumar and Nti's study (1998) which suggests evolutional path of strategic alliances, how it is adopted to Japan-China alliances is firstly analyzed. In addition, how culture influence on their process level and outcome level and its impact on discrepancy management is investigated.

5.1 The Evolutional path of Japan-China strategic alliances

Kumar and Nti's framework (2004) of evolution path of an alliance was actually demonstrated in this study. Firstly, absorptive capacity affected directly to outcome discrepancy. For instance, especially for manufacturing companies such as Tombo and Oriental Engineering struggled with their partner's lack of absorptive capacity. Since their absorptive capacity was lower than the Japanese firm expected, the quality of their selling products were also lower than their target outcome. The Japanese firms were dissatisfied with this outcome.

Regarding the cooperative strategy, more the partner use harmonious attitude and disclose their information, more collaborative relationship has observed. For example, East's level of collaborative interaction may be the highest among six firms although all companies are involving collaborative strategy. This is because East shared all the information and skills that they possess and try to make harmonious relationship with their Chinese partner by learning Chinese language and sharing private time. For the East Asian, interpersonal engagement such as friendly feeling generate good feeling (Kitayama et al, 2000). Therefore, harmonious interaction may influence on positive feeling of their partner, and their relationship is very stable and harmonious. As a result, East's process and outcome discrepancies may be fewer than other five companies. The manager of East described that both the Chinese and the Japanese emphasize the importance of building trust relationship in order to succeed their alliance. Thus, collaborative strategy indirectly affect to positive influence on their outcome and process discrepancies.

Regarding management mechanism, it also influenced on process and outcome discrepancies. For example, as Aeon have experienced, the difference in decision making style may generate slow pace of decision making and this may be stressful for both China and Japan. However, the most serious process discrepancies were generated by the difference of the level of commitment for the organization, or hiding issues rather than language differences or decision making discrepancies. This may be because it will lead to distrust among partners. As the Japanese stress the trust relationship for the alliance relationship (Kumar, 2004), these process discrepancies negatively influenced on their psychological feeling. When it comes to the operation style, since the Chinese partner used to hesitate spending much money for quality performance, it also generated process and outcome discrepancy. Thereby, absorptive capacity and pattern of interaction have a fundamental role in alliances development.

However, I would like to add that those pattern of interaction and absorptive capacity may be interrelated each other. For example, regarding the difference the degree of commitment for the organization, if the Chinese become be proud of being one of the worker, and have a sense of responsibility as a member of the firm, it may increase the absorptive capacity because absorptive capacity requires interaction among workers (Cohen and Levinthal, 1990). Thus, management mechanism may also influence on absorptive capacity vice versa.

Finally, regarding discrepancy management, it is the key to shape whether an alliance is stable or not (Kumar and Nti, 2004). The six companies which I conducted interview in this study are succeeding their alliances so far. Their common characteristics were that they

react to discrepancies by harmonious way. This characteristic fits the Kumar and Nti's framework (2004) and this may be because they react to discrepancies in a same way with their partner.

5.2 Cultural influence on absorptive capacity and the pattern of interaction

Absorptive capacity: This study demonstrated that culture partly influence on absorptive capacity. Absorptive capacity was especially affected the manufacturing industry which requires high technology such as Tombo and Oriental engineering. Since their partner could not absorb perfectly of the Japanese skills despite of mutual effort, it resulted in the outcome discrepancies. As the Japanese managers think, lack of absorptive capacity may be caused by the significant differences in value in terms of quality which is embedded in individual. That is, The Chinese cannot care for sophisticated quality whereas the Japanese pay too much attention on it. Even Tombo which have been involving in an alliance with the Chinese for more than twenty years, they still have been struggling with the low quality of their products. It may demonstrate that not only their past experience in manufacturing, but also culture and history have partly influenced on their thinking (Hofstede, 1983). That is, lack of absorptive capacity may be influenced by the differences in belief and value which were generated by different education, the environment and culture. Huo and Glinow(1995) suggest that national culture shape the beliefs and value of individual. Since coherent set of beliefs and high degree of shared values are strongly affect the inflexibility of absorptive capacity (Bosch et al, 2006), value difference in terms of the recognition for the quality may have influenced on the level of absorptive capacity of the Chinese. In addition, I would like to suggest that difference in

absorptive capacity may be caused by the difference of *wa* and *guanxi*. Since absorptive

capacity requires mutual adjustment and combinative ability (Bosch et al, 2006), it is very

important to achieve goal as an organization. While *wa* demands organization loyalty, the

guanxi invest serious effort and considerable time into building personal relationship

(Michailova and Worm, 2003), and they have less commitment toward the organization. This

attitude may lead to the lack of combinative ability within the organization.

Thus, absorptive capacity may be influenced not only by their past experience, but it is

influenced by national culture which is embedded in individual's belief and value.

