

The moderating effect of environmental dynamism on communication and performance of Malaysian international joint ventures abroad

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Abstract

Communication plays a vital role to all functions of organizations and specifically to all businesses. Its importance cannot be over-emphasized; everything a manager does involve communication, which takes place a large part of a managers' time in managing an organization. There is a lack of empirical research investigating the relationship between communication and international joint venture performance. The objective of this study is to investigate the moderating effect of environmental dynamism on communication and performance of Malaysian international joint ventures abroad. The focus is on Malaysian companies listed with the Malaysian Bourse that come from various industries and have formed joint venture in a foreign country. The data collections were through a structured mail questionnaire. Factor analyses, Pearson's correlation coefficients were utilized to statistically analyze the data. This paper reports the results of the performance of 117 Malaysian international joint ventures abroad. The finding indicates that the interaction effect of environmental dynamism on communication and performance is positively significant. The result of this study has demonstrated that for Malaysian managers in building successful international joint venture, is to foster and nurture the relationship through the development of greater level of communication with their partner(s) and the effect of foreign country environment on the performance of Malaysian international joint ventures.

Keywords : *Communication, Environmental dynamism, International joint ventures, Performance*

Introduction

International joint venture is one popular form of foreign direct investment and an important part of the global expansion of multinational corporations. The importance of international joint ventures for competitiveness in today's highly competitive global environment is becoming very evident everyday. A clear trend towards formation of such ventures is observed in many industries especially among Malaysian companies. This trend can be observed through the amount of Malaysian foreign direct investment outflows and the amounts of Malaysia equity investment in foreign countries which have increased every year.

Even though there are increases in international joint venture activity in recent years, it has been estimated that between 30% and 70% of IJVs are reported to suffer from performance problems leading to costly failure (Park & Ungson, 1997). According to the literature, dissatisfaction with the relationship and joint venture performance failure has been fuelled by a range of factors, such as conflict, poor perceived performance and inflexibility (Geringer & Hebert, 1991; Parkhe, 1993), poor communications, opportunism, incompatible objectives (Gugler & Dunning, 1993), control and ownership arrangements (Beamish, 1985; Kogut, 1988), culture differences between joint venture partners (Cartwright & Cooper, 1993; Harrigan, 1985). Even though there has been a large amount of research into IJV performance, most studies have tended to focus on the motives behind joint venture formation, partner selection and the characteristics of the resulting cooperation (Bleeke & Ernst, 1993; Blodgett, 1991; Contractor & Lorange, 1988; Glaister & Buckley, 1996; Gulati, 1995; Harrigan, 1988; Hennart, 1988; Kogut, 1988; Parkhe, 1993; Varadarajan & Cunningham, 1995; Vyas, Shelburne & Rogers, 1995) studies focusing on IJV performance are, still growing (Anderson, 1990; Glaister & Buckley, 1999; Parkhe, 1993). What studies have been undertaken have focused on various factors that may have an impact on joint venture performance, including ownership, structure and control – performance relationship (Luo & Chen, 1997).

However, there are many factors that may contribute to the success or failure of international joint ventures performance, but study on communication and IJV performance is lacking especially for Malaysian IJV. In the past, the study on communication is much focused on individual in an organization. This study examines the relationships among communication, environmental dynamism and IJV performance by combining the transaction cost theory, resource dependence theory and inter-organizational relations perspective. Environmental dynamism is a widely explored construct in the organization theory and strategic management literatures. It has indicates great potential as an explanatory variable in models and theories of organizational-level performance.

Literature review

In the JV context, Inkpen (1995) cited an important measurement of inter-partner relationship is the willingness and ability of the JV partners to share information and to communicate openly. In a truly cooperative alliance, extensive communication between the partners is an essential feature of the relationship. The breakdown in communication might have severe adverse consequences, sometimes leading to the eventual demise of the venture (Glaister & Wang, 1994). In order to promote such cooperation a long-term relationship is needed between partners. It is because knowing each other better will help promoting better communication. This can be achieved through two-way communication, a mechanism of healthy relationship. This two-way communication plays an important role in realizing mutual benefits in cooperative relationships by allowing exchange of necessary information and reducing misunderstanding (Anderson & Narus, 1990).

