

Strategies for Managing Potential Conflicts in International Joint Ventures: A Japanese Automotive Stamping Die Case

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Abstract

While international joint ventures (IJV) are widely used as a strategic alliance method, as these ventures expand and partners learn from each other, the potential for conflict or competition between them also grows.

This study illustrates that balancing cooperation and competition based on structural interdependency and behavioral attachment are significant factors in keeping a stable relationship between partner companies over IJV business. We focus on the relationship between a Japanese automotive stamping die company and its two IJV manufacturers, recognized as successful: the Japan-Korea JV and the Japan-China JV company. These two cases show that although there is possible instability in retaining IJV business, partner companies can develop moderation factors such as structural interdependency between local and foreign partners, implicit segregation of market and investment, additional collaboration or cooperation in overseas markets, and attachment. In addition, this study shows that past experiences in international contracting and running international business can help identify effective control systems in existing IJV.

Introduction

This study aims to identify the significant moderation factors of instability in international joint venture (IJV) business in the field of producer goods manufacturers by examining the successful case of a Japanese automotive stamping die manufacturer that owns IJV companies in Korea and China.

According to the Japan Die Mold Industry Association, the scale of global dies and tool production reached JPY 8,500 billion in 2016. China, Japan, and Korea are the world's leading die-producing countries. Regarding sales, the major global players in the die industry were China, the US, Japan, Germany, and Korea in 2017. According to the Korea Die and Mold Industry Cooperative, the ranking of die-exporting countries was China, Korea, Japan,

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Germany, and Italy in 2016.

The die businesses can be classified into stamping dies, plastic molds, rubber molds, die-casting dies, forging dies, glass molds, blow molds, and powdered metal. These types of dies and molds are used in various industries, including the automotive, medical, aerospace, and electronics industries. Approximately 70% of Japanese die and mold manufacturers are engaged in the automotive industry (Nikkei Sangyo, August 10, 2017).

This study focuses on a Japanese automotive stamping die company named JP (hereafter, fictitious names are used for all companies discussed in this paper), which successfully expanded its production base overseas, including Korea and China. A distinctive feature of the stamping die industry is that each product is designed, manufactured, and purchased based on a built-to-order system. Simultaneously, starting up this business requires a large initial investment, including Numerical Control milling machines and press machines, and most die and mold manufacturers are small- or medium-sized companies. This is one reason why foreign direct investment is not a popular growth strategy for this industry. According to the 15th survey on the die and mold industry in Japan conducted by Nikkei in 2017, less than 20% of the questionnaire respondents considered expanding overseas production as a significant management strategy for the next three years, while 36% answered “enforcing research and development,” and 30% answered “implementing business diversification” to the same question under the condition where multiple answers were allowed. Given the circumstances mentioned above, understanding the factors of successful international business in JPs, including IJV, can have practical implications for producers.

Specifically, we shed light on how JP successfully managed the IJV business in Korea and China, overcoming the ambiguity and instability of international JVs. The next section will discuss IJV instability.

1. IJV instability

As global competition intensifies, many companies are employing international alliances. An IJV is a widespread strategic alliance. The control mechanism can be positioned between the hierarchy and the market. Since markets and hierarchies are polar modes, various hybrid forms of inter-organizational relationship patterns exist between these extremes, such as long-term contracting, franchising, licensing, and joint ventures (Powell, 1987).

This study considers these hybrid modes as strategic alliances based on Spekman et al. (1997). In contrast, some researchers, such as Doz and Hamel (1988), define strategic alliances as highly strategic and reciprocal contractual relationships without capital ties. In other words, strategic alliances involve equity-based relationships. The major purposes of strategic alliances include supplying strategic resources or capabilities, learning from partners, facilitating entry into new product markets (or market development) or new locations, sharing the cost of R&D, sharing risk, effectively using operational capacity, utilizing economies of scale, setting new standards, and facilitating rapid internalization

(Gomes-Casseres, 1993, Spekman et al., 1997).

However, strategic alliances incur significant costs when the strategic objectives of each independent partner are coordinated and reconciled. Strategic alliances often lead to new competitors. For these reasons, Porter (1990) suggested that most alliances tend to be temporary or transitional arrangements for market entry rather than stable and rarely become sustainable means for creating competitive advantage. Porter's (1990) argument is supported by several empirical studies of alliances, including Bleeke and Ernst (1991) and Kogut (1988).

