As the IJV Grows: Lessons and Progress at Davidson-Marley BV

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The international joint venture of Davidson-Marley BV is located in Born, The Netherlands. It is in its second year of full-time operation with approximately 200 employees. The two parents of this IJV are Davidson-Tristant of the US and Marley Automotive of the UK. The two parents came together to form this joint venture for several reasons. The reasons and the characteristics of each parent are detailed in earlier articles. Characteristics of the IJV itself, Davidson-Marley BV, are also described in an earlier article in this journal (December 1992). At the time of writing the last article (Spring 1992), Davidson-Marley was erecting its plant and installing its equipment. Preparations were being made to run prototypes for its main customer, the Ford Motor plant in Ghent, Belgium that produces the Mondeo. Staffing procedures had been put in place with the majority of hiring yet to be done. Full-time production and just-in-time deliveries to Ford were to begin 4 January 1993. Although the impression was left that the IJV was “all but done” and the rest of what needed to be done was just perfunctory, this article attempts to describe the reality of it all. In so doing, there are several insights that might be of interest for followers of international joint ventures. There are also several suggestions, particularly regarding human resource management issues, for professionals involved in setting up international joint ventures.

Introduction

Strategic alliances, particularly the international joint venture, appear to be a major way firms are globalizing their operations (Maiz, 1990). As stated in earlier
articles, IVs can make it easier and increase the chances of a firm being successful abroad. They can capitalize on the strengths of each parent and minimize the weaknesses of either. Working together, two firms can spread the risk and gain a greater understanding about doing business in the global environment. Thus, IVs can be seen as ways to grow, learn and become profitable, ways that are more attractive than almost any other alternative (Briggman, 1987a, b; Shenkar and Zeira, 1987a, b, 1990).

But like any other business venture, nothing is a sure thing. In IVs partners might not get along, markets may disappear (or in some cases, they may never appear), the relationship between the partners and the IV itself may produce friction and failure, and/or the staffing of the IV may result in an unsuccessful business under any conditions (Gomes-Casseres, 1987; Datta, 1990). Helping to reduce these downsides, potential partners are implored to get to know each other, to investigate each other’s styles and philosophies of doing as much as possible. In many respects, potential partners are urged to treat the process of identifying an IV partner as a marriage (Tilly, 1988, Brown, 1990).

As described in the preceding articles, Davidson-Teztron and Marley Automotive almost followed the textbook on IVs in Japan (Schuler, et al., 1991; Schuler, et al., 1992, Schuler and van Sluis, 1992). If there was a marriage of IV partners made in heaven, Davidson-Marley BV is it. If the market, financial conditions, complementary skill sets of the partners and manage-best philosophies were ever to be more appropriate for the establishment and predicted success of an IV, they would be hard to find than the Davidson-Marley BV itself (Schuler and van Sluis, 1992).

In this article we pick up on the progress of the IV itself, to see if the prediction of success has some true and see if there are any lessons to be learned from this joint venture. In doing so, the marriage metaphor is extended. Not surprisingly, however, the focus shifts more to looking at IV issues from the viewpoint of the IV itself.

The Child Grows

Because this child, Davidson-Marley BV, has a customer that consumes almost the entire capacity of the firm, it is like a child with a vitamin-enriched diet, grows fast! For an IV, growing fast means encountering problems of joint venture development faster than under normal, less enriched conditions. Full scale production is the first order of business. Slow market growth and deliberate organizational development are luxuries. The child, the IV, has to get on its feet and mature as fast as possible. As a consequence, the time of being a total and willing dependent child lasts a much shorter time period. The child begins searching for its own identity and autonomy. The joint venture managers begin to want to make all of their own decisions without being second-

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guessed by their parents. Their major focus of attention rapidly becomes the customer rather than the parents.

In some respects this is where Davidson-Marley BV is today. Hub Schillem, the general manager, and Jeroen, the human resource manager, both seek autonomy in running the business. This is not particularly surprising, given that they were both experienced and successful managers at the time they were hired. Yet, understandably, the parents are the ones who have given birth to the joint venture and thus they expect to have some right to direct and manage the operation. In addition, they did establish the market and provide the means of satisfying customers’ demands (i.e., they provided the capital, technology and knowledge to serve the market). Thus the parents and the child have to understand each other’s positions and be patient with each other.