The pattern of Interaction:

Collaborative strategy: Regarding cooperative strategy, according to Hofstede's cultural

dimension, both Japan and China are high in collectivism and they are also positioned countries

which live in harmony. Koch and Koch (2007) suggest that society which lank high in

collectivism leads to more cooperation. In this study, the mutual effort to live in harmony was

actually observed such as having lunch together and visiting worker's house. In addition, all

Japanese companies in this study were trying to achieve trust relationship so that their

operation goes smoothly. Luo (2002) stydied cross-cultural alliances and found that the

Japanese electronics manufacturing conducting cross-cultural have been much more

committed to trust relationship development than their counterparts in western country and

their productivity and quality performance is better. For example, in this study, regarding

language difference, learning other country's language is not just for the oral communication,

but it has a role in gain trust from their partner. Goodall (2006) observed a multinational

company in China and found that the expatriate's willingness to speak Chinese reflected well on their commitment to work in China. Since the Chinese perceive relationships to be personal and based on trust (Michailova and Worn, 2003), East's individual effort of learning Chinese was very appreciated by their partner and their rapport was established. Willingness to use the host's language has a greater influence on successful adjustment to cooperate with stuffs (Goodall, 2006). Workers do not need to speak Chinese fluently, since just demonstrating very basic skills may convey to local staffs that the expatriate is really making effort to understand the host culture (Goodall, 2006). Architects GAIA was also appreciated that their Chinese partner are studying Japanese language very hard. The effort to master the partner's language may equal to understand other's culture, and have positive influence on trust relationship and harmonious atmosphere (Goodall, 2006). Other effort such as providing hot meals to the Chinese, inviting them to Japan also had a good role in developing trust relationship. To conclude, As far as the mode of interaction is concerned, their behaviours were very harmonious and serious discrepancy has not been observed. Those behacior demonstrate that the members of the collectivistic culture are less competing and accommodating (Kazan, 1997).

Management mechanism: Regarding management mechanism such as decision making, the value of working and operation style, they had experienced discrepancies although Japan and China are culturally close countries. Those discrepancies may be also partially influenced by culture.

Firstly, regarding the locus of decision making, the Japanese way of decision making process focused on interdependence in a group, thus they use consultative and harmonious decision making styles so that everyone in a group can join the decision making (Pascale, 1978). By contrast, the Chinese decision making style was top-down and there is an atmosphere that the subordinates cannot reject boss's opinion. Therefore, the decision making process was uncomfortable each other as Aeon has experienced with their partner. This difference may be due to China lank high in power distance. Huo and Glinow(1995) suggest that countries in high power distance such as China, for the subordinate, the disagreements with boss are difficult and unquestioning attitude toward boss is used. In addition, the Confucianism principle also emphasizes the importance of hierarchy and needs centralized person (Jacobs et al, 1995). Although Japan also ranks relatively high in power distance, as *wa* demands group harmony, the Japanese may prefer bottom-up decision making while the Chinese likely to use top-down decision making style. Thus, their decision making style generate process discrepancy when they find it uncomfortable.

Regarding the commitment for the organization, the Japanese managers are struggling with their partners' lack of commitment toward the firm and pride as being one of the organization members. This difference may be come from the difference in their major dynamism in society namely, *wa* and *guanx*i. As it is described before, *wa* demands the members of a group, whether a work team or a corporation (Alston, 1989). Therefore, the group's sustainable achievement and eventual success are keyed to a long-term perspective for the Japanese (Goodall, 2006). Therefore, once the workers are accepted to the firm, it is important to make every possible effort for the firm and the permanent employment is indispensable for Japanese

management (Choi, 1994). On the other hand in China, Unlike *wa, Guanxi* has no group connection but they are personal (Chen and Francesco, 2000). Since China is a society which is characterized as personal and ruled by person rather than law, the top bosses dominate the organization and they are regarded as the symbol of their organization. Therefore, the Chinese subordinate emphasizes the loyalty toward the top bosses rather than organization (Chen and Francesco, 2000). This individual aspect of *Guanxi* also allows Chinese workers to easily change their employment if they found more good opportunity in other place (Chen and Francesco, 2000). Therefore, while the Japanese complain for lack of their partners' commitment for the organization itself, for the Chinese, the Japanese management is inflexible and inefficient (Kato, 2000), and they may find it difficult to understand the Japanese way of management.

Regarding their difference in interaction with outsiders, the Chinese business requires strong personal relationship with others outside in organization (Vanhonacker, 2004). For example, the Chinese managers bypass laws and regulations through personal connections with the government (Vanhonacker, 2004). Since the Japanese do not familiar with relying on informal connections with outsiders, some of them found it very uncertain and inefficient. This difference perception may also be influenced by *guanxi* spirit. *Guanxi* takes place as informal and complicated multiple process that often involve more than two persons (Fan, 2002). The special relationship that develops with these ties is often considered necessary condition for Chinese business success. (Li et al,1999).Therefore in China, executives spend substantial time to interact with outsiders in order to build personal dependence in addition to formal structural dependent for obtaining resources and protection (Xin and Pearce, 1996). On the other hand in some of the Japanese managers think personal connection is unreliable, and costs overwhelm

the benefits as *guanxi* consumes much of their financial and managerial resources (Fan, 2002).

Since Japan is characterized as strong on uncertainty avoidance, the Japanese are more likely to intolerant of any deviations from group-organizational norms, and prefer high consistency in their internal culture (Vitell, et al, 1993).In addition, a strong consensus is involved in any occasions in society in which uncertainty avoidance is strong ,there is need for written rules and regulations (Hofstede, 1980). Therefore, strong uncertainty avoidance may be one of the reasons that the Japanese feel uncomfortable relying on personal and informal contract.