Among the large variety of strategic alliance types, joint businesses may be considered less unstable than typical strategic alliances without capital relationships. This is because much more hierarchical control is possible in equity-based JVs than in non-equity-based alliances (Gulati, 1995).

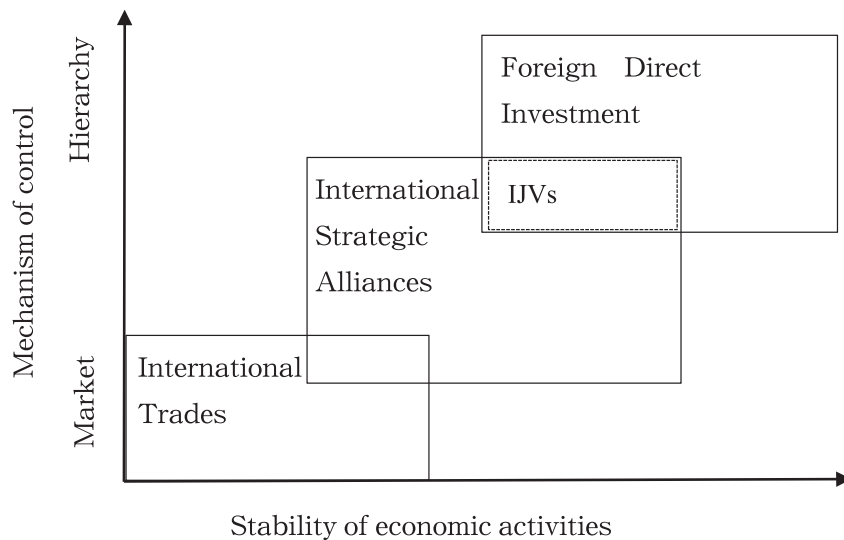


Figure 1: IJV's position in the stability and the mechanism of control

Source: Created by the author

However, some researchers still argue that the inter-organizational relationship over IJVs has many insecure aspects from a long-term perspective or the perspective of dynamism in inter-organizational relationships. IJV instability is caused by both exogenous and endogenous factors. Exogenous factors, such as the host country's foreign investment climate (Blodgett, 1992: 476-477), cannot be controlled by each partner. Therefore, we focus on endogenous factors, including each partner's growth and gaining knowledge (Inkpen and Beamish, 1999), the change in a partner's strategic mission, the change in the importance of the IJV (Harrigan and Newman, 1990), creating new possible competitors (Kogut, 1989: 188-194), and the renegotiation of IJV contracts (Blodgett, 1992: 476-477).

According to Inkpen and Beamish (1999), when "access" of knowledge or resources via an IJV is changed by "acquisition" of knowledge or resources, this change can facilitate the shift in balances of bargaining power between partners. Inkpen and Beamish (1999) stated

that knowledge acquisition by either partner can shift the balance of bargaining power, which, in turn, could lead to initiating changes in the partner relationship. This change in bargaining power between partners can introduce instability in the partner relationship. Knowledge acquisition allows a company to eliminate its dependency on its partners. For example, there may be much more competition with each other or unplanned equity changes. Finally, when both partners fail to control IJV instability, the IJV faces premature termination.

According to Figure 2, the IJV relationship is stable and cooperative when each partner believes that the other partner's knowledge is accessible. When each partner believes that the other partner's knowledge is acquirable (beyond accessibility), the IJV relationship can become very unstable and competitive. When the foreign partner evaluates the local partner's knowledge as acquirable while the local partner believes it is only able to access the foreign partner's knowledge, the IJV relationship is potentially unstable. Another potentially unstable relationship over the IJV occurs when the local partner evaluates itself as being able to acquire the foreign partner's knowledge, while the foreign partner thinks it is only able to access the local partner's knowledge via the IJV.

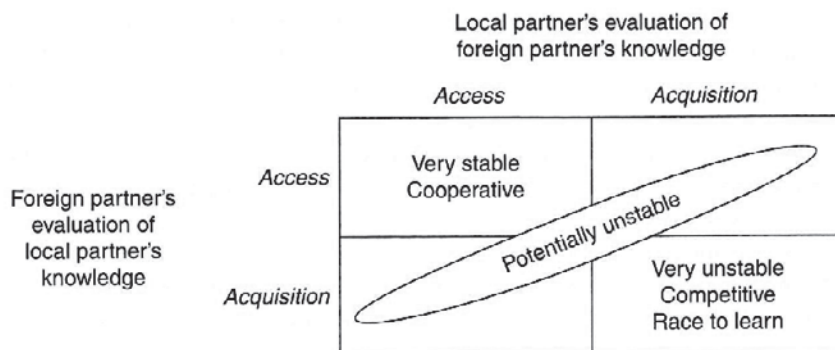


Figure 2: Knowledge acquisition and instability

Source: Buckley and Ghanuri (2015), p. 312, as requested by Inkpen and Beamish (1999).