Two-way communications will demonstrate the willingness of each party to share information and exchange views with their partners. This approach is likely to be valued positively by the partners who will increase their trust in the other party and their commitment to the relationship. In fact, communication among partners is one of the leading factors to success of alliances and development of good relations (Badaracco, 1990). This is supported by a study conducted by Ramaseshan and Loo (1998) on the factors (trust, communication, conflict, commitment and power balances) that affect partner's perception on the effectiveness of Singapore-based strategic alliance. They hypothesized that communication is positively related to a partner's perceived effectiveness of their alliances. The outcome of the study indicates that a greater amount of communication would allow partners within an alliance to build the level of understanding and consciousness for each other's role. A greater amount of communication between the managers from the differing partnering organization would facilitate more efficient transaction between these organizations. Spekman (1988) noted that open and honest communication would result in increased commitment of the partners. Anderson and

Weitz (1992) indicated that open communication will also help to improve collaborative venture performance by allowing exchange of relevant information that might affect the operations related to the venture.

Effective communication between partners is essential for alliance success. It enables goal adjustment, task coordination and interfirm learning. This can be seen from the study by Griffith (2002) where he developed a model for understanding key factors leading to effective communication in international business relationships. The analysis was on 123 American, Japanese, Canadian and Chinese managers. He posits that by proactively managing a firm's communication in its international relationships, a firm can develop strong partnerships in the face of incongruence of national and organizational cultures, facilitating the rapid response to market opportunities and challenges and thus enhancing performance.

Environment affects organization. The environment changes over time, individuals, groups and organizations must cope with changes in order to survive and stay competitive (Garcia, 1998). In the strategy literature, environment is a multidimensional construct (Dess & Beard, 1984; Tan & Litschert, 1994). The external environment is perceived along two dimensions: 1) the source of impact (macroeconomic, regulatory, socio-cultural, competitors, suppliers, and customers) and 2) the nature of impact (complexity, dynamism, and hostility) (Dess & Beard, 1984; Miller & Friesen, 1983). These dimensions represent a societal profile that is cumulative and sustainable (Venkatraman & Prescott, 1990). These dimensions depend upon and reinforce each other in a complex way. The source of impact constitutes the environmental segments. In each of these segments, environmental dynamism, complexity and hostility are identified; they influence managerial perceptions of contextual uncertainty and affects strategic decision (Tan & Litschert, 1994). [The focus of this study is on environmental dynamism].

Dynamism is the extent and patterns of change in the environment especially it is related to predictability (Duncan, 1972). Environmental dynamism refers to the degree of predictability and unpredictability of cost of business, law and regulation of government, economic condition and dynamism in the market (Badri, Davis, & Davis, 2000). The more dynamic the environment the more uncertain and more unpredictable is the environment.

Hypotheses

Communication and IJV performance. Communication is the formal and informal sharing of meaningful information between firms (Anderson & Narus, 1990). To realize the potential benefits of partnership, effective communication between partners is crucial (Cummings, 1984). Information sharing is strongly related to communication (Mohr & Spekman, 1994). It encompasses formal and informal procedures by which either information lines are fuelled or the alliance partner is enabled to recognize and monitor the partners' decisions, actions and behavior related to the alliance. Several researchers found that better communication and a high level of information sharing lead to better alliance performance because it allows for the development of an understanding between parties, goal adjustment, a better coordination and execution, an integrative conflict management and inter-firm learning (Kale et al., 2000; Mohr & Spekman, 1994; Parkhe, 1993; Sivadas & Dwyer, 2000). It is also strongly related to the building of trust; because individuals build informal psychological contracts that form stronger glue than formal contracts (Ring & Van de Ven, 1994) and which depend on the interaction quantity and quality.

Successful alliance managers actively shape the expectations of their colleagues and communicate regularly with people to be involved with the activities of the alliance (Yoshino & Rangan, 1995). Mohr and Nevin (1990) stated that, because communication processes underlie most aspects of organizational functioning, communication attributes is critical to organizational success. Thus, the three aspects of communication attributes are communication quality, extent of mutual information sharing between partners, and mutual participation in planning and goal setting.

The key aspect of information transmission is communication quality (Jablin et al., 1987) which covers: accuracy, timeliness, adequacy and credibility of information exchanged (Daft & Lengel, 1986).

