Strategic Choice in Emerging Countries, Joint Ventures: Based on the Evidence of China and Guinea

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Abstract: In the last few years the competitive landscape has undergone swift changes, making it more challenging than ever for top managers to craft life-sustaining strategies, and making organizational decline a more ominous possibility. Today's borderless world forces executives to run faster in order to remain in the same place (Friedman, 2005). Firms of all sizes (big, medium, or small), economies (developed, emerging, or developing), and industry-affiliations (high-tech, low-tech, fast-moving, slow-moving, manufacturing, or services) are affected by these changes. Increasing cross-border trade, rising customer expectations and shareholder activism, greater technology obsolescence, environmental protection, global warming, global terrorism, natural calamities, and a greater worldwide scrutiny on business conduct alter the very nature of doing business, and lead firms to the cross roads (joint-venture) of organizational growth or decline.

Keywords: Investment climate analysis; Joint venture cultural dimensions; Strategy choice of joint venture; Emerging country

1 Introduction

The use of joint ventures (JVs) and co-operative forms in doing business domestically and internationally is scarcely new. What is new in the modern era? The business arrangement known as a joint venture has become more common in recent years especially since the 1970s and its popularity is growing. Their geographic extent, the unique issues and problems raise because of their occurrence in an international and inter-cultural context particularly in certain industries within developed countries. According to prior research, cross-border joint ventures are the most popular way to enter new market and have become a new business entity worldwide in this last decade. A joint-venture is usually a strategic alliance in which two or more firms create a legally independent company to share investment and operation expenses, management responsibilities, and profits and losses at the same time to share some of their resources and capabilities to develop a competitive advantage, for higher profit, individually and when the partners intend to enter highly uncertain market by overcoming strong entry barriers. Competitive advantage increasingly depends not only on a company’s internal capabilities but also on the types of alliances and the scope of its relationships with other companies (Parkhe, 1991). International joint ventures (IJVs) have been described as ‘a logical and timely response to intense and rapid changes in economic activity, technology, and globalization’ (Doz and Hamel, 1998: xiv) argue that globalization has opened the ‘race for the world’ as firms enter once-closed markets and pursue untapped opportunities. At the same time the ‘race for the future’ compels firms to discover new market opportunities, new solutions for customers, and new answers to poorly met needs.

However the Reasons you might want to form a joint venture include business expansion, development of new products and distribution network or moving into new markets, particularly overseas. Your business may have strong potential for growth and you may have innovative ideas and products. However, a joint venture could give you: more resources, greater capacity, increased your technical expertise access to established markets and distribution channel.

Problems are likely to arise if: the objectives of the venture are not totally clear and communicated to everyone involved; then the partners have different objectives for the joint venture. Meanwhile if there is an imbalance in levels of expertise, investment or assets brought into the venture by the different partners. Furthermore the most important if different cultures and management styles result in poor integration and co-operation the partners don't provide sufficient leadership and support in the early stage that moment it takes time and effort, analysis to build the right relationship.

We study joint-ventures established in Guinea with overseas companies for a strategic partnership, and use this approach to establish bedrock for successful new joint-ventures between (Africa) Guinea and China. Historically, both countries have developed prosperous business partnerships, and through our analysis we highlight an internationalization framework for Chinese companies to go global especially toward Guinea market. Traditionally, economic theory mentions the following factors for
comparative advantage for regions or countries are Land, location, Natural resources (minerals, energy) Labor, and Local population size. Because these 5 factors can hardly be influenced, this fits in a rather passive (inherited) view regarding national economic opportunity (M. Porter).

Therefore, as a researcher this idea has sparked on my mind how these two countries can further gain an advantage from the exchange of this commodity. In somehow, Guinea will somewhat achieve some economical goals. On the other hand, China will protect and increase its market share (the ease entrance to new market).