Regarding operation style, the Japanese companies prefer stocking extra gain for the future to sharing all gain with the workers, and they are very careful for management operation while the Chinese are hungrier for the benefit and they are likely to share extra gains and seek more efficient production. According to JETRO's report(2011), many Japanese managers responded that the Chinese are more efficient but they seek temporary benefit and risky. Therefore, for the Chinese, the Japanese way of doing business may be inefficient and inflexible. Thus, the operation style was different and generated process discrepancy between the Japanese and the Chinese. This issue also may be caused by cultural differences. According to Hofstede'scultural dimention, Japan tend to avoid uncertainty to a larger degree, and high uncertainty avoidance reflects feelings of threat in uncertain to unknown situations, and it is also characterised by a higher level of anxiety and a strong inner urge in people to work hard (Hofstede, 1980). Therefore, the Japanese feel threat if do not have extra stock for the future and inner effort to work hard is automatically required. In addition, as *wa* emphasises belonging to the organization (Alston, 1989), Therefore, although Chinese business is more efficient than the

Japanese business, the Japanese may feel uncomfortable with the Chinese management which seek temporary benefit and lack of loyalty toward the organization itself.

Regarding hiding mistakes, this study observed process discrepancies caused by hiding mistakes. During their process level, the Chinese is likely to hide their mistakes in order not to lose their face. Although fear of losing face also understandable for the Japan, hiding mistakes was serious issue for the Japanese because it will result in distrust between partners. In addition, it will also generate the outcome discrepancies as the Japanese are sensitive to quality but they cannot seek reasons of the low quality it their partner hide their mistakes during the process. Fear of losing face and demanding *guanxi* are often cited as reasons for Chinese unwillingness to deal with problems openly and directly (Goodall, 2006) In addition, in collectivistic culture such as Japan and China, loss of face bring shame on the entire organization (Yum, 1988).Thereby, fear of losing face and *guanxi* may be related to the Chinese partners' behaviour, and hiding mistakes generated directly process discrepancies.

Although I have conducted interviews to six companies which have different period of alliance experience, their management mechanism and cooperative strategies showed similar characteristics, and common process and outcome discrepancies have also generated. This may be demonstrating that Hofstede's cultural dimension and cultural dynamism of each country namely, *guanxi* and *wa* are strongly related to their mode of interaction and management mechanism. Thus, their national cultural differences may generate differences in management mechanism and process and outcome discrepancies are emerged.

However, Tyson and Paul (2000) argue that the environment and the value system of the Chinese people in China are slowly changing in recent history. This is because among many

countries, especially China has experienced the number and magnitude of social changes in recent history. Many of these changes were deliberately designed to radically reshape beliefs and attitudes which logically may have had marked influence on the value of the Chinese workforce and in particular, young generation such as managers comprised of the age of 41 to 51 years old subjects (Ralston et al, 1999). For instance, changes in Chinese society such as increase of foreign direct investment and expand of internet access may have introduced individualistic desires (Tyson and Paul, 2000). Although countries high in long time orientation such as China may exercise more patient in accomplishing the goals of a joint venture (The effect of national), the Chinese young generation tend to be flexible, ambition and impatient because of the environmental change thus their value is changing (Goodall,2006). This value changes was also observed in this study. For example, the Chinese workers seek more turnovers in efficient way and individualistic attitude toward the organization was often observed. However in turn, with the introduction of high technology products, the sensitivity toward the quality may be developed and their technology skill will be increased in near future. Therefore, although national culture has significant impact on their business practice, the manager need to understand national culture changes over time and thus, the pattern of interaction does also shift to different way.

5.3 Cultural influence on discrepancy management

Having acknowledged cultural influence on discrepancies, now is the time to consider how national culture influence on their discrepancy management. As I described before, Kumar and

Nti (2004) suggest cultural framework of discrepancy management which is divided into three stages namely, detection stage, conflict stage and conflict reaction stage. In this section, cultural influence on discrepancy management at each stage is analysed.

 Regarding detection stage, doing-oriented culture such as the American focus on outcome discrepancy that is, they stress the importance of task accomplishment. On the other hand, being-oriented culture such as Asian culture focus on process discrepancy and their process discrepancy needs to be controlled (Kumar and Nti, 2004). According to this framework, only one company responded that process discrepancies should more be paid attention than outcome discrepancies while the other company responded that outcome discrepancy should be diminished. All other companies responded that the both process and outcome discrepancies are equally important for the sustainable relationship. Since majority of firms believe that they cannot achieve target outcome without proper process, this result may demonstrate that process discrepancies should be controlled. For example, Oriental Engineering responded that when they have some outcome discrepancies, they reconsider their process so that they can achieve their target outcome. In addition, during this interview, I was not able to correct enough data in terms of outcome discrepancies because respondents spoke to me about their process discrepancies which are described before rather than outcome discrepancies. Furthermore, they even do not have clear target outcome such as numerical increase in benefits. This situation may demonstrate that they pay attention to their process discrepancies in order to achieve target outcome. The Asian culture including Japan believes fundamental connectedness or interdependence, and their cultural task is fit in and adjusts to the relationship (Kitayama et al, 2000). Therefore, process discrepancies mean fault of adjusting

relationship for them and it may be uncomfortable for both the Japanese and the Chinese. Although it is difficult to judge whether the Chinese and the Japanese focus on process discrepancies rather than outcome discrepancies, it is clear that they are trying to diminish their process discrepancies by making it under control. It can be concluded that although being-oriented culture also stress the importance of task achievement, they likely to think that diminishing process discrepancies by mutual adjustment will directly related to accomplishing target outcome.

