

# **The dynamics of new joint business development from a dialectical perspective**

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## **ABSTRACT**

**This paper explores the process dynamics of new business development. While extensive prior research is available on joint ventures, very little has been described from a dialectical point of view. This study draws on participant observational study in a new joint business lasting two-months. A manufacturer and customer, who never met before, decide to start up a new business together. Following the dialectical approach, this paper focusses on internal opposing tensions between the companies. During the startup and dissolution of the joint venture, this study analyses the dialectical factors occurring. The case illustrates the importance of balance in tensions like competition versus cooperation, rigidity versus flexibility and long-term versus short-term orientation. The study is relevant to understand the dynamics of new business development from a dialectical perspective and giving a broader extension to the existing literature.**

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# 1. INTRODUCTION

Joint business development occurs when two existing parties plan to cooperate and intend to pursue a new business activity. By starting up a new business, partners can get access to more or other resources, share risk or develop a complete new market. With a joint product, the new venture can create a wish at new markets (Johnson, Whittington & Scholes, 2011). The idea behind joint business development is to gain future benefits from cooperating with current partners or new partners. These partners can either be suppliers, customers or competitors, or not known at all. Geringer (1991) states that strategic alignment of the partners is essential for the new business to become a success. Spending on Joint new business development result in new products or services, create competitive advantages and enhance firm performance. However, joint ventures do not always work out as intended.

“The impressive and eclectic literature on inter-organizational relationships parallels a proliferation in collaborative activity. The available figures are truly remarkable” (De Rond and Bouchikhi, 2004). Strategic alliances may well have become one of the most commonly adopted firm strategies (Gulati, 1998), with in excess of 10,000 newly created partnerships each year (Schiffrin, 2001).

The problem with existing research is that it has been done in a static way. No attention has been paid to the dynamics of joint new business development.

The most of prior research appears to have taken focus on alliance design, regulation, and performance, with relatively little systematic attention to the process dynamics and evolution (Arino and De la Torre (1998), Deeds and Hill (1998), Doz (1996), Koza and Lewin (1998), Parkhe (1993), Ring and Van de Ven (1994), Salk and Shenkar (2001), Shenkar and Yan (2002)).

This paper focusses on new joint ventures from a dialectical perspective. This dialectical perspective assesses the joint venture from a dynamic perspective rather than approached from a static perspective. As much as is written about alliances, so little is written about the process dialectics. With this given, more insights are needed in process dynamics.

Dialectics are relevant in joint new business development. A joint venture occurs when two or more firms pool a portion of their resources within a common legal organization (Kogut, 1988). The two existing firms have their own values in doing business. When these come together in the new business, there are always forces opposing each other. The dialectical theory focusses on these opposing forces, and how to deal with them to make a sustainable joint venture.

Two actors come together and startup a new business model. This business model generating is not a static point, it occurs as a process with continuous adaptations and communication. It is relevant to see how actors behave while preparing plans to start up a business together.

When combining these concepts and existing literature, the research question I state is “*What are the dynamics of new joint business development from a dialectical perspective?*”

After exploring the existing literature, this paper becomes of scientific relevance as it connects existing literature with my own practical findings after a case study of the companies FinnPlay and Sporty-Center in Joint New Business development.

During this study I try to combine existing literature to come to new insights to help companies deal with starting up new businesses using joint ventures.

The structure of this paper is as follows. The first section provides an introduction to the concepts and describes the academic relevance of this paper. The second part reviews the existing studies so far around this problem. The third part describes the used methodology in this study. After that, the paper describes and discusses the found results during the case study at the companies FinnPlay and Sporty-Center. The final part of the paper draws a conclusion and advice for further research. In the appendices used references are included.

## 2. LITERATURE REVIEW

As mentioned before, there is already relevant academic literature available on the topics covered in this study. To describe the dialectics of joint ventures I will explain the concepts and discuss the existing literature. To scope this study I will focus on joint venture companies from a dialectical process perspective.

In this paper I will use the framework of Van de Ven and Poole (1995) to systematically organize the existing literature on joint ventures.

Van de Ven and Poole (1995) make a distinct typology of process theories which form a good framework for classifying the existing literature and research on joint ventures. The authors arrived four generic but distinct developmental theories, each of which speaks well to dynamic processes in organizational life. These ideal types represent different event sequences, driven by diverse motivators or thoughts.