Guinea Richly endowed with minerals, Guinea possesses over 25 billion metric tons (MT) of bauxite--and 25% or more of the world's known bauxite reserves. In addition, Guinea's mineral wealth includes more than 4 billion tons of high-grade iron and ore, significant diamond and gold deposits, and undetermined quantities of uranium and oil. Guinea has considerable potential for growth in the agricultural and fishing sectors. Soil, water, and climatic conditions provide opportunities for large-scale irrigated farming and agro industry. Possibilities for investment and commercial activities exist in all these areas. Guinea is one of the countries possessing considerable mineral resources especially those which are crucial for China, like bauxite, oil, uranium so on. But these industries require high investments which could be very difficult for a Guinea company to afford alone and therefore need partnerships, as Chinese companies have more financing capacities to overcome.

2 Literature Review

The concept of strategic options has become firmly established in recent years--this regards choices such as organic growth, acquisition, merger. This paper explores one such route forward, the option of joint-ventures. The examination is undertaken within a framework that considers market structures and the pressures for changes. Initial sections introduce a form of analysis based upon the work of Michael Porter. This is used to suggest how and why joint-ventures and other alliances are attractive. Increased international joint venture (IJV) activity has been seen as one of the major changes in international business environment in the past decade, and is popular means of entry for multinational enterprises (MNEs), the literature concerning joint venture formation can be categorized into five major theoretical areas, namely, the transaction costs approach (Williamson; and Hennart), the internalization approach (Buckley), the competitive strategy approach (Porter; Lyons and Harrigan), the organizational knowledge and learning approach (Hamel and Lyles), and the resource dependence approach (Pfeffer; and Anderson). Using the resource-based view of the firm as a theoretical basis, we examine how four key resource attributes affect performance. The relationship between resource attributes and performance is studied in the context of international joint ventures (IJVs), using data from 96 IJVs in Malaysia. Executives were asked to assess the extent to which four resources (product reputation, technical expertise, local business network and marketing skills) exhibited the following attributes: value rarity imperfect limitability and non-substitutability.

These discussions will not present prescriptions for success but rather will examine the advantages and disadvantages of alternative methods and highlight areas of particular problems upon which the management effort should be concentrated. In this research we are particularly concerned with joint-ventures formed by local and foreign companies through their aim of conducting their business activities to overseas markets. Especially, Joint ventures in the PRC are frequently used, created due to government pressure and with government partners, and often formed with partners from ethnically related countries. Further, many intended joint ventures are never implemented and those that are implemented have often been set up for a predetermined duration. The foreign partner most commonly has a minority equity position, and those who have used split control have seen stronger performance. Overall joint venture stability has been high, but is expected to decline, and foreign partner satisfaction with performance is low. Many aspects of joint-ventures have been studied by researcher’s globalization, internalization, worldwide though the phenomenon is spreading to emerging countries. But as an analysis of social, political, economic, and other demographic information that provides understanding of a people or nation’s history, institutions, psychology, beliefs (such as religion), and behaviors. It helps provide understanding as to why a people act as they do and how they think. Due to increased globalization, the proliferation of modern technology as the means of conducting business, and increased international travel, businesses are now operating in a world without borders, albeit that there are still financial, legal, social, cultural and language issues (Hennart & M. Zeng, 2002). However the difference in legal tradition and rules between common law countries (such as China and Guinea) and civil law systems should be carefully taken into consideration for an easy management of the
joint-venture. It is also relevant to remember that the legal relationship between participants in an international joint venture may be characterized differently in several jurisdictions. Although the recent wave of newly established strategic alliances might suggest win-win situations for all the companies involved in cooperative agreements, mortality rates of cooperative agreements have always been extremely high. From an extensive literature review (see Duysters et al., 1999) we conclude that the percentage of strategic alliances that fail should be about 50–60 per cent, which is a rate between the optimistic and pessimistic conclusions of different authors. Reasons for these high failure rates have always remained rather vague. Most authors suggest that a mismatch in terms of alliance fit is the most important reason for alliance failure. Fit can arise in three main forms: strategic, organizational and cultural. If there is not a reasonable cultural fit, I would not touch it. We did not have a thing in common: the wrong business, the wrong people. It did not have a chance. (Euan Baird, CEO, Schlumberger, quoted in Gancel et al., 2002, 29) This paper will be more focus on cultural fit.

