

EXAMINING THE RISK AND BENEFIT OF INTERNATIONAL JOINT VENTURE

By
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Abstract

International joint venture as a form of business organization has become quite important in the post-liberalization period. Although an international joint venture has an independent legal status, it is organized for the joint benefit of the foreign and local firm. An international joint venture, defined as an agreement about revenue and cost-sharing rules, can be designed to enhance the level of foreign direct investment under the presence of economic risk. For example, foreign direct investment in economies in transition and emerging markets may be discouraged by fluctuations in the value of local currency or market risk when the entire revenue is generated through local sales. We argue that a properly designed joint venture scheme between an international firm (source country) and a local partner (host country) may resolve such an economic incentive problem. This paper adopts a quantitative research methodology and in order to have a sizeable number for this study, a random sampling techniques method was used to select samples of one hundred and eighty (180) questionnaire were administered; findings in this work shows that The major motivation for both the international (NA) and the local companies to enter into an ICJV is basically improve competitive positions, enter new markets, and share risks and (or) profits, investigation shows that benefits gained by both partners in an ICJV are majority learning of new cultures, increase in profits and risk sharing. It's also revealed that, the major risk factors that influence the success of the IJV is projects delay and is rank first; suggestion were made at the end for further studies.

1 . I n t r o d u c t i o n i n t e r n a t i o n a l i s s u e s h i c l e s
G l o b a l i s s a s t f i b e r e w f o r u c o m p e t i t i o n s j a o i r o t n a
o p p o r t u n i t i e s i n t e r n a t i o n a l i s s u e s h i c l e s
i n f o r m a t i o n a n d a t t e n t i o n n u m b e r o f b e n e f i t s i n c l u d i n g r i s k
t o c o m p e t e i n t e r n a t i o n a l i s s u e s h i c l e s
2 0 0 5 i n t e r n a t i o n a l i s s u e s h i c l e s ;

According to the study, the least developed countries face

other developing countries face 3. Objectives of the study
Lowest income countries
The objectives of the study are:

1. To identify the primary
2. To identify the motivations for both the
3. To identify the motivations for both the
4. To identify the motivations for both the
5. To identify the motivations for both the

entry advantage to other of its
Conceptual framework

4.1. Theoretical framework
The theoretical framework
The theoretical framework
The theoretical framework

4.2. Empirical framework
The empirical framework
The empirical framework
The empirical framework

4.3. Methodology
The methodology
The methodology
The methodology

Distri...
JV part...
accets...
par twa...
oth e...
ret os...
Capacity: JV partners may take depend...
advan...
term...
econ...
includ...

Jo i...
ena b...
com p...
may al...
manag...
Purchasing: As a result of their cult...
increa...
part m...
benefit...

examp...
purchasing. Technology/intellectual...
prop...
part m...
may al...
and d...
techno...

I a j...
the fi...
eli m...
se e...
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compe...
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4 .J2...
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The r...
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of cross-border transactions is a need to take a step back and manage the relationship in a more holistic way, to ensure that the appropriate candidates are identified and due diligence is conducted.

Devoting time and effort to conducting a thorough due diligence process is a wise investment. It is important to understand the prospective partner's business model, financial performance, and market position. This process should involve a thorough review of the company's financial statements, management team, and market position. It is also important to understand the company's culture and values, as well as its relationships with other stakeholders. This process should be conducted in a systematic and thorough manner, and should involve a thorough review of the company's financial statements, management team, and market position.

Compatibility The compatibility of the prospective partner and the company seeking the partner in areas such as the level of commitment to the joint venture, the size and structure of the prospective partner, and its underlying national and corporate cultures. Under the right circumstances, the parties will have had a prior working relationship with one another prior to forming a venture, and will have some familiarity with each other. In more challenging circumstances, the prospective partner will be identified through a search process and due diligence evaluation. In these instances, identifying compatibility may be a slower process and may meet with mixed success until the parties establish a working synergy based on

their experience together.

✓ **Functional skills and resources** The functional skills and resources of the potential partner, as they relate to the objectives of the joint venture, must complement those of the party seeking the partner. If the potential partner adds value to the underlying purposes of the joint venture, that fact should be more important than a potential partner's areas of weakness that may not otherwise be relevant to the objectives and requirements of the joint venture.