### 2.1 Life-cycle Approaches

The typical progression of change events in a life-cycle model is a unitary sequence (it follows a single sequence of stages or phases), which is cumulative (characteristics acquired in earlier stages are retained in later stages) and conjunctive (the stages are related such that they derive from a common underlying process) (Van de Ven & Poole, 1988). Each stage of development is seen as a necessary precursor of succeeding stages (Poole and Van de Ven, 1995). Studies on alliances from a life-cycle perspective are D'Aunno and Zuckerman (1987), Achrol et al. (1990), Forrest and Martin (1992), Murray and Mahon (1993) and Kanter (1994).

### 2.2 Teleological Approaches

Another school of thought explains development by relying on teleology, or the philosophical doctrine that purpose or goal is the final cause for guiding movement of an entity (Poole and Van de Ven, 1995).

Proponents of this theory view development as a repetitive sequence of goal formulation, implementation, evaluation, and modification of goals based on what was learned or intended by the entity. Good models for a teleological view on development are included in Shortell and Zajac (1988), Zajac and Olsen (1993), Ring and Van de Ven (1994), Doz (1996) and Doz and Hamel (1998).

### 2.3 Evolutionary Approaches

Different from the other perspectives is the evolutionary perspective, according to which organizations must continuously compete for survival given a scarce resource base and a series of blind variations (De Rond and Bouchikhi, 2004).

Original literature on evolution is based on Darwin (1936), Aldrich (1979), Campbell (1969), Hannah and Freeman (1977).

Within the alliance process literature one finds a number of studies that share these characteristics, though they may speak to different levels of analysis. For instance, Koza and Lewin's (1998), Gulati (1993, 1995), Gulati and Gargiulo (1998), Reuer et al. (2002) and McKelvey (1997).

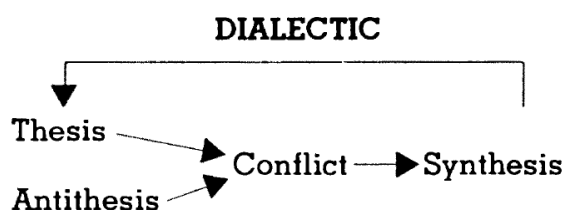
## 2.4 Dialectical Approaches

The fourth approach to process dynamics is the dialectical perspective.

Dialectics are formed by the philosophies of Marx and Hegel. They predict the collision of coexisting but contradictory social forces so as to produce a new social order.

Referring to organizations this means that dialectical forces compete for scarce resources and managerial attention, undermine organizational features, and help account for conflict and the production of emerging organizational arrangements. (Benson, 1977)

Struggles and accommodations that maintain the status quo between oppositions produce stability. Change occurs when these opposing values, forces, or events gain sufficient power to confront and engage the status quo. The relative power of an antithesis may mobilize an organizational entity to a sufficient degree to challenge the current thesis or state of affairs and set the stage for producing a synthesis. So, for example, an entity subscribing to a thesis (A) may be challenged by an opposing entity with an antithesis (Not-A), and the resolution of the conflict produces a synthesis (which is Not Not-A). Over time, this synthesis can become the new thesis as the dialectical process continues. By its very nature, the synthesis is a novel construction that departs from both the thesis and antithesis (Hegel (1770-1831)).



**Figure 1. Graphical presentation of dialectical forces**

In a dialectical process theory, stability and change are explained by reference to the balance of power between opposing values (Poole and Van de Ven, 1995).

The joint venture literature is relatively underrepresented of dialectical approaches to the development process. Das and Teng (2000) wrote one of the most recent papers. The authors discuss on dialectics to provide an alternative explanation for the instability of strategic alliances. The authors suggest that we would gain a better understanding of alliance instability and failure by taking into account three pairs of internal tensions. These are cooperation versus competition, rigidity versus flexibility, and short-term versus long-term orientation (Das and Teng, 2000).

The main point the authors want to make is that alliances experience instability when any one pole of three selected dialectical tensions prevails over its counterpart. An example is that too much competition and little cooperation between the partnering firms causes an instable alliance. Also too much structural rigidity versus flexibility causes this (Das and Teng,

2000). Alliances tend towards stability when the respective intensities of opposing dialectical forces are balanced, keeping each other on a balanced level.