3 Investment Climate Analysis

Work to improve the investment climate is recognized as a key pillar of the World Bank Group to promote economic growth and poverty alleviation in developing countries. The World Development Report 2005 defines the investment climate as “the factors in a particular location that shape the opportunities and incentives for firms to invest productively, create jobs, and expand.” Essentially, it is the economic, institutional, legal and cultural environment in which firms operate, and as such it has many dimensions: geography, competition, institutions, security of property rights, taxation, the operation of the markets for capital and labor, and so on. Some factors are difficult or impossible for governments to influence. But in most dimensions of the investment climate, governments have a powerful or decisive influence.

Sustainable economic growth can only come from investment by the private sector. Thus, issues related to the investment climate are keys to putting the country on the road to long term prosperity. While the government in Africa especially Guinea has made progress in implementing business enabling reforms such as liberalization and deregulation of foreign trade and investment, privatization, simplification of the tax regime, and modernization of the labor legislation, it has yet to focus on the related institution building that is necessary. The implementation of recently drafted legislation aimed at improving business entry, corporate governance, access to finance, and business exit has yet to start and requires extensive institutional building to take effect. In view of the limited capacity of the government and the decreased foreign assistance, the prioritization of investment climate reforms and implementation efforts is critical. Based on the surveys, experiences of foreign and local investors, the ICA proposes the following priority areas (Strengthening contract enforcement, Increasing access to credit, reducing the regulatory burden, strengthening property rights in land and reducing labor rigidities, Facilitating entry, and change of ownership, competition and bankruptcy).

![Investment Climate Profile](image)

Data source: Enterprise Surveys
Table 1  Constraints Perceived by Entrepreneurs

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<thead>
<tr>
<th>MACRO DIMENSION</th>
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<tr>
<td></td>
<td>Guinea-Conakry</td>
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<tr>
<td>Bureaucracy</td>
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<td>Corruption</td>
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<td>Finance</td>
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<td>Innovation</td>
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<tr>
<td>Trade</td>
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<td>Crime</td>
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4 Joint Venture Cultural Dimensions

What does culture have to do with business? Many business majors and practitioners immersed in questions of strategies, financial forecasting, market studies, and management models have turned aside from the question of culture and how it affects business growth.

But more and more organizations are finding themselves involved in communication across cultures, between cultures, among cultures; because they are doing business in foreign countries, perhaps, or because they are sourcing from another country, seeking financing from another country, or have an increasingly multicultural workforce.

The globalization of the world economy, on one hand, has created tremendous opportunities for global collaboration among different countries; on the other hand, however, it has also created a unique set of problems and issues relating to the effective management of partnerships with different cultures. It can also be observed that most of the failures faced by cross-national companies are caused by neglect of cultural differences. With the increasing importance of the China market in the world economy, many businessmen rushed to enter China to explore business opportunities. It was reported that the great barriers caused by cultural differences like difficulty of communication, higher potential transaction costs, different objectives and means of cooperation and operating methods, have led to the failure of many Sino-foreign cooperation projects. Here is how arise some issues on “how to understand China” and “how to settle business” with Chinese people. Predominantly motivated by the quest for material inputs (oil and other primary commodities) required for its infrastructural investments and booming manufacturing sector, Chinese presence in Africa is rapidly growing. The rapid growth and significance of enhanced Chinese participation in Africa has important implications while talking about cultural aspects. To clarify the differences between China and Africa, I will focus on Hofstede’s four cultural dimensions: power distance, individualism/collectivism, masculinity/femininity, and uncertainty avoidance and Bond’s dimension about long-term/short-term orientation also called “Confucian Dynamism”. Hofstede is one of the first to adopt a pragmatic problem-solving approach in the field and relates culture to management. He defines culture as a kind of “collective programming of the mind, which distinguishes the members of one category of people from another” (Hofstede, 1980). He explained that culturally-based values systems comprised four dimensions: power distance, individualism/collectivism, masculinity/femininity, and uncertainty avoidance. Michael Bond (1989) in a further research discovered another dimension called long-term/short-term orientation.

