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A Strategic Human Resource Perspective Applied to Multinational Cooperative Ventures

Human resource management has increasingly been recognized as a critical dimension of strategic management (Tichy, 1983; Beer et al., 1984; Fombrun, Tichy, and Devanna, 1984; Chakravarthy, 1985). Above all, it is becoming clearer that the human resource is a strategic resource that should be managed in a more explicit, proactive manner. The so-called resource-based approach to strategic management, for instance, is based on this line of thinking (Barney, 1991; Conner, 1991). Even though it cannot be allocated and generated in a way entirely analogous to the financial resources of a corporation, it is still an integral part of strategic management (Itami, 1987). A strategic resource is defined as a resource that can be shifted from one business strategy application to another (Lorange, 1980)—not only financial funds or technological know-how, but also human resources. Without the growth of human resources as a strategic resource within a corporation, it will be difficult to secure the long-term strategic future of the corporation, even though financial resources might be adequate (Løwendahl, 1992).

We are currently witnessing an increase of cooperative ventures as vehicles for implementing strategy, particularly in multinational contexts where joint ventures, licensing agreements, project cooperation, and other methods of cooperation are becoming commonplace (Con-

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tractor and Lorange, 1988). The reasons for the growth of cooperative ventures are manifold: they may make scarce strategic resources last longer by utilizing complementary resources from several partners; they may allow faster market penetration; they may be a political necessity, and so on (Lorange, 1986). It is interesting to notice that, while strategic alliances in the past often might have been seen as the "next best" options, with full ownership being preferred, today the positive emphasis on creativity and opportunity seeking through bringing together complementary creative teams seems to have put these types of cooperative network strategies in an even more favorable light (Chakravarthy and Lorange, 1991; Lorange and Roos, 1992).

The human resource function is particularly critical to successful implementation of such cooperative ventures or network strategies. Several strategic human resource issues surrounding these cooperative ventures, however, are not well understood; therefore, the present article raises and discusses a number of them.

First, a conceptual scheme for classifying cooperative ventures proposed elsewhere (Lorange, 1986) is delineated briefly in the next section. Five human resource management (HRM) issues as they relate to the four types of cooperative modes identified in the conceptual scheme are then considered. Finally, the conclusion offers a synthesis of the strategic HRM function within each of the four cooperative-venture archetypes.

This paper is preliminary and the arguments are normative. The research is part of a broader effort to study strategic management of cooperative multinational ventures based on clinical experience in a number of them.

Conceptual framework for cooperative ventures

It can be argued that the choice of a cooperative venture should satisfy several requirements of each participating partner. The cooperative venture must create a value-added chain by bringing together synergistic factors for a combined output greater than the sum of the outputs of each participating partner. The combined output must result in a competitive product or service, in comparison with alternative sources of supply.

The cooperative venture must also be useful for the pursuance of each partner's own individual strategy—that is, it must represent a "win–win" situation. The venture may still, of course, be of a different strategic importance to the various partners. For some partners, the cooperative venture may represent an integral factor in the implementation of its overall strategy. For other partners, however, it may play a relatively minimal strategic role in this sense. Of course, this does not imply that the cooperative venture would be of little value since the dividend streaming from, for example, a joint venture might still be tangible.

A partner in a joint venture may wish to keep a certain degree of discretionary control over its unique resources. Some strategic resources, such as unique technological skills or relevant marketing know-how may not as readily be made available to the other partners as other more common kinds of know-how. The protection of exclusive kinds of know-how may be particularly necessary in cases in which the joint venture is pertinent to the implementation of a parent's strategy (Lorange, 1994).

Figure 1 portrays a two-dimensional conceptual framework for cooperative ventures, based on the relative degree of strategic importance of the venture to each partner, and on the relative degree of retained discretionary control over its own resources, desired by each partner. The overall rationale for this framework suggests an interplay among the two types of dimensions that are postulated to be important determinants of the cooperative venture's strategic context: (1) the importance of the joint venture to the parent organizations relative to other strategic activities in their overall portofolios, and (2) the degree of desired control over strategic resources retained through building "black boxes" by the parents.

Figure 1 also suggests several organizational forms that may be appropriate for the cooperative venture. At one extreme, the cooperative venture may be a full-blown business organization in its own right, in many ways evolving into an independent business organization, for example, a joint venture.