At the conflict attribution stage, Kumar and Nti (2004) describe that regarding process discrepancies, those countries which emphasize the importance of harmony such as Asian culture tend to share failure with the partner whereas the people high in achieving mastery over nature such as Europeans perceive failure as lack of commitment of their partner. I asked companies that do your company spend 100% effort on Joint venture. This hypothesis is clearly found in this case study. Since all companies responded that they and their partner spend 100% effort on their joint venture, there is no point that they complain their process discrepancies due to the lack of commitment of their partner. Regarding process discrepancies, One of the examples which is mentioned is that Aeon shared the fault some misunderstanding of the contracts by their partner describing that it was also Aeon's fault that they did not confirm each time. By sharing their fault rather than accusing they or their partner has not put in sufficient effort, they may try to keep harmonious relationship. (see 4.4)

For the outcome discrepancy, while the society in which human nature is good such as Asian culture tends to perceive failure as the environment changes, which society in which human nature is mixed such as Americans think it is lack of commitment. This situation was observed in many occasions (Kumar and Nti, 2004). Aeon responded that their environment did not change to their ideal market. Some other manufacturing companies also described that their low quality is caused by the environment and education that their partner have experienced. Therefore, nobody complained that their partner's lack of commitment but they suggested that external aspect influence on strategic alliances. Since both Japan and China belong to high in collectivism, they respect harmonious relationship, it may influence on their attitude toward discrepancy management. Das and kumar (2009a) also suggest that even when they need to explain those discrepancies, managers in socialize in culture that stress harmony will not automatically attribute the existence of these discrepancies to the internal fault or alliance partner, thereby they establish harmonious relationship. However, not only they want to maintain their harmonious relationship, Kwok et al (2002) suggests that avoidance of conflict provides East Asians the opportunity to save "face" in public because open confrontation is often embarrassing and may lead to the loss of face for the interactions. As the Japanese concerns for honour and worldwide reputation (Kumar, 2004), they may strongly tend to avoid conflict in order to save their "face".

At the conflict reaction stage, for the outcome, people in dominant orientation such as the American tend to demand more effort from themselves or their partner while people who respect harmony such as the Asian prefer changing their own or partner's expectation (Kumar and Nti, 2004). This situation was also observed in this study. One of the examples was that

when some manufacturing companies faced outcome discrepancy in terms of low quality of their products, the Japanese were very dissatisfied with this outcome because they were expecting more high quality products as their principle is manufacturing high quality. On the other hand, China tried to change their Japanese partner's expectation describing that this quality is enough for the Chinese market and this operation style is efficient and maximum the overall benefit. Thus, rather than they put more effort on discrepancies, they showed attitude toward discrepancies that changing their partner's expectations.

Regarding reaction to the process discrepancy, a society where people perceive human as mix or evil will react by changing their level of commitment to the relationship. By contrast, people in a country where perceive human as good, they deal with the process discrepancy by demanding changes in the managerial mechanism (Kumar and Nti, 2004). In every process discrepancies such as the value of working toward the organization, and operation style, the Japanese managers are trying to negotiate their partner in harmonious ways such as face-to-face discussion. For example, when Sagami Chemical Magnet faced differences in terms of their value of working toward the organization, they tried to explain the importance of loyalty and seeking goal as an organization. Tombo also tried to improve their workers' pride as being a worker of Tombo by conducting some events.

At each stage, the Japanese firms showed that they fit the Kumar and Nti's framework (2004) based on their value orientation. Thus, this study demonstrates that national culture also influence on discrepancy management.

Although there is lack of the Chinese point of view in this study, Kwok et al (2002) point out that the Chinese is more likely to engage in avoidance behavior in terms of conflict. As both Japan and China belong to Asia, and culturally close country, although they may sometimes generate process and outcome discrepancies, discrepancy management are relatively similar. That is, rather than they seek and complain their fault or their partner's lack of commitment, they react to discrepancies paying attention to their sustainable relationship and harmonious attitude. If the partner is a country which thinks human as mix or evil such as the Ameriacan, they may complain their partner's lack of commitment and their relationship may be more difficult to maintain. On the other hand, all companies that I have conducted interview this time responded that although they have some discrepancies, they are satisfied with their alliances with their partners. Thus, it demonstrates that although strategic alliances show evolutional path and even culturally close countries such as Japan-China strategic alliances show outcome and process discrepancies because of cultural differences, the decisive aspect is how to react to those discrepancies. Six companies that I observed this time are also had difficulties in terms of their outcome and process discrepancies, they have sustainable relationship with their partner and some of them have been involving an alliance for more than thirty years.

