



# Cooperative learning in creating and managing joint ventures <sup>☆</sup>



María del Mar Benavides-Espinosa <sup>\*</sup>, Domingo Ribeiro-Soriano

Department of Business Administration, J.J. Renau Piqueras, University of Valencia, Avda. Els Tarongers s/n, 46022 Valencia, Spain

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## ABSTRACT

This study examines how and under what conditions joint ventures facilitate cooperative learning. The study analyzes how a joint-venture approach facilitates initial learning in the cooperative process and considers to what extent inter-organizational factors such as commitment, trust, control and conflict resolution affect the partners involved. The study then compares these hypotheses based on a sample of 74 international joint ventures (IJVs). The results provide empirical evidence to show that commitment is both a significant and essential variable, yet they also illustrate that this type of cooperation is not enough on its own for partners to learn how to cooperate effectively.

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## 1. Introduction

Traditionally, empirical studies on cooperation agreements treat the relationships between partners in cooperation from a static perspective; directing analysis on individual cooperation agreements rather than on the relationships that are created between the partners, and without taking into account the relationships that are forged as a result of repeated alliances and the processes that emerge from these interactions (BarNir, 2012; Bonzo, Valadares de Oliveira, & McCormarck, 2012; Ring & Van de Ven, 1994). Cooperation is a dynamic process that is essentially flexible. Progress made in cooperation is the result of a combination of different changes for the partners involved. These changes are both internal and external and therefore result in changes to the partners' needs. The organizational decision processes of IJVs are complex and dynamic with iterative steps, permitting all phases to be observed in every time unit occurring during the process (Baba & HakemZadeh, 2012; Woodside & Kadikó, 1991).

Studies on cooperation process learning are few and far between. Extensive prior research probes into the determining factors of cooperation and/or the contractual cooperation relationships, whereas a gap in the literature is noticeable with respect to studies focusing on how firms adapt their learning processes *for* and *in* cooperation. Doz (1996) anticipates the study of these processes by analyzing the progress of cooperation projects in the context of major alliances.

The design and implementation of IJVs involve complex decision processes (Woodside & Kadikó, 1991; Woodside, Kadikó, & Vyslozil, 1993).

Cooperation leads to learning about the process and enables the firm or partner to be able to take part in future cooperation agreements. Failed experiments and earlier cooperation can serve as valuable lessons, helping to prevent any potential difficulties and stopping partners from committing the same mistakes. The best way to understand cooperation is by cooperating. The greater the partners' ability to cooperate, the more likely they are to meet their objectives. Cooperating forces partners to develop skills that will minimize the interpersonal and organizational differences between them (Cao & Xiang, 2012; Mahlendorf, Rehring, Schäffer, & Wyszomirski, 2012). *Cooperative learning* furthers the ability of partners. Partners acquire a level of knowledge in cooperation that becomes an additional resource and potentially gives them a competitive edge.

## 2. Cooperation process learning through joint ventures

The way in which partners establish alliances can be of huge importance to the success of any agreement, and the realization of present and future goals (Harrigan, 1988). Mowery, Oxley, and Silverman (1996) argue that the structure of alliances often coincides with their content. The idea that prioritizing the shape and structure of an alliance is not important is at best misleading (and at worst dangerous). Prioritizing the shape and structure of an alliance does not guarantee success but does dramatically improve the potential to succeed.

Using the classifications proposed by the authors Killing (1988), Yoshino and Rangan (1995), and Das and Teng (1998), among others, the cooperation agreements are grouped into two blocks: 1) structured agreements resulting in the creation of a new entity, also known as joint

<sup>☆</sup> The authors alone are responsible for all limitations and errors that may relate to the study and the paper.

<sup>\*</sup> Corresponding author.

E-mail addresses: maria.m.benavides@uv.es (M. del Mar Benavides-Espinosa), Domingo.Ribeiro@uv.es (D. Ribeiro-Soriano).

ventures; and 2) contractual agreements that do not result in the creation of a new entity, namely combined production agreements, R&D agreements, marketing agreements and technical support contracts, which may have a common organizational unit.

The definition of a joint venture is an agreement through which two or more independent firms decide to create a new firm: a legal entity in its own right with its own social capital. The firm is assigned the necessary resources in order to operate effectively and, in return, receives the results generated by the activity of said firm, while being subject to the competitive strategies of the parent companies. A joint venture is considered to be international (i.e., an IJV) when at least one of the partners has its central office outside of the country where the joint business is set up, or where a significant amount of activity is carried out in more than one country (Geringer & Hébert, 1989).

When one partner gains experience by working with another, cooperation costs can fall if the partners create cooperation routines and establish a climate of trust. Firms learn the process of cooperation, that is to say, they learn to interact in a cooperative way (Kanter, 1994; Mousa & Wales, 2012), and they establish what the corresponding routines of the partners are *for* and *in* cooperation through the experience gained. Routines store knowledge and behavior regarding the cooperation of a partner in a way that enables rapid changes to new situations and new partners. They also increase the probability that present and future cooperation agreements will function correctly given that routines establish links between the partners. This proactive strategic orientation, combined with expertise and experience, is important for initiating future ventures (Woodside, 2006). Therefore, a partner, through multiple cooperation actions, develops a set of behaviors, which is stored in the cooperation routines and can map out the direction of any interaction, especially when a level of trust is established between the partners (Cambra-Fierro, Florin, Perez, & Whitelock, 2011; Das & Kumar, 2007; Gadde, Hjelmgren, & Skarp, 2012; Zollo, Reuer, & Singh, 2002).