De Rond and Bouchikhi (2004) studied dialectics of strategic alliances using a case study in the pharmaceutical industry. Their study is an attempt to redress the imbalance in currently available literature on dialectical theories.

## 3. METHODOLOGY

A joint venture occurs when two or more firms pool a portion of their resources within a common legal organization (Kogut, 1988). I studied a joint venture between two privately-owned companies. One is a play-set manufacturer in the east of the Netherlands. The other company is an owner of an indoor tennis and fitness hall in the central Netherlands. To assure confidentiality, I have used pseudonyms for both companies: FinnPlay and Sporty-Center.

To explore the current theories about dialectics I use this case study to analyze the existing literature on joint ventures. The case was followed from the starting point where both entrepreneurs met each other. One week after the first meeting I followed the forming of their joint venture, and more specifically, the dialectical tensions that emerge in the development of a business model of their joint venture.

The research involvement draws on a participant-observation study and lasted for two months (Czarniawska (2004), Czarniawska-Joerges (2007), Van Maanen (1982)). According to Czarniawska (2004), participant observation implies that *"the researcher assumes the role of an organizational member (or the other way around-an employee becomes a researcher)"*. This approach allowed me to analyze from a privileged access position by focusing on the way actors experience the collaboration and their response towards the new business relationship. I was involved in the development of plans behind the new joint venture. Also the research for marketing options and market analysis was my task for the new joint venture.

In a period of two months, data were collected at both companies by taking notes from several planned meetings particularly organized around product development, market analysis and marketing, including their follow-up after the meetings. Also phone calls were very interesting to have with parties. In addition, I studied e-mail exchanges between both partners related to product development and the new activity in a broader sense. Additionally, I collected data from market actors to understand the context in which the new activity between both partners was about to develop. I visited and interviewed staff at possible competitors and suppliers for the new developed idea.

Due to a lack of time and the need to start from one of the two companies, the study only took place over a time span of two months. Within these two months, all plans and appointments had to be made and even the plan had to be executed since the owner of the play hall wanted to open in 4 months.

Because of this short time planning, a lot of intensive communication took place in the first weeks. In the complete project I could see how the partners came together with a plan, started negotiating, troubles came up and I saw the whole plan dissolve.

Process research is concerned with understanding how things evolve over time and why they evolve in this way (Van de Ven & Huber, 1990). Process data therefore consist largely of stories about what happened and who did what when-that is, events, activities, and choices ordered over time (Langley, 1999).

I followed the suggestions of Miles & Huberman (1994) for data analysis following an iterative process.

The validity of a research refers to the extent to which an empirical measure adequately reflects the real meaning of the concept under consideration. It means that we actually measure what is intended to be measured (Babbie, 2010).

The intention of the study is to follow the dialectic perspective on joint business development. During the research mixed methods are used to provide construct validity. In addition to following existing literature, data was gained by semi-structured interviews, observations and access to data from both the companies.

The fact that in this study only one case has been studied, does not provide the generalizability. The fact that all aspects of the dialectic perspective show up, does help with coping this problem. The case follows the states of dialectics described in the original studies (Das and Teng, 2000) (Van de Ven and Poole, 1995).

#### **Introduction in FinnPlay:**

FinnPlay was founded in the 1980's as an importer of durable wooden playground equipment from Finland. The company is known nowadays in its current form was established in 2006. The wooden playground equipment is still one of the core businesses, but beside of these cash cows there are some new innovative products marketed by FinnPlay. They call them the 'interactives'. These are high-end playground equipment for a high end price, but with a high level experience factor. The player is involved in the games by a voice that explains the game, keeps the score and is also the referee. Some examples are an interactive football wall that includes 16 computers and hundreds of led lights, a DJ booth where you can link your smartphone to mix your own music and an interactive dance floor with educational applications to learn for example counting or words of a foreign language. Cool stuff for playgrounds, but also elderly homes are part of the customer base. The interactives can be adjusted for every audience. Unfortunately school and community budgets to maintain and renew the schoolyards and playgrounds are becoming smaller because of the economic crisis. FinnPlay is looking for new business opportunities. The main idea is to sell their outdoor interactive products for indoor purposes, but in what way?

