

Risks within joint venture partnerships management essay



In the past, many research and development has been performed in the field of risk management, especially in constructional joint venture. The analysis show that construction industry is subject to uncertain and risky comparison to other industries. Past analysis show that response to risk or risk management were not professionally considered until 80's decade. Project in construction industry have tendency to have complexities, and uncertainties and risk appears from various sources.

The identification of risks is very important and its importance becomes more significant on international level especially in multicultural environment. Risk identification plays a very important role for successfully completion of the project and increase profitability and efficiency of construction project.

Construction project involves several individual and group companies for its completion, which themselves create much more complexities. This dissertation will identify the risk factors and its management with international construction joint ventures. The aim of the dissertation is to figure out the risk factor in joint venture in constructional project and to use appropriate tool and management technique in order to reduce the risks and on same time to complete the project with cost effective manner.

Recent survey shows that over three quarter of the world construction firms had joint ventures with international construction firms. Number will continue to grow as contractor come to realize that joint ventures business form can provide extensive benefits to those firms that are willing to work on joint venture construction projects. Especially there is advantage for the local

companies which are working only in the local market but not in the international market. “ Extensive documentation shows that many fortune 500 corporations participate in joint ventures” (Janger, 1980; Killing 1983)

Main reasons for these joint ventures for local company is to improve there efficiency, improve competitive positions, technology and to learn international pace of working, where as on the other hand main motives for international firms are to enter in to local market. A market, which is attractive for International organisation to enter in to the market and get maximum profit from the market. Second reason is to expand there network and strengthen it. For these reasons International organisation have to had a joint venture with one of the key player in the local market.

SUCCESS FACTORS FOR BOTH COMPANIES.

But when we look as a whole following are the success factors for both the company's working together in the joint venture.

Expand of market.

Rural Focus.

Presence in Market.

Employee productivity.

Extensive Market.

Supply to Meet Demand Waiting Time Reduce.

RISKS INVOLVED.

Because of complex nature of construction business, International companies face so many problems when entering in to international market. These problems come either in the form of management methods adopted or they come in the form of relationship with suppliers, labor, customers and government. The three highest ranked risks were loss because of bureaucracy for late approvals, project delay, and cash flow problems of the clients.

One common method is considering the most frequent and service of risk factors is to classify them according to there source and to use hierarchical structure (Saaty 1980). Risk factors are categories in to three main groups.

Internal Risks

External Risks

Project Specific Risks

INTERNAL RISKS

There is a possibility that Partner's parent company is in financial problems due to which joint venture could be effected. Similarly work allocation in the joint ventures is a critical issue, especially when deigns are changed and one of the partner suffer because of these design changes.

Disagreement on accounting of profits and loss is also a critical factor in the joint ventures even though both the parties made a written statement in the start of the project but during the project when the project specification

changes then the conflict arises. At that stage profit and loss fluctuates and could lead to conflict between the partners in respect of profit and loss.

When construction project starts, employees from each partner distrust each other for different tasks which are also a treat to the joint venture. Policy changes in your partner's parent company toward ICJV. Partners may lack of management capability

EXTERNAL RISKS.

External Risks are risks which come from the external factors. They are

Political

Economical

Environmental

Social and cultural

Inflation

Language barriers.

Exchange Rate

Security Problems

Import Restrictions.

PROJECT SPECIFIC RISKS

Project Specific risks, which are directly influenced from the project.

Poor project relationship

Incompetence of suppliers and subcontractors

Excessive variation by client and demands from the client.

Conflict on some conditions of the contract

Cash flow problems of client

RESEARCH AIMS & OBJECTIVES

Main aim of the research will be to find the appropriate risks involved in international construction joint ventures and what are the procedures adopted to overcome those risks. While working on those risks what are the methodologies to reduce happening of the risk for both the companies involved in the joint venture.

OBJECTIVES

According to the research aim, the objectives of this investigation are mentioned as follows:

To study present secondary literature regarding the risk involved in the international construction joint ventures

To conduct research in order to understand the procedures adopted by different organizations to overcome or reduce chance of the risk.