✓ **Managerial resources** The potential partner should have the managerial resources required to provide all needed assistance to the joint venture, specifically in those areas in which the partner will have primary functional responsibilities.

✓ **Facilities and administrative support** The potential partner may need to provide facilities and administrative support for a portion of the joint venture's activities, such as office space, clerical and administrative assistance, particularly, when the joint venture is based in the potential foreign partner's home country.

✓ **Governmental relations** If the joint venture requires in-country assistance, coordination, official approvals, and licenses, the foreign partner's ability to assist with and facilitate governmental relations can be extremely important.

For example, in a number of foreign countries, the government exercises considerable influence in industry administration.

over-optimistic, departmental objectives, success without government approval and support.

Financial resources In addition to providing any functional activities that it will be called upon to undertake for the joint venture, the potential partner should have sufficient financial resources to support the joint venture. Otherwise, an investor party may find itself over-budget and over-invested in the venture in a foreign country with a foreign partner who can benefit, but cannot contribute financially to the venture.

✓ **Reputation in the market** The potential parties should have a solid reputation in the market in which the joint venture will operate. The reputation of the foreign party will facilitate the success of the venture. This factor is particularly important if the venture's success relies, in part, on the foreign partner having or building a customer base to promote the venture's products in the foreign partner's country. Once a prospective list of potential partners is identified, information on all of the above factors, as well as the specific skills and resources to be contributed by the prospective partner to the joint venture, should be gathered during the formal due diligence investigation. During this period, the company should focus on the overall strategic objectives of the prospective partner in entering into the joint venture, with particular attention being paid to the possibility that the prospective partner may ultimately use the knowledge obtained in the course of the joint venture to compete against its joint venture partner.

Research Methodology

The paper adopts a quantitative research methodology in order to investigate the impact of digital technology on the performance of small and medium enterprises (SMEs) in the manufacturing sector. The data was collected through a structured questionnaire survey of 180 respondents using purposive sampling.

Data Analysis

The analysis is based on the data collected from the questionnaire survey. The data was analyzed using statistical software to determine the relationship between digital technology and the performance of SMEs.

Table

Table 1: The impact of digital technology on the performance of SMEs in the manufacturing sector.

Questionnaires Items	A	SA	D	SD	Total
Improve competitive positions	136(76%)	32(18%)	7(4%)	5(3%)	180(100%)
Enter new markets	129(72%)	29(16%)	13(7%)	9(5%)	180(100%)
Share risks and (or) profits	137(76%)	25(14%)	19(11%)	9(5%)	180(100%)
Access Technology	97(54%)	67(37%)	10(6%)	6(3%)	180(100%)
Total	499(69%)	153(21%)	49(7%)	29(4%)	720(100%)

Source: Field work 2017

From the above table, it can be seen that 69% of the respondents agreed that digital technology has a positive impact on the performance of SMEs in the manufacturing sector. This is followed by 21% who were satisfied, 7% who were dissatisfied, and 4% who were not sure.

Table

Table 2: The impact of digital technology on the performance of SMEs in the manufacturing sector.

Questionnaires Items	A	SA	D	SD	Total
Enhancement of competitive position	99	76	5	-	180(100%)
Obtain new work,	123	41	11	5	180(100%)
Increase market share.	119	39	12	10	180(100%)
Learning new culture	137	19	14	10	180(100%)
Total	478(66%)	175(24%)	42(6%)	25(3%)	720(100%)

Source: Field work 2017

The above table shows that 66.5% of respondents have benefited gain from the implementation of Veeva enhancement competitive position to obtain new work, 24% of respondents have learned new culture, 6% of respondents strongly agree that it is a good idea, and 3% of respondents disagree.

Table

The main reason for the failure of the project is the delay in the approval of the project.

Questionnaires Items	A	SA	D	SD	Total
Loss because of bureaucracy for late approvals	119(66%)	26(14%)	23(13%)	12(7%)	180(100%)
Project delay	132(73%)	19(11%)	19(11%)	10(6%)	180(100%)
Cash flow problems of client	101(56%)	57(32%)	22(12%)	-	180(100%)
Industrial disputes	111(62%)	33(18%)	17(9%)	19(11%)	180(100%)
Total	463(64%)	135(19%)	81(11%)	41(6%)	720(100%)

Source: Field work 2017

Developing countries should always encourage to joint IJV; this will encourage or speed up transfer of technology and market expansion.

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