This organizational design would be implemented under circumstances in which one or more of the parent organizations have become comfortable with relinquishing exceedingly tight strategic controls over their critical resources. On the other hand, if one or more of the parents feel that they must maintain tight control over critical strategic resources, the organizational form of the cooperative venture might be more skeletal or temporary, with a number of organizational functions carried out by the partners on behalf of the cooperative venture.

			Strategic importance of cooperative venture for the parent organization	
			Relatively high for both	Relatively higher for some; Relatively lower for others
		Cooperative venture's business adaptability capability / Cooperative venture's business organization	Relatively low – strategic rationale is static	Relatively high – strategic rationale gets modified
Degree of desired retained strategic control over own resources by each parent	Relatively higher	Skeleton, and often temporary	*Type A* Project based cooperative networks	*Type B* A string of renegotiated cooperative agreements
	Relatively lower	Full blown, and often longer term	*Type C* Cooperative ventures with permanently complimentary roles by the parents	*Type D* Jointly owned business ventures / Ongoing business concept

Figure 1 A Conceptual Framework for Cooperative Ventures

The conceptual scheme also offers implications for a cooperative venture organization's capacity to be adaptable to new environmental opportunities. One might expect that a full-blown organization would be able to adapt relatively easily to new business opportunities, as would a free-standing business organization. Typically, however, there will be considerable adaptive constraints due to a lack of immediately available strategic resources within a less full-blown organization. In this context adaptive moves—if they take place at all—will be carried out by the parents on behalf of the cooperative venture.

Figure 1 illustrates four types of cooperative ventures that may result from this conceptual framework. Somewhat arbitrarily they can be labeled cooperative ventures with permanent, complementary roles by the parents, a string of renegotiated cooperative agreements, project-based cooperative networks, and jointly owned ventures based on an ongoing business concept.

In the following sections, human resource management functions as they apply to the four types of cooperative ventures are considered. We shall claim that critical HRM issues must be addressed differently for each of the four archetypes. It will become apparent that a unidimensional approach to human resource management, without recognizing the uniqueness of each type of cooperative venture, may result in suboptimal human resource management.

Five critical HRM issues

Based on preliminary clinical studies (Lorange and Roos, 1992), five issues appear to be among the particularly crucial ones for human resource management within cooperative ventures in multinational settings. In the following paragraphs, the manner in which each of these five issues can be approached in the context of the four cooperative venture archetypes is discussed.

- Assignment of managers to cooperative ventures: who should be assigned where?
- The human resource transferability issue: who "controls" a particular manager?
- The trade-off in time spending between operating and strategic tasks among various managers involved in the cooperative venture.

- Judgment calls regarding the performance of the human resource in the established cooperative venture: how to avoid biases?
- Human resource loyalty issues: to the cooperative venture versus to the parent?

Assignment of human resources to cooperative ventures

A difficult issue in the assignment of managers to a cooperative venture is the identification of the best persons for each job. A cooperative venture must be created in such a way that it possesses relevant complementarities and synergies, so as to allow the cooperative venture to generate a satisfactory output through a meaningful value-added process. Managers are usually assigned by the partners, and often they have worked for one of them beforehand. Various partners' perceptions of the types of human skills and talents needed may differ. Some partners may have unrealistic biases regarding the quality of the managerial capabilities being assigned, and some may be reluctant to assign their best people because they want to keep them in their own organizations. The assigned managers may be competent as individuals but unable to work together in a cooperative organizational context, because of cultural differences, communication problems, and so on (Gilbert and Lorange, 1994). These are only a few of the issues that may have an impact on the staffing of a cooperative venture.

In a project-based cooperative network, there will be not one common organization in the classical sense to be staffed jointly, but separately staffed organizational "modules" to be provided by each of the partners under their largely individual jurisdictions. Appropriate staffing is still important because there must be compatibility between managers from the different organizations. Managers allocated to this project-based organization must be able to understand one another and develop a meaningful communication pattern. The representatives from each parent organization must, above all, be able to communicate the key concepts of their package to be contributed to the project. It is equally important that each member be able to understand the unique features of the other members' packages so as to "translate" them into integrated, project-based opportunities. As such, the creation of compatible organizational entities is of major importance to this kind of project-based network.

