

Joint venture  
management of  
employee human  
resource  
management essay



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Managers face people /human resource management issues before and after the joint ventures of between or among the companies. Managers face the problem of identification, retention and motivation of talented employees. So might be it is difficult to internationalize in the market of China.

## **Literature Review**

In an international joint venture, the domestic firm buys part of a foreign company or joins with a foreign company to create a new entity. (Lamb, Hair & McDaniel, 2009) JV is an organization operating its business under Company Law of the particular country. The JV parties consent to make, for a specific time period, a new body and new assets by contributing and sharing equity. JV parties also share their revenues, operating costs, resources and the control of the organization. The venture can be for one definite project or an ongoing business relationship. (Wikipedia)

Joint ventures have long been a special method for entering foreign marketplace (Hill & Jonesl, 1992) because they can join corresponding skills and knowhow (Contractor and Lorange 1988). JV is the most admired method selected by multinational enterprises (MNEs) to penetrate transitional economies like China (Sanyal & Guvenli 2001, Luo, 1997). China allowed foreign investors to invest; the country has become the most attractive target country for foreign direct investment (FDI) in the globe since 1978. During 1980s and 1990s, about 70% of FDI is in the form of JVs in China.

The Chinese (PRC) who has enacted the Joint Venture Law defined that one organization must be a Chinese company and the Wholly Foreign-Owned

Enterprise (WFOE) to be a company incorporated in Chinese territory acting under Chinese laws.

Compared with wholly foreign owned ventures, JVs possess two benefits in China. First, when foreign investors start their business in the market, they usually have inadequate and limited familiarity with Chinese culture, political and legal systems. The domestic allies can assist pay costs for some shortcomings in early stages of JV.

Secondly, to get entry into a country through joint ventures also helps to reduce the costs. A typical type of a sino-foreign project is that overseas financier makes available investment either in the shape of cash, machinery and technology, while their Chinese allies tender buildings, land, machinery, and skilled worker force. Through this joint venture, both make use of their advantages and minimize their expenditure to some extent (Volhancker, 1997).

Regardless of these benefits, there are many barriers, when running JVs and much has been presented about the issues of managing Joint Ventures in China (O'Connor & Chalos 1999; Zhang & Keith, 1999; Luo, 1997). One general concept is that local allies play a vital role in deciding the failure or success of Joint Ventures. For example, Luo's (1997) study proposed that organizational and strategic qualities of local partners are considerably linked with some individual aspects of JV presentation. Zhang and Keith's (1999) study suggests that doing business with publicly owned enterprises in China is difficult and challenging for Joint Ventures because publicly owned enterprises are from a different cultural environment. They are slow and

ineffective in decision making and have excessive employees, obsolete and outdated equipment.

Joint Ventures produce an additional challenge for foreign investors as they have to cooperate with local allies, which mean that there is less management liberty for the overseas partner (Luo, 1997; Tsang, 1994). The purpose of foreign and domestic allies is sometimes different. The issues of working with a foreign associate are identified in transitional economies like China, with its relative ambiguity, institutional opposition, and contractual risks. The reason is that investment environment of China differs considerably from that of the West in terms of socialist tradition and strong culture (Peng, 2000; Boisot & Child, 1996). China has been turning from a centrally planned economy to a market-oriented economy since 1978. This change require a decision making power from central to local establishment, which creates subjective enforcement of a weak market structure, inadequately defined property rights, unpredictable regulations, indistinct and unequally applied laws, and altering tax and fee requirements that can damage businesses (Luo, 1997; Ahlstrom, Young & Nair 2003).

Economic situations and policy setting vary significantly between many regions, and there is a considerable structural differentiation between coastal and central provinces (Wei, 2000; Chen, 2000). Economic reforms and an open-door policy were introduced during the late 1970s in coastal areas, due to these policies economy in these provinces has become highly relaxed and moved from centrally controlled to a market approach (Sun, 1999). Due to this open-door policy in coastal provinces, it is not surprising that they are more commercially advanced and highly developed (Tsai, <https://assignbuster.com/joint-venture-management-of-employee-human-resource-management-essay/>)

2002, p. 167). The central regions faced the predominance of “ social construction” and investment during the pre-1978 heavily by central planning, which left it with a more conventional legacy. A greater stake in preserving its old government-subsidized positions in interior regions and has demonstrated more confrontation to the economic restructuring and the open-door policy which was started in early 1990. There is still no liberalized market economy in central regions of China. To a great level, the central planning system still governs (Sun, 1999). Therefore, the business environment is more problematic and recommends more challenges to foreign investors in the interior regions of China.

Multinational companies working in China are finding their businesses hindered by a persistent talent shortage and struggling to hold their management and employees.

A new white paper by Manpower Inc., a world leader in the employment services industry, examines this problem and proposes five strategies to help multinationals improve their talent management strategies in China. These strategies are as follows:

- 1) Generating a learning organization
- 2) Recruitment of skilled leaders
- 3) Set up a suitable organization and culture for China
- 4) Giving competitive compensation and benefits packages to employees
- 5) Recruiting the right people

## **Research Methodology**

The purpose of this research is to describe the strategies that how people can be best managed in joint venture organizations in China as well as internationalization in China's economy is easy?

