

Partner's Assessment Model on Strategic Alliance Mechanism Between Developed and Developing Country: The Case of Australia-Malaysia Based Firms

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Abstract: This study elaborates a conceptual model of partners' assessment of the performance of their co-partners in a collaborative business relationship. The model's usefulness has been illustrated through a study of 12 collaborative arrangements between Australian and Malaysian firms. The results show differences or gaps in partners' expectations and perceived performance of their co-partners. The perceptual gaps have been explained with reference to differences in motives of collaboration, intensity of interaction, cultural differences, as well as the active involvement of a catalyst in the development of the relationship. The study also, draws attention to the policy and strategy implications of the empirical evidence.

Key words: Strategic alliances, corporate relationship, firm partnership, Australia, Malaysia

INTRODUCTION

Inter-firm collaborative arrangements, generally referred to as strategic alliances (Lorange and Roos, 2002) have attracted substantial research attention during the past 2 decades. One of the main motives of these arrangements has been the acquisition of new technical skills or technology capabilities from partner firms (Kaplan and Hurd, 2002). The preference of alliance approach to technology purchases can be explained by the fact that technology is a complex product encompassing the crystallization of tacit knowledge, values, culture and organizational forms (Levin, 1997). The satisfactory acquisition of technology, therefore entails close collaboration between the vendor and the customer and involves actors at different levels of the interacting organizations. Alliances can take on a wide variety of forms. They vary from simple vendor/customer exchanges where the collaboration is restricted to the transfer of the contracted technology and knowledge to joint ownership and development arrangements (Mowery *et al.*, 1996). This study conceptualizes a model of strategic alliance based on partners' assessment of the performance of their co-partners. The purpose is to understand any perceived gaps in partners' expectations and perceived performance of their co-partners so that researchers can increase the level of success of an inter-firm collaboration, especially between developed and developing country based firms.

Equal partners with complementary resources: Previous studies have focused on international joint ventures as

deliberate strategies by multinational corporations. Alliances of this nature have been seen as taking place between equal partners with complementary resources (Beamish, 1987).

Most of the empirical investigations have been confined to the developed countries. Examples include alliances between US and Japanese firms (Mowery *et al.*, 1996), Norway and Japan (Levin, 1997), as well as Sweden and France (Kinch, 1987). The collaborations investigated in these studies have usually taken the form of dyadic arrangement, i.e., without the involvement of third parties acting as promotional and coordinating units (Kuada and Sorensen, 2000). That is third-party-engineered collaborations between smaller developed and developing country firms have not received systematic investigation in the literature.

The present study seeks to make three contributions to the existing body of knowledge about alliance based inter-firm technology transactions. First, it explores the impact of alliance promoting institutions on the alliance formation process with specific reference to partner selection and negotiations preceding the commencement of the relationships. Second, it examines the factors that influence two partners' perception of each other's performance in the relationships and proposes a performance evaluation model as a first step towards an assessment of partner perceived satisfaction with the relationship. Third, the study seeks to improve the understanding of how disparities in national business systems impact on inter-firm relations.

MATERIALS AND METHODS

Framework and data source: The approach adopted in the study has been guided by the Degrees of Freedom Analysis (DFA) framework introduced by Campbell (1975) and applied in business-to-business marketing situations by Wilson and Woodside (1999). DFA is a research approach that combines quantitative (hypothesis testing) research techniques with qualitative (case study) methods of data collection. It starts with the development of a prediction matrix containing a set of statement distilled from the extant literature or theory. The statements in the prediction matrix are analogous to hypotheses and are amenable to traditional statistical hypothesis testing. Predictions are usually formulated in the form of yes or no answer to questions in the matrix. Data are then collected via personal interviews, document analysis, participant or non-participant observations or other case data collection methods.

The data in this study were collected from Australian and Malaysian firms that have been engaged in technology transfer processes with the support of the Australian International Development Assistance (AIDA) under its programme for Private Sector Development (PSD) in developing countries. In general, the PSD programme aims at promoting the formation of long term business links between Australian and developing country based companies in order to facilitate the transfer of Australian technology and management skills to the companies (Australian Government Department of Foreign Affairs and Trade, 2005).

A total of 12 pairs of collaborative arrangements provide the empirical data for this study. They consisted of four within the fishing and food processing sector, four in wood treatment and furniture businesses and one each in pharmaceuticals, textiles, solar energy and road construction.

Semi-structured interviews: The research instrument was semi-structured interviews with each interviews lasting between 2-3 h. For each company, executive(s) who had been intimately involved in the alliance process right from the formation stage were interviewed. In order to note developments in the relationship, the respondents were interviewed in 2007-2009. Detailed interview write-ups were completed within a period of 24 h after the interviews. These write-ups summarized the interview in a consistent and logical manner, guided by the model presented below. All write-ups were reviewed for omissions and clarity problems with follow-up data collected where necessary. The Malaysian partners were interviewed in Malaysia and the Australian partners in Australia. Interviewing partners separately has facilitated an assessment of their perceptions of the relationship independently of each other. The PSD coordinator in

