

# Managing conflict in joint ventures

Disagreements are inevitable

**Paul W. Beamish, Financial Post**

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A small amount of conflict may be healthy for a joint venture (JV). It may force management to evaluate its decisions more carefully. For example, managers may find after some thought that the other party's plan is superior, or they may simply benefit from refining their plan in the process of thinking more carefully through their plan's logic. Such conflict can be considered constructive conflict.

This is in contrast to the more common destructive conflict. The line of reasoning presented above is in keeping with my central thrust, which argues one should manage conflict so it has a minimal negative, or perhaps even slightly positive, impact on the JV.

When JV managers are asked if a small amount of conflict was likely to have a positive effect on an international JV performance, since it would increase the care with which decisions were made, most indicate that a small amount of conflict could have a beneficial effect.

So how should conflict be managed?

Here are some strategies for minimizing conflict's negative impact, or perhaps even channeling a small amount of conflict into a positive result, which repeatedly emerged from interviews with JV general managers:

### **ALIGN PARTNERS' OBJECTIVES**

Partners involved in a joint venture may well have some different goals. This is quite natural. However, as we talked about earlier, if possible, partners' objectives should be aligned, or congruent, so that achieving one partner's objective will be beneficial for the other as well.

### **DEVELOP STANDARD PROCEDURES FOR RESOLVING CONFLICT**

When an actual conflict exists between two parties, it is much more difficult to negotiate its resolution than it would have been when discussing a hypothetical conflict. Thus, before a conflict develops, it is desirable to develop a standard procedure for resolving conflict. For example, one possible conflict-resolution procedure would be to agree that when conflict exists, both parties will meet several times with each other. In such cases each party might prepare a short document explaining why its view seems optimal. If, after the partners read and talk about these documents, no resolution is reached, then the conflict would be sent to a previously agreed arbitrator. Having such a standard conflict-resolution procedure in place can ease the problem.

### **DON'T ONLY TRY TO MAXIMIZE YOUR GAIN, BUT CONSIDER THE GAIN OF ALL INVOLVED PARTIES**

It is important that any joint venture is designed such that the actual JV and local parent benefit as much as the foreign parent. If all parties involved in a joint venture are not satisfied, the joint venture is doomed to fail. As we've already discussed, both parties require a continuing incentive to remain in a JV.

### **EXPRESS UNDERSTANDING OF THE OTHER PARTY'S VIEW**

Inevitably, parents will have differing views on a topic. And, while it is unnecessary for local parents to agree with all views of the foreign parents, it is helpful if a parent can express understanding of the other parent's view and explain the reasoning for their different views. Though this may not alter the fact that a conflict exists, it is helpful to understand why different views exist and to behave as though the other party appreciates one's view.

## **EMPOWER LOCALLY BASED FOREIGN MANAGERS TO MAKE MOST DECISIONS**

It can be very frustrating for a local partner to negotiate with a locally based manager from the foreign partner firm if the foreign partner manager does not have enough authority to make decisions. When a locally derived tentative agreement is deemed unacceptable to management at headquarters, negotiations must start over again. In the second round of negotiations, local partners normally have far less patience -- understandably annoyed that the first agreement did not work out -- and thus conflict is more likely to develop.

## **DEVELOP HIGH TOLERANCE AND UNDERSTANDING FOR DIFFERENT CULTURES**

Parties must understand that though national cultures and organizational climates are different, none are "the best." They are just different. It is not uncommon for at least some of the people from each partner to possess a somewhat ethnocentric attitude. However, it is also important to remember that traditions normally were developed for a reason. People accustomed to different organizational climates have different expectations. Developing a tolerance for different cultures is helpful to the successful resolution of many conflicts.

## **DISCUSS WAYS TO AVOID FUTURE CONFLICT**

Though conflicts are unfortunate, some conflicts are inevitable. However, if parties involved in a conflict can feel that a similar conflict is unlikely to result in the future as a result of what has been learned, the parties are likely to feel better about the discomfort. In addition, the IJV will benefit from avoiding some future conflicts. As a result, once a conflict is resolved, it is important to discuss why it developed and how similar conflicts can be avoided in the future.

*\* This is an edited excerpt from Joint Venturing by Paul W. Beamish, © 2008 Information Age Publishing Inc. - Paul W. Beamish is a Professor of International Business at the Richard Ivey School of Business. He is the co-author of 46 books, more than 90 refereed articles, and numerous contributed chapters and non-refereed articles in the areas of International Management, Strategic Management and Joint Ventures and Alliances. He also holds the inaugural Donald L. Triggs Chair in International Business and is director of Ivey Business School's Asian Management Institute.*

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