#### **Introduction Sporty-Center:**

Sporty-Center is a sports center near the centre of Utrecht. Beside an ordinary fitness there are eight indoor squash courts, ten pool tables and four tennis courts. One of the main revenue makers is the catering. A big bar is installed near the front door, and a small kitchen which makes easy, but healthy, meals. The sport centre was founded in 2011 and after three years running they make up the balance. Conclusion was, the business was running well except the tennis courts. The owner thinks he can do more with this space. A new business concept was needed to fill in these tennis courts which take almost half of his ground surface. How to earn more money than a tennis court, in a new and fun way?

To analyse the dynamics of joint business development I will analyse the case FinnPlay – Sporty-Center according to the model of Das and Teng (2000). Das and Teng state that three pairs of internal tensions have to be balanced. These are cooperation versus competition, rigidity versus flexibility, and short-term versus long-term orientation (Das and Teng, 2000).

## **4. PROCESS ANALYSIS**

As mentioned in the methodology chapter the case study draws on a participant observational study lasting two months (Czarniawska (2004), Czarniawska-Joerges (2007), Van Maanen (1982)). To test the framework by Poole and Van de Ven (1995) on the development of cooperative inter-organisational relationships (Ring and van de Ven, 1994) a case study was needed. In the end of March 2014 I found two companies that were willing to set up a new joint business. One of them was a manufacturer of innovative interactive playground equipment, called FinnPlay. The other party was a sports and fitness centre located near Utrecht, middle of the Netherlands, called Sporty-Center.

#### **The intended collaboration:**

At the end of February 2014, there was the first contact between FinnPlay and the Dutch Institute for Sport and Motion (NISB). The main purpose of this institute is to get non-sporting people in the society and enthusiastic for sports.

The director of the NISB is a good friend of the owner of Sporty-Center, the link between the companies was made quickly after that. Business cards between overall manager FinnPlay and owner Sporty-Center were exchanged and a first informal meeting was appointed.

The intended collaboration was that FinnPlay should join as manufacturer of high end playground and schoolyard equipment with the intention to explore new business in the market for indoor applications. Sporty-Center was predominantly a well running sport centre with around 1500 square meters, free for new business opportunities and willing to do more with his space. The plan was to make such a plan, that the formula could have a rollout in the Netherlands, and maybe even abroad.

#### **First meeting:**

In March 2014, FinnPlay and Sporty-Center had their first meeting. The first contact was informal and took place at Sporty-Center. Both parties told each other the history of their companies. As well as their plans for the future and of course their qualities. They found out each-other's strengths. The great strengths of FinnPlay are its capabilities to create a unique playground with a "wow-factor". For the price you pay, you get a unique playground which is a real experience to play on. The strengths of Sporty-Center are that it is founded by a very enthusiastic and ambitious entrepreneur. The entrepreneur of Sporty-Center sees business opportunities everywhere and nothing can stop him from reaching his goals. He takes all opportunities and has proven himself successful by running 3 indoor tennis halls before.

After the pleasant acquaintance the conversation went more formal. What were the plans of both parties? And what do they expect of each other? Is there a chance to make such a collaboration beneficial for both? FinnPlay told Sporty-Center their qualities and showed Sporty-Center some examples of some playgrounds they had designed and delivered before. They also told about their business and the ambition to get a broader scope by using new business opportunities to grow. One of them is the possibility to sell their interactive playground equipment for indoor purposes.

Sporty-Center told FinnPlay that he has four indoor tennis playgrounds that were not that beneficial as expected. He was looking for new business opportunities to fill in the space and hopefully get a better profit margin on the square meters. He came up with some ideas. The one that sounded the best to both

was an indoor sports centre especially for children. He thought that this was never done before and nobody could imitate it. Kids can come in and have a great time while playing some different sports, of course with professional guidance, for the lowest price possible. FinnPlay was overwhelmed and convinced this was the best opportunity for new business development. This entrepreneur from Sporty-Center was amazing. He was very enthusiastic, very ambitious, well informed and has got a history in the indoor sport branch, together with the products delivered by FinnPlay this must be a golden combination for the future. Some quotations just after the first meeting:

New business development manager FinnPlay:

*'Sporty-Center is a really great company, the vision is clear and the entrepreneur is really fantastic, this must be the best chance in years and we're going to join him and perhaps in a few years we have a franchise formula and take over the world with the FinnPlay /Sporty-Center sport centre!'*

Entrepreneur Sporty-Center:

*'The products of FinnPlay are bench mark, what they design and deliver is the best you can get although it is not the cheapest solution, I think it is far the best solution. Beside the products also their capabilities to create a unique experience is good to see and gives me confidence for the future project.'*

At the end of the meeting both parties made the appointment that FinnPlay was going to come up with a plan to create a kids sport centre by using their own products.