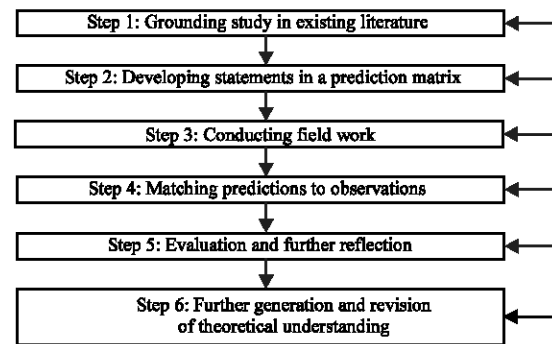


Fig. 1: Steps in degrees of freedom analysis

Malaysia, as well as his local staff who have been in close contact with the Malaysian partners have also been interviewed. Finally data from other sources, such as research reports and project documents have also been used to check for factual information (triangulation). The data collection approach adopted is therefore, consistent with research practice in the area (Punch, 1998). The structure of the rest of the paper follows the steps in the DFA framework (Fig. 1).

Literature review and theoretical background: The extant literature on strategic alliances suggests six principles that are relevant to the discussion in this study: Clarity of motives and interest compatibility; systematic partner search and selection; partners' initial assessment of one another's resources and capabilities based on pre-alliance contacts and communications; partners' knowledge about the values, norms and business practices in each other's country (i.e., intercultural competence); compliance and trust generating behaviour and monitoring and appraisal of alliance performance.

Motives: Motives for inter-firm collaboration are viewed as basically economic (Gulati, 1998). Motives that have featured prominently in previous studies include the need to minimize the costs and risks of innovation (Mowery *et al.*, 1996), to enhance competitive advantage (Zinn and Parasuraman, 1997) and to leverage financial resources, technology and expertise (Beamish, 1987). In the case of cross-national alliances, additional motives, such as access to local markets and knowledge as well as the need to meet government requirement for local ownership and to gain political advantage may underlie their formation (Datta, 1998). Researchers have considered the mutuality of partners' needs or motives for forming the alliance to be a decisive success factor (Holtbrugge, 2004).

Partner search: Having identified the need to collaborate, firms are expected to conduct systematic search for

appropriate partners. Firms may develop search properties (i.e., attributes to be verified prior to the selection) in order to reduce the risk of wrong partner choice. In the selection process of joint venture partners, factors such as financial resources, technology, international experience, complementarity of resources and management styles have been noted as important search properties (Datta, 1998; Geringer, 2001). These factors may be of varying importance to firms in different industries, countries and with different ownership policies. No conclusive evidence has, however been produced in the literature of a positive relationship between partner selection criteria and alliance performance (Hitt *et al.*, 2004).

Cultural understanding and competence: Economic actions are always embedded in socio cultural contexts (Whitley, 2004). Building on this notion, scholars have argued that incompatibilities between the root assumptions underlying management in different societies inevitably create potent sources of tension in cross national inter-firm relations (Hofstede, 1980). Thus, cross cultural researchers have strongly emphasized intercultural competence development as a prerequisite for successful performance of international business alliance and expatriate assignments (Early, 1997).

The literature has presented the challenges of cross cultural communication as critical to the successful management of inter firm relations. Words and signals used in communication convey different meanings in different societies as a result of differences in the historical context within which these words have been coined or used (Inkpen and Currall, 2004). Similarly, foreign words that find their way into specific local languages take on new meanings, as they become adapted to fit their new cultural contexts.

A wide range of symbolic expressions: Communication processes encompass not only expressions via language but also a wide range of symbolic expressions. Symbols produce implicit messages or what, Hall (1959) refers to as silent language. Since, the constituents or silent language and the meanings they convey are culture-specific, they become a major source of misunderstandings in intercultural encounters. Their understanding and the choice of appropriate/expected response behaviour will depend on the shared cultural knowledge between the parties.

Effective cross cultural communication becomes critical already during the negotiation of inter firm collaborations. Partners exchange promises and expectations during the negotiation. As Sharma (1998), pointed out promises define the contours of permissible

behaviour in an alliance as well as the agenda for collaboration. Their interpretations are, however subject to the notions that the partners have about the business capabilities of the countries of origin of their co-partners. Scholars of cross cultural negotiation advise partners to try to maximize their own economic rewards without sacrificing the satisfaction of their partners (Graham *et al.*, 1992). To do so effectively, negotiators are encouraged to adopt a problem solving approach to their negotiations. This entails getting adequate information from clients about their needs and preferences and discussing their needs honestly before concluding an agreement (Graham *et al.*, 1992).

Trust: A low level of trust may combine with poor cross cultural communication competence to create a situation in which parties negotiate on the basis of erroneous assumptions about each other. For example, Eiteman (2000) showed in his study of joint venture negotiations between Chinese and US citizens that the negotiation process and outcomes were influenced by misperceptions held by each negotiation team about the other. While the US citizens believed that their Chinese partners perceived US companies to be bottomless money pits, the Chinese believed that their US partners perceived them to be less interested in exporting their products due to the huge Chinese (domestic) market (Eiteman, 2000).