Communication quality is a key factor of success for potential partnerships. The element of timely, accurate and relevant information is essential if the goals of the partnership are to be achieved. Several researchers have noted that the meaningful and timely exchanged of information can result in a more trusting relationship between partners, thus helping managers to realize mutual benefits by reducing misunderstandings (Anderson & Narus, 1991; Mohr & Spekman, 1994). The quality of the information shared has also been found to be a key issue within the context of inter-organizational relationships (Mohr & Spekman, 1994; Monckza et al., 1998; Olson & Singsuwan, 1997) and has been found to be an important predictor of partnership success (Devlin & Bleakley, 1988).

According to Yoshino and Rangan (1995), information is present in every part of, and created by, every activity of an alliance. Information sharing refers to the extent to which information is communicated between partners (Badaracco, 1991). Effective information sharing increases information value for people in the organization (Glazer, 1991), is associated with trusting and committed relationships (Anderson & Narus, 1990; Anderson & Weitz, 1992) and reduces the potential for conflict within collaborative relationships (Salmond & Spekman, 1986). Huber and Daft (1987) and Mohr and Spekman (1994) also reported that this closer ties result in more frequent and more relevant information exchanges between high performing partners. By sharing information and by being knowledgeable about each other's business, partners are able to act independently in maintaining the relationship over time. The systematic availability of information allows people to complete tasks more effectively (Guetzkow, 1965) which associate to increase levels of satisfaction and as an important predictor of partnership success (Devlin & Bleackley, 1988). Kale, Singh and Perlmutter (2000) cited that better communication and a higher level of information sharing lead to better alliance performance because it allows for the development of an understanding between parties, goal adjustment, a better task coordinating and execution, an integrative conflict management and learning.

Participation in planning is the extent to which partners actively engage in planning and goal setting (Mohr & Spekman, 1994). When one partner's actions influence the ability of the other to effectively compete, the need for participation in specific roles, responsibilities and expectation increases (Anderson et al., 1987). Dwyer and Oh (1988) suggest that input to decisions and goals formulation are important aspects of participation that lead to partnership success. Participation in planning and goal setting has been found to be key predictors of success in dealer-supplier relationships (Mohr & Spekman, 1994; Olson & Singsuwan, 1997). While Driscoll (1978) found out that participation in decision-making is associated with satisfaction. The joint planning allows mutual expectations to be established and cooperative efforts to be specified.

Main hypothesis: Communication among IJV partners has positive influence on IJV performance.

Hypothesis: Communication attributes among IJV partners has positive influence on IJV performance.

Dynamism of the international environment as a moderator of communication and IJV performance

Environmental conditions influence firm performance both directly and indirectly. Industrial organization economists hold that environmental opportunities and threats exert a direct effect on a firm's performance because they present structural parameters, which affect operating costs, and they determine the attractiveness of the market, which affects operating returns (Scherer & Ross, 1990). Research on MNEs documents that host country environmental can directly affect subsidiary performance (Luo & Peng, 1999; Rosenzweig & Singh, 1991; Teece, 1986). McArthur and Nystrom (1991) assess whether environmental conditions interact with strategies as determinants of performance. The results of hierarchical regression analyses show that environmental dynamism, complexity and hostility each moderates the form of strategy-performance relationships. This finding is compatible with Bourgeois (1980). He reasoned that complexity remains relatively constant factor in task environments, and dynamism will have a larger impact than complexity upon performance. Environmental dynamism exhibited both a direct and moderator effect on performance. In this study, the emphasis is the indirect effect that is the ways in which environmental conditions moderate the influence on international joint venture performance. Specifically, the organizational environment of a host

country (Rosenzweig & Singh, 1991) may moderate the relationship between communication and international joint venture performance.

Malaysian international joint ventures clearly need to pay attention to environmental factors forces when venturing into transition economies. Given that, the institutional, economic, and socio-cultural environments in transition economies are different from those in developed economies (Peng & Heath, 1996). Hence, one can hypothesize that environmental uncertainties can easily render prior learning gained in the home country and other host countries ineffective in such a dynamic new setting (Murtha & Lenway, 1994). In the organization theory literature, the resource dependence theory suggests that environmental forces impose severe constraints on the firm's ability to secure necessary resources, which in turn influences organizational performance (Pfeffer & Salancik, 1978).

Organizational environment is a multidimensional construct. There are a number of conceptual dimensions of organizational environment proposed (Aldrich, 1979; Lawrence & Lorsch, 1967). Empirical research has focus on three key dimensions (Dess & Beard, 1984) environmental dynamism, environmental complexity and environmental hostility. In transition economies, these factors involve players such as competitors, customers, suppliers, institutional and socio-cultural segments (Tan & Litschert, 1994).

