

Toward Successful IJVs in Niger: An Opportunity for Chinese Companies' Internationalization

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Abstract Confronted with soaring business risks and fierce global competition, managers are discovering that the best hope for staying ahead is by joining forces with other companies. By pooling resources and complementary strengths companies can increase productivity and competitive standing in ways they could not do by themselves. This research aims to give information and insights to companies and/or managers who are considering entering an International Joint venture (IJV) or for those struggling to deal with its problems particularly in a Sino-Nigerien context. Our research conducted us to examine numerous and diverse types of Joint ventures (JVs) while keeping close attention to strategies that have been used by these JVs in order to uncover what makes them successful (or unsuccessful) and why they work differently in different situations. Using these information, we aim to give potential IJVs' actors how to do it right. We develop a JV framework that managers can use to identify the benefits and pitfalls of cooperation, to set realistic expectations, to select partners and negotiate working agreements, to successfully transfer knowledge, resources, and personnel between owners and the new IJV, and to recognize when the arrangement is risky or even will no longer work. Armed with their own expectations and expertise, managers both from China and Niger can glean from this research new ways of designing and managing successful IJVs especially between Chinese and Nigerien companies. This research has been conducted based on information gathered both in Niger and China and the quantitative as well as qualitative data mostly came from JVs sources. The objective of this research is to deal with issues in joint-venture perspectives, to help companies' internationalization toward Niger, based on partnership with Chinese companies. Research results are expected to contribute to further mutual development of companies both from Niger and China. This research represents, on one hand, the bedrock of up-coming joint-ventures in the sense that it could support the success of new IJVs and on another hand, will serve established joint-ventures to upgrade and adapt their structures our findings for better JV management.

Key words IJV; Internationalization; Sino-nigerian

1 Introduction

Establishing a joint-venture with a company in another country has long been a popular means for enterprises to enter new market^[1]. Joint-venture benefits a company through (1) the local partner's knowledge of the host country's competitive conditions, culture, language, political system; and the sharing of development costs and/or risks with the local partner. In addition, (2) many countries' political considerations make joint-ventures the only feasible entry mode. The basic motivations and benefits guiding global and cross-border JVs are (1) to avoid import barriers, licensing requirements, and protectionist legislation, (2) to share the costs and risks of the research and development of new products and processes, (3) to gain access to specific markets overseas where regulations favor domestic companies, (4) to reduce political risk while making inroads into a new market, (5) to gain rapid entry into a new or consolidating industry and to take advantage of synergies. And these facts have been stated existing in both China and Niger^[2].

“A JV is a partnership between two or more companies, or people, that takes advantage of the resources already available from each partner to create an instant win/win situation^[3]”. Therefore, the term ‘JV’ is an umbrella term which describes the commercial arrangement between two or more economically independent entities. In practice, the form of a JV is likely to be determined by a number of factors including the nature and size of enterprise, the anticipated length of the venture, the identity and location of stakeholders, and the commercial and financial objectives of the participants. Thus, IJVs may be more complex to establish especially for those aiming to internationalize, as it involves foreign and local companies. The difference in legal tradition and rules between common law countries (such as China and Niger) and civil law systems should be carefully taken into consideration for an easy management of the JV. The importance of JVs has made them at the center stage of many academic works particularly when it comes to business cooperation and alliances at national and international

level. Thus, the past few decades have been characterized by a multiplication of studies focusing on the subject of alliances and JVs. Statistics provided by some of these investigations allow identifying two major trends: (1) an increasing use of cross-border JVs by companies, (2) a relatively high failure rate of these hybrid forms of organization. Several studies show that the number of JV and non-equity cooperative arrangements has surged since the early eighties. For instance, Hergert and Morris^[4] found a steady increase in the number of collaborative agreements signed between 1979 and 1985. Conversely, most following investigations indicated that the flow of new coalitions fluctuates from year to year^[5]. However, the trend is towards a general increase in the use of IJVs^[6]. A multi-disciplinary analysis is necessary in order to further JVs studies especially in consideration of this global context where internationalization is at the center stage of business entities.

2 Methodology

The methodology is based on the treatment and analysis of the two questionnaires that were fulfilled in Niger and China. In fact, this empirical study is designed to give more practical insights to the existing and potential Sino-Nigerien JVs and aims to contribute to the improvement of business cooperation between Niger and China. In-depth analysis of the key questions of both Chinese and Nigerien questionnaires will be performed in order to figure out, and consequently address, the main current and potential issues that Chinese and Nigerien companies face or are likely to face when engaging into international joint venturing establishment or management. The two questionnaires were designed on the same basic objective which is getting enough and correct information about principal aspect of IJVs management. However, some few open questions have been put to each country's questionnaire in order to give a wide liberty of giving any information that is specifically related to the country's or company's own characteristics and context.