In other words, replacing “access” to knowledge or resources via IJV with “acquisition” of them can cause shifts in the balance of bargaining power and IJV instability.

Our next question is how IJV instability can be controlled. With this question in mind, we consider two IJVs of Japanese automotive stamping die manufacturers and discuss the significant factors affecting the durability of IJVs.

2. Methodology of the study

We conducted a long-term qualitative analysis to deepen our understanding of the factors moderating IJV instability. We visited the following companies for in-depth international interviews, as shown in Table 1 for international in-depth interviews.

Table 1: List of the fieldwork study

Date of visit	Destinations and location	Main business
July 3, 2014 January 31, 2018	JP (Headquarters in Japan)	Stamping die and tools, Panel parts, panel modules
August 4, 2016	JPKJ (JP's joint venture in Korea)	Stamping die and tools, Mold and tools
September 26, 2018	JPCJ (JP's joint venture in China)	Stamping die and tools, Panel parts, panel modules
September 25, 2018	JPCS1 (JP's real subsidiary in China)	Stamping tools

In particular, we focus on the JPKJ and JPCJ cases while considering JPCS1 as a counterpart. JPCS1 can be classified as IJVs since JP and a Taiwanese partner company share ownership of JPCS1 in the ratio of one (from the Taiwanese partner) to nine (from JP). However, in substance, JPCS1 should be considered a subsidiary of JP because JP takes the dominant initiative in the strategy or operation of JPCS1, for which the Taiwanese partner is not charged. Our questions were as follows:

What is each company's mission?

What is each company's history of business and management performance like?

How does each company recognize the factors of successful performance and challenges?

What are the distinctive features of each IJV contract, such as the agreement between partners, business-to-business capital relationship, technology transfer and license fee, sales territory, and constraints on each partner's additional investment for the expansion of their IJVs?

In addition, we collected data from e-mail surveys and company archives.

3. Overview of the JP group's international business

The JP group has two business pillars. The first is the design and manufacture of automotive body-in-white doors and exhaust systems. The second is the design and manufacturing of stamping dies, assembly systems, and hemming equipment for automotive body-in-white closures. It was established in 1932 and was built as a strong base for rapid growth by being commissioned by Mazda to produce automotive body components in 1953. As a group, annual sales surged from JPY 66 billion in 2014 to 157.3 billion yen in 2017. Its sales comprise 34% of automotive doors (most of which are sold for GM and Mazda), 40% of exhaust systems, and 25% of stamping dies, assembly systems, and hemming equipment. Recently, the company launched a robot system business.

Its major customers are Mazda and GM based on the composition ratio of major customers, as illustrated in the pie chart below.

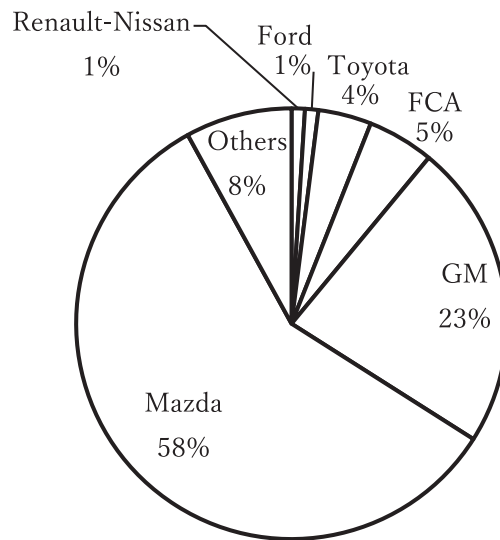


Figure 3: JP's share of sales for main customers

Source: Interview with JP on January 31, 2018.

Its rapid growth can be attributed to its aggressive overseas expansion, as its foreign sales ratio is as high as 60% of total sales. As of January 2018, JP has ten foreign affiliates and three domestic affiliates, as summarized in Table 2.