Nevertheless, it is not always easy to find the right balance between autonomy (empowerment) and guidance. Patient may be needed to the limit and not just by those running the operations. But this type of situation applies to any IV, Davidson-Marley BV just gives us the opportunity to become more aware of it. For example, in IV the general manager reports to two individuals, one from each parent. Certificates, differences and discussions thus occur among the three individuals. But for the others in the IV the situation is a bit more complex. For example, the human resource manager reports to the general manager of the IV itself and to the corresponding functional managers for the two parents. Thus, conflicts, differences and disagreements take place among four individuals! Fortunately, both Davidson-Teztron and Marley Automotive share philosophies of managing human resources. Both have participative systems and pursue total quality management in their own operations. But, even this can’t guarantee some differences is how to best manage the work force. For example, it is not surprising to find two equally successful parents both thinking that their way is the better way. The result of this is that child may not sooner get advice from one parent than it is receiving advice from the other one. And when this is done in the context where the manager of human resources and the general manager of the IV may also believe that their way is the better way, everyone tends to draw upon as much patience as possible.

The Extended Family

The metaphor of the marriage and family needs to grow just a bit and encompass a few more family members to illustrate more events occurring in the IV. When talking about the parents, it becomes simplistic when suggesting that each joint venture partner speaks with a single voice in unity. To say that because both parents practice an empowered philosophy of managing human resources, everyone in their respective firms imparts empowerment in the same way can be an oversimplification. For example, the joint venture partner have representatives in the IV.

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Building the Strength of the Child

Davidson-Murry BV was to be built using participative management processes and using human resource management practices that supported employee development, teamwork and full skill utilization. Supportive human resource practices included extensive training, enriched jobs, employee empowerment and cooperative employee-employer relationships (Wickens, 1987). Based upon experience working with these practices in total quality manufacturing environments, Mr Thunis developed a rather extensive set of recruitment and selection practices to identify those most likely to work effectively under these conditions (See EMU, December 1992, p. 434). Used as designed, these would build the strength of the child to achieve the objectives of the UV. But the best laid plans...

A Dual Workforce

While the first one hundred employees were hired between April 1992 and October 1992, the remaining employees were hired between December 1992 and April/May 1993. Although all employees were hired using the same selection procedures (described in our December 1992 article), there were differences in the desired profiles and characteristics. For selection of the first one hundred employees, the desired profiles and characteristics used were: (a) willingness to contribute to the building up of the firm in the pioneering phase; (b) ability to identify problems and develop solutions; and (c) having a nonmaterial orientation (i.e., willingness to travel for training in either the UK or the US). By contrast, for the other employees hired, the selection criteria were different: (a) willingness to join an already on-going process; and (b) willingness and ability to work in teams. Because the pioneering days are over, some of the initial group of employees have moved on, being replaced by employees using the second set of selection criteria. Regardless, there are two groups of employees: those who were hired under the first set of criteria and those hired under the second set. Of the 200 or so production workers today, about 75 are salaried, mostly from the ranks of those hired after November 1992. To this situation was added the use of group activity descriptions, rather than specific individual job descriptions, that tend to produce ambiguity for the individual workers.

So today the workforce is composed of three hired between April 1992 and October 1992 and all more hired later. The single variation in the time of hiring for what in all practical purposes are people doing the same jobs, has created many differences besides those already mentioned. Because all employees are initially hired under a one year temporary contract first, the first group is now under permanent contract while the second group is still under temporary contract. The first group has also been assigned to the more advanced job category. For the plant production workers there are three job categories: beginner, experienced and all-rounders. The first group are all-rounders and are paid more than the second group who are still in the beginner and experienced categories.

Systematic initial hiring and job description are essential in an UV

Resulting from the conditions described was some confusion and voicing of preference for certainty and direction, particularly among those hired without having experience of working in teams and conditions of worker empowerment. Now knowing this, Mr Thunis thinks the lesson here is to begin operations under more classical management procedures and then gradually move to conditions of teamwork and employee empowerment. The next generation of this might consider: be taken to either hire everyone to fit the conditions and/or train more hired to fit before the pressure of full production begins. Conditions such as labour, market availability, production pressure and operating costs might, in the final analysis, determine what is really feasible. Hindrances, however, might suggest that a modest increase in initial cost outlays might be more than compensated for over the longer term. To wit, bringing in all the employees at the same time might have avoided creating the two sets of employees described above. This would have enabled the plans to hire all individuals using the same selection criteria. Even, in turn, could have concluded the need to now think of holding the groups together and moving from more traditional human resources practices to more team-oriented and empowered human resource practices.