Questionnaires were specifically addressed to Nigerien and Chinese JVs (national and international) and companies in general, but in Niger, preference was first given to companies that operate in the mining sector. Thus over all Nigerien questionnaires, ninety per cent were fulfilled by personnel from mining companies which operate mostly in the North part of Niger. In fact the North Niger is the principal deposit of national resources (Uranium, and oil). The remainder of ten per cent was fulfilled by companies that operate in diverse sectors including import-export, telecommunications, and others. For the Chinese questionnaire, respondents come from diverse industries and are mainly located in the Southern-East part on China. The common point of these respondents was that, some are national or IJVs and others are companies that have expressed their desire to establish international partnerships. The objective of this target respondent's segment is to get clear determinant factors and problems that established IJVs have faced and also to clearly grasp the expectations of Nigerien and Chinese companies potentially interested in entering IJVs.

3 Data Collection Method and Sampling

For the purpose of the research, it has been decided that only people with managerial positions would fulfill the questionnaire. This choice was due to the nature of information and questions contained in the questionnaire which requires advanced knowledge in the field of business administration and the understanding of key concepts related to enterprise management especially in the international business field. In fact, questions asked were based on recent trend of internationalization and cross-border JVs literature and hot topics and thus require respondents to be up to date. The questionnaire included general and concise information enquiries and each part contains questions ranging from corporate-level enquiries and perceptions to national and international enquiries. Initially, the corporate-level questions were discussed with some joint-ventures managers both in Niger and China, whereas national and international-level questions come from some officials from Niger and Hong-Kong Chambers of commerce and the literature review of IJVs. The objective of this method is to be sure that all questions and concepts used in the questionnaire apply well to the enquiry and specific needs of the research. As argument of this method, many initial items of the questionnaire have been cancelled or modified in order to adapt to the research environment and constraints.

Over a total of 100 questionnaires sent, 73 were correctly answered, which is equivalent to 73% as response rate. This percentage is actually beyond our expectations due to the sensibility of questions asked, especially in a business sector that is subject to tight competition among local companies. The demographic structure of respondents sample is drawn on the diagram and respondents are described by five variables including gender, age, marital status, type of employment, and field of specialization.

Below is the demographic description of respondents.

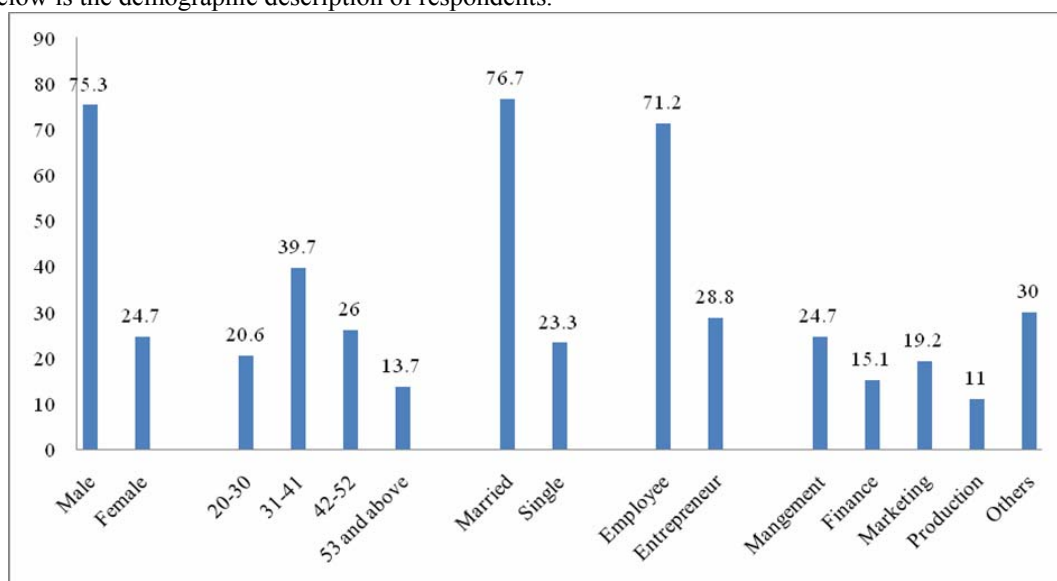


Figure 1 Demographic Structure Diagram

4 Results and Analysis

Due to the structure of the questionnaire, the results will be classified into two categories including: (1) enquiring global JVs’ prospect between Nigerien and foreign companies and (2) expectations based on respondents’ own perception. In the results the majority of respondents (83%) have declared that if any company needs to be successful, then it has to go global. The rest of respondents think that companies should go global a little bit (12%), and not at all with a percentage of 5%. The general finding here is that although there exist those who think that it’s not yet necessary for companies to internationalize, most of respondents believe that in today’s world, companies that aim to succeed have to go global anyhow. This result shows that many Nigerien and Chinese companies/businessmen are aware of the fact that globalization issues impose to enterprises the logic of going overseas for business development through various modes of international market entry including the use of IJVs.

4.1 Global JVs’ prospect between Chinese and Nigerien companies

Chinese and Nigerien respondents have given their opinions about the global view of IJVs in the perspective of future trend analysis.