The descriptive mode of study has been used to describe this situation and secondary data has been used.

## **Findings**

Operating a foreign firm, particularly a joint venture, is demanding and challenging task for managers of a company in overseas environment. There is possibility of things going wrong and create issues. Daily management most common and major problems in JVs management in China can be presented in four categories:

Recruitment and training,

Joint ventures use two sources for the recruitment of new staff.

The first source is recruitment from local Chinese partners. Recruitment from local Chinese partners is a normal and easy foundation of staffing for foreign investors. However, this also poses a risk that if staffing is more dependent of Chinese partner than the joint venture may inherit the social structure and relationships of the old Chinese organization and there is problem at the beginning is staff training

The second source is recruitment from newly graduates. But this does not mean this is problem free method. Joint ventures can not deploy directly new

graduates because of no work and professional experience. They require proper systematic training; it can shoot the costs substantially.

Dismissal, Leadership, communication

Joint Ventures stated that firing of staff is tough task in china because the Chinese and foreign companies take it from completely different perspective. Before the introduction of recent reforms, there was “ fixed” employment system in enterprises. Fixed employment means where a company received a fixed quota of labor provided by local labor bureau, and due to this reason a worker is permanently employed in the organization. Enterprises were not permitted to layoff workers under this system, so workers were virtually protected from dismissal. But now the labor system has shifted from permanent employment to contract employment system in addition by unemployment insurance and pensions under new reforms. JV's decide whether to have a contract with trade union or directly with each employee. Organization Managers have been empowered to fire staff by these contracts.

Investors from non-Asian countries cannot realize the Chinese labor market. They think that when economy is in recession, it is more likely to fire workers. They can do so because they signed employment contract with workers. Beside this, there is confused leadership in JVs and lack of communication among employees, managers and top management.

Development agenda and relationship with foreign partners

Another conflict between foreign and Chinese allies is the development agenda of JVs. Each party tends to have different objectives. Foreign partners have to cooperate with local partners which reduce their freedom of management. In finding failure and success of JVs, it is observed that relationships with local partners are important. Most of these problems come across because of differences between Chinese and foreign top management between joint ventures or within JV's and their parent companies. Successful joint ventures are possible when choosing the right people, maintaining a good relationship with them, and effective use of personal networks and political institutions suggested by the study of China market.

### Economic & Business Strategy

Variable economic conditions and policies exist in China's different provinces. It is easy to internationalize in the coastal part of China as compared to interior part. In coastal area the open door policy and economic reforms has made the area liberalized, commercially advanced and highly developed. While in interior of China, the businesses are still facing the problems and challenges so it is not an attractive part for the foreign investors.

## **Recommendations**

There are some recommendation for the findings revealed from this research which are creating hindrance in the way of a successful Joint venture among Chinese partners and foreign investors.

**Business Strategy:** A sound and well articulated business strategy should be formulated to start. The objective and reason of joint venture should be <https://assignbuster.com/joint-venture-management-of-employee-human-resource-management-essay/>



obvious. The engagement of the parent companies should be defined in terms of managerial and capital and then the period of the joint venture between the companies should also be clear and defined. China should also follow the same strategies in its interior part as it has implemented in the coastal part so that the interior of China may also become the attractive point for the foreign investors.

**Human Resources (HR) Strategy:** HR strategies should be developed that line up and maintain the purpose of JV. A new identity and culture for the new organization should be developed. There should be aggressive communicate to employees; and distinct career paths, management, and a means of return for employees transferred to the JV. Formulate the compensation, incentive, and retention programs linked with the success of the JV. Keep and implement open communication policy between the HR departments of the parent companies and the JV.

**Leadership:** Define a process for leadership selection that should be fair and believable, and name top-tier leadership as early as possible. Try to look for important indicators of leadership potentials such as behavior, previous experience, and measurable outcomes.

**Communication:** To keep engaged and motivated the employees in the process of JV, frequent communication should be used to produce a combined vision, set up a link with leadership, elaborate the new rules to them, support and help the individual transition process, assist in retention, and finally, characterize the new organization in terms of “ We” as a

substitute of an “ It” or “ They”. Try to share as much information as can be, but never sugar-coat or make false promises to the employees.

Talent: Identify, retain, and motivate the key talent at top priority. The times of uncertainty can go towards defections, take strong counter actions to avoid them. It must be given a close attention to specific skills, knowledge, and behavior should be paid because that will be necessary to achieve the objective of new organization. The key players must be identified in both the parent companies that will be needed during the transition to a joint venture organization and in future. The organization must be aware of workers that are at-risk for recruitment by other companies and collect data on the causes and costs or revenue that might influence which workforce to target and which withholding practices to implement. For finding out what matters to employees and can be base for all programs and incentives, conduct a research.