Cultural sensitivity and intercultural competence serve to improve trust between cross national partners and thereby enhance the prospects of successful inter firm collaboration. Trust is seen as an expression of confidence between parties in the exchange that they will not be harmed or put to risk by each other's actions (Jones and George, 1998; Humprey and Schmitz, 1998). Thus, trust allows firms to reduce or avoid reliance on costly formal monitoring mechanisms to maintain their partnership, encourages mutual concern for long term benefits by partners, maintains flexibility and allows for information exchange and mutual learning (Aulakh *et al.*, 2006). Concepts such as honest dealing (Das and Teng, 1998) veracity, openness, acceptance, support and dialogue (Fukuyama, 2005) have been used to describe antecedent conditions for trust building among collaborating business partners.

Performance measures: The duration of an alliance is determined, to a considerable extent by partner perception of one researcher's performance in relation to their expectations. Following Gronroos (1994) a distinction can be drawn between instrumental (functional) and expressive (social) performance in inter firm relationships. In the context of this study, instrumental performance

relates to the tangible equipment and machines delivered by the vendor or alliance partner and the fulfilment of the contractual obligations of the buyer. Expressive performance relates here to the manner and degree of interaction between the partners over the duration of the relationship as well as services exchanged, i.e., the social and psychological attributes of the relationship (Kuglin, 2002).

The expressive performance of a relationship can be conceptually defined as having two dimensions: Scope and intensity (Zinn and Parasuraman, 1997). Scope is defined here, as the range of activities performed or services offered by the partners during their interactions in order to build trust and fulfil the objectives of the relationship. It may be either broad or narrow and may have both social and economic dimensions. The relative weight of the social or economic content of interactions may differ from one relationship to another and at different stages in a given relationship. Intensity, on the other hand relates to the frequency and extent of direct interaction between the actors whose involvement is decisive to the technology capacity enhancement process. From this viewpoint, the expressive performance of an alliance may be perceived by the partners to be of high or low intensity. Indicators of alliance intensity may include the number of work hours devoted to the relationship, the degree of involvement of people at different levels of the partner organizations, the number and duration of interactions as well as the medium of communication used during each interaction. These factors will provide an insight into possible reasons underlying different interpretations of the shared experience of the partners in the alliance (Pan, 2004).

Conceptual model, prediction matrix and hypotheses

Some insight into possible differences: The theoretical view points discussed above provide a basis for constructing the model in Fig. 2. The model attempts to establish in a systematic fashion, the links between a pre-alliance knowledge base, alliance partners' expectations, their behaviour during the alliance process and partners' interpretations of the shared experience. These links will in effect provide some insight into possible differences in their perception of the alliance performance. One of the main constructs underlying partners' appraisals of their relationship is the expectation that they bring into the collaboration. Expectations are built on such factors as partners' motives for entering the alliance, their resource capacities as well as the pre- alliance promises that they make to each other during their negotiations. Partners' interpretation of each

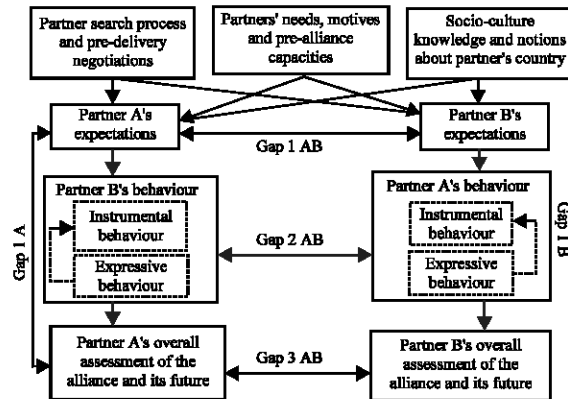


Fig. 2: Alliance performance perception model

other's expectations will in turn influence their instrumental and expressive behaviour during the alliance process. Thus, the size of the gap between these expectations and interpretations is critical to the perceived overall alliance performance and the partners' satisfaction with the relationship. The model further anticipates gaps between the other performance constructs. For example, the developing country partner may expect the best state-of-the-art technology from his developed country partner. This in his mind should be combined with on-the-job training spanning several months, to ensure effective transfer of pertinent skills, knowledge and attitude to his workers. This may form part of what he may assess to be satisfactory instrumental performance. At the expressive behavioural level, he may expect high frequency of top management face-to-face contacts.

Expectations may differ: The expectations of the developed country counterpart may be different but can be described with the same constructs. They may expect timely payment of contract sums and other resources contributions agreed upon. They may further expect that the implementation of the various activities to be undertaken by the alliance should be on schedule. Due to differences in values, norms and business practices between the two countries, the developed country partner's expressive behavioural expectations may differ from those of the developing country counterpart. In all, 7 potential perceptual gaps may exist between partners in an alliance process. By identifying the areas of perceptual difference, the model allows for tracing weak points in a focal inter-firm collaboration.

Prediction matrix: Building on the above discussions, researchers can now present a prediction matrix covering the process of forming and managing the collaborations between Australian and Malaysian firms.