Clearly, however, this scenario suggests the necessity of being systematic about the initial hiring and job descriptions and direction preparation. It also indicates just now significant the realities of accelerated growth can be. But the impact of accelerated growth goes further.

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Communicate, Communicate

Accelerated growth produces the need to attend to more events in a smaller period of time, make more decisions in a shorter space of time, and disseminate more information more quickly. Especially under the hiring and production conditions described above, the need for communications in the Davidson-Marley BV was considerable even though communications was not anticipated to be an issue because of the small size of the operation (Schuler and van Sluijs, 1992). Mr Theuns thus, found himself needing to perform two major jobs: one as human resource director and the other as communications director. And because of the demands of starting up the joint venture, Mr Theuns had to devote considerable time to his primary job of human resource director. Nevertheless, he did have to serve as a communications director as much as possible. Of course other members of the management team felt similar pressures.

Three potential lessons evolve from this situation. The first is consideration of hiring a full time communications director to work with the human resource director. In addition to helping convey the mission and philosophy of the business to all employees, a communications director might also develop systems of internal communications and train all employees in communication, listening and feedback skills. This, of course, depends on cost considerations, at least in the short run. The need for this additional person, however, may be attenuated with the initial use of classical management principles and the application of the second lesson.

The second lesson is locating the human resource department on the production floor, or at least adjacent to it. The human resource department is located on the first floor of the facility, thus making it practically impossible for workers and managers to see and utilize. This has made it difficult for the human resource department to communicate, selectively and not so subtly, its messages. One message that is communicated is that it is particularly important in the early stages of the JV is that of partnership, the third lesson here.

The reality of the importance of partnership has been identified in many case examples of firms pursuing total quality management, such as Ford, Nissan, Komatsu, ICI, Shell and Unilever (e.g., see Starkey and McKinley, 1993). The partnership is among workers, human resource professionals and the line managers (from the operations manager through to the floor supervisors). The partnership is about managing human resources.

In partnership literally everyone does something related to attracting, motivating and retaining employees. And because total quality management and operational success depends upon people, partnership is about everyone managing human resources. Mr Theuns thinks that locating the human resource department more to the production area can facilitate this partnership substantially in two ways.

First, it makes the department more user friendly to the workers. It removes the 'them, us and floors between them' and the human resource department professionally. Ease of interaction breeds interaction and interaction brings familiarity and understanding. Second, it makes the department more accessible to the line manager and vice-versa. This accessibility may act with line managers in the same way it does with the workers. Of course, it also has the potential to work the other way, i.e., for the line managers to dump the 'personnel matters' on the desks of the human resource professionals.

Predicting which direction it will take depends upon the philosophy and direction of the managers of the parents (and how closely-tied they are to this theme of partnership), the philosophy of the line managers; pressure on the line managers for production that in turn focuses their time and attention on purely production-oriented activities; and the relationship between the human resource professionals and the line managers. To the extent they share the same philosophy and background, the greater extent to which partnership can become a reality.

But even with the same philosophy and background, it is still imperative that the issue of partnership be discussed by the management team. For example, at the Davidson-Marley BV it would be important for the eight person management team (Mr Cilisines and Mr Theuns are two members along with the managers of engineering, quality, sales, purchasing, operations and finance) to discuss and resolve their views on managing human resources. At the end of the day, it is important to decide and agree upon who is responsible for absenteeism, safety, grievances, shift change requests, workplace complaints, job conditions and training for group members. Variations in actual behavior from what is agreed upon can cause substantial uncertainty and confusion, resulting in less than optimal operating conditions and employee morale. However, to the extent that agreement is reached and all behave accordingly, the greater the possibility of achieving optimal operating conditions early and of smoothly moving the joint venture from adolescence to adulthood.

From Adolescence to Adulthood

All within one year? Yes, a majority of the workers have been with the joint venture for only a year. But in the minds of some, Davidson-Marley BV began in 1989, so the joint venture can be viewed as celebrating its fifth birthday this year. In the minds of Mr Cilisines and Mr Theuns it is three years old. Remember, we are talking about an enriched joint venture, one growing at an accelerated rate. It is certainly mapping onto this path quite well in some respects. Despite the economic environment and demands for cost reductions that large customers are increasingly asking from their suppliers, the JV is on track with its profitability goals.