From this first meeting, we can analyse that the joint venture is only in the starting blocks. Both parties are willing to cooperate. They see the joint venture as a win-win situation, but they don't tell each other everything they know. Here the cooperation versus competition tension is balanced. This is preferable according to Das and Teng (2000). The entrepreneurs are together in a flexible attitude. Both want to make the best of the joint venture and are willing to put in all efforts needed.

There was a short synthesis in the first event. Here, FinnPlay and Sporty-Center agreed on the intent of their plans. However, during the meeting, Sporty-Center proposed that he wanted to open on the first of September. This was not in line with the idea of FinnPlay to develop a unique franchise formula. Hence, it led to an antithesis where FinnPlay was long term oriented, and Sporty-Center short-term. This was the first conflict.

### Second meeting:

The second meeting was planned at the FinnPlay headquarters. The play set manufacturer had made some drawings with their vision on the kids sport centre. And a presentation with their plans as well. They also included an operational budget for the first year and they estimated the visitors they thought that was needed. Sporty-Center was still enthusiastic and FinnPlay came up with the idea to involve some business model experts to help with the creation of a franchise business model. This plan was the real deal and not only Utrecht, but the whole world has a need for this product.

After the second meeting the companies were still willing to cooperate with each other. The competition versus cooperation tension from Das and Teng (2000) is in balance. The companies are planning together, but both keep their own ideas on the execution of the plan and cooperation.

The flexibility versus rigidity tension is also in balance. Both companies continuously adjust their plans. Sporty-Center does everything based on his feelings. On the other hand, FinnPlay relies more on numbers and involves 2 business modeling experts.

Both entrepreneurs were now focused on the short-time orientation of the plan. This synthesis came out after the first meeting. FinnPlay was long-term oriented, but now sees the importance of the short-term planning. This was the antithesis from Sporty-Center, who was short-term oriented from the beginning. There came a synthesis where the plans are made for short-term, but with options to long-term orientation.

This is not the optimal situation according to Das and Teng (2000), who mention the best situation is when short-term and long-term are focused on equally.

### Third meeting:

During the third meeting FinnPlay presented a concept version of their ideas. The whole hall was filled with FinnPlay products and the accent was on fun and a unique experience. Sporty-Center liked the idea and design, but according to the owner there was not enough possibility to do sports, instead of fun. Both parties discussed about the experience and about the dilemma sport or fun. FinnPlay has a preference for the fun factor because they think there is a better fit with their products. Sporty-Center has a preference for an accent on sports. Problem is that FinnPlay has not that much sport related products in its portfolio.

Here started a discussion, FinnPlay wants to sell as much products as possible. Sporty-Center wants the best concept for a kids sport centre.

Beside this difference in opinion there is another remarkable issue during this meeting. I will discuss that after some quotations.

FinnPlay:

*'Sporty-Center has to find out what markets demand can be filled. We don't know which accent is right or wrong, sport or fun. And beside that we don't know what the best revenue model is. Sporty-Center has to find out these things.'*

Sporty-Center:

*"FinnPlay is benchmark; I expect a design that is perfect balanced with exciting products for a good price. I won't have to look for other suppliers, but their price has to be competitive'. Together we have to develop the best possible franchise formula."*

Out of these quotes I can conclude that the two parties have a conflict in this project. FinnPlay sets an thesis when it wants to sell as much as possible products. Sporty-Center sets an antithesis when it wants to create the best solution possible. In the third meeting, it has not come to a synthesis.

The cooperation versus competition tension is being pulled at both sides. FinnPlay wants to cooperate, but has some differences in meaning with Sporty-Center. Sporty-Center on the other hand is going more towards competition when he mentions he is looking for other suppliers. The cooperation and competition values are not in complete balance anymore, which is not the ideal situation according to Das and Teng (2000).

The thesis and antithesis here formed a conflict, but it did not work out in a synthesis. Both parties are going for their own success.

Both companies take a rigid standing point when it comes to the negotiation. FinnPlay wants fun products, whereas Sporty-Center wants a focus on sports. The flexibility has moved out and does not balance the rigidity. Where there before has been synthesis on this tension, it seems that the flexibility has asked to much of both entrepreneurs and there seems no balance anymore.