Following the DFA approach, the following hypotheses have been formulated based on the predictions in Table 1, as well as the theoretical viewpoints discussed above. First, researchers expect developing country firms to be eager to leverage offshore resources such as capital, technology and management skills due to the limited opportunities they have within their domestic economies to access such resources. Previous studies suggest that Malaysian firms in particular have responded positively to the competitive challenges of economic liberalization that the country has experienced since the middle of the 1990s (Ang, 2008). This positive response has been reflected in their increased market orientation (Karimi and Yusop, 2009) and their technological capacities (Australian Government Department of Foreign Affairs and Trade, 2005). These observations form the basis of the first hypothesis:

H₁: Malaysian firm are more likely than Australian firms to enter into relationships with clearly defined strategic motives

Elaborate information search and analysis: Researchers further expect developed country firms to adopt a systematic approach to their partner selection process as suggested in the literature. This expectation is further supported by the mainstream theories of internationalization, according to which firms reduce their uncertainties in entering geographically and culturally distant markets through elaborate information search and analysis (Kuada and Sorensen, 2000). Researchers therefore hypothesize as follows:

H₂: Australian firms are more likely to engage in more systematic partner selection processes than Malaysian firm

As discussed before, in the absence of previous knowledge and relationship with a prospective partner, a firm anchors its initial expectations about a collaborative relationship on its knowledge about the country in which the prospective partner is located. The opportunities for accessing resources in the country combine with the business culture and general operational context to influence the partner’s ability to deliver on its promises. The 3rd hypothesis is therefore formulated as follows:

H₃: Partners’ expectations will be based more on country image than on real assessment of each other’s resources and capabilities

Australian managers characterized by egalitarianism: Again the disparities between the cultures of the two countries will suggest that the parties will enter into the relationships with great caution and uncertainty. Researchers have described the shared values of Australian managers as being characterized by egalitarianism, consensus and cooperation (Parkhe, 2003), catholic ethics and individualism (Worm, 1997). In business interactions, Australian are reputed for getting straight to the point and being less rule-bound than business people in other European countries. These attributes contrast sharply with the preference for centralization and the hierarchical management styles found in Asian countries, including Malaysia (Sim, 2006). Since previous Australian researches have shown low levels of intercultural competence of Australian firms operating in developing countries (Hitt *et al.*, 2004) and Malaysian firm have limited international business experience (Kuada and Sorensen, 2000), researchers hypothesize as follows:

H₄: Partners will exhibit low levels of intercultural competence trust at the initial stages of their relationship

Table 1: Prediction matrix over partners’ behaviour

Issues	Statements	Firms	
		Malaysia	Australia
Motives	Partners have clearly defined motives	Yes	Yes
	Alliance motives are exclusively economic	Yes	Yes
	Alliances are of strategic importance to partners	Yes	Yes
Partner search and selection	Firms engage in systematic partner search and evaluation	Yes	Yes
	Resource and organizational/management complementarity are key considerations in partner selection	Yes	Yes
	Partners will give themselves enough time to know each other	Yes	Yes
Alliance negotiations	Partners base their promises on honest assessment of their resources and capabilities	Yes	Yes
	Partners depend one each other’s country image as a basis for their expectations	Yes	Yes
	Partners rely on written contracts as a foundation for collaboration	Yes	Yes
Cultural preparedness	Partners enter the relationship with substantial intercultural competence	Yes	Yes
	Partners initiate their relationships with higher level of trust	Yes	Yes
	Partners pay substantial attention to effective cross-cultural communication	Yes	Yes
Alliance management and performance	Partners will show strong preference for joint management	Yes	Yes
	Joint learning will form the basis of sustainable relationship	Yes	Yes
	Partners will place equal emphasis on both instrumental and expressive performances	Yes	Yes

The last hypothesis (H₅) is based on Gronroos (1994) argument presented above that perceived performance and partners' satisfaction with a collaborative relationship can be seen in terms of both instrumental and expressive activities. Researchers, therefore test the following hypothesis:

H₅: Partners will evaluate each other's performance on the basis of contributions to both instrumental and expressive activities

RESULTS AND DISCUSSION

Hits and misses formula: The empirical analysis followed the hits and misses formula suggested in the DFA framework. The interview transcripts were analysed to determine whether the overall responses to the statements in the prediction matrix were yes or no for each firm. The results of the analysis are presented in Table 2.

The data were further analysed using Chi-square tests to measure the degree of association between the countries of the firms and their responses to the various statements in the prediction matrix. Contingency adjustment Chi-square and Fisher's exact tests were conducted to strengthen the analyses. The discussions here cover the profiles of the partners, their motives for entering into the alliances as well as their expectations. They also, provide an overview of the alliance process itself, drawing attention to the initial consultations between the partners, their overall assessment of the alliances.

Partners' profile: The Malaysian companies engaged in the collaborations were generally small with their number of employees ranging from 10-500. They were all of recent origin, established in the late 1980s or early 1990s and were owner managed. They all operated mainly on the domestic market and had limited international business exposure. The Australian companies had similar profile: Owner managed, small-sized and with limited international business experience. Only one of the companies had some previous business knowledge in Asia. As expected, the companies differed widely in term of technological capacities, despite their similarities in sizes and history of operation. The Australian companies perceived themselves (and rightly so) to have superior technologies.