Table 2: List of JP's foreign affiliates

Years	Foreign affiliates	Locations	Investment ratio (JP: Partners)
1987	JPKJ*	Korea	40:60 (KP)
1988	JPAS	US	100:0
1998	JPMJ	Mexico	51:49
2004	JPAUJ	Australia	66:34
2005	JPIJ	India	40:60 (JPAS)
2006	JPCJ*	China	49.9:50.1 (CP)
2006	JPCS1*	China	90:10
2007	JPCS2	China	90:10
2011	JPGS (For sales only)	Germany	100:0
2012	JPMS	Mexico	0:100 (JPAS)

(1) The names with "*" in the list show JP's foreign affiliates companies where fieldwork studies were conducted.

(2) JPAUJ was terminated by the end of 2018.

Source: Interview with JP on January 31, 2018.

JP's affiliate companies are primarily subsidiaries and JV engaged in manufacturing and sales, except for JPGS. JPKJ and JPCJ have design divisions in addition to their manufacturing and sales operations. After 2000, JP hired an expert in international contracts who previously worked for a major Japanese trading house. He was tasked with establishing numerous foreign affiliates, including JPCJ, and advised on contract negotiations and the

operation of international affiliates after their establishment. He remained responsible for advising JPCJ until 2018.

The JP group held a weekly pan-group exchange conference at its headquarters every six months, with each company group invited to participate. Most group companies sent several management members and promise local middle management or local engineers. During these conferences, several workshops and round-table meetings were scheduled to discuss a wide range of managerial and technological issues, including how to share organizational culture and knowledge about best practices in product innovation and operating processes. Communication between the host and visitors took place in either Japanese or English through simultaneous interpretation. The headquarters covered the visitors' expenses for stays in Japan and interpretation, while each visiting company was responsible for its own flight expenses. They recognize that these costly pan-group exchange conferences played a significant role in enhancing the cohesiveness of all group companies worldwide.

4. JP's IJV business in Korea

4-1. Overview of the JPKJ and its performance

In 1987, JPKJ was established as the IJV involving KP, JP, and ITOUCH, a large Japanese trading house. At its inception, JPKJ's ownership comprised 50% ownership by KP, 30% by JP, and 20% by ITOUCH. However, ITOUCH divested its initial JV investment, leading JP and KP to equally divide ITOUCH's ownership share. Therefore, JP currently holds 40% ownership stake in JPKJ, whereas KP holds the remaining 60%.

Based on the distribution of ownership of JPKJ, KP, the local partner, takes charge of management. The CEO of KP concurrently holds the position of President of JPKJ; in turn, the Vice President of JPKJ is selected from the JP group. The current Vice President of JPKJ is one of the veterans who is familiar with the history of the 30-year-IJV between JP and KP since he had worked for JP's domestic subsidiary die manufacturer for many years. KP is a Korean partner company with diverse businesses, including deep-sea fisheries and special steel manufacturing. The KP group's three main companies (except JPKJ) currently earn approximately 714 billion won annually, equivalent to 71.6 billion yen in 2017. KP had 883 employees in 2017. JPKJ has stamping dies and mold divisions. In particular, JPKJ is engaged in the design, manufacturing, and sale of the whole coverage of stamping dies for side, outer, fender, hood, tail gate, tail gate hemming, roof, and rear/front doors.

In the late 1980s, JP considered overseas production of stamping dies in response to the sudden appreciation of the yen. JP has been used to establish a dominant subsidiary to produce stamping dies in Korea. However, after failing to run the subsidiary due to a lack of local knowledge, JP considered launching an IJV business. Around the same time, the KP was attempting to gain orders for stamping dies from domestic carmakers such as Hyundai by enhancing the technological capability of its own stamping die division. ITOUCH knew both sides' intentions and suggested establishing JPKJ through a joint investment from JP,

KP, and ITOUCH based on KP's initial stamping die division. Until the late 1980s, neither JP nor KP had sufficient knowledge on how to make IJV contracts with the licensing of technology. ITOUCH gave them significant guidance and advice in drawing up the contract, which facilitated the smooth launching of JPKJ.

According to the interview survey, there were three significant features of the contractual clause when launching the JPKJ. First, no exclusive sales territory is specified in the contract. Second, the contract did not specify the persistence of the technology-licensing agreement. Third, any additional investment in the automotive stamping die business by KP or JPKJ requires JP approval, while there is no specific investment restriction in terms of location.

Under this agreement, JPKJ aggressively absorbed knowledge on the design and manufacture of stamping dies from JP between 1987 and 1997. During this period, several resident engineers or managers in JPKJ were sent from JP to help JPKJ take firm root. These resident engineers provided JPKJ with technical guidance on its operations.