March (1991) argued that a dynamic environment allows the firm more opportunities for exploration and exploitation based on experiential knowledge. Peng (1999) proposed that contributions of more heterogeneous participation and longer presence to a firm's performance might be greater in more dynamic foreign environment. Shan (1991) suggested that the experience of international joint venture managers dealing with more environmental dynamism increases the firm's ability to scan the external environment, analyze changes, and seize opportunities. In short, in a fast-changing, dynamic context experienced gained by international joint venture managers in such an environment contribute more to the growth and survival of the firm.

Miller and Friesen (1983) also found that successful firms engage in the planning process; suggest that rational process enhance performance in more dynamic environments. In a similar vein Priem, Rasheed and Kotulic (1995) found a strong positive rationality-performance relationship for firms in more dynamic environment. Li and Simerly (1998) conduct a study between ownership and performance and moderated by environmental dynamism. The results demonstrate that there exists a positive relationship between ownership and performance, and environmental dynamism appears to moderate the relationship.

In terms of contractual design when international joint venture managers view the environment as volatile, the managers are likely to include and write more contingencies in the international joint venture contract. When the contractual arrangements align properly with environmental conditions, the threat of uncertainty is reduced (Temin, 1979) and the hazard of opportunism is neutralized (Cheung, 1969). The wider the coverage in international joint venture contract, the more strategic flexible the joint venture (Kogut, 1988) and the more credible commitments each party is likely to make in support of the venture (Williamson, 1983). This coverage reciprocally safeguards a stable partnership and joint venture growth (Graham, 1987). Environmental dynamism is expected to have a positive influence on international joint venture contract. Eisenhardt (1989) and Bourgeois and Eisenhardt (1988) found that successful decision-makers in high velocity environments use more information, consider more alternatives, and seek a greater amount of advice. Instead of departing from the analytical requirements of comprehensive decision-making, they accelerate their cognitive process. The quick decision resulting from comprehensive decision processes lead to better performance. Judge and Miller (1991) support this position in their empirical studies.

Main hypothesis: Environmental dimensions of host country moderate the relationship between communication and international joint venture performance.

Hypothesis: The relationship between, communication] and international joint venture performance is greater when the international joint venture is in dynamic environment.

Methodology

Sample. The data for this study was collected from a cross-sectional survey of a sample of Malaysian multinational companies with an international joint venture operating abroad. The Malaysian companies selected from a list provided by the Malaysian Bourse Annual Handbook 2002. The population of Malaysian companies listed with the Malaysian Bourse as of 2002 are 862.

The joint venture sample was collected from the data based on questionnaires sent to all Malaysian companies with joint ventures abroad listed in the Malaysian Bourse. To enhance the data set, the survey was supplemented with press releases, announcements by Malaysian Bourse, and company annual reports. The selection of the target companies will be based on the following criteria. The Malaysian company must have an international joint venture operating in the foreign country. The partner of Malaysian international joint venture must be a local firm in that foreign country. The joint ventures formed by at least one Malaysian parent firm that owns between 5% and 95% of the equity. The international joint ventures have been operational for at least three years. The 3-year requirement is necessary because it would take a few years before the international joint venture performance can be assessed. The international joint ventures formed were from various industries. Each of the Malaysian company identified with joint venture(s) was required to fill up two survey questionnaire booklets.

The questionnaire target respondent is the chief executive officer or managing director or international operation manager or financial controller or the general manager of the company with joint ventures abroad. In exchange for participation and to provide motivation and accurate responses, the relevant respondent will be assured of anonymity (Glaister & Buckley, 1999). The target respondent (chief executive officer or managing director, etcetera) was selected as the key informant because they provide the linking mechanism across organizational boundaries. They were in position to answer questions regarding the relationship between the international joint venture and its parent or the international joint venture and the industry in which the international joint venture operates. Since the chief executive officer or managing director or international operation manager, vice-president of international or financial controller or general manager was the key informant, it was acknowledged that he or she may not have been the one who ultimately completed the questionnaire. If another member of the executive team was in such a position, then he or she should be the informant. In this case, the accuracy of the information was critical and not the title of the individual concerned.