Most of the Australian partners were trained artisans: The Australian and Malaysian partners differed in one other distinctive respect. Most of the Australian partners were trained artisans and had been directly involved in the daily production and administrative activities in their companies. On the other hand, many of the Malaysian partners were university graduates (or possessed similar qualifications) without any artisan training and experience. This difference in their backgrounds was reflected in differences in their attitudes to work and management. The Australian partners wished to see Malaysian managers directly involved in production as true evidence of commitment to the project. The Malaysian partners, on the other hand were concerned with hiring qualified people to take care of the production. They considered their role mainly as

Table 2: Partners' perceptions of the relationship

Issues/statements	Firms' responses ^a							
	Malaysia		Australia		Total			
	Yes	No	Yes	No	Yes	%	No	%
Motives								
Clearly defined motives	10	2	5	7	15	63	9	37
Motives exclusively economic	11	-	10	2	21	91	2	9
Motives are of strategic importance	11	1	2	8	13	59	9	41
Partner search and selection								
Systematic partner search	2	9	2	10	4	17	19	83
Focus on resource complementarity	11	1	7	3	18	82	4	18
Adequate time to know each other	2	10	4	7	6	26	17	74
Alliance negotiations								
Honest assessment of resources	9	3	11	1	20	83	4	17
Expectations based on country image	10	2	9	2	19	82	4	18
Contract-based collaboration	2	9	11	1	13	57	10	43
Cultural preparedness								
Intercultural competence	4	8	1	11	5	21	19	79
Trust	7	5	7	5	14	58	10	42
Effective cross-cultural communication	6	6	6	6	12	50	12	50
Management and performance of relationship								
Preference for joint management	1	10	6	6	7	30	16	70
Joint learning	8	4	4	7	12	52	11	48
Instrumental and expressive performance	9	3	5	7	14	58	10	42

^aMissing data represent statements on which respondents expressed no clear-cut opinions

spokesmen for and managers of their companies. The differences in role perception have brought serious conflict and mistrust within some of the relationships.

The 9 of the 12 inter-firm collaborations involved technical assistance. They were therefore, not strategic alliances in the true sense of the concept. Under the agreements, the Australian partners were expected to assist their Malaysian co-partners in purchasing appropriate machines, supervising their installation and training the Malaysian workers in the use of the machines. Some agreement also involved the sourcing of suitable sources of raw materials in Australia or elsewhere. The other three collaborations involved equity joint ventures in which the Australian partners contributed technology as part of their equity.

Motives and expectations: The evidence in Table 2 shows that two-thirds of the partners had clearly defined motives for engaging in their collaborations. The Chi-square tests further reveal significant association between the statements relating to partners' motives and their countries of origin. Malaysian partners entered into the relationships with clearer motives than their Australian counterparts ($\chi^2 = 4.4, 1 = df, p < 0.05$) and the relationships were of more strategic importance to the Malaysian partners than they were for the Australian partners ($\chi^2 = 11.6, 1 = df, p < 0.005$). But, a weak association was found between the partners' countries and their assessment of whether or not their motives were exclusively economic ($\chi^2 = 2, 1 = df, p < 0.05$). The results of the additional test (contingency adjustment and Fisher's exact tests) do not contradict the Chi-square results. Thus, H_1 that Malaysian firms are more likely than Australian firms to enter into relationships with clearly defined strategic motives was therefore confirmed.

As expected, technology and managerial capacity enhancement have been essential motives that underlie Malaysian companies' search for partners abroad. In addition to this, the under capitalization of most of the companies combined with the high cost of capital in Malaysia to reinforce their need to seek offshore funding through equity joint ventures.

Several Australian partners stated specifically during the interview that they did not have any prior interest in seeking alliance partners in Asia or Malaysia before they became aware of the PSD programme. They accepted the invitation to participate in the collaborative arrangements mainly for ideological and idiosyncratic reasons. The ideological motives were reflected in the desire of individuals or companies to contribute to development activities in Malaysia by means of assisting in the transfer of superior technical and managerial knowledge to their

Malaysian partners. This was true mainly for companies opting for collaborative arrangements that did not entail equity involvement. The idiosyncratic motive was reflected in Australian partners' excitement about the adventures in visiting and working with people in an unfamiliar society. Some of the partners entered the relationships with low expectations for direct benefits to their companies and institutions. Thus, the managing director of Scanfoods described his company's relationship with Sestina (Malaysia) more as assistance based than strategy based. A few were motivated by the prospects of re-deploying an otherwise redundant technology. This was particularly true for companies willing to enter into equity joint venture agreements. For example, the equity investments made by Australian Pharmaceuticals and Aussie Furniture in their joint ventures with Johor Medicals and EDG, respectively were in the form of machines considered redundant in their own companies. Some of the Australian joint venture partners, however mentioned such other strategic motives as access to the Malaysian market for their products or access to good quality raw materials, components or finished products. But, they maintained that these considerations were not central to their decisions.

The expectations of the Malaysian partners were relatively higher. As mentioned earlier, they regarded collaboration as critical to improving their competitive positions on both the domestic and international market. By upgrading their technologies and management skills some hoped that they could enter markets within the European Union (EU) and Australia with their products. For examples, Sestina's factory was purposefully equipped to satisfy EU and Australia requirements and the company also, expected its Australian partner to market its products in Europe as well as in Australia. EDG and AFC who produced furniture and parquet strips had similar expectations.

The Australian partners had three basic expectations of their Malaysian partners. First, the Malaysians were expected to show a willingness to buy their equipment or that which they recommended. Second, Malaysians should have some production and managerial capacities that could be readily upgraded. Third, they should demonstrate an ability to learn very quickly.