To study the critical factors involved in international construction joint ventures.

To adopt the most appropriate measures to adopt in order to reduce the risk.

To analyze the procedures adopted by the company to identify the risk and do appropriate response against the risk.

RESEARCH QUESTIONS

Based on the research aims and objectives the following research questions shall be addressed by the investigation.

What would be the operational structure of the project?

What is the most difficult part in risk management implementation in construction Joint ventures?

What are the important factors involved in the risk management?

What are the tools involved to identify the risk?

What would be the criteria for evaluation of the risk

What are the procedures adopted in order to response against particular risk?

What is the measure taken in order to over come the risk so that the risk should not happened again?

RESEARCH METHODOLOGY

Research Design.

There are so many methods of collecting data but I will use the following ways to collect data. Which are:

Case study Base.

Primary Data through Observation

Primary Data using semi-structured in depth and group interviews.

Primary Data using Questionnaires.

Secondary Data

Articles

Internet

Books

Newspapers

Voice and Video records

To turn the research questions in to research project research design is used.

There are three layers of research design research strategies, research choices and time horizons. Research design also gives researcher a plan of how he will go about to answering the research questions.

In order to understand the aim, objective and questions of the research, case study approach will be used where joint ventures will be chosen with different companies which different locations.

Main reasons for selecting the case studies is that one can analyze there situation easily. It also helps to test all the theoretical concepts and

implement them. It also helps us to have a deep study of the risk involved in the field of construction. What procedures those companies have followed and what were the out comes of those risks. It also helps to answer the entire question ' why' ' what' and ' how'. Case study strategy is best to used in explanatory and exploratory research.

Questionnaires are used for descriptive and explanatory research. In the descriptive research which undertaken using attitude and opinion questionnaires and questionnaires of organizational practices will enable to identify and describe the variability in different phenomena? To use first hand data questionnaire will be send to the project managers via email and posts, and when they will return them on the basis of there answers analysis will be done.

RESEARCH PLAN & TIME SCALE

Time

Activity

May 20 – June 01

Submission of Proposal

June 03 – June 17

Carry out secondary literature review

June 20 – July 01

Preparation for qualitative research (interview guide and acquiring respondents).

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July 03 – July 17

Test and conduct qualitative results as well as collating and structuring.

July 20 – Aug 10

Analyse results and write-up of dissertation

Aug 10 – Aug 20

Final revision of dissertation

Aug 20

Submit Dissertation

RESOURCES

I will be using Emerald, Business Source Primer, Google Scholars and online library (Coventry and BITE) resources for book and journals that are relevant to my topic. Other resources include websites of large construction organisation, which have been to international market and had joint ventures with the local companies. Like Al Liwan of Dubai had a joint venture with Amar contractors of Pakistan.

POSSIBLE OUTCOME

Main purpose of this study is to identify the risk involved in the field of construction when there is a joint venture between two companies. What are the risks involved in the joint venture and what the precautions they have to do? When going in to an international market is not an easy decision it's a long term decision because it would impact on the future of the company. If

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the decision goes wrong and they have not analyze the project proper it would give the company a big lose and if they have managed it properly it would be a big reward in the form of profit.

So when ever, a company want to go in to an international market they should work out on to the risk which they can face in future and they should adopt methodology with the help of which they can identify the risk and do proper procedures in order to reduce the loss caused by those risks. In the construction field time is the most important thing and all the time companies have got strict time schedules to do all the tasks. If they have not adopt the proper procedures for the risk, there time schedules will suffer a lot. In this regard they should do a joint venture with a company which would help them in all the aspect in the home country.

So for a company selecting the most suitable modes of entry in the different countries is one of the most significant strategic decisions that an organization should adopt during the process of internationalization. The specific characteristics of each target country are as primary among different factors determining the decision. In this context, the risk associated with the target country and its cultural distance with respect to the firm's country of origin have traditionally been the variables most often used in research on entry strategy.

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