

Book Reviews

Marisabel Spitz: Öffnung der Märkte Osteuropas, Joint Ventures als Kooperationsform zwischen schweizerischen und ungarischen Unternehmen. Verlag Shaker. Aachen 1995. DM 109,-

Björn W. Paape: Joint Ventures in Osteuropa unter besonderer Berücksichtigung der Republik Ungarn, Verlag Mainz Wissenschaftsverlag Aachen. 1995. DM 49,80

General remarks:

Swiss-Hungarian (*Spitz*) and German-Hungarian (*Paape*) joint ventures are being discussed by both publications.

Although published rather recently in 1995, both books present in lengthy chapters rather antiquated and outdated materials and statistics for the first two to three years after changes of 1989. The introductory chapters, therefore, seem now irrelevant and merely contain a summary of literature related to effects of globalisation, joint venture theories and international business in general.

ad1) Spitz:

The publication seeks to find answers on what distinguishes successful joint ventures from their competitors. The book, written as a Doctoral Thesis in 1991, analyses joint ventures under the aspects of Porter's value chain and mainstream strategy and has five short case studies.

The effects of globalisation (pp. 9-56) and the changes until mid 1991 in Hungary (pp. 61-104) are presented as the first stream of thought. In addition through a second direction of analysis, notably that of competitive advantage through strategic alliances, the author reproduces typical concepts related to the field ranging from the various frameworks of strategic analysis, discrepancy between concentration and co-operation the modes of co-operation and transaction cost theory (pp. 105-152). Joint ventures, defined as one possible vehicle for inter-firm co-operation, are then classified along the various dimensions and presented in respect of the potential opportunities and risks and along critical success factors (pp. 153-202).

The most interesting part (pp. 203-234) of the book is a collection of five Swiss-Hungarian joint-ventures case studies, prepared on the basis of company interviews. Throughout all case studies the main dimensions observed are: constellation of the respective partners, motives and aims of the joint venture, the process of initial contacting, negotiation period, content of the joint venture agreement, organisation of the joint venture, problems emerging at the initiation period, prospective predictions over next the two years.

The aim was to show that the partners selected joint venture as the form of co-operation because this vehicle offered the highest level of synergy by linking their respective value chains, resulting in economies of scale and scope, increased leverage and a spread of costs and risks.

Furthermore the case studies also attempted to show what difficulties emerged during the negotiation and start-up phase of the joint ventures.

The fact that language difficulties were paramount and significant or the problematic issues of correct valuation of various inputs is hardly revealing news, but the general advice given in the last chapter (pp. 237-271) on joint venture formation are an interesting collection.

This section of the book changes the underlying tone of strategic management to that of cultural embeddedness of joint ventures.

Taking a comprehensive and macro view at the initial phase of joint venture is being recommended as a critical step towards success and superior competitiveness. In the second phase of the joint venture, whilst setting up the actual operations, the focus has to be shifted to the delicate issues of organisation and behaviour (Cyr / Schneider 1995; Duenas 1993). In the third and consolidating phase of the joint venture formation the importance of efficient controlling and communication systems turns into a critical success factor. This dynamic view of the joint venture formation and the underlying assumption of joint venture evolution is in line with the findings of other Hungarian joint venture-related research (Aal et al. 1996).

In the final chapter (pp. 272-278) the author refers to the fact that increasingly managers are faced with the dilemma of balancing a number of different alliances with different partners at the same time (Nohria et al. 1995) and simultaneously having to focus on the efficient implementation of the alliances in order to preserve their competitiveness (Bidault 1996).

Unfortunately the author concludes with a speculation on the potential evolution of joint ventures by drawing solely on the 'expert'-opinion of a accountant-consultant. Similarly, data related to the significance of Swiss joint ventures among all joint ventures in Hungary is based on an estimate without a relevant reference period being mentioned.

The appendix contains a sample joint venture contract in German, a list of the major analysis aspects prior to joint venture formation and a summary of the 'hot recommendation to managers'.

ad 2) Paape:

At the outset of the publication the author promises to further the explanations given to the joint venture phenomenon and to asses the integration potential of

East-West joint ventures. Unfortunately these ambitious goals are not wholly satisfied.

The book published in 1995, was written in 1993 using statistics and materials mainly dating back to the years before.

The analysis of the context of international commerce starts with the Mesopotamian trade (!) and sketching the developments of the 19th and 20th century, resulting in the processes of internationalisation, co-operation and concentration (pp. 28-43).

The following chapter (pp. 45-120) gives a very detailed, although a rather too scholarly, review of the classical joint venture theories, such as the transaction economic and foreign direct investment approach and lists the standard driving forces of internationalisation. This section contains a large collection of the various theoretical approaches aimed at explaining joint ventures. This wide scope of topics, however, is not matched by a corresponding depth and contends with giving a short introduction to each aspect.