However, some companies had experienced failure in the past. Sagami Chemical Metal had failed when their partner did illegal behaviour (See 4.1). Thus, if there is distrust between partners, they do not react in a harmonious way to the discrepancies. Cullen et al (2000) found that mutual trust and commitment is the central for the alliance with the Japanese partner because successful alliance requires mutual quality input to the alliance. Therefore, Kumar and Nti's framework(2004) may work only when an alliance partner trust each other and spend

100% effort on an alliance otherwise accusing their partner's failure can be observed even in society live in harmony.

When it comes to Aeon, they also failed their first alliance in Shanghai even though they react to outcome discrepancies in a same way as the Chinese partner. The reason was that they could not expect development of their alliance rather than distrust or different way of reaction toward discrepancies (see 4.4). This may demonstrate that even though if firms react to their discrepancies in a same way with their partner, if there is no expectation for the future, their relationship is over regardless of their discrepancy management. Therefore, although Kumar and Nti's framework (2004) picture evolutional path of strategic alliances, some conditions such as degree of trust and expectation for the future may also influence on their evolutional path of a strategic alliance.

6. Limitation of this research

Although this study involved in in-depth interview, this research is still far from persuasive research. The reasons are following.

Firstly, the number of respondents has been limited. This dissertation succeeds in access to only six cases. By increasing the number of sample, it may be allow me to compare and contrast samples between other nations, industries, and the size of the company. It may enrich my study by finding some characteristics in each country and how it is different from the Chinese. Although some companies are conducting alliances with Malysian and Korean countries, as the

respondents were person who are conducting in mainly Chinese business, I could not allowed to correct data.

Secondary, it also should be mentioned that I only conducted interview to Japanese managers and all questionnaires were answered by the Japanese perspective of view. Therefore, Chinese culture written on this study is also from Japanese perspective of view and there is little observation that their partner's psychological feeling and perspective toward the issue. In addition, as I am Japanese and I am very familiar with Japanese culture, this study likely to be subjective and from the Chinese side, their opinion may be different from the Japanese side. Interviewing for both the Japanese and the Chinese is more trustworthy and it will develop our understanding by comparing their thought and behavior.

7. Conclusion

Having identified a general lack in cultural influence on Japan-China strategic alliances in in-depth case studies and foremost qualitative approaches, the purpose of this study was to identify how Japan-China strategic alliances experience evolutional path and how national culture influence on it. Via the chance of in-depth interview of six interview partners from various industry located in Japan, I had access to face-to-face interview from three companies, telephone interview from one company, and email interviews from two companies.

First finding was that Japan-China strategic alliances demonstrate the evolutional path. Absorptive capacity and pattern of interaction influence on their target outcome and generated process and outcome discrepancies as it was suggested in Kumar and Nti's study (1998). In

addition, absorptive capacity and pattern of interaction may be interacted each other as absorptive capacity needs communication skills within the organization.

Secondly, culture influence on both absorptive capacity and the pattern of interaction. Although in literature review, cultural influence on absorptive capacity was not mentioned in depth, this study found that companies especially manufacturing companies faced their partner's difficulty in absorptive capacity, and it is not just a reason that is caused by organizational level, but national culture and the environment have significantly influenced on individual workers' belief and values thus, national culture may influence on absorptive capacity. As far as the pattern of interaction is concerned, culture also influenced on their cooperative strategy and managerial mechanism such as decision making style, the value of working for the organization and operation style. Six companies demonstrated some similar characteristics in terms of their pattern of interaction. For instance, since both Japan and China belong to collectivism society, their way of interaction was very harmonious and tried not to make their partner lose their face. However, although Japan and China are culturally close countries, the differences of interaction patterns generated negative feelings and resulted in process discrepancies. For instance, the small difference such as the degree of commitment to the organization by their partner was uncomfortable for the Japanese. This was caused by differences of their cultural spirit namely, *wa* and *guanxi*. Since the Japanese emphasize the importance of trust relationship, those process discrepancies negatively influenced on their psychological feeling. However, it is important to mention that cultural value may shift slowly overtime. Therefore, those discrepancies which show similar characteristics may also slowly change in the long run.

Lastly, the most decisive aspect for their relationship development was how to react to those discrepancies. This study also found that culture also influence on discrepancy management. All respondents reacted to process and outcome discrepancies based on their cultural characteristics. Since China and Japan belong to the same value orientation countries, there was no conflict regarding discrepancy management. However, this framework may work only when each company trust each other. Since Japan and China stress the importance of trust relationship, if trust relationship is not established between the partners, the reaction to discrepancies may change. Therefore, it can be recommended for the managers that establishing trust relationship is essential for the successful Japan-China alliances. In addition, although both firms react to the discrepancies in a similar way, if there is no expectation for the future, it may also read to fail.

8. List of references

Alston ,J.P (1989) 'Wa, Guznxi, and Inhwa: Managerial principles in Japan, China, and Korea', *Business Horizons,*Volume32, Issue2,pp.26-31.

Bloom, B.D. and Crabtree, B.F. (2006) 'The qualitative Research Interview', *Medical Education*,Vol.40, pp.314-321.