Nevertheless, partners have a great deal to lose in a joint venture if their behavior is opportunistic, since the level of resources committed are greater than in other forms of cooperation. A high level of commitment means that the partners involved in a cooperation agreement can achieve their objectives by reducing their opportunistic behavior. Thus, the greater the commitment, the more effort the partners will make in order to solve any cooperation issues (Mohr & Spekman, 1994).

In cooperation, coordination must exist between all of the participants. Its implementation provides the required learning on all levels so that protocols can be developed. These protocols act as the information channels through which knowledge and capabilities/abilities are exchanged, facilitating communication between partners. Protocols restrict what partners can ask each other and they define the limits between cooperation and competition (Lai, 2011; Lei, Slocum, & Pitts, 1997; Siegel & Renko, 2012; Srivastava & Frankwick, 2011).

As a result, periodic checks are made on the situation throughout the period that the agreement is in place. These checks act as formal control mechanisms that examine the health of the agreement, and monitor its progress, which creates *cooperative learning*. Through these checks, partners are able to discern potential issues or conflicts, and the checks enable them to resolve problems in real time (Benavides & Mohedano, 2011; Spekman, Forbes, Isabella, & MacAvoy, 1998). This control system strengthens relations between the partners and creates a greater level of trust. If, on the other hand, no agreement exists, the joint venture may be dissolved. The partners increasingly get to know one another better and they learn how to work together given that each permanent change in each of the conditions in the cooperation creates cooperative learning.

### 2.1. Partner commitment

Partner commitment means taking the necessary measures to maintain the relationship by contributing the required staff, time and resources (Mohr & Spekman, 1994). This partnership means that the

firms that take these necessary steps can be sufficiently assured that their partners will provide the time and resources required to maintain their commitment. The partnership also means that the partners have to accept a certain level of risk, which will increase as the level of investment rises, provided that the resources invested are valid (Parkhe, 1993).

Borys and Jemison (1989) argue that joint commitment is a requisite of cooperation agreements. Each partner must pledge a high level of commitment in order to maintain their high expectations and subsequently achieve their objectives (Doz, 1996). Partners achieve their objectives by gaining greater experience through cooperating and learning. In other words, the partners increase their chances of success by applying high levels of commitment in an effective manner (Kumar & Nti, 1998). A lack of commitment, on the other hand, harms the relationship between the partners and has a negative effect on future relations (Ariño & de la Torre, 1998).

A strong level of commitment is therefore required to overcome the natural resistance to risk, to provide the necessary resources for this cooperation, and to encourage sufficient levels of information exchange (Ariño & Doz, 2000; Barnes, Pashby, & Gibbons, 2002; Lee, Olson, & Trimi, 2012; Sambasivan, Siew-Phaik, Mohamed, & Leong, 2011). A willingness on the part of the partners to learn what the other parties can contribute and what they want in return (Ariño & de la Torre, 1998; Doz, 1996) creates a capacity to cooperate, which enables the development of cooperative learning through trial and error.

**H1.** The commitment of the partners to a joint venture has a positive influence on cooperative learning.

### 2.2. Partner trust

Trust between partners plays an essential role in cooperation agreements (Van Aken & Weggeman, 2000). From an organizational perspective, Axelrod (1984) and Zucker (1987), together with other authors, see trust between cooperating firms as an expression of assurance between the different parties or an exchange of some sort (a type of trust that must not be jeopardized by the actions of the other party).

A continuing level of trust is essential to guarantee the progress of the cooperation so as not to expunge the efforts that may have been productive up to that point (Camén, Gottfridsson, & Rundh, 2011; Dulbecco, 1994). If the partner responds to cooperation expectations, the level of joint trust will gradually increase. In contrast, negative perceptions, surrounding the negative or non-cooperative behavior of the partners, can destroy this trust. The lack of a development of trust can lead partners to act defensively and can even result in the termination of potential alliances (Das & Teng, 1998, 2001). Control measures are therefore put in place (Inkpen & Currall, 2004; Sánchez, Vélez, & Ramón-Jerónimo, 2012) in order to minimize the risk of opportunistic behavior.

According to Inkpen and Currall (2004), when partners create a joint venture and the initial conditions enable continuing cooperation, trust between partners develops. Therefore, past actions generate trust and this trust provides information depending on the level of commitment between the partners (Kumar & Nti, 1998). An atmosphere of trust allows cooperation to take place more easily and attempts to provide better solutions to problems that suddenly arise. Trust between partners reduces the need to strictly supervise the cooperation and cuts down the agreement renegotiation period (Parise & Sasson, 2002). Trust also curtails uncertainty in partner behavior and eliminates the disadvantages of cooperation (Hoffmann & Schaper-Rinkel, 2001). By developing a set of confident behaviors, management can reduce this risk of opportunism (Whitener, Brodt, Korsgaard, & Werner, 1998).

The parties in a partnership gradually acquire a certain level of cooperative learning, especially if cooperation agreements are repeated between the same partners, something which leads to mutual understanding and trust, and enables the implementation of more flexible

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