Variables and Measures. The variable was measured by multiple items using a Likert-type format. Communication was operationalized by assessing the characteristics of communication and items were adapted from Synder and Morris (1984), and Mohr and Spekman (1994). The items adapted from Synder and Morris (1984) and Mohr and Spekman (1994) were similar with the measures used by other researchers (example, Daft & Lengel, 1986; Huber & Daft, 1987; Singsuwan, 1995). There were 10 items to measures this variable on a 5-point Likert scale. The response categories ranged from '1' being low to '5' being high. The reliability from past literature was found to be .75.

Specifically, respondent will be asked to rate on a 5-point likert scale, their perception of the level of dynamism (predictability and variability) of each of the 7 environmental segments. The response ranges from '1' being very weak to '5' being very much. These items and procedures were adopted from Dess and Beard (1984) and Venkarastman and Presscott (1990)

Given the inherent flaws of single IJV performance measures, this study use multiple measures of IJV performance (objective and subjective measures). Following prior studies (Ding, 1997; Hebert, 1994; Mjoen & Tallman, 1997; Osland & Cavusgil, 1996; Yan & Gray, 1994) objective and subjective measures of joint venture performance were adopted. The objective measures include return on investment, return on sales and sales growth. These measures were operationalized as such:

1) Return on investment (ROI) measures the overall effectiveness of management in generating profits with its available assets. The higher the firm's ROI, the better.

ROI = Net profit after taxes divided by total assets.

Prior researchers using this measurement for IJV performance were Ding (1997), Gray, Greenley, Matear and Matheson (1999), Luo (1995, 2002).

2) Return on sales (ROS) measures a company's profitability equal to a fiscal year's pre-tax income divided by total sales. It detects operational efficiency. This measure is helpful to management, providing insight into how much profit is being produced per dollar of sales.

$ROS = \text{Net income (before interest and tax) divided by sales.}$

In this study the ROI and ROS were obtained by asking the respondents to specify in percentage (1% or less, 2-5%, 6-10%, 11-15% or 16% and above) yearly. Past researchers used this measurement to measure IJV performance were Calantone and Zhao (2001), Judge (1994), Ramaswamy, Gomes and Veliyath (1998), Schrader (2001), Zhao and Luo (2002).

3) Sales growth (SG) reflects how well organization relates to their environment by successfully expanding their product market scope. Sales growth was used because IJV involves costly venturing into dynamic and growth markets.

$SG = \text{Sales year (n) minus sales year (n-1) divided by sales year (n-1) multiply by 100\%.}$

For sales growth respondents were asked to specify the yearly sales of the IJV, based upon these information then the sales growth being calculated using the above formula. Previous research has indicated that the primary reason firms internationalize is to pursue growth opportunities (Oviatt & McDougall, 1995) and that they often collaborate for that purpose (McDougall, Shane & Oviatt, 1994). Therefore, it would expect that collaboration should influence sales growth. Prior researchers used this measurements for IJV performance were Ding (1997), Gray et al., (1999), Judge (1994), Luo (1995, 1997), Luo and Chen (1997), Zhao and Luo (2002).

Next, the subjective measures of IJV performance used by prior studies involve assessments of parent firms' satisfaction with the overall performance. Building from Anderson and Narus (1984), satisfaction defined as the aggregation of the parent firms' positive effective state resulting from the appraisal of all aspects of the IJV. The IJV performance-outcome construct was selected since satisfaction has been the focus of much prior research on IJVs and other inter-organizational relationships (Anderson & Narus, 1990; Beamish, 1985; Geringer & Hebert, 1991). Parent firm satisfaction with the joint venture is the common subjective measure of performance used in the literature on joint ventures (example, Beamish, 1984; Killing, 1983; Wallace, 1993). Given the multitude of reasons that firms may enter into these joint ventures, combined with the reported high 'failure' rate, this may be the most legitimate measure of joint venture performance currently in the literature. Parents' satisfaction has been found to be an effective predictor of their future actions and a critical determinant of the long-term continuity of a relationship (Anderson & Narus, 1990). Indeed, if a parents' not satisfied with an IJV it will not likely not want to remain involved in the venture. Such measures permit incorporation of quantitative input or output based measures as well as qualitative measures of performance, a particularly critical consideration for evaluating ventures in risky, uncertain or little understood markets or technologies (Anderson, 1990; Lynch, 1989). Recent research suggests that these measures tend to be highly correlated with objective measures of IJV performance, as well as providing reliable results across respondents from a particular venture (Geringer & Hebert, 1991). Chandler and Hank (1993) also found that these objective measures correlate with subjective measures with a high degree of reliability and content validity for joint ventures. This measure has been previously used in joint venture research by Beamish (1985), Killing (1983), Lin and Germain (1998), Luo and Park (2004) and Schaan (1983). The response format was a five-point Likert scale. The scale for the objective measures ranging from "1" being "did not meet expectation" and "5" being "definitely meet expectation". While the scale for the degree of satisfaction (subjective measures), the anchor ranging from "1" being "very dissatisfied" and "5" being "very satisfied", the respondent was asked how satisfied he or she been with the joint venture performance. The major advantage of using this measure is that it conveys the idea of how much the joint venture has been meeting the parent's overall objectives, which may

