

Changan-ford joint venture



1) Evaluate the motives of Both Changan Automobiles of China and Ford Motor Co. of USA in forming the Changan ford joint venture. 2) Using section 10.4 describe the type of strategic alliance, the motives for alliance, and highlight the issues with their probable causes. 3) Make recommendations to the CEO and senior managers of Changan-Ford on how they can address the cross-cultural issues identified.

The Changan Ford Joint Venture: Same Bed but still different dreams? 1. This joint venture has provided both companies many advantages. From an economic level, they both wanted to increase their production and sales of cars. Due to a bigger budget, they were able to improve their R&D level (innovations, production processes, new technologies, superior quality....). In addition, China represented at this time a huge potential market with only 20% of the population who owned a car, allowing us a possible increase of their market share and portfolio. Ford, the global leader in the automobile industry benefited from certain notoriety.

In a same time, China was the largest world car market. So, this joint venture was considered as a "Win-win strategy" for both parties. Other motives for this joint venture were to overcome cultural differences, norms, values... in terms of management, conflict, processes However, strong tensions remained among the two cultures, even after the joint venture. Geographical barrier can also be considered as a motive for this joint-venture. They both have different approaches in terms of way of working and managing. America is an individualistic culture. They tend to work in isolation and have more flat organizational structure (right to question decision making within the organization). On the contrary, China is based on ethics and morality.

Their collectivistic culture tends to avoid confrontation, preferring harmony at work. Decision making is gathered and evaluated with other members of the corporation. It takes more time to reach a common agreement. Chinese think that US managers are selfish whilst US managers tend to think that Chinese managers lack of intuition and a sense of individual responsibility. This cultural barrier is the major issue that has to be resolved.

Question 2: Knowing that the Joint Venture is the most common form of equity alliance, we can say that Changan-Ford's strategic alliance is an Equity one. That is say that Changan and Ford remain independent but set up a new organization jointly. In this case, we can talk about an access alliance. In fact, Ford needed a local distributor to access the Chinese market. About the issues, Ford does not make available the engineering resources to their Chinese JV partner, they just transfer the engineering voice and specifications from Ford and block the local engineering improvement. Moreover, the report highlights several points, all about cultural differences. They don't share their knowledge, therefore Americans have difficulties to match Chinese customers' needs. Furthermore, it is important to notice that Ford has an independent engineering centre in China whereas they also have an engineering team in their JV.

3. To address the cross cultural differences identified, both companies should understand the strengths and weaknesses of their different cultures. Indeed, by mixing the two cultures, it could allow to a better communication and collaboration among employees, leading to a better efficiency at work. Both cultures have different values that they should share, and could benefit from this information transfers. It's an ideal opportunity to learn new ways of

working and managing. A better understanding of customer's expectations (especially on Chinese market) and each other's expectations will facilitate to respond effectively to market changes.