In terms of the assignment of managers to cooperative ventures based on a string of renegotiated agreements, there will also be two separate complementary organizational entities that must interact. One party may be a provider of technology, for instance, through a string of licensing agreements. The licensor must assign staff capable of providing sufficient training and organizational assistance for adequate transfer of know-how. Here competence will build up, however, as experience grows. Sufficiently competent managers must also be assigned to the venture from the licensee to promote the transfer of know-how. Because of the relative difference in the strategic importance of the cooperative venture for the parents, coupled with the fact that the relationship may last for quite some time in one form or another, there is a danger that one of the partners might be tempted to assign "second stringers," thereby creating another potential source of friction.

For cooperative networks with permanently complementary roles by the parents in which a new, temporary organization must be created, assigning human resources to the project should be accomplished according to at least the following three criteria: First, assigned human resources must reflect the necessary specalized skills that each partner has agreed to contribute to the joint venture. These skills must be of adequate quality; thus, second or third stringers should normally not be assigned to the project. Second, the managers assigned must be sufficiently compatible in style to communicate and work together in effecting the cooperative venture. This requires teamwork and cooperation across functions, not isolation within each specialized camp. Third, the assigned managers must have the ability to provide adequate feedback to their respective parent organizations, giving continuous ad hoc support for unforeseen backup activities within a reasonable amount of time.

The assignment of critical management resources to jointly owned, ongoing business ventures also requires that management commitments be made for longer periods of time. Usually, the joint venture organization will also attract human resources within time from sources other than the parent organization. The assigned managerial resources must have relevant capabilities and must be of adequate quality. The overall blend of these human resources must have a cultural dimension (such as cross-cultural skills) to allow the development of an effective ongoing concern. The difference in importance of the cooperative venture to each of the partners makes it possible that a partner assigns relatively weak management resources to the venture.

In summary, the assignment of relevant management resources to various cooperative ventures is critical, but in different ways. For instance, for cooperative networks in which the parents have permanently cooperative roles, the challenge will be the development of a workable common culture. However, with less formalized cooperative venture organizations, such as project-based cooperative networks and renegotiated networks, the critical management assignment issue is employing people who can communicate and interact with one another effectively in such settings. In the more formal, full-blown, jointly owned, ongoing venture, the parents' role in the assignment of human resources may become less of an issue over time, because the jointly owned organization may have gradually to bring in necessary human resources on its own, as in an independent business.

Transferability of human resources

By definition, a resource is strategic only if it can be freely transferred from one application to another—that is, divested from an established and hopefully until now successful strategy, to be reapplied to an emerging strategy to be built for the future. Financial resources have traditionally been those most frequently considered for strategic reallocation (Henderson, 1979). However, the same principle applies to other strategic resources, such as unique technological know-how and human resources. But human resources, of course, cannot be considered a "commodity" to be allocated in a mechanistic way; in this respect, they are different from financial resources. An adequate ethical and human-rights foundation must be established for human resources to be strategically transferable from one work application to another. In the present context, this implies that parents must be able to transfer human resources to and/or from the cooperative venture, and they might also be transferred within the cooperative venture from old to new job applications. In the latter case, the human resource has direct strategic value to the cooperative venture organization itself. The transferred human resource can have strategic value to the parent organization as a result of its discretionary "power" to transfer it back. It must thus be ascertained whether the cooperative venture and/or a particular parent has discretionary decision-making powers in managerial reassignments, and within which strategic context these decisions are made. This is applicable to all of the four archetypal settings. An issue to be dealt with, in a later section, concerns the degree of influence decision makers actually have over a given manager so that reassignment considerations do not lead to discontent or resignation.

The partners in a project-based cooperative network will typically maintain their own organizational capabilities within the cooperative franchising network. In such an organization, the human resource transfer issues may center on how each partner provides human resources "on loan" to the project, such as that of technical specialists being temporarily assigned to a project. The transfer of human resources tends to be temporary and is controlled by the parents. The parent in question also controls which type of assignment the manager in question will go to, after the project-based venture is completed. Of course, the human resources that do not have sufficient alternative applications may be dismissed after the project is terminated. It often seems to be the case that too many human resources are let go when a particular strategic project is over, thereby creating a "stop–go" human resource management approach that might prevent parent organizations from holding on to important strategic human assets.