Yes, it does have some facial symptoms of youth.
remaining. It must improve working conditions, working hours and safety and health conditions. By the autumn of 1993 these conditions became an issue of concern to the workers. There were two showers, only a few toilets, a few wash basins, some workers were working 9.5 hours rather than the required limit of 8, emergency exits were difficult to reach and storage of toxic materials did not conform to requirements. An independent labour body in The Netherlands (the Arbeidsinspectie) issued a formal report enumerating these conditions to which the joint venture has responded. The joint venture responded by drawing up concrete plans for the improvement in working conditions. It also responded by creating two safety teams: one addresses general working conditions and safety and meets weekly with Mr Tholen, and the other is the ARBO-team (Dutch law requires such a team that addresses 'arbeidsomstandigheden' or 'working conditions'). Actually the plant had conformed to the law regarding toilets, wash basins and emergency exits, but this conformance was at the minimum. While having more of all was desired, the plant layout had already been established when this was noticed by the management team.

The rapid growth of the Davidson-Marley JV gave rise to several problems

Again, these conditions largely resulted from the rapid growth of the joint venture and the issue, of building in some slack, enters. Perhaps these conditions and the report of the Arbeidsinspectie would have been unnecessary had the plant been built to standards above the minimum. Again, earlier involvement of the local managers could have raised the possibility of these conditions but not as an issue with the local workers and in time preventing them from becoming issues later. Precise forecasting of worker productivity is nearly impossible. This, combined with the desire not to overhire, resulted in working employees more hours than intended. The rapid start up also made it more difficult to get everyone attending to the importance of safety and health, even though this was one of the topics in the core training programmes. While largely the result of rapid growth and the lack of time necessary to balance workload with workers, the task forces have been addressing these issues and progress has been made.

Another aspect, which is related to the rapid growth of the JV and also to the internal operations of the JV, is the relationship between the technological layout of the plant and the working in teams. We already mentioned that due to the time pressure on deliveries, the use of participative teams hasn't been operationalized to the extent planned. Apart from this time pressure, however, the layout of the production plant is also of importance here. The intrinsically flexible technology used within the JV had been installed in such a way that teamwork and cooperation were made difficult to implement. In fact, many workers were operating with their backs toward each other or were otherwise (i.e. because of the way the machinery had been organized) prevented from having contact with each other. During the summer of 1993, the layout of the production facilities was reorganized in such a way that it became easier for the production associates to interact with each other. And what we wrote earlier about the interaction between the personnel department and the workers applies here as well: The ease of interaction bridges interaction and in the case of the production associates, this interaction should enlarge the possibilities for establishing advanced forms of teamwork and participative problem-solving.

In relation to communications and internal operations, the joint venture is also seeking further development. The venture is still staffed with highly qualified individuals from the UK and the US as well as The Netherlands. While this is necessary in the early stages for reasons already identified, this management composition of three nationalities slows down internal communications and operations (Harrigan, 1976; Gomme-Casseres, 1987). This is particularly true in a participatory work environment where decisions require a good deal of discussion and information processing and when the majority of participants need to operate in a second language, discussions tend to become inefficient. As the expatriates from the two parents are repatriated during the year, this may ease the process of internal communications and facilitate internal operating efficiency. This will in turn speed the movement from adolescence to adulthood. Of course, this withdrawal of parental involvement in this joint venture is probably far earlier than many JVs, but it is possible due to the rapid growth this joint venture is on and the quality of the local nationals selected by the parents in the first place. As scheduled, the US controller is to be repatriated in September 1994 and the Canadian operations manager around July 1994. It is anticipated that they will be replaced with Dutch nationals.

Summary and Conclusions

Implied in the above discussion, there are many aspects of an IV's success that involve managing human resources and the HR department (Shenkar and Zirra, 1990). One of the big aspects is how many, when and what types of employees to hire. As suggested in the previous article, Mr Cilliers and Mr Thelen agree that bringing in local national managers as early as possible in the process of setting up the JV can bring enormous savings and efficiencies over a very short period of time. In addition to bringing them in early, it is important to identify who to bring in. As suggested earlier, it is important to consider bringing in a local communications manager, particularly when pursuing a competitive strategy that depends upon a great deal of employee empowerment and participation. It also appears to be useful to bring in a logistics manager, a manager to assist in managing and organizing the material, especially within the firm and to a lesser extent the import and

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output of 'raw' materials and parts through to finished products. Because this did not seem to be a particularly vital position to warrant early hiring of such a person, it became evident rather soon that this was indeed the case. The decision was due largely to the demands of just-in-time delivery of the supplies to the customer. For Arthur thinking about such a joint venture, the importance of this position should not be underestimated. And interestingly enough, the importance of this position appears to be most vital at the early stages, when the systems and procedures need to be set up. This position, however, remains vital, especially when the demand schedules of the major customers remain unpredictable. Because of the likelihood of such circumstances, it appears warranted to hire a logistics person early.