However, after the late 2000s, all technology licensing or technical guidance contracts, including JPKJ's payment of royalties or technical guidance fees, came to an end. The vice president is now the sole resident management member sent by JP. JPKJ has grown to become one of the leading automotive stamping die companies in Korea, having acquired considerable knowledge from JP. For example, JPKJ successfully developed new process technologies, such as an "integrated high-frequency hardening system combined with robots and CAD system," even before JP. This new process technology developed by JPKJ was introduced to JP and was considered to prevent fluctuations in quality and drastically reduce labor costs, even in JP's workplace (Lee and Hirano, 2019a).

As JPKJ enhanced its technological capabilities, its number of primary customers increased. Until the late 1990s, JPKJ's major customers were Korean or ex-Korean car assemblers, except JP. In the late 1990s, when the economic crisis occurred in Asia, JPKJ attempted to expand its foreign customer base. Between 1997 and 2004, JPKJ mainly developed European, Japanese, and US customers, including PSA, Honda, and Ford. After 2005, as the Korean stamping die market became saturated, JPKJ began developing emerging markets, such as China and India. JPKJ currently has more than 26 customers, including Geery, BAIC, and Tata. As JPKJ developed an increasing number of customers, JPKJ's sales and profitability also increased, as shown in Figure 4.

4-2. Cooperation and competition between partners over JPKJ

JPKJ's expansion of its customer base has created competition between JPKJ and JP. Currently, JPKJ is investing in facilities for stamping die production in the US market, where JP had focused. In contrast, JP established a sales office in the European market in 2008, when JPKJ was strong. Recently, both JP and JPKJ considered additional capital investments in the Indian market, in which JPKJ had already received orders from Tata and Maruti. It seems that KP and JP are in the middle of negotiations regarding JPKJ's capital investment in the US and India since JPKJ's investment in the automotive stamping die business

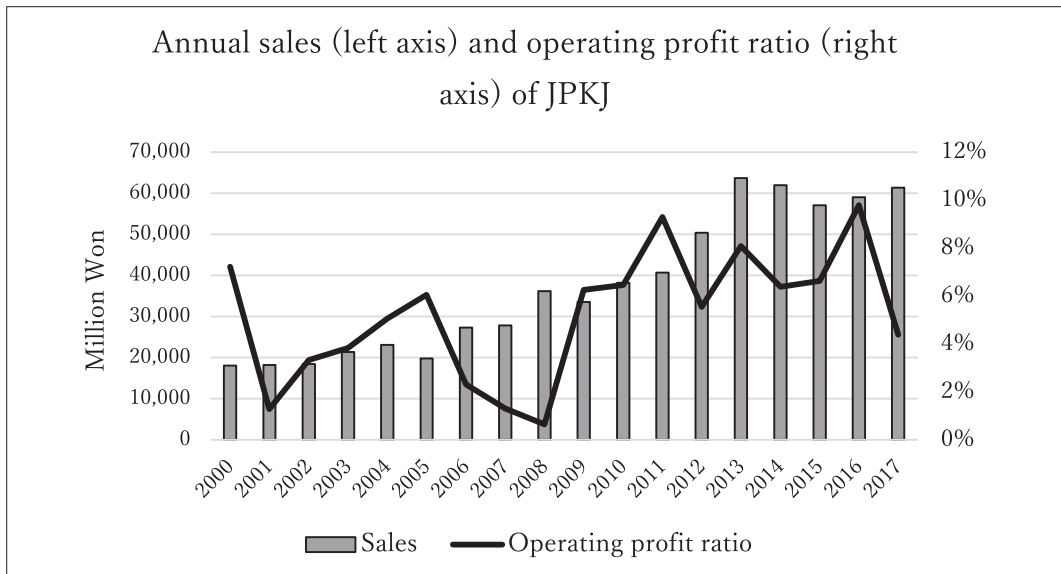


Figure 4: Annual sales and operating profit ratio of JPKJ

Source: Annual audit report of JPKJ: Financial Supervisory Board of South Korea

requires JP’s approval according to the JV contract. However, even though some competition has occurred in the US, Europe, and India, there is an implicit agreement on the segregation of the main customers of each partner. For example, in the European market, there seems to be a common recognition that JP’s main customers (such as BMW and Daimler-Benz) and JPKJ’s major customers (such as Renault and PSA) should be protected from each other’s customer acquisition strategies.