A parent organization will keep its own benefits in mind when consenting to reassign some of its key people on loan. Therefore, it may at times be difficult for the parent to justify such an arrangement, say, because of the lack of immediate work, even though the firm as a whole might clearly benefit in the longer run. Any half-heartedness or paranoia regarding this type of human resource assignment may, in the long run, hamper the successful development of a project-based cooperative network approach.

A similar situation might typically exist for a situation that involves a string of renegotiated cooperative ventures, such as in a licensing type of cooperative arrangements. A licensor may transfer human resources temporarily to a licensee for training and technical assistance, provided that he has sufficient human resources available and that he can retrieve this resource.

As for the transfer of key human resources in a cooperative network with permanently complementary roles by the parents, the parent organizations will in principle be obligated to make available the relevant managerial resources. Each partner must, however, also have available sufficient additional human resources to cover their own independent needs. Given the nature of this type of cooperative venture, each parent organization should put particular emphasis on developing the capability to "take back" human resources, as these human skills may have significant strategic value in future organizational contexts. Some transfer of human resources among partners may at times also be necessary. This can, however, be a sensitive issue, in that the parties might then feel that "stealing" is taking place.

In jointly owned, ongoing business ventures, the issue is whether or not a parent organization is actually willing to transfer critical human resources to the new business venture. These strategic human resources would normally be assigned to the joint venture for a long period of time, perhaps for the entire remaining working career of the managers in question. The parents may thus have to transfer strategic human resources on a net basis during the initial phase and will not necessarily get them returned. Human resource management decisions will gradually be handled by the joint venture organization. Within the joint venture, human resources will have to be regenerated and developed and reallocated to new jobs therein, as in an independent business organization. Given the opportunity, however, the parent organizations should attempt to "welcome back" relevant human resources from the joint venture, and not automatically release them so that they might "accidentally" end up with competing organizations.

Managers' time-spending patterns: On operating versus strategic task trade-offs

In the implementation of the strategies of a cooperative venture, it is worthwhile to keep in mind that this requires expenditure of efforts at the present time in order to develop a position with future prospective payoffs (Lorange, 1980; Abell, 1993). This typically might result in an immediate lessening of operating results as a result of the diversion of resources for strategic use. In settings with full-blown cooperative venture organizations, these may exercise independent judgment regarding how many resources to spend on the implementation of business strategies on their own. In this case, the cooperative organization has to carry out a set of operating duties simultaneously with its development of new strategies; as such, sufficient human resources will have to be earmarked for strategic development as well as for operating tasks. In the less fully developed skeleton organization, these strategic tasks will mainly be carried out by the partners on behalf of the cooperative venture. It is therefore key in the latter type of setting that the parent organizations are willing to spend resources in a coordinated fashion to facilitate this strategic development.

Thus, one must ascertain where in a cooperative network the human resources reside that have the responsibilities, capabilities, and capacities to carry out the development of further strategic moves. In other words, how does the cooperative network, on its own or together with the parent partners, meet the challenge of tackling both operating and strategic tasks on a parallel, ongoing basis? This leads to different considerations regarding the role of human resources in these trade-offs between operating and strategic challenges in each of the four archetypes.

In a project-based cooperative network organization, a common understanding and a clear division of labor between the managers of the participating organizations must be apparent, with respect to the time allotted to strategic tasks such as further development of the technical base for the project cooperation and of additional marketing efforts. The premise is that future projects might result as a consequence of such coordinated strategy developments. If no future potential cooperation is contemplated, then the issues discussed in this section will be largely irrelevant. Usually, these activities will involve specific hands-on cooperation between the various participant organizations, sometimes in the form of task forces. The managers assigned to such task forces must have the time, energy, and motivation to actively contribute to such strategic development work, using some of the time normally spent in their own organizations for strategy development or on operating tasks.

In a string of renegotiated cooperative agreements, strategic development tends to take place independently, say, within the licensor and the licensee organizations. Thus, each organization must provide the relevant human resource capacity for strategic self-renewal. Here, too, some of this will involve joint cooperation, as in project-based cooperative ventures.