Bosch, F.J.V., Volberda,H.W., and Boer, M. (1999) 'Coevolution of Firm Absorptive Capacity and Knowledge Environment: Organizational Forms and Combinative Capabilities', *Organization Science*, Vol.10,No.5,pp.551-568.

Bruce A.H., Weining.L., Chan.G., and S.D. Aceves. (2008)'Strategic, organizational, and cultural fit: Effects on performance in China-US joint ventures' Journal of Asia Business Studies, Vol.2, No.2,pp.32-51.

Calantone R.J., and Zhao Y.S. (2001)'Joint Ventures in China: A Comparative Study of Japanese, Korea, and U.S. partners', *Journal of International Marketing*, Vol.9, No.1,pp.1-23

Chen,Z.X., and Francesco, A.M.(2000) 'Employee demography, organizational commitment, and turnover intentions in China: Do cultural differences matter?' *Human Relations*, Vol.53, No.6, pp.869-887.

Cheung, L.L. (2008) 'Let the other "speak" for itself: understanding Chinese employees from their own perspectives', *Critical Perspectives on International Business* Vol4, No.2,pp.277-306.

Choi, C.J. (1994) 'Contract Enforcement Across Cultures' *Organization Studies*, Vol.15, No.5, pp.673-682.

Cohen, M.W., and Levinthal, A.D. (1990) 'Absorptive Capacity: A New Perspective on Learning and Innovation', Administrative Science Quarterly, Vol.35, No.1, pp. 128-152.

Cullen, J.B., Johnson, J.,and Sakano,T. (2000) 'Success Through Commitment and Trust: The soft Side of Strategic Alliance Management', *Journal of World Business*, Vol.35, No.3, pp.223-240.

Das, T.K., and Kumar,R. (2007) 'Learning dynamics in the alliance development process' *Management Decision*, Vol.45, No.4, pp684-707

Das, T.K., and Kumar,R. (2009a)'Interpartner harmony in strategic alliances : managing commitment and forbearance', *Strategic Business Alliances*, Vol.1, No.1, pp.24-52.

Das,T.K., and Kumar,R. (2009b)'Interpretive Schemes in Cross-National Alliances: Managing Conflicts and Discrepancies", *Cross Cultural Management: An International Journal*, Vol.17, No.2, pp.154-169.

Ernst,D., and Bamford,J. (2005) 'Your alliances are too stable', *Harvard business Review,* Vol.83, No.6,pp.133-141.

Fan, Y. (2002)'Guanxi's Consequences: Personal Gains at Social Cost', *Journal of Business Ethics,* Vol.38, No.4, pp.371-380.

Gelfand, M.J., and Brett,J.M. (2004)*The handbook of Negotiation and Culture,* Stanford University Press: Stanford.

Goodall,K.,Li,N., and Warner,M.(2007) 'Expatriate Managers in China: The influence of Chinese Culture in Cross-cultural Management', Available at: www.jbs.cam.ac.uk/research/working_papers/2007/wp0701.pdf (accessed at 14 September, 2011).

Hamel,G.,Doz,Y.L., and Prahalad,C.K. (1989)' Collaborate with Your Competitors and Win', *Harvard Business Review,* Vo.67,No.1,pp.133-139.

Hill,C.W.L. (2007) *International Business: Competing in the Global Marketplace* (6th edition), McGraw-Hill:Boston.

Hofstede,G.(1980)'Motivation, Leadership, and Organization: Do American Theories Apply Abroad?', *Organizational Dynamics*,Vol.9, No.1,pp.42-63.

Hofstede, G. (1984)'Cultural Dimension and in Management and Planning', *Asia pacific Journal of Management*,Vol.1,No.2,pp.81-99.

Hofstede,G.(1993)'The cultural relativity of organizational practices and theories', *Journal of International Business Studies*, Vol,14,No.2,pp.75-90.

Hofstede, G.(1994) 'The Business of International Business is Culture', *International business Review,* Vol.3, No.1, pp.1-14.

Hu, M.Y., and Chen, H.(1996)'An Empirical Analysis of Factors Explaining Foreign Joint Venture Performance in China', *Journal of Business Research*, Vol.35,No.2, pp.165-173.

Hughes,J., and Weiss,J. (2007) 'Simple rules for making alliances work', *Harvard Business Review,*Vol.85,No.11, pp. 122-131.

Huo, Y.P., and Glinow, M.A.V. (1995)'On Transplanting human Resource Practices to China: A Culture Driven Approach', *International Journal of Manpower*, Vol.16, No.9, pp.3-15.

Jacobs,L., Guopei,G., and Herbig,P. (1995)'Confusion roots in China: A Force for Today's Business', *Management Decision*, Vol.33, No.10, pp.29-34.

Jefferies,F.L., and Reed,R. (2000)'Trust and Adaptation in Relational Contracting' *The Academy of Management Review,*Vol.25,No.4,pp.873-882.

Jones,C.A., T.R. Miller, J. B.Keys. (1985) 'Managerial Decision Making: Japan vs. the US', *Industrial Management & Data Systems*, Vol. 85,No.5/6, pp.16 – 19.