At the same time, we can find some cooperative aspects in the relationship between JPKJ (KP) and JP. For example, JPKJ supplied stamping dies to JP when JP suffered from a lack of production capacity after JP signed a large-scale supply contract with GM. In return, JP helped JPKJ to receive orders from Nissan.

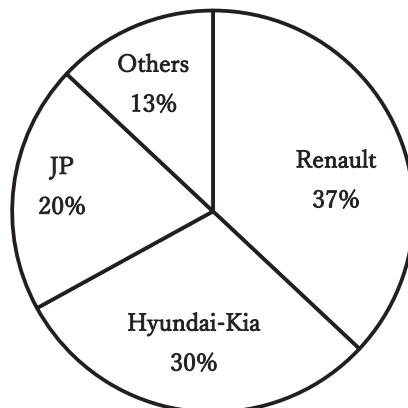


Figure 5: JPKJ's share of sales for main customers

Source: Interview with JPKJ on August 4, 2016.

Another example is the collaboration between the JP and JPKJ in Mexico. Currently, JP produces panel parts for the BMW assembly plant using JPKJ's stamping dies in its subsidiary company in Mexico. In addition, JPKJ sends one or two members of management, including the vice president, to JP's pan-group exchange conference every two years.

5. JP's IJV business in China

5-1. Overview of the JPCJ and its performance

The JPCJ was established in the inland areas of China as an IJV through the joint investment of CP and JP in 2006. JPCJ is engaged in designing, manufacturing, and selling panel parts, panel modules, stamping dies, and tools for the automotive industry. The initial investment rate was 50:50 for JP and CP when JPCJ was launched. As JP signed the IJV contract, it wanted to raise its ownership ratio. Therefore, the JP insisted that there should be a contractual clause describing the possibility of changing the ratio of ownership of the JPCJ within three years of its establishment. However, contrary to JP, CP raised its ownership rate by 0.1% based on Chinese local government policy. As they changed the ratio of joint investment of JPCJ from 50:50 to 50.1 (from CP):49.9 (from JP), the composition of the board of directors has been changed from 3:3 to 4 (from CP):3 (from JP). JP reluctantly agreed to hold 49.9% of JPCJ shares. In return, both partners agreed to change the requirements for resolution from majority voting to voting by 2/3.

Even though CP has 50.1% ownership of JPCJ, it decided to charge JP for the entire management of JPCJ, except for finance and procurement management. Therefore, the president of the JPCJ was not sent from the CP but from the JP. Although this does not mean that the CP gave up the formal management rights of the JPCJ, it is a rare case in that the partner with minor ownership is responsible for the IJV's operation.

CP, a local partner, is a major carmaker group owned by the nation (province). It was established in 1958 and had 7,000 employees as of 2017. Its annual revenue reaches 2.2 billion yuan (approximately 360 billion yen). It is engaged in a wide range of businesses, including the design and manufacturing of auto parts, assembly of automobiles, car sales, and after-service.

JPCJ adopts a functional organization structure composed of six departments: general affairs (28 people), sales (18 people), finance (5 people), technology (67 people), and manufacturing (507 people), instead of the business division structure. The manufacturing department includes the tooling (90 people) and panel mass production (417 people) subdepartments. Among these departments, five Japanese experts were sent to the technology department (one person), tooling (one person), and panel mass production (three people) subdepartments to guide the management and technology of the design and manufacturing of stamping dies and panels. Additionally, JPCJ has its own domestic subsidiary in Qingdao (132 people).

Around 2003, JP was considering launching a local production base not only for

stamping dies but also for panel parts or panel modules, based on its own forecast that there would be an increase in demand for these products in inland areas in China. In addition, JP thought it would be possible to avoid the labor force's high liquidity by selecting inland rather than coastal areas. Initially, JP suggested that Shanghai-GM form a JV, as JP had a good relationship with GM. However, this JV between JP and Shanghai-GM was not realized, as Shanghai-GM did not accept JP's offer. Instead, Shanghai-GM introduced CP into JP and helped launch a JV business between JP and CP. Around the same time, CP was considering the division of stamping dies into separate companies and intensifying technological competitiveness in the stamping die business. The CP believed that introducing Japanese technology was essential to enhance the design and manufacturing of stamping dies. Shanghai-GM figured out both sides' intentions and suggested establishing the JPCJ through joint investment from both JP and CP, reorganizing the CP's existing stamping die division (Lee and Hirano, 2019b).

