

Global business markets

Business



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Today, competition in global business markets becomes fiercer and fiercer. It is harder for companies to survive and grow in this business world. And globalisation is a significant trend of the world's economies. In this situation, joint venture has become an important element of many companies' strategies. There is no universally recognised definition of joint venture. Wikipedia defines joint venture as " a strategic alliance between two or more parties to undertake economic activity together".

A similar definition given by Wolf (1999) is " a form of co-operation between two or more parties to achieve an economic objective which is normally the realization of profit". Actually, joint venture can be considered as collaboration. The organisations cooperate with each other and seek the mutual benefits. There are many types of collaboration. Joint Venture Company is a common one. It is an independent business entity formed by two or more separate organisations for a particular purpose (IJV notes 2006).

It is an alternative to wholly-owned subsidiaries. Compared with wholly-owned subsidiaries, it has more possible benefits (IJV notes 2006): increasing competitive pressures; sharing costs and risks; developing new products & markets; breaking local constraints on trade, etc. Obviously, IJV is a good way for company's development. In order to get more benefits from it, various significant issues in terms of the long term management should be considered after setting up a JVC.

It is not easy to manage a JVC, because it involves two or more organisations in it. In this article, three main issues will be illustrated: building a coherent team in JVC, maintaining relations with the parent company, and managing

divergent requirements of the two partners. 2. Build a Coherent Team in JVC
A coherent team is essential to manage a JVC successfully. Human resource is always the important assets of the company. Many JVCs are formed with the purpose to get the technical people or experts of the partners.

In JVC, people from different areas and parent companies with different cultural background should collaborate in a team. The effectiveness of the teams will affect the company's performance significantly. Therefore, to build a coherent team in JVC is a crucial issue. Several aspects are discussed in this article: personnel selection, clear roles and responsibilities, cultural diversity, and conflicts in teams. 2. 1 Personnel Selection The first step to build a coherent team in JVC is to choose the right people.

As JVC is a global firm, the appropriate personnel can be found through the global assignments. There are three sources of employees for global assignments (Konopaske and Ivancevich, 2004): Parent-country nationals (PCNs), Host-country nationals (HCNs), and Third-country nationals (TCNs). These are the regional sources. Simply, some of the employees come from two parent organisations and some are recruited outside. But the key managerial and technical positions must be assigned by the parent companies.

These positions are very important for the management of JVC. The personnel selection should be careful. Various qualifications of assignees should be measured, such as knowledge, skills, abilities, attitudes and so on. Research indicates that in the U. S. the organisations often select an expatriate based on one's professional or technical ability and domestic track

record, while European firms tend to place additional emphasis on cross-cultural and language skills (Konopaske and Ivancevich, 2004).

Actually, the basic attributes of an assignee are enough knowledge of the position, problem-solving ability, good communication ability, team-work spirit, polite and friendly attitude, the interest and the cross-cultural adaptability. First two conditions ensure them to cope with their work, and the others ensure to adapt themselves in the cross-cultural team quickly, cooperate with new partners freely, and build a good inter-personal relationship. Besides the characteristics, the geographic move and family situation can't be ignored.

The staff from parent companies may work abroad. It is a big change of the life. When the staff move aboard, the environment may be changed completely in many aspects, such as climate, lifestyle, language, culture, and so on. And they may leave their family and friends to work with some unfamiliar people. It will cause great pressures to the staff and affect the performances. The family situation also should be adjusted. Many reports indicate the expatriate failure is due to poor adjustment of spouses (Sanchez, et al. , 2000).

In addition to the spouses, other family members like children and elderly parents' arrangement also should be considered. A practical and possibly useful way is to provide a realistic preview of the assignment, and instigate a self-evaluation of readiness among family members. And then the managers of parent companies can make a better decision base on the evaluation (Sanchez, et al. , 2000).

2. 2 Clear Roles and Responsibilities Generally

speaking, the clear roles and responsibilities should be established for each partner to ensure the smooth operation of the JVC (Dawson 1997).

People will always perform better when they have a clear understanding of what they are expected to contribute. It is especially important for JVCs, because they cross organisational boundaries and therefore create a situation in which lines of authority are not always clear (IJV notes 2006). The main problems in role making are role conflict, and role ambiguity. Given the presence of two or more parent companies, managers are likely to experience considerable role conflict and role ambiguity (Child, J. , et al. 2005).

Role conflict arises when the priorities of one parent organisation conflict with the other, while role ambiguity arises when the general management of JVC is unclear about the expectations which various key groups have of it. The latter one is caused by the lack of clarity about what is expected of it, and the former one is by differences in the expectations (Child, J. , et al. 2005). To avoid the problems, the JVC should define clear roles and their responsibilities in the team. These issues need on-going monitoring and management, in order to deal with the changes over time (IJV notes 2006).

An important role of the team should be pointed out is the leader. A research indicates 49% failure of JVs is due to poor or unclear leadership. The effect of leader in the team is the most significant. They manage the job-oriented and people-oriented tasks. Both of them are important for accomplishing group performance and satisfaction. It is an important role to build a coherent team. Besides defining the clear roles and responsibilities, the leader should

be selected cautiously. Cultural Diversity Cross-cultural management is the key issues of international companies.

How to manage cultural differences is the key factor for the success of JVC. Culture can be considered as a barrier, or challenge, or even a resource for JVC (Child, J. , et al. 2005). In JVC, the staff from the parent companies have different cultural background. It is an important issue to integrate them into a coherent team. The cultural diversity has many implications for group performance. Research has generally shown that groups with a substantial degree of cultural diversity are not able to solve complex problems as effectively as homogeneous groups (Konopaske and Ivancevich, 2004).