Partner search processes and properties: Researchers have noted earlier that systematic partner search is emphasized in the literature as one of the key conditions for successful alliances (Datta, 1998; Hitt *et al.*, 2004). The evidence reported in Table 2, however showed that a vast majority (83%) of the partners perceived the partner selection process to be neither systematic nor elaborate.

They also agreed (74%) that they did not give themselves adequate time to know each other before the commencement of their relationships. However, they indicated (82%) that their major consideration in agreeing to collaborate with their partners was the complementarity of their responses to these statements. H_2 that Australian firms are more likely to engage in more systematic partner selection processes than Malaysian firms was therefore not confirmed.

The process of partner identification started in nearly all the cases by a Malaysian business owner applying to the PSD office in Malaysia for assistance. The PSD programme co-ordinator then invited the applicant for an interview to assess the nature of his/her requests in details as well as the company's capacity to use the requested assistance. Contacts were then made to Australian Industry (AI, i.e., Confederation of Australian Industries) as well as Australian Federation of Small and Medium-Sized Enterprises to identify suitable Australian partners for the Malaysian firms. The Australian institutions, therefore undertook the initial screening of Australian partners, subject, naturally to the subsequent approval of the Malaysian partners. Australian firms who had shown interest were encouraged to visit Malaysia to meet with their prospective Malaysian partners. All expenses involved in the preliminary contact between the partners as well as the feasibility studies of the project were covered by Australian grant. Equipment purchases and training during the start up phase were also partly financed by Australian, either as grants or soft loans.

Some of the choices of partners made by the Danish consultants appeared rather fortuitous. The managing director of Carlton Wood Products, e.g., had initially wanted a supplier in Indonesia and solicited AI's assistance in finding one. His request coincided with PSD office's search for an Australian furniture company willing to collaborate with AFC. AI therefore, suggested to Carlton Wood Product's managing director to consider going to Malaysia instead of Indonesia. Hence, EDG's collaboration with Australian furniture came about in a similar way. Where any selection was done, the process was rather short. For example, the managing director of Sebtina had the choice between three Australian fishing companies. She visited them in Australia and chose scan foods due to the latter's earlier trading experience with an Asian company.

The two Malaysian firms (both partly owned by Australian resident in Malaysia) conducted their own searches using their Australian business links. These searches were guided by search properties that corresponded with the recommendations found in the

literature, namely resource and business complementarity, fit in management, fit in management styles and personal chemistry (Datta, 1998; Gulati, 1998). By sharing the cultural backgrounds of their partners and having the advantages of working in Malaysia for several years, these alliances appeared to fulfil the requirements for long term sustainability.

Initial interactions and promises: The PSD has a standard procedure for all alliances. Australian companies visited their prospective Malaysian partners, inspected their business premises and assessed the opportunities for collaboration. The visits normally lasted for 4-6 days during which the Australian partners also gained a first-hand impression of the Malaysian business climate. These visits, also enable the partners to discuss the contents of the collaboration with the Australian resident coordinator of the PSD in Malaysia. The partners were then required to sign a formal letter of intent based on the nature of businesses that they envisaged in the collaboration. The PSD office also assisted in the negotiations between the partners and in preparing the alliance contracts.

The initial contacts though short, provided the partners opportunities to make promises and exchange expectations. As shown in Table 2, a substantial proportion of the partners (83%) maintained that the promises they made to each other during their negotiations were based on an honest assessment of their resources and capabilities. They (82%) also agreed that their expectations were based on the image that they had about their partners' country. Furthermore, the majority (57%) considered written contract the most reliable basis for collaboration, granting their limited prior knowledge about their partners. The evidence, therefore supports H_3 that partners expectations will be based more on country image than on real assessment of each other's resources and capabilities. Chi-square tests, however revealed no significant association between partners' countries and their responses to these statements.

Specific examples may illustrate the nature of the negotiations. Johor Medico's negotiators, e.g., believed that Australian Pharmaceuticals promised to deliver fairly new but used machinery for the production of tablets. A similar impression was gained by EDG in their negotiations with Aussie furniture. As it turned out in both cases, the Malaysian companies were disappointed by the conditions of the sets of equipment delivered to them. They considered them older than anticipated and some of the parts were obsolete and/or rusty. The Australian partners maintained that they promised a used but efficiently functioning set of equipment and delivered just that.

Some Malaysian partners also appeared to have made promises without careful assessment of their capabilities to deliver on them. One firm promised to make an immediate equity contribution of US\$50,000 to get the project started. The amount was duly transferred to the prescribed account and was reflected in the banker's statement to the Australian partner. It was, however withdrawn before the project could make use of it, the episode presented the Malaysian partners as insincere and damaging implications for the project. Similarly, the managing director of Sebtina seriously underestimated the difficulties of getting an adequate supply of prime quality fresh fish from local fishermen. The feasibility of the project was assessed on the basis of her promises which turned out to be unrealizable. These and similar examples have reinforced Australian companies' scepticism about taking promises made by their Malaysian partners at face value.