Bringing in the non-management staff at least six months prior to full scale production can also prove to be advantageous to the JV. This relatively early time frame, however, is consistent with other greenfield sites set up with a total quality management commitment (Wiegers, 1987). Workers need to be trained, both in the production process as well as in working with each other; teams take time to develop, there are no shortcuts. Systematic selection can help reduce the time needed, but it is also important to be consistent in the selection criteria used. In the situation of the Davidson-Marley JV, two sets of selection criteria were used, along with a single set of more traditional personnel practices. The initial intention was to use one set of general selection criteria accompanied by a set of specific criteria for the first one hundred or so team-oriented and empowered human resource practices. The Limburg region of The Netherlands had been selected in part for its high levels of unemployment (it was and still is more than 10 per cent). Again, however, cost considerations can revolve the best intended plans. The result was bringing in one set of workers another and later set. But these cost advantages may be lost in the longer run as the real impact of this type of devotion from plan becomes evident. This is particularly true of the impact on human resources. Both the partner and the joint venture are now addressing this situation and appear to be responding very successfully. Traditional personnel practices are being re-used. In fact, one of the concerns of the joint venture is that when the European economic slowdown reverses, other employers may seek to hire away some of the Davidson-Marley JV workers because they have become so well trained and familiar with empowerment practices and total quality management procedures and processes. The joint venture is responsible for revising career management policy and benefit plans to help prevent this from happening. A one-day trip to all the JV employees to Ford, for example, gave workers greater knowledge and insight into product-quality and just-in-time inventory issues.

Overall, it appears that many of the classic human resource management issues associated with JV formation and development have surfaced in the Davidson-MarleyJV, e.g., issues of career development for the local managers; issues of conflict and control between the two parents vis-a-vis the JV, and desire for the JV to become its independent and self-sustaining business as soon as possible (Harrigan, 1987a; B. Scholte et al., 1991). And just as these issues have appeared so they have been addressed and managed fairly successfully. This has been in large measure due to the reality of the parents’ relationship with each other; the quality of the local managers selected, and the fact that the major customer was already identified. Just as these factors have been critical in the success of the JV thus far, they have also produced challenges. And these challenges have arisen primarily because the development of the JV has been accelerated by having the target customer already arranged. These challenges, however, are typical of JVs and thus are ones that would have had to be faced at some point. Having seen these challenges early has, therefore, made it possible for this JV to get on with the evolution of the child to adulthood status earlier than other JVs. Fortunately the management saw this challenge and responded accordingly. Fortunately the management team has been supported by the board (consisting of five members: two presidents and vice-presidents from each parent and Mr. Clissin). Certainly the variety of the changes and adjustments that have been made involved all the members of the management team, but particularly Mr. Clissin and Mr. Thorns. Based on the experiences thus far, Mr. Thorns recommends other thinking of joint ventures not only systematically prepare for every aspect of the joint venture operation (from the earliest point onward), but also to systematically record events and processes as they unfold. He, in essence, recommends that the JV manager might be the one in charge of keeping a diary or journal for the joint venture. In the extreme case it could become a road map against which the management team can measure and evaluate and learn from their progress. This can be especially helpful in an JV that is evolving from childhood to adulthood status earlier than most JVs. Of course the parents might do something similar and even occasionally all could share their progress reports. JVs could also extend their own learning by meeting with and exchanging ideas and experiences with other suppliers to Ford. In fact, several suppliers have been meeting to cooperate in such activities as joint recruitment and training (after realising that many of them were using similar human resource practices to deliver total quality products to their common customer).

For organisation interested in JVs this profile of the Davidson-Marley JV has highlighted several significant human resource issues in JV development and operation. Although there are many other issues in addition to human resource issues, read in conjunction with the previous three articles, this profile might still enhance the potential for a successful launch of an JV between two hopeful joint venture parents (Cascio and Serpano, 1991; Stevens and Lee, 1993). At minimum it should help to flag some areas of human resource management that JV parent need to discuss and
resolve as early as possible, particularly if major customers are ready for delivery.

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