#### Fourth meeting:

Between the third and the fourth meeting some different drawings were exchanged. It seems to be that there was an agreement. Five products of FinnPlay supplemented with some products from other manufacturers.

This would draw a perfect example of the dialectical theory. The two opposing values of sport and fun conflict, but after that come together in a synthesis which is a combination of both.

This sounded like the perfect solution and both parties should be satisfied. But, FinnPlay is disappointed about the number of products used and Sporty-Center is not sure about the amount of money to be invested. The first meeting synergy is almost gone and both parties are disappointed in the collaboration so far. Significant detail in this phase was the quotation of the general manager of FinnPlay.

General manager FinnPlay:

*'This is going to be a hard negotiation; I will give Sporty-Center a maximum discount of 15%'*

They were working on plans to build a franchise formula with Sporty-Center as a new business model. But if you talk about the negotiations with your intended business partner like this, I doubt if FinnPlay wants to work together on a new business, or wants to sell as much as possible products, like their current business. The plan from FinnPlay has changed from cooperation towards competition. There is no balance anymore in the cooperation versus competition tension according to Das and Teng (2000). Both entrepreneurs see each other not any more as partners. There has been a synthesis on the plans, but this has now again changed towards a new thesis and antithesis. This is a good example of the dialectical theory, where syntheses never last. The synthesis always becomes a new thesis.

#### Fifth meeting

Sporty-Center wants to buy only two products of FinnPlay. The products are too expensive and competitors deliver almost the same products for indoor purposes, for about half the price FinnPlay charges. It is a big disappointment for FinnPlay. They had invested a lot of time in this intended collaboration.

Business development manager FinnPlay:

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*"I have just spoken to owner Sporty-Center. He is going totally his own way. From FinnPlay only 2 products. Nevertheless business case remains."*

Sporty-Center has now gone further on its own. No cooperation anymore. The thesis and antithesis did not make it to a synthesis but broke up. FinnPlay has gone back to its role as a supplier. FinnPlay still wants to cooperate but there is no future in this plan. The different visions of both entrepreneur harmed the possible joint venture. After the first meeting there was a synthesis on the plans, but in the start-up process the different visions led again to a conflict. This is as it always happens

according to the dialectical literature. The synthesis becomes a new thesis, with antitheses affecting this.

Sporty-Center goes further on only feeling, where FinnPlay wanted to have everything sought out. This difference in the rigidity versus flexibility dimension was too big to become a good joint venture.

#### Sixth meeting

FinnPlay tried to convince Sporty-Center that their products are much better and are the key to success for the indoor kids sport centre. This made no difference since Sporty-Center firmly supports its own decision. The lower investment for almost the same products made the difference to the owner.

Some quotations after this meeting:

FinnPlay:

*'Sporty-Center is only driven by intuition, nothing is calculated and none of their decisions are based on proper research. Beside this we visited a presentation from company Y for people who were interested in indoor sport solutions. It was a mockery, nothing was prepared and it was very amateurish. The only reason why Sporty-Center wants to work together with us because of our fantastic business network, liquidity state and our fantastic products'.*

Sporty-Center:

*'During these few months it is clear to me that the intention of FinnPlay was only to sell as much products as possible. There was never the intention to develop a franchise formula on their side. Prices were sky high and they never came up with solutions that were beneficial for the concept. Also their calculations and market research was very bad, this concept is in advance a great success. The centre opens 1<sup>st</sup> September and I will only buy two products of FinnPlay'.*

From these quotes I can say that the cooperation is completely gone. The cooperation versus competition tensions of Das and Teng (2000) is not in balance at all. The companies are not willing to work together, but they blame each other for the failure and give each other bad names.

The cooperation has moved to competition. Sporty-Center focusses only on the short-term. He wants to open his center. FinnPlay focusses on the long term, the new business development.

Also this is a good example of dialectics. There has been a state in which the plans were aligned. This was a thesis state. Then there became tensions, the antitheses. The conflict was due but could not be resolved. The synthesis followed that both companies go their own way and have only a seller-buyer relationship.

## 5. DISCUSSION

It has already been discussed by Das and Teng (2000) that dialectics provide an alternative explanation for the instability of joint ventures. The authors suggest that we would gain a better understanding of joint venture instability and failure by taking into account three pairs of internal tensions.