Kato,T.(2000)'The End of Lifetime Employment in Japan?: Evidence from National Surveys and Field Research', *Journal of the Japanese and International Economies*, Vol.15, No.4,pp.489-515.

Kazan,M.K(1997)'Culture and Conflict management: A Theoretical Framework', *International Journal of Conflict management*, Vol.8, No.4,pp.338-360.

Kelly, M.J., Schaan, J.L., and joncas, H.(2002)'Managing alliance relationships: key challenges in the early stages of collaboration', *R&D management*, Vol.32, No.1, pp.11-21.

Kitayama.S, Markus.H.R, and Kurokawa.M, (2000)'Culture, Emotion, and Well-being: Good Feelings in Japan and the United States', *Cognition and Emotion*, Vol.14, No.1,pp.93-124.

Koch,B.J., and Koch,P.T.(2007)' Collectivism, Individualism, and Outgroup Cooperation in a Segmented China', *Asia Pacific J Manage*, Vol24, No.2, pp.207-225.

Kumar,R.(2004)'Interpretative Performance and the Management of Legitimacy in Emerging Markets: Lessons from India', *Business and Society Review,* Vol.109. No.3, pp.363-388.

Kumar,R., and Nti,K.O. (1998) 'Differential Learning and Interaction in Alliance Dynamics: A process and Outcome Discrepancy Model', *Organization Science*, Vol.9, No.3,pp.356-367.

Kumar,R.and Nti,O.K. (2004) 'National Cultural Values and the Evolution of Process and Outcome Discrepancies in International Strategic Alliances' *The Journal of Applied Behavioral Science*, Vol.40,No.3,pp.344-361.

Kumar,R., and Worm,V.(2004) 'Institutional Dynamics and the Negotiation Process: Comparing India and China' International Journal of Conflict Management, Vol.15, No.3,pp.304-334.

Kwok, L.,Koch,P., and Lin.L.(2002)'A dualistic model of harmony and its implications for conflict management in Asia', *Asia pacific Journal of Management*, Vol.19, No.2, pp.201-220.

Li.J., Lam.K, and Qian.G. (2001) 'Does Culture Affect Behavior and Performance of Firms? The Case of Joint Venture in China', *Journal of International Business Studies*, Vol.32, No.1, pp.115-131.

Legge, J. (1881) *The religions of China: Confucianism and Taoism described and compared with Christianity,* Charles Scriber's Sons: New York

Li, J.,Xin, K.R.,Tsui,KA.,and Hambrick,D.C. (1999)' Building Effective International Joint Venture Leadership Teams in China', *Journal of World Business*,Vol.34,No.1,pp.52-68.

Li,X. (2003)'Control in Japan-China Joint Ventures: Antecedent Factors and Effect on Performance from the Japanese viewpoint', *Asian business& Management*, Vol.2,No.3,pp.371-391.

Lu,L.T. (2007)' The effect of Cultural Similarity on International Joint Ventures: An Empirical Study', *International Journal of Management*,Vol.24,No.2,pp.230-242.

Luo, Y. (1997)'Guanxi: Principles, Philosophies, and Implications', *Human Systems Management,* Vol.16, No.1, pp.43-51.

Luo, Y. (2002)'Building Trust in Cross-Cultural Collaborations: Toward a Contingency Perspective', *Journal of Management*, Vol.28, No.5, pp.669-695.

Markus, H.R.,and Kitayama, S. (1991)'Culture and the self: Implications for Cognition, Emotion, and Motivation', *Psychological Review*, Vol.98, No.2, pp. 224-253.

Madhok, A.(2006)' Revisiting multinational firm's tolerance for joint ventures: a trust-based approach', *Journal of International Business Studies*, Vol.37pp.30-43.

Michailova,S. and Worm,V. (2003)'Personal Networking in Russia and China: Blat and Guanxi', *European Management Journal*, Vol.21, No.4, pp.509-519.

Na,L. and Lightfoot,W.S. (2006)'Determinants of foreign direct investment at the regional level in China', *Journal of Technology Management in China*,Vol.1, No.3,pp.262-278.

Nkrumah, S., and Strand, J.(2005)'Marriage of Convenience or Strategic Alliance?'
http://liu.diva-portal.org/smash/get/diva2:20047/FULLTEXT01

Park,H.S., and Ungson,R.G. (1997)'The Effect of National Culture, Organizational Complementarity, and Economic Motivation on Joint Venture Dissolution', *The Academy of Management Journal*, Vol. 40, No. 2 , pp. 279-307.

Pascale, R.T. (1978)'Communication and Decision Making across Cultures: Japanese and American Comparisons', *Administrative Science Quarterly*, Vol.23, No.1, pp.91-110.

Pothukuchi,V.,Damanpor,F.,Choi,J.,Chen,C.C.,and Park,S.H.(2002)'National and organizational Culture Differences and International Joint Venture Performance', *Journal of International Business Studies*, Vol.32,No.2,pp.243-265.

Rubin,J.H. and Robin,S.I.(1995) *Qualitative Interviewing: the art of hearing data*, Sage: London.

Segrestin, B. (2005)'Partnering to Explore: The Renault-Nissan Alliance as a Forerunner of New Cooperative Patterns', *Research Policy*, Vo.34,No.5,pp.657-672.