China and Africa (Guinea) differ greatly with regard to their economic systems, political systems, social values, and laws, despite the substantial changes that have occurred in China during recent years. Some differences can be found according to Hofstede studies on culture differences.

First, in terms of power distance index, China is centralized (though it has shown some tendency toward decentralized power) while Africa is relatively decentralized. In high power distance cultures, authority is inherent in one’s position within a hierarchy. There are strong dependency relationships between parents and children, bosses and subordinates and a significant social distance between superior and subordinate. In low power distance or power tolerance cultures, individuals assess authority in view of its perceived rightness. Second, we notice in both cases that contrary to western countries which have a strong individualism, China and Africa have a strong collectivism. Individualism-collectivism refers to the relative importance of the interests of the individual versus the interests of the group. In collectivistic societies, the interests of the group take precedence over individual interests. People see themselves as
part of in-groups and the in-groups look after them in exchange for their loyalty. In individualistic cultures, the interest of the individual takes precedence over the group’s interest. Third, Africa has higher value than China in masculinity, which indicates that Africa is medium masculinity while China is medium femininity. Masculinity-femininity or goal orientation pertains to the extent to which “traditional” male orientations of ambition and achievement are emphasized over “traditional” female orientations of nurturance and interpersonal harmony. Cultures differ on what motivates people to achieve different goals. Cultures of the aggressive goal behavior type (masculinity) value material possessions, money, and assertiveness whereas cultures of the passive goal behavior type (femininity) value social relevance, quality of life and welfare of others. Fourth, China and Africa have higher values for uncertainty avoidance the West. This shows that in both sides, people are relatively risk-avoiding while western people are relatively risk-taking. Uncertainty avoidance captures the degree to which individuals in a culture feel threatened by ambiguous, uncertain, or new situations. Cultures are characterized as either high or low on uncertainty avoidance. Whereas low uncertainty avoidance cultures prefer positive response to change and new opportunities, high uncertainty avoidance cultures prefer structure and consistent routine. Last, Africa has a short-term orientation while China has a long-term orientation. Also called “Confucian dynamism”, this last dimension assesses a society’s capacity for patience and delayed gratification. Long-term oriented cultures (China and Hong Kong) tend to save more money and exhibit more patience in reaping the results of their actions. Short-term oriented cultures (African countries) want to maximize the present rewards and are relatively less prone to saving or anticipating long term rewards. It has been widely accepted that cultural differences greatly affect human thinking and behavior and thus business organizations in which people interact on the basis of shared values. Management is embedded in a wider societal setting, and is heavily influenced by local historical and cultural norms (DiMaggio and Powell, 1983). The significant difference between Africa and China seem to affect some aspects of their business management practice. (Fig. 1) Hofstede five cultural dimensions

Nowadays business has grown very fast with internalization, globalization, worldwide but all these factors look into culture. Each country has its own cultural backgrounds and habit, standard of thinking, being and acting, and these cultural differences strongly influence the business world. The purpose is to analyze some cultural differences between countries highlighting the Guinean and Chinese which will measure cultural differences in order to understand how this aspect (similarities and differences) affect corporation by doing business. In addition, it is necessary to evaluate which cultural issues have an impact when it comes to business conducted perhaps most comprehensive study how value in the workplace is influence by culture. Geert Hofstede analyzes that China has Long-term Orientation (LTO) the highest-ranking factor (118), which is true for all Asian cultures. China is rich in culture heritage that’s why the country is not overlooked when discussing cultural interactions with a 5,000-year history and an interesting mix of ethnic groups, it can be said that it is the only continuous ancient civilization. This Dimension indicates a society’s time perspective and an attitude of persevering; that is, overcoming obstacles with time, if not with will and strength. The Chinese rank is low than any of Asian country in the Individualism (IDV) ranking, at 20 compared to an average of 24. This analysis may be attributed, in part, to the high level of emphasis on a Collectivist society by the Communist rule, as compared to one of Individualism. Lower Individualism ranking is manifest in a close and committed member ‘group’, be
that a family, extended family, or extended relationships. Loyalty in a collectivist culture is paramount. The society fosters strong relationships where everyone takes responsibility for fellow members of their group. China's significantly has higher Power Distance ranking of 80 compared to the other Far East Asian countries' average of 60, and the world average of 55. This is indicative of a high level of inequality of power and wealth within the society. This condition is not necessarily forced upon the population, but rather accepted by the society as their cultural heritage. China’s religion is officially designated as Atheist by the State, although the concepts and teachings of the ancient Chinese philosopher Confucius (500BC) are woven into the society at large. Some religious practice is acceptable in China; however, the government sets rigid limits. Respect for superiors, duty to family, loyalty to friends, sincerity and courtesy are part of China's ethical system, Some religious practice is acceptable in China; however, the government sets rigid limits. Respect for superiors, duty to family, loyalty to friends, sincerity and courtesy are part of China's ethical system.