Relatively few free-standing strategic development tasks will typically be carried out within the cooperative venture with permanent, complementary roles for the parents because the venture is created to take advantage of a strategic opportunity based on a pooling of the partner organizations' strategic capabilities. Thus, to some extent there will be independent adaptation and strategic self-renewal by each parent, to ensure that they set aside sufficient human resources to maintain unique capabilities. This splitting of the responsibilities to adapt by strategic developments carried out by the partners alone may not be enough, however. Common strategic adaptive efforts may have to be carried out by the cooperative venture itself.

The joint ongoing business cooperative venture organization faces a situation that is in many ways parallel to any independent business organization, in that it must be able to draw sufficient human resources from the operating mode to further develop its own strategy. If the joint venture is too thinly staffed, strategic development will suffer and an eventual lack of self-renewal and decreasing strategic focus will result. The challenge, similar to that of any type of business organization, is to allot sufficient organizational energy and time for the pursuit of business self-renewal and further strategic development. This must always be done in parallel with the other operating tasks. Parent organizations must not exercise so much near-term pressure for operating results that the cooperative venture is left with insufficient resources for its staffing for strategic self-renewal.

Human resource competency issues: Avoidance of judgment biases

Human resources assigned to cooperative ventures must be able to satisfy the skill requirements of the value-added chain in carrying out the functional activities for which each partner is responsible. The importance of choosing appropriate persons for assignment for specific tasks has been emphasized previously. Here, human competency and skill assessment issues within the various types of cooperative ventures, once in operation, are discussed. The challenge is how to judge managers in terms of how well they are able to carry out their tasks, once the assignment of executives has been made.

In project-based cooperative ventures, the bulk of the judgments regarding managerial competencies in carrying out their jobs will have to be executed by each partner on his or her own. The partners must be able to exercise human resource competency and performance judgments to develop a relevant way of executing their team roles. Although the partners will have to make human resource performance and competency judgments largely on their own, in some instances it may not be uncommon for the partners also to make joint human resource judgments regarding team effectiveness and contribution toward making the cooperative project work, based on their experience regarding desirable human characteristics in this respect.

In a string of renegotiated alliances, such as in licensing-based cooperative ventures, each partner will also have to make human resource performance judgments and considerations largely on his or her own, as in project-based cooperative networks. In addition, the licenser and the licensee must jointly assess the issue of the cooperative licensing ventures' ability to be trained—that is, executives' performance and the venture's abilities to give and absorb information as part of a fairly standardized learning and communication process.

Judgments in human resource performance and competency issues are also critical in cooperative networks with permanent complementary roles by the parents. The partners must cooperate in assessing their performance of one another's functional specialists. Given that each partner may feel that he or she will be solely responsible for making the human performance judgments that fall within his or her given sphere of competence, this may lead to biases, such as looking too favorably upon the performance of managers from one's own organization. This may result in the inadvertent build-up of second-string functional specialists who cannot perform as effectively within the cooperative network as is desirable. For this reason, human resource performance and competency judgment issues should be dealt with by all the partners in cooperation. In these situations, it may be appropriate to use joint performance review committees to make judgments and to give feedback that is as free as possible from individual partner culture biases.

Judgments in human resource performance and competency must also be kept strictly in mind in the going-concern cooperative venture. Several joint ventures have failed because they have been inappropriately staffed, in part because of a lack of cooperation between myopic and biased parent organizations. In some instances, a partner may have intended to get rid of some managers by unloading them on the cooperative venture. Whatever the case, it is imperative that the jointly owned cooperative venture establish a thorough human-resource-performance review, so that ameliorating actions can be taken with regard to less than adequate performance within the jointly owned organizational setting.

Management loyalty: To the cooperative venture or to the parent?

A manager may at times find him or herself torn between loyalty to the parent organization and loyalty to the cooperative venture organization to which he or she is presently assigned. These loyalty conflicts may be difficult, and the their management must be considered an integral part of the HRM of cooperative ventures.

Divided loyalty issues are usually minimal in project-based cooperative networks because the partners' employees will, of course, naturally tend to be loyal to their respective organizations. There may, however, be "raiding" of good managers within such cooperative networks. A partner may easily notice outstanding human talents, given the typically close cooperation within such transparent arrangements. Hence, some managers may transfer between various partners. This may cause stress in the cooperative mode of the network, and the partners usually do well not to overdo such raiding of one another's talents.