Schriber, J.B., and Gutek,B.A.(1987)'Some Time dimensions of work: Measurement of an Underlying Aspect of Organization Culture', *Journal of Applied Psychology*, Vol.72, No.4.pp.642-650.

Sirmon, D.G., and Lane, P.J. (2004)'A model of cultural differences and international alliance performance'*Journal of International Business Studies*, Vol.35, No.4, pp.306-319.

Tang.K(唐惠秋) (2009)「中国進出日系企業の戦略的提携に関する考察」研究・技術計画学会年次学術大会講演要旨集,Vol.24、pp.483－486.

Thorpe,R.,and Holt,R.(2008) *The Sage Dictionary of Qualitative Management Research.* Sage :London

Tyson,C.,and Paul,M.(2000)'Social comparison, Individualism-collectivism and Self-Esteem in China and the United States' *Current Psychology*, Vol.18, No.4, pp.340-352.

Ulijin.J, Rutkowski, A.F., Kumar,R., and Zhu,Y. (2005)'Patterns of Feelings in Face-to Face Negotiation: A Sino-Dutch pilot Study' *Cross Cultural Management,* Vol.12, No.3, pp.103-117.

Ulijin,J.M, Duysters,G., and Elise,M.(2010), *Strategic alliances, Mergers and Acquisitions: The Influence of Culture on Successful Cooperation.* Edward Elgar: Cheltenham

Yoshino, M.Y. and Rangan, U.S., (1995), *Strategic alliances: an entrepreneurial approach to globalization*, Harvard Business School Press: Boston.

JETRO(2011)「中国内販に成功している中小企業事例調査報告書Ⅱ」Available at: http://www.jetro.go.jp/world/asia/cn/reports/07000631 (accessed at 8 September,2011).

Vanhonacker, W.R. (2004) 'Guanxi Networks in China' *The China Business Review*, Vol31, No.3, pp.48-53.

Vitell.S.J, Nwachukwu,S.L and Barnes, J.H. (1993)' The Effect of Culture on Ethical Decision-Making: An Application of Hostede's Typology', *Journal of Business Ethics*, Vol.12, No.10, pp.753-760.

Xin,K.R., and Pearce,J.L. (1996)'Guanxi: Connections as substitutes for formal institutional support', *Academy of Management Journal,* Vol.39, No.6, pp.1641-1658.

Yum, J.O. (1988)'The Impact of Confucianism on interpersonal relationship and communication pattern in East Asia', *Communication Monographs*, Vol.55, No.4, pp.374-388.

Zhang, Y.B., Lin,M.C., Nonaka,A., and Beom,K.(2005)'Harmony, Hierarchy and Conservatism: A Cross Cultural Comparison of Confucian Values in China, Korea, Japan and Taiwan', *Communication Research Report*, Vol.22,pp.107-115.

Official Website referenced:

Aeon official Website (2011) available at :http://www.aeon.info/company/enkaku/ (accessed at 14 September,2011).

Architects GAIA official Website (2011) available at: http://www.a-gaia.co.jp/ (accessed at 14 September, 2011).

East Official Website (2011) available at: http://www.est.co.jp/ (accessed at 14 September, 2011).

Itim international (2011) available at: http://www.geert-hofstede.com/ (accessed at 4 September, 2011).

JETRO official Website (2011) Available at: http://www.jetro.go.jp/world/asia/cn/ (Accessed at 14 September, 2011).

NEC Official Website (2011) Available at: http://www.nec.co.jp/press/ja/1101/2702.html (accessed at 1 August, 2011).

Oriental Engineering official Website (2011) available at: http://www.oriental-eg.co.jp/ (accessed at 14, September, 2011).

Sagami Chemical Metal official Website (2011) available at: http://www.sagami-magnet.co.jp/ (accessed at 14,September, 2011).

Tombo Instruments official Website (2011) available at: http://www.tombo-m.co.jp/ (accessed at 14, September, 2011).

Appendix:

Interview Questionnaire

1. Why did you choose the Chinese company as a strategic alliance partner?

2. How many percentage of equity do you possess? How did you negotiate your partner?

3. How many people, and what kind of people from each company are committing to the JV?

4. Which language do you use for communication? Is there any misunderstanding caused by language?

5. Did you make any working rules?

6. Do you think you are committing 100% effort on JV? How about your partner?

7. How would you describe of your management style? Is there any well-defined management structure? (time, mode of thinking behavioral pattern, negotiation style etc)

8. How would you describe the management style of your partner?

9. How long did it take to familiar with the know-how, process, and culture with the partner?

10. How did you deal with the issues if you had outcome or process discrepancies? How was your partner's response? (the explanation of process and outcome discrepancies)

11. What, if any, special skills do you think it is important to achieve successful JV?

12. Do you think both your company and your partner have a good enough absorptive capacity? Why?

13. Do you pay attention to the relationships not only with the partner but also with the others such as local people and the government? (regulation, cognitive attitude, Normative)

14. Do you involve in other (International) strategic alliances? If so, could you tell me those experiences? How well did you deal with them?

15. Would you like to add some comments?