The chapter on joint venture in Eastern Europe (pp. 121-146) is well researched and presents a good picture of the dilemma of socialist countries concerning their attitude towards joint ventures: on one hand the need to improve the economy by the acquisition of new technologies and the limitations posed by ideology and the cold war on the other. This tension was ultimately partly eased by an increasingly peaceful co-existence. The following historical description of gradual economic reforms is rather superfluous as is the very detailed section on the various European Commission action programmes which can only be of interest to a practitioner. This and the subsequent section on Hungarian joint venture legislation (pp. 150-174) appears to be outdated by constant modifications of EU regulations.

The final chapter could have been the most interesting part of the book, presenting statistical analyses resulting from 109 questionnaires returned in mid 1993 by joint ventures created before 1992 (!) (pp. 177-253). Unfortunately no hypothesis is logically constructed in the previous chapters for the author to attempt to test in his research, and the questionnaire scales are not validated either. The major perspective on joint venture is suddenly changed from the macro and policy making level to the micro level of individual joint venture companies.

The questionnaire collects basic data characterising the German-Hungarian joint ventures such as year of foundation, industry section, size, profile and others. The closed questions on the motives of foreign and local partners, on the problems which emerged during joint venture initiation and during the early operating phase as well as on employee motivation difficulties are not appropriate to the nature of the issues as they force the respondent to choose from a set of predetermined options. Furthermore problems relating to

capitalisation and those resulting from the business environment are explored, yet both of these areas have undergone drastic changes in recent years. The study shows that 85% of the German partners in the sample judge the overall joint venture performance to be at least „partly successful”, without giving any further explanations and precision to this highly subjective term nor is perception of the Hungarian partners being presented. The question of anticipated joint venture evolution merely confirms classic internationalisation theories (Harrigan 1983) by showing in most cases the foreign partners intention to acquire full control over the successful joint venture. It is only in the final question that the author tries to establish the respondents’ relative position in the organisation.

The book tries to address academics, scholars and practitioners all at the same time by adopting a wide array of theories explaining joint ventures, by explaining basic models such as Ricardo’s free trade model or the various components of joint venture risk factors and by including detailed sections on practitioner assistance on insurance, data gathering, funding sources and so on. Consequently the author cannot follow through a stream of thoughts nor is argument built up in a logical manner.

The actual value of *both* publications remains questionable, because the topic of joint venture formation during the early transition period in Hungary is neither of real interest to the practitioners nor is it the main direction of academic research anymore.

References

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- Zoltan Buzady, Department of Management and Organisation, Budapest University of Economic Sciences*

Bruno Grancelli (Ed.): Social Change and Modernization. Lessons from Eastern Europe. Verlag de Gruyter. Berlin/New York. 1995. DM 152.-

Grancelli's book is the result of a conference held at the University of Trento, Italy, in 1993, which dealt with the theoretical lessons to be drawn from the collapse of the East bloc. All articles in the book deal with the broad question of social change oscillating between tradition and (post-)modernity. They have been provided by Eastern as well as Western scholars, namely B. Grancelli, V. Zaslavsky, C. Codagnone, A. Kozminski, A. Kaminski, J. Kurczewska, C.-U. Schierup, C. Makó, A. Simonyi, P. Ploszajski, R. Robertson, P. Sztompka, E. Tiryakian, and K. Müller.

Starting from the premise that each country of the former East bloc can be analysed in terms of a mixture of national culture and what Grancelli calls „a monolithic culture of the Soviet bloc“, the authors try to fuse descriptions of single countries (e.g. Russia, Poland, Hungary) with comparisons comprehending all East European countries - and sometimes West European countries, too.

Part One of the book deals with social change from the perspective of three types of actors, namely workers, managers, and institutional elites, while Parts Two and Three focus more, though not exclusively, on macro-theoretical issues. Among the problems discussed here one can find: the problem of appropriate generalisations concerning descriptions of East European societies, the tension between processes of globalisation and localisation, the use of classical sociological concepts (e.g. urbanisation, pauperisation, social differentiation), and finally the discussion of „new“ (or rediscovered or polished) concepts like the culture-civilisation approach, an upgraded version of modernisation theory, the approach of „social becoming“ and postmodern theories.

As so often with books of this kind, its wide scope is at the same time its strength and its weakness: its strength, because the reader gets a fair idea of the complexity of and the different approaches towards an explanation of the transformation process; its weakness because this complexity calls for a much more intensive discussion. Whilst it is certainly interesting to look at the phenomena from different angles of sociological theory, I have missed the dialogue between the authors exchanging critique instead of developing their theories monologically. When it comes to describing processes in particular countries, each of the sophisticated articles in the book, due to its sophistication, makes the reader look out for other reports on the same country describing another facette. And how about the countries not explicitly mentioned? Perhaps the times are gone (for good) when one could write a book of 300 pages on „Eastern Europe“.

It should, however, be stated clearly that these negative comments would not have arisen if the book were not as good as it is. Most articles reflect a sober balance of optimism and pessimism, of vision and practice, of guidance and scientific self-critique. They provide delightful insights, and - perhaps most important of all - the motivation to continue one's own research with a broader perspective than before.

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