include diverse goals. In fact other researchers have observed that joint venture parents pursue many diverse goals beyond profit maximization (Hatfield et al., 1998; Schaan, 1983).

This study takes into consideration the influence of four variables as control variable that are expected to influence the results of the study. These variables are age of IJV, percentage of ownership, percentage of board membership and the amount of investment in IJV.

Analyses

Fifty four Malaysian parent companies responded with 117 IJVs formed which come from different industries: consumer products, construction, finance, hotels, industrial products, plantations, properties, and trading and services. The Malaysian IJVs formed with host partners from 31 countries. To test the hypotheses moderated regression analysis were performed.

Results

Correlation Analyses. Table 1 presents the mean, standard deviation and correlations among the variable in the study. The result presented in Table 1, showed that communication do strongly influences the performance of Malaysian IJVs abroad. The hypothesis was partially supported. Looking at the variable, it was evident that information flow was positively and significantly related to satisfaction of IJV performance ($r=.31, p<.01$). Communication attributes too was positively related to satisfaction ($r=.28, p<.01$). This finding suggests not only the Malaysian managers' value greater levels of information but that may enable Malaysian managers to manage the IJV more effectively. This result is consistent with the study conducted by Feldman and March (1981) and Mohr and Sohi (1995).

Table 1

Mean, standard deviation and inter-correlation of study

Variable	Mean	Standard deviation	Information flow	Communication attributes	Financial performance	Satisfaction of IJV performance
Information flow	4.05	.62	1			
Communication attributes	3.17	.42	.40**	1		
Environmental dynamism	3.32	.78	.43***	.09	1	
Financial performance	3.66	1.06	-.01	.07	1	
Satisfaction of IJV performance	3.43	.97	.31**	.28**	.38	1

Note: **significant at .01 *significant at .05

Regressions Analyses. Further investigation was conducted to observe the relationship among the variables; multiple regression equations were applied to assess the configuration between IJV performance and communication. The study also takes into consideration the influence of four control variables (age of IJV, amount of investment in IJV, percentage of board-membership, and percentage of equity ownership) that were expected to influence the results of the study as cited by past studies.

Table 2
Multiple regression analyses predicting IJV performance

Variables	Financial Performance				Satisfaction of IJV Performance			
	Model 1	Model 2	Model 3	Model 4	Model 1	Model 2	Model 3	Model 4
Age of IJV	.06	.06	.01	-.07	.14	.12	.04	.08
Amount of investment in IJV	.01	.01	-.01	-.04	.05	.03	.03	.11
% of board-membership	-.03	-.00	-.08	-.26*	-.11	-.06	-.17*	.02
% of equity ownership	.18*	.18*	.16	.07	.05	.05	.09	.03
Information flow		-.04	-.32**	.29		.24**	.36**	- 3.04***
Communication attributes		.08	-.06	2.14****		.15	.04	.50
Environmental dynamism[ED]			.24	.36			.21***	-.11
Information flow x ED				-1.45				7.02***
Communication attributes x ED				- 4.94***				-1.17
R square	.04	.05	.27	.57	.04	.15	.40	.58
Adjusted R square	.01	.01	.16	.46	.01	.10	.32	.47
F value	1.24	2.45***	2.63***	5.31***	1.15	3.13***	4.91***	5.49***
Sig F change	.29	.00	.05	.00	.34	.01	.06	.00

Note: *significant at .1; **significant at .05; ***significant at .01

Table 2 displays the regression analysis. Upon examining the independent variables, it was found that information flow contributed significantly with $\beta = .24$ ($p < .05$). The result provided evidence that information flow was important predictor to the dependent variable, satisfaction of IJV performance. By including the interaction terms, this provided evidence that environmental dynamism did have a moderating effect. The interaction with communication attributes was negatively related to financial performance. This suggests that the positive link between communications attributes and IJV performance will be weaker when environmental dynamism was stronger or vice versa. On the other hand information flow was positively related to satisfaction of IJV performance. This evidence suggests a stronger link between information flows on satisfaction of IJV performance. This is important for IJV overall performance because information flow constitutes an important driving force underlying high performance in dynamic environment.