5 Strategy Choice of Joint-Venture

The concept of 'strategic options' has become firmly established in recent years—this regards choices such as 'organic growth', acquisition, merger, and so on. This paper explores one such route forward, the option of joint-ventures. The examination is undertaken within a framework that considers market and resources for the pressures of changes. An IJV should satisfy its strategic goals to be considered successful thus necessitating linking the competitive strategy choice of IJVs with partners from both emerging and advanced industrialized economies to performance by benchmarking it to the fulfillment of their planned goals. Therefore, aligning the available resources and capabilities to the implementation of a particular competitive strategy will enable the IJV to exploit opportunities while mitigating the threats in the firm's environment thereby improving performance. The origin of an IJV partner determines the resources and capabilities available to the IJV to implement the chosen competitive strategy.

The resources and capabilities that would be emphasized by an IJV to create competitive advantages through a particular competitive strategy will depend on the strategic direction and goals of the IJV in addition to the dimensions of the IJV performance. The IJV literature state that the strategic goals of IJV’s are diverse and include enhancing profitability, market growth, productivity growth, risk reduction, and efficiency [Boateng and Glaister, 2003], [Choi and Beamish, 2004]. The ability of an IJV to implement an effective strategy that would create more value than your competitors by establishing a sustainable and profitable market position but all these assess critically depends on the deployment of its resources and capabilities endowment. In fact, the choice of a particular competitive strategy by should be influenced by the resources and capabilities endowment of the IJV. Most International business research in emerging economies has focused on the few large market economies in Asia (e.g., China, India, and South Korea), Latin America (e.g., Brazil, Mexico, and Chile) and Eastern Europe (e.g. Russia and Ukraine). This may be due to the fact that a greater proportion of FDI to the developing world have gone to these larger emerging countries. Even in these larger emerging economies, research have focused on MNE’s and IJVs strategies targeted at the wealthy elite and middle-class at the top of
the economic pyramid ignoring the majority of the poor in these economies who are not considered to be a viable market for these firms. This study presents an exploratory analysis of some of the business strategies JVs from emerging economies are using to reach the untapped market potential at the base of the economic pyramid in a Sub-Saharan African environment. In the last decade, China was growing rapidly because of FDI, China replace the United States to become the world’s largest recipient of investment. The massive FDI inflow affect China significantly in many aspects and employment is one of them which are one of the tree sectors of economy grown.

The objective of this Investment Climate Assessment (ICA) is to provide Guinea experts in academia and in government, with an empirical analysis of the investment climate in Guinea; and to discuss policy options, based on this analysis, for creating an enabling environment conducive to private and public sector development, thereby increasing and maintaining enterprise productivity and profitability leading to sustainable growth. The study is part of a Bank-wide effort, managed and funded by the Investment Climate Unit of the Investment Climate Department (CICIC), to analyze the effects of various characteristics of the investment climate on productivity in an international context. One of the main messages of this ICA is the need to increase investor confidence in Africa (Guinea); the ICA identifies a number of policies that, if implemented, could improve the perception of Guinea investment climate. In particular, it should be stressed that reversals in policy and lack of respect for property rights on investors that have already invested in Guinea could cause serious harm.