Cultural preparedness and intercultural competence:

The evidence reported in Table 2 suggests that most of the partners (79%) admitted having limited knowledge about each other's culture prior to the relationship. Views were, however mixed about the degree of trust between the partners during the initial stages of the relationships. A total of 42% maintained that the level of trust was not high while 58% perceived the level of trust to be high. The Chi-square test showed no association between the country of the partners and their responses. Similarly, 50% of the partners perceived themselves as paying substantial attention to cross cultural communication in their interactions. Again, the Chi-square test revealed no association between partners' countries and their responses. The evidence, therefore does not clearly support the hypothesis that partners will exhibit low levels of intercultural competence and trust at the initial stages of their relationship. At least, most partners were confident about their intercultural preparedness or do not consider it as a critical success factor in their relationships. The evidence here corroborates previous studies about Australian managers attitude to intercultural competence in relation to expatriate assignments (Holtbrugge, 2004).

A total of 70% of the partners were not strongly in favour of joint management arrangements for the collaboration. The Chi-square test on this statement showed a significant association between partners' countries and their responses ($\chi^2 = 4.5, 1 = df, p < 0.05$). The relative risk estimates revealed that Malaysian partners were 1.8 times more likely to reject proposals for joint management than their Australian counterparts.

Most of the Malaysian partners were against shared management if that implied Australian partners' full participation in top management decisions. The

Malaysian would prefer full management control and to see the company grow under their direction as a symbol of their entrepreneurial achievement. The conflict between Malaysia Bitumen limited (MB) and Viking Road Partners (VRP), illustrates the point. This conflict between Malaysia Bitumen Limited (the Malaysian partner) feared a takeover by LN Fabric AS (the Australian partner). He therefore, decided to withdraw from the agreement before the start-up phase of the project was completed. These uncertainties were apparently caused by Australian partners' insistence on the establishment of elaborate governing structures for the collaborations with clear lines of accountability and responsibility. Malaysian partners with limited international exposure were generally unable to see the merits of such elaborate structures and were concerned with the high costs that the projects were likely to incur as a result of such arrangements.

The non equity types of collaboration did not witness problem of management and control, since the Australian partners did not act in any manner that suggested an interest in participating in the management of the businesses. But, some Malaysian firm whose Australian co-partners turned down offers for equity participation were clearly disappointed. Equity to these Malaysian partners was not only an investment but also evidence of their Australian partners' declaration of trust, commitment and willingness to engage in a long-term relationship. They expressed their willingness to accept shared management arrangements with their Australian partners.

Views about the value of joint learning for successful collaboration were mixed with 48% of the partners rejected the suggestion. The Chi-square test revealed some association between partners' countries and their views on the issue ($\chi^2 = 2.1, 1 = df, p < 0.1$).

Performance assessments: A majority of the partners (58%) agreed that they placed equal emphasis on instrumental and expressive behaviours in assessing their partners' performance in the relationships. Weak association was found between partners' countries and their responses ($\chi^2 = 2.7, 1 = df, p = 0.09$) with the Malaysian partners more likely to place emphasis on both social and technical aspects of the relationships than their Australian partners. Thus, the hypothesis that partners will evaluate each other's performance on the basis of contributions to both instrumental and expressive activities was partially supported.

About 5 of the 12 Malaysian partners expressed full satisfaction with the instrumental performance of their partners. The equipment purchased was delivered, installed, tested and was judged to perform satisfactorily. Scheduled training programmes were conducted both in Malaysia and Australia. The 5 others were moderately

satisfied while 2 were not satisfied. Those who were moderately satisfied complained mainly about delays in the procedures for the purchases and installation of the equipment or Australian partners' initial reluctance to accept their viewpoints during the formulation of their business plans or strategies. Those who were unsatisfied complained about the nature of equipment they received (e.g., EDG) or uncertainties regarding the intentions of their Australian partners (e.g., Malaysia Bitumen Limited and Malaysia Fishnets Limited).

The collaborations were generally simple, i.e., low on both organizational and task complexity. Personnel from partner organizations interacted infrequently and the numbers of interactions in each relationship were generally small, limited usually to top management. The two Australian partners appointed Australian resident in Malaysia to act as consultants for the project and to represent their interests in the alliances at the same time. The presence of the Australian representatives provided them with a justification for reducing the number of visits they made to Malaysia in connection with the projects.

Following Sharma (1998), it can be argued that Malaysian partners have a cognitive bias toward trusting face-to-face first-hand information. To them frequent contacts signalled their foreign partners' willingness to devote time and resources to the collaboration. It would also enable them to know their partners better and to develop the personal chemistry and trust necessary for effective collaboration.

Face-to-face contacts between the partners have been limited to the initial stages where the partners visited each other to discuss their terms of collaboration. With the exception of two Malaysian partners who reported of frequent telephone calls from their Australian counterparts, all the others felt that they did not know their Australian partners very well before the commencement of their business relationships. One Malaysian partner complained that researcher did not know my Australian partners and his company when researchers started this relationship. He came down for 6 days for us to prepare documents for the project. Researcher then visited Australia for a week. That's all. Since, then he has not been here. Another said: Researcher did not have that much information about them. They sent me some brochures about the company. It contained only general information. But that was what researcher had to rely on researcher visited them in 2007 for a few days. Researcher could see that they were good at production. But, researcher is not sure that they have good management staff. From this viewpoint, the collaborations were perceived to show poor expressive performance.

