

# **An Examination of Cultural Difference Perceptions in Joint Venture Activities in Uzbekistan**

Christine Schrage, University of Northern Iowa  
Paul Chao, University of Northern Iowa  
Khamid Aziz-Kariev, UzAutosonaut

## **Introduction**

Firms attempting to market their products in new regions around the globe often encounter a number of difficulties due to diverse cultural traditions. Cultural differences in negotiation styles, business etiquette and decision-making have been known to affect the success or failure of joint ventures (JVs). This is especially true in most of the former Soviet Union republics where the government is encouraging the establishment of JVs to speed up the transition to market economies and bring in new technology. Understanding the cultural differences which impact JV negotiations and implementations go a long way toward achieving success in JVs in this region.

A pilot study conducted in 1996 and 1997 involving western companies and partners in former Soviet Union republics indicated some important differences. Over thirty interviews involving partners of both economic backgrounds provided insights into cultural issue perceptions and their impact on JV operations during various stages of JV development. A majority of the research occurred in the country of Uzbekistan.

## **Methodology**

During the spring of 1997, two questionnaires were developed based on the finding of the pilot study responses. Previous studies of the new transition economy markets explored issues from only one economic background perspective. This study allows comparison to be made by soliciting responses from both partner sets. The purpose is to assess whether any gaps exist between partners so that discrepancies in perceptions can be addressed to ensure success in the JVs. Both the market and central-planned partner questionnaires were available in English and Russian. Initially two separate translations were completed by individuals fluent in both languages. The versions were then back translated and discussed with an American co-author. Until recently, Russian was

the official language and most common language used in the business communities in the country where the research occurred. The few respondents unfamiliar with either language used a personal interpreter who assisted him/her to complete the research instrument.

The majority of the 58 former centrally planned and 48 market economy responses were obtained during the summer of 1997 with the final sets completed in the fall of the same year in Tashkent, Samarkand, and Andijon, Uzbekistan. Most JVs in the country are located in these cities. Researchers contacted potential respondents from government lists of registered JVs and the JV segment of telephone books. Operational JVs were identified and contacted for participation. Almost all questionnaires were filled out in the presence of the interviewer, allowing for clarification of questions if needed. In a small number of cases, the respondents completed the questionnaires at their own convenience which were returned via fax or arrangements made for pickup at a later time. In several cases, executives from both economic backgrounds in the same JV completed questionnaires.

## **Results**

The results show that even though there were some similarities in perceptions, there were certain issues where perceptual gaps exist in terms of how partners perceived each other. In addition, the impact these issues would have on the JV operations presented some differences in partner perceptions. This appears to be true both during the negotiation stage and the implementation sate of the JVs. These results have significant implications for international JV operations. Managers from either economic environment can benefit from the information when pursuing the development of a JV with a partner of the opposite economic background.