According to an interview survey with the JPCJ, there were three significant features in the contractual clause when launching the JPCJ. First, no exclusive sales territory was specified in the contract, as in the case of JPKJ. Second, as long as the JPCJ survives, the technology-licensing contract is perpetually maintained, unlike the JPKJ's case. Third, neither CP nor JP was allowed to establish their own subsidiaries in the region of China to the south of the Yangtze River, while there was no specific investment restriction regarding the location in the contract over JPKJ.

The JPCJ was established in 2006 and started producing stamping dies and tools. In 2007, JPCJ added a mass production system for its panel parts business to its main businesses. Furthermore, since 2010, it has supplied outer-panel modules for CP's original Chinese

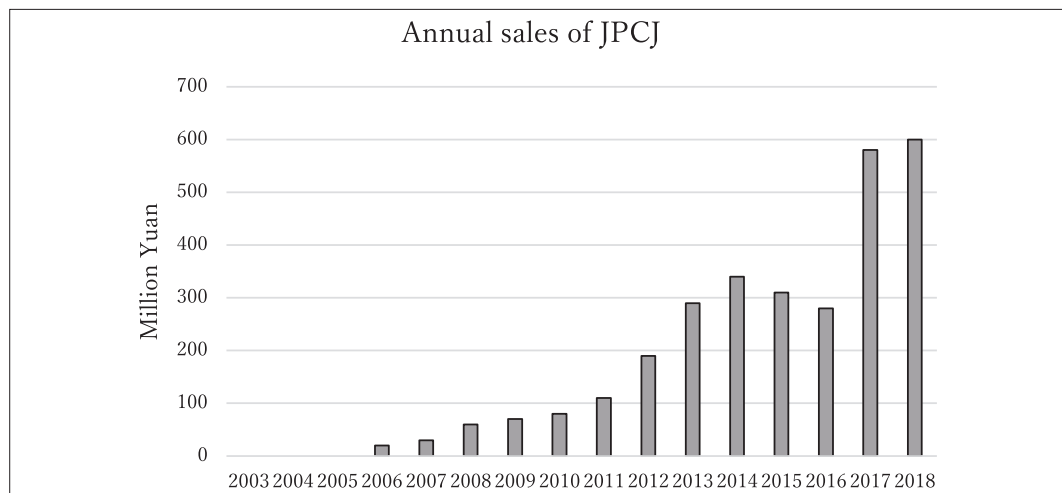


Figure 6: Annual sales of JPCJ

(1) The 2018 figure is sales estimated by the JPCJ.

(2) While the details of the operating profit ratio of JPCJ are unknown, it was identified that JPCJ had a surplus in operating profits in 2017.

Source: Interview with JPCJ on September 26, 2018.

passenger car models of CP. In the new Chinese passenger car market, the share of original Chinese model cars has increased by 53.1%. As JPCJ absorbed fundamental knowledge from JP, it was able to take advantage of the business opportunities. Figure 6 illustrates that the JPCJ was successful in growing.

5-2. Cooperation and competition between partners over JPCJ

As JPCJ has built its own capabilities to design and manufacture dies and tools, including hemming, panel parts, and panel modules, under the Japanese managerial system, expanding its scale of operation and sales was possible. However, JPCJ's rapid growth was not attributed to an aggressively expanding customer base but to the surge in orders from CP. Figure 7 shows that JPCJ depends on CP in terms of sales. One possible threat is a request for discounts from the CP. However, the main customer bases of JPCJ and JP do not overlap even though their technology bases are similar.

Regarding sales of stamping dies and tools, JPCJ's transaction dependence on CP (39%) and JP (17%) was somewhat balanced. The stamping dies and tools produced in the JPCJ are exported to the US, Mexico, and Japan.