#### Cooperation versus Competition

In the business case explained above I find big differences in the companies perceptions towards the possible joint venture. But this also changes over time. The companies are willing to work together. But in the beginning stage, the companies do not tell each other everything they know and think. These

miscommunications lead to mutual competition, which, in turn, imbalances the cooperation versus competition tension.

In this case the joint venture's balance between competition and cooperation would have gone towards competition. Both parties being very vigilance towards each other and negotiations between the alliancing partner are not a good basis for a long relationship. Once Sporty-Center stepped out of the joint venture, FinnPlay has become obsolete and only delivers what is asked for by Sporty-Center.

Communication and trust are very important in the beginning phase of the joint venture. Joining ventures otherwise shift towards more competitive relations instead of cooperating.

### **Rigidity versus flexibility**

This internal tension is particularly relevant in the choice of the governance structure of a joint venture and preparing the plans to start the joint venture.

In the business case I find big differences in rigidity and flexibility between the two alliancing companies. FinnPlay has prescribed procedures for selling. They want to find out about chances and market behavior before they make any decision. On the other hand makes Sporty-Center its decisions only on the feeling of the entrepreneur. He completely changes his plans after he got a new figment or inspiration. These two opposing properties of entrepreneurs will never work.

Joint ventures should find a good balance between rigidity and flexibility. Strategic alliances can arise only when neither rigidity nor flexibility is dominant. In other words, the maintenance of a balance is a prerequisite for an alliance to exist.

Flexibility is the degree to which partner firms are able to modify arrangements in the joint venture, in order to adapt to changing conditions. When there is too much flexibility, the arrangements cannot be built on. They may change every time. This happened in the case described above. On the other hand, when the joint venture sticks too much to its predefined plans, it may not adapt to unforeseen conditions or changes in the organization or environment.

In the case of joint ventures, firms may mostly sacrifice the flexibility. Joint ventures are separately incorporated entities. Because of this, the relationship between the partners is more formal of form. The partners should allow enough flexibility in the way the joint venture is run, but not in the main targets.

### **Short-term versus Long-term orientation**

FinnPlay was very long term oriented.

Quote of the manager FinnPlay:

*"FinnPlay wants to have something new for the future, but the current core business and export should not suffer from this."*

Sporty-Center wanted to open within 6 months from the beginning of the cooperation. He set the deadline before the first meeting.

*"Joint ventures tend towards stability when the respective intensities of opposing dialectical forces are balanced, keeping each other on a balanced level"* (Das and Teng, 2000).

Long-term orientation gives commitment to parent firms for a good relationship, whereas a short-term orientation delivers quick results that encourage the joint venture.

Long-term orientation helps align the different goals of partnering firms, because they know they will have to work together for a longer period. When a short-term orientation is most present, the joint venture would become a gold rush where

only quick results count and the sustainability of the joint venture is not cared about.

Where a dominant short-term orientation encourages quick results towards the parent firms, a dominant long-term orientation, without results in between, counterworks the motivation and commitment of joining partners.

In this case described above, the forces were so far opposing, that it could never come to a good cooperation.

## **6. CONCLUSION**

The main purpose of this paper was to do research on new joint business development. I used a dialectical perspective since this is well underrepresented in the existing literature. Where Life-cycle, teleological and evolutionary approaches are covered extensively, the dialectical approach is only used in a few studies. I used the framework of Das and Teng (2000) to describe the dialectical forces that were present in the business case between the companies FinnPlay and Sporty-Center. I analysed these internal forces in a case study of two companies setting up a joint venture. This case was very interesting since the dialectical theory showed all characteristics and the framework of Das and Teng (2000) became visible in the instable joint venture formation. I followed the starting process of the joint venture from first meeting until the dissolve. I am aware of the limitations that single case studies bring with them for theorizing. Also the short time span, in which the analysis took place, is not very profitable for the generalizability. Even though it was only 2 months, I have seen a project from beginning to ending. Distinct dialectical problems were visible from a research point of view. This paper calls for further research in more cases from a dialectical perspective. In that way we could gain evidence for the general theory. This project failed in a very early stage. It is necessary to include at least one case that succeeds to test the framework of Das and Teng (2000). An analysis over a longer time span would gain a more detailed view of the process.

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