5.1 Advantages of forming a joint venture

Provide companies with the opportunity to gain new capacity and expertise, allow companies to enter related businesses or new geographic markets or gain new technological knowledge access to greater resources, including specialized staff and technology sharing of risks with a venture partner. Joint ventures can be flexible. For example, a joint venture can have a limited life span and only cover part of what you do, thus limiting both your commitment and the business' exposure. In the era of divestiture and consolidation, JV’s offer a creative way for companies to exit from non-core businesses. Companies can gradually separate a business from the rest of the organization, and eventually, sell it to the other parent company. Roughly 80% of all joint ventures end in a sale by one partner to the other. To carry out convenient bedrock for establishing successful cross-border joint-ventures between Chinese and Guinea companies in different business areas. Enable Chinese companies explore business opportunities existing in Guinea; develop more cross border JVs initiatives in Guinea companies. Analyze areas that are more likely to need cross-border joint-ventures.

5.2 Disadvantages of forming a joint venture

While there are plenty of advantages to forming a joint venture, I’m not going to sugar coat things there are also a number of disadvantages:

A joint venture will not work if both parties are not willing to work together to build a solid working relationship. If you are not able to identify clear objectives that lack of communication will affect your organization. Make sure your joint venture is evenly balance. In many cases, one partner ends up depending on the other to provide leadership to the teams. This may lead to burnout if you are the one stuck with all the work. Before embarking on a joint venture determine if you and your potential partner have similar management styles. If you do not, you will have a difficult time integrating the different parts of the project when they are complete. Therefore success in a joint venture depends on thorough research and analysis of the objectives embarking on a Joint Venture can represent a significant reconstruction to your business. However favorable it may be to your potential for growth, it needs to fit with your overall business strategy. It is important to review your business strategy before committing to a joint venture. This should help you define what you can sensibly expect. In fact, you might decide there are better ways to achieve your business aims. You may also want to study what similar businesses are they doing, particular those that operate in similar markets to yours. Seeing how they use joint ventures could help you decide on the best approach for your business. At the same time, you could try to identify the skills they use to partner successfully. You can benefit from studying your own enterprise. Be realistic about your strengths and weaknesses - consider performing strengths, weaknesses, opportunities and threats analysis (SWOT) to identify whether the two businesses are compatible. You will almost certainly want to identify a joint venture partner that complements your own skills and failings. Remember to consider the employees' perspective and bear in mind that people can feel threatened by a joint venture it may be difficult to foster effective working relationships if your partner has a different way of doing business. When embarking on a joint venture it’s imperative to have your understanding in writing. You should set out the terms and conditions agreed upon in a written
contract, this will help prevent misunderstandings and provide both parties with strong legal recourse in the event the other party fails to fulfill its obligations while under contract.

6 Conclusions

As a result, to understand another culture is more important than ever. If we consider that people from the same economic, political, and cultural background have problems communicating effectively; we can appreciate the difficulties and challenges that people from diverse cultures face when trying to communicate. Misunderstandings will always be a part of cultural aspects as well between Chinese and African. Toward this research I hope to bring in Africa especially in Guinea the significant and sustainable reduction of poverty by creating the job, increase revenue, and promote economic growth, development of basic services and equitable access to services and improve governance and strengthen institutional and human capacity in Guinea and China, make Chinese companies internationalization successful toward my country Guinea. My research allows establishing a beneficial joint venture and adjusts strategies between China and Guinea. Moreover to enter joint ventures in order to share strengths, costs, minimize risks of the R&D of new products and processes, increase competitive advantages in the marketplace, to gain rapid entry into a new industry and to take advantage of synergies. To avoid import barriers, licensing requirements, and protectionist legislation. On one hand these Joint Ventures will simply help to share ideas, share capital, share profits, share work and share culture even the risks of a business because it’s a win-win situation. Moreover futures studies on strategies alliances should focus on all levels of cultural fit despite claims that cultural difference is determinant to international joint venture success. Furthermore the analysis show that there is nothing inevitable about the success or failure of IJV, management makes the differences.

References