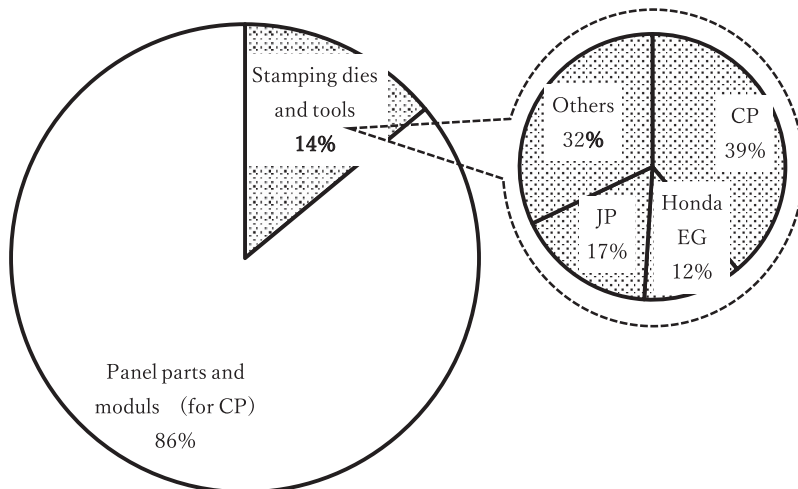


Figure 7: JPCJ's ratio of the product sales and the share of sales for main customers

Source: Interview with JPCJ on September 26, 2018.

In addition, JPCJ sent three to five members of management, including local engineers and mid-management class members, to JP's pan-group exchange conference once every six months.

6. Discussion and conclusion

The evidence of a successful IJV business should be illustrated by comprehensive indicators, including short-term oriented cash flow or profit rate to long-term oriented productivity (Anderson, 1990: 21-26), longevity of more than eight years (Dymsza, 1988),

enhancement of parent companies' strategic position (Contractor and Lorange, 1988), inter-firm learning (Kogut, 1988) and creation of knowledge (Hirano, 2007: 57-60). Based on most of these criteria, both JPKJ and JPCJ should be considered successful. JPKJ has grown for 31 years as a leading company in the stamping die business in Korea, and JPCJ has grown for 13 years. Currently, the JPCJ plays a more significant role than expected. Simultaneously, as IJVs acquire critical knowledge about technology and management, the relationship between partners tends to become unstable. We found that the relationship between partners for JPKJ or JPCJ is much more unstable than that for JPCS1, where JP has dominant ownership.

Our results suggest four implications for theory and research on IJV instability. First, the structural interdependency between partners can be a moderating factor. Regarding inter-firm relationships, interdependency can be built when A's output is B's input (Thompson, 1967; 54-55). It is reasonable to assume that IJV instability can be moderated as there is interdependency between a partner's and the IJV's businesses. We assume an interdependent relationship between JP and JPKJ as well as between JP and JPCJ, in that a portion of the output from both JPKJ and JPCJ is JP's significant input. JP, which is engaged in both intermediate goods and production goods businesses, is likely to achieve a mutually complementary relationship with JPKJ or JPCJ, which have either intermediate goods or production goods businesses.

Second, explicit and implicit "habitat segregation" between foreign partners and IJV (or local partners) can moderate IJV instability by preventing excessive market competition. Habitat segregation has two dimensions. The first is market segregation, which keeps sales territories exclusive. In practice, agreeing on stipulating market segregation in IJV contracts seems complicated. The second is investment segregation, an investment restriction concerning location. In both JPKJ and JPCJ cases, some extant explicit and implicit "habitat segregation" was found.

Third, the development and intensification of attachments can be significant factors in building durability in IJVs. Attachment refers to the binding of one party to another. Attachment between partners develops through experience in the collaborative relationship and partners' investments in the relationship over time. When partners have developed a tight attachment, a kind of inertial force may protect against pressure to change the relationship (Blau, 1964: 76-87). The week of pan-group exchange meeting conferences held every six months, hosted by JP headquarters, is considered effective in intensifying attachment. It should be noted that JPCJ, which is operated by the foreign partner (JP), seems to participate more actively in the JP group than JPKJ, which is operated by the local partner, while JP does not have majority ownership of either JPKJ or JPCJ.

Finally, the former experiences of negotiating with foreign partners about making international contracts and running foreign affiliates could help understand the key factors for the stable running of IJVs. In particular, empirical knowledge about making IJV contracts based on past failures is critically significant. When JP made an IJV contract with JPKJ, JP did not know much about making effective international contracts, even though JP received

advice from ITOCH. While JP and KP agreed that JPKJ's additional investment in stamping die production required JP's approval, they did not specify restrictions on the location of investment for production. Currently, JP seems to spend a lot of time coping with JPKJ's request for permission for its own investment. After learning that rough terms in a contract can leave room for unnecessary arguments, JP stuck to the specification of locational restrictions in JPCJ's additional investment in producing stamping dies and panel parts. In addition, JP successfully stipulated a "permanent licensing contract" pertaining to the IJV contract over the JPCJ but failed over the JPKJ.

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