Discussion

Communication and IJV performance. This study highlights that communication strongly influences the performance of Malaysian IJV abroad. The findings suggest that not only the Malaysian managers' value greater levels of information but also that greater level of information may enable Malaysian managers to be more effectively manage the IJV. This result comply with the study conducted by Feldman and March (1981)

and Mohr and Sofi (1995). Malaysian IJV claimed that communicating more often maybe able to work through their differences and/or coordinate their efforts more effectively. This claim is consistent with the study of Roehl and Truitt (1987). The general picture that emerges from this study is that information flow and communication attributes are positively related to satisfaction. This conclusion is based on the results of the analyses conducted on two types of communication and their correlates, and the levels of correlations between the two types of communication. Information flow and communication attributes are identified as the two dimensions of communication. Information flow reflects the extent to which partner(s) kept each other informed about important issues on a voluntary basis. While communication attributes portrays the facets through which information is transmitted and coordination occurs.

The hypothesis posited that communication dimensions would have strongly influence the relationships with IJV performance. We found that significant direct relationships emerged for information flow on satisfaction of IJV performance for Malaysian IJV. This evidence is consistent with the predicted relationship between information flow and IJV performance from previous research. Past researchers' studies found that better communication and a high level of information flow lead to better IJV performance because 1) it allows for the understanding between partners, 2) goal adjustment and a better tasks coordination and execution, 3) an integrative conflict management and inter-firm learning (Parkhe, 1993). Mohr and Spekman (1994) and Ramaseshan and Loo (1998) indicates in the context of partnership between two or more organizations, through the exchange of information, partners are kept informed of each other's role and development with respect to the effectiveness of the joint venture. When partners are kept informed of each other's role, there is a lesser probability and tendency for misunderstanding. The role of communication within IJV is then useful in facilitating a greater understanding between parents or partners and thus improves their perception of their collaboration. This information flow enhanced communication quality. This conjecture is supported by Ring and Van de Ven (1994).

Communication attributes focus on the elements of timely, adequate, complete, accurate and credible in communicating. Communication attributes are found to be significant with IJV financial performance. This is aligned with the past studies by Zaybeck, O'Brien and Griffith (2003). This insinuate that Malaysian firms, its IJV and IJV partners wishing to increase their performance should engage in more frequent and formal communication strategies. By increasing the frequency of communication, Malaysian managers/decision-makers of IJV are able to assess situations in an information rich environment. These will aide the effectiveness of decisions. Through the institution of formalized policies, Malaysian firms, its IJV and partner is better to understand its specific role in the relationship, thus enhancing IJV operations.

According to Mohr and Sohi (1995) and Mohr, Fisher and Nevin (1996) decision-makers/managers usually operate under the belief that more information is better. Lack of information results in poor decisions whereas greater information allows decision-makers a better understanding of the environment context in which the decision is to be made, resulting in a more effective decisions. The greater levels of information may enable decision makers to more effectively manage the IJV (Feldman & March, 1981; Mohr & Sohi, 1995) Although increased levels of information can hamper communication effectiveness (O'Reilly, 1980) the benefits of greater amount of information in the decision making process will dampen negative effects on Malaysian IJV abroad. A bidirectional flow of information between partners provides for the opportunity of feedback (Mohr & Sofi, 1995). The bidirectional information flows also allow for clarification and verification of the message, thus ensuring that assumptions relating to the perceptions embodied within the communication are accurate, credible and complete (Mohr & Sohi, 1995). In addition to message/information clarification, the communication between Malaysian firms, its IJV and partners will enhances relationship, coordination and ultimately enhancing the efficiency of operations and performance of Malaysian IJV.

Environmental dynamism as a moderating effect on the communication and IJV performance relationship. The results of the study showed that environmental dynamism significantly interact with

communication to affect the performance of Malaysian international joint venture abroad. In this study environmental dynamism modify the predictor variables and performance relationships. The results obtained contradict the earlier general conclusion that environments modify the strength but not the form of the relationship between predictor variables and performance (Prescott, 1986).