The Australian partners were generally unsatisfied with the manner in which the PSD office handled the projects. They felt the procedures were too cumbersome and slow. The delays in approving the projects tended to reduce the zeal with which the partners entered the collaboration and led to the loss of business opportunities in some cases.

There were also difference in the partners' assessment of the repertoires of resources they brought to the alliance and their relevance to the projects. Malaysian partners felt that their Australian co-partners did not fully appreciate the value of the resources they contributed. They considered their positions within the business and social network of the country as immensely significant to the success of the projects. These network positions required continuous investments in kind and cash to be sustained. While the Australian partners accepted these relationships to be of some value, their limited knowledge of the Malaysian business culture made it difficult for them to appreciate, their true value and to compare them with the more tangible resources that they contributed.

Furthermore, Malaysian partners perceived their Australian partners as risk-averse. AIDA grants covered nearly all expenses with regard to the technology transfer and they were reluctant to make equity contributions beyond their used equipment. The Australian partners showing a limited trust in their Malaysian partners were unwilling to make financial commitments at the initial stages unless the Malaysian partners demonstrated substantial commitment and an ability to manage the projects in a manner satisfactory to them.

CONCLUSION

The major objective of this study was to examine factors that influence collaborating firms' perception of each other's performance in technology transfer process. The review of the extant literature has provided a basis for formulating a set of predictive statements and for constructing a gap model for analysing partners' perceptions. Researchers anticipated gaps between expectations and performances of collaborating partners, granting that the partners did not behave as suggested in the literature.

The results from the empirical investigation provide a preliminary illustration of the model in practice. In summary, the evidence from this study has shown that collaborating partners from developed and developing countries may initiate a relationship on the basis of divergent motives. They tend to rush the partner selection and negotiation process, particularly where a third party (e.g., donor institution) is instrumental in bringing the

partners together. They may also differ in their assessment of each other's resource contributions to the relationship and this may generate conflict between them. Furthermore, partners may tend to rely heavily on the third party institution to nurture the relationship and smooth out misunderstandings between the partners. As a result, they tend to disregard the importance of intercultural competence development process as a prerequisite for successful cross national inter-firm collaboration.

IMPLICATIONS

The study carries three main implications for the management of cross national technology transfer processes. First, it underscores the importance of establishing uncertainty reduction mechanisms from the onset of the relationships. Second, the problems of intercultural understanding must be seriously addressed. Third, the role of institutional support such as the PSD set-up requires careful consideration and monitoring.

Regarding the first point, it is evident that initial interactions between firms from disparate business systems are characterized by some degree of suspicion. Partners tend to question the genuineness of each other's intentions and expectations. The bridging of expectation gaps between partners is, therefore an important condition for successful collaboration. It is a gross error to assume that partners will drift towards each other over time. There are perhaps high risks of them drifting apart. Where reliable contract enforcing mechanisms exist, they can contribute to the reduction of the initial fears that foreign partners may have about equity joint ventures with partners in developing countries. But as Lee (2004) and Rodan (2004) observe in the case of Malaysia, the judicial system in the country has not won the trust and confidence of foreign business people. Alternative process of conflict handling, e.g., through arbitration must therefore be considered. Furthermore, it must be remembered that trust takes time and intensive interaction to build. It is therefore, imperative for alliance partners to interact frequently and share information with each other right from the beginning of their relationships. This will contribute to the reduction of initial misunderstandings between them and improve the conditions under which the technology transfer process takes place.

Another uncertainty reducing mechanism worth considering is the use of neutral agent to assess the value of equipment transferred by foreign firms. This will ensure that the equipment selected for transfer will be comparable with the available state-of-the art technology. An external agent can also be assigned to supervise the shipment,

installation and testing of the machines purchased. All these arrangements contribute to the creation of a congenial collaborative climate.

Regarding the second point, the evidence in this study lends support to the view that congruence between management systems and cultures of collaborating companies is critical to the success of inter-firm relationships. Where companies are located within disparate business cultures (such as Malaysia and Australia) discrepancies in values, norm and practices must be understood to reduce the incidence of misunderstandings and dysfunctional behavioural patterns. In such collaborations, partners can easily misinterpret signals they observe and this can derail the process of trust building.

Under such conditions, the intervention and support from a mutually trusted catalyst is essential to keep the partners together and help them to overcome their suspicions. In the absence of such a unifying third party, any perceived signal of opportunism at the initial stages of the relationship will motivate the partners to introduce bureaucratic monitoring and control rules within the relationship. Where such rules are introduced, they stifle free communication and information sharing and therefore, constrain the process of trust formation, resulting in drastic erosion of advantages of the collaboration.

Third and notwithstanding the usefulness of a catalyst during the initial stages of such inter-firm collaborations, partners must be aware that institution, such as the PDS office must not be made the pivot of their relationships. For examples, firms must handle their partners selection processes themselves, the catalysts playing a secondary or facilitating role in the process. Adequate time must be allowed for the partners to get to know each other and to design good collaborative mechanisms based on their initial understanding of differences in their respective organizational structures, resources and cultures. It can hardly be over-emphasized that the zeal of the catalyst institutions to show results must not lead their staff to assume responsibilities that are best taken by the partners themselves. Instead, partners must be encouraged to solve their own problems once the initial contacts are established and the modalities of collaboration have been worked out.

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