For licensing types of cooperative arrangements, loyalty division tends not to be a major issue. Technical advisors "on loan" from the licensor will usually remain loyal to the licensor. If a technical advisor remains in an assigned advisory capacity for too long, however, her loyalty may diminish. Therefore, to avoid "defections," it may make sense to rotate key technical advisors on a regular, scheduled basis.

Loyalty issues may become problematic in joint cooperative projects in which the parents have permanent complementary roles. Every employee is ordinarily "on loan" from the parent organization and usually expects to return to the parent after some time. At the same time, they must be "loyal" to their temporary assignment if it is to succeed. This may involve taking positions that go against the original parent's wishes. Professional integrity and judgment are key in implementing such assignments. Problem areas that may create such conflicts may most typically come up regarding transfer pricing and other pricing issues. In this context, the employees must be loyal to the project organization, as a reflection of professional management conduct. The parent organization must have enough maturity and cultural tolerance to understand that this type of conflict is inevitable. They must not "punish" former employees who have been involved in such divided-loyalty conflicts. A mature approach on the part of the parents is necessary to prevent the development of paranoia among key employees.

Assigned executives tend to be loyal to the cooperative venture organization in the going-concern cooperative context. Most employees can expect to stay with the cooperative venture for a long time in this instance. They may rarely return to their old parent organization at all; in fact, if a conflict arises, they would be expected to side with the cooperative venture. In global settings, there can be a problem when a national from a parent moves to a cooperative venture in another country. Despite this reassignment, he or she may often be perceived as still associated with the parent organization. The loyalty issue can then become difficult and stressful for the executives involved. A similar situation can arise when national loyalty conflicts with loyalty to the cooperative ventures business that pursues global strategies that may be at odds with strict national interests.

Concluding comments

The HRM function will at times differ quite dramatically in cooperative venture contexts compared with that of the wholly owned corporate format. Further, the human resource function may differ dramatically among different types of cooperative ventures, as it does among the four types of cooperative ventures identified here.

In a project-based cooperative venture, the HRM function will largely be carried out by each partner in a "compartmentalized" manner, and largely on behalf of his or her own organizational entity. However, the strategic HRM functions must be coordinated to some degree, particularly in the attempt to develop a relatively homogenous type of value system in handling the central dimensions of the cooperative project business, when it comes to attitudes toward such issues as quality and competitiveness in securing follow-on projects. Also, the establishment of a common communication style can be a major determinant of success. This can be enhanced by allowing for consultation among the parents regarding such issues as dealing with biases in human resource assessments.

A similar type of quite separate HRM arrangement among the partners will have to be made in renegotiated alliances such as in licensing-type cooperative agreements. However, the HRM groups of the licensor and licensee must find ways to cooperate to a certain extent, above all, in the assignment of advisors to the licensee.

The human resource function will probably also to some extent be dealt with independently by each parent in the cooperative venture, with permanent complementary roles by the parents. In this setting, however, there must be solid coordination between the various HRM functions of the parents so that a common organizational approach can be established that will function with the necessary compatibility among members' styles. A separate parallel HRM function may have to be established within the cooperative venture itself, complementing the parents' HRM capabilities.

Finally, for the jointly owned ongoing cooperative venture business, a strong and full-fledged HRM function will have to be established within the joint venture itself. This function will have to find ways to work closely with each parent, however, particularly during the first years. The human resource function within the joint venture must gradually encourage the development of new human resource capabilities that can enhance the strategic progress of the joint venture.

Overall, the HRM function within all types of cooperative ventures will have to undertake two types of tasks. First, it will have to assign and motivate people in appropriate ways so that the value creation within the cooperative venture will proceed as well as possible. To create such an arrangement requires particular attention to job skills, compatibility of styles, communication compatibility, and so on. Second, human resources will have to be managed strategically. This means that human resources will not only have to be allocated with a view toward the needs of the cooperative venture activity, but also with a view toward potential repatriation to a parent, to be used later in other contexts for other strategic purposes. As such, the cooperative venture must be seen as a vehicle to produce not only financial rewards, but also managerial capabilities, which can be used later in other strategic settings.

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