The results of this study indicate that environmental dynamism does have a direct and moderating effect between communication and international joint venture performance. Environmental dynamism partially moderates the relationship between communication and the international joint venture performance. The results indicate that information flow and the interaction are significantly and positively linked to performance. This indicates that information flow of Malaysian international joint venture have a stronger link and unique contribution to performance. This indicates that communication is important in managing international joint ventures across borders. To be effective and successful in managing the international joint venture abroad the flow of information is vital between parents and partners of international joint venture.

We also find environmental dynamism do moderate the relationship between 1) information flow and satisfaction of international joint venture performance, 2) communication attributes and satisfaction of international joint venture performance and international joint venture financial performance. The findings show that the more dynamic the environment the impact of information flow is higher to international joint venture performance. The review of literature reveals that the more dynamic the environment the more uncertain and unpredictable the environment. When this occurred, the international joint venture's management needs to scan the environmental contingencies that may affect venture operations, needs to monitor changing conditions, assess their impact on the international joint venture and rapidly prepare and execute strategic responses. When they are in this situation, international joint venture's management also needs to gather and analyze information (Child, 1994). This is crucial when information is not systematic and regulations are inexplicit (Root, 1988). This kind of occurrence can promote non-economic forms of opportunism (Williamson, 1991), increased transaction costs (Luo, 1997) and greater caution amongst international joint venture managers making resource commitments (Gomes-Casseres, 1989). This aspect of environment spurs international joint ventures to be discrete. On the other hand, the moderation between communications attributes and international joint venture financial performance the impact is greater in stable environment (low dynamism) because the environment is predictable and certain.

Conclusion

This study found that the information flow and communication attributes are significantly related to satisfaction of IJV performance. This implies that communication is an important aspect in any business transaction, locally or international. IJV of Malaysian parent, partners and the IJV wishing to increase their performance should engage in more frequent and formal communication. By increasing the frequency of communicating, decision makers/managers are able to assess situations in an information rich environment, thus enhancing effectiveness of decision making and IJV operations. Communication is a pre-requisite for efficiently coordinating organizational processes in which more than one part is involved. Difficulties in communication between partners lead to problems regarding the coordination of activities, and have a negative impact on the performance of the IJV. Extant literature stresses the importance of effective communication in IJV. With the growing importance of joint ventures in international business and with what has been stipulated in Malaysia's Third Industrial Master Plan (2006-2020) structured by Malaysian government through its eleven strategic thrust in 9th Malaysia Plan, a better understanding of the formation, operation and maintenance of joint venture is needed. In this case, **communication plays an important role too**. The study has demonstrated that communication is crucial for the success of international joint ventures. A greater amount of inter-organization communication would allow partners within an international joint venture to build the level of understanding and consciousness for each other's roles within the international joint venture. A greater amount of communication between managers from the different partnering organizations would also facilitate more

efficient transactions between these organizations. The most important action to be taken by Malaysian managers in building successful international joint venture is to foster and nurture the relationship through the development of greater level of communication. This means that Malaysian managers of international joint venture need to focus their attention on the interpersonal relationships between managers in partner firms if they want to be successful.

. This study indicates that environmental dynamism does have a direct and moderating effect on the performance of Malaysian international joint venture abroad. Managers should consider the environmental dimension because they interact with strategy to influence performance of Malaysian international joint venture. For instance, advancing technologies, foreign competition, shifts in consumer wants all generate increased dynamism. Under these challenging conditions, Malaysian managers need to change their strategies in order to achieve performance especially when dealing with cross-border transaction. Clearly, managers should consider the environmental dimension when formulating strategies. MNE of Malaysian managers should keep an eye on the dynamics of the local environments of host country in order to survive and growth.

Since environmental conditions are dynamic (Sanchez, 1995), and within these environments, organizations can either die or be absorbed by other organizations, or adapt to or 'fit' their new environmental conditions (Rosenzweig & Singh, 1991). So overall analysis of environments is critical since the firm's (parent company and Malaysian international joint venture) success and sustainable competitive advantage may depend on its ability to manage or adapt to its surrounding (Oliver, 1997). By understanding the importance of environment in the foreign market, managers can increase the chances of successful MNCs operations.

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