Table 1 Prospect

Enquiry	Frequency	Percentage (%)
Cross-Border JV Opportunities between Countries are		
Huge	58	79.5
Average	12	16.4
Low	3	4.1
Total	73	100
Possibilities for Companies to Internationalize in near Future are		
Great	51	69.9
Average	12	16.4
Not too much	10	13.7
Total	73	100
In the Future, if you Internationalize by Cross-Border JVs, you would Choose		
Developing Countries	17	23.3
Developed Countries	25	34.3
Depending on Country’s Opportunities	31	42.4
Total	73	100

Generally, a big majority of respondents agreed on the fact that there are huge opportunities of JVs between companies worldwide. Also they think that possibilities for companies to internationalize in near future are great with percentage of 70%. But an important part of respondents (23%) said that they

will first choose developing countries when going global. 42% stated that their choice will be motivated on country's opportunities. Lastly, about 34% of the sample will choose to go toward developed country for their expansion.

4.2 Findings about determinant factors for IJV establishment and success

Below is a consolidated table of the two samples that are analyzed in this research. This sample comes from the combination of the Nigerian and Chinese samples and thus has a size of 73 (32+41) respondents from both two countries. Thus the score of each feature has a basis of 730 point. But the importance rating remains on a 10 basis. The table compares respondent's perception of the importance of each feature for IJVs establishment and success.

Table 2 Determinant Factors of Cross-Border JV

Feature	Nigerien Sample			Chinese Sample			All Sample		
	Score	Importance	Rank	Score	Importance	Rank	Score	Importance	General Rank
Market Opportunities	402	9.80	1	312	9.75	1	714	9.78	1
Profit and Loss Sharing	401	9.78	2	302	9.44	3	703	9.63	2
Financial Decisions	395	9.63	3	242	7.56	7	637	8.73	6
Part of Ownership	388	9.46	4	302	9.44	3	690	9.45	3
Political, and Economic Risks	378	9.21	5	307	9.59	2	685	9.38	4
Management Decisions	372	9.07	6	298	9.31	5	670	9.18	5
Technology Sharing	354	8.64	7	212	6.63	10	566	7.75	8
Type of JV	342	8.34	8	242	7.56	7	584	8.00	7
Host Competitive Conditions	330	8.05	9	228	7.13	9	558	7.64	9
Take Advantage of Synergies	302	7.37	10	176	5.50	15	478	6.55	13
Business Area	299	7.29	11	197	6.16	12	496	6.79	11
HR Availability	286	6.98	12	179	5.59	14	465	6.37	14
Cost of Factors of Production	280	6.83	13	203	6.34	11	483	6.62	12
Culture and Language	244	5.95	14	272	8.50	6	516	7.07	10
Distance Between Countries	154	3.76	15	197	6.16	12	351	4.81	15

The feature "market opportunities" leads all three samples with a relatively higher importance in Nigerian sample. This results confirms once again, that market opportunities tops all other considerations when companies are deciding to go global and thus, foreign business opportunities impact significantly the use of IJVs. Accordingly, this feature totaled an importance of 9.78 which means extremely determinant factor.

"Profit and loss" feature, which ranks second in Nigerian sample and third in Chinese sample, occupies the second place in the general sample with an importance of 9.63 over 10. Therefore, companies from both countries, give significant importance to sharing any outcome of the joint venturing deal. This seems inherent to and necessary condition for both JV stakeholders.

"Part of ownership" (which occupies the fourth place in the Nigerian sample, and third in the Chinese sample) ranks third in the general sample with an importance of 9.45 meaning a very important factor for the establishment of cross-border JVs.

However, less important factors, in both samples, remain almost less important in the general sample. Except "culture and language" which is important in Chinese sample (rank 6) but relatively less important is the general sample (rank 10).

5 Conclusion

From this research paper, many findings occurred. Characteristic from both Nigerian and Chinese samples seem to be very common in terms of IJVs establishment, decisions, management. Also many determinant factors such as market opportunities, profit and loss sharing, type of JV, and hosting country's competitive conditions seem to have relatively similar importance for both sides. On one hand, this fact could be considered as an opportunity to clearly establish a better common ground between partners. On another hand, if importance of one factor differs significantly according to each partner, negotiations will determine the agreement, especially regarding the running of the IJV. Among significant conclusions, we discovered that: (1) JVs have recently been increasingly used by companies when internationalizing their business; (2) There exist many types of market entry mode including the use of IJVs and also many differences between concepts that are used for international business development such as strategic alliances, partnership or IJVs; (3) Many Chinese and Nigerian companies

have established international business development strategies resulting into the establishment of many Sino-Nigerien JVs; (4) This study confirms that IJVs have many risks and are mainly related to the nature of the JV because it goes beyond the ordinary inside-one-country partners; (5) Policies at corporate-level and national-level play an important role in companies' internationalization and also for cross-border establishment and development; (6) The empirical study shows that companies are driven by foreign business opportunities in internationalizing.

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