

TURNITIN_IJEAMAL_We could be good Intl Venture

by Mim Haeruddin

Submission date: 16-Feb-2023 07:30AM (UTC-0500)

Submission ID: 2015604907

File name: IJEAMAL_9-Article_Text-17-1-10-20210111.pdf (340.16K)

Word count: 3623

Character count: 20921



**We could be so good together:
A Presentation of the Multinational Enterprises' International Joint
Venture Strategy Effectiveness**

**M. Ikhwan Maulana Haeruddin¹, Analtha Farhansyah², Muhammad Ilham
Wardhana Haeruddin³, Muhammad Alfi Rifadli Mansur⁴**

^{1,3} Department of Management, Universitas Negeri Makassar, Makassar, Indonesia

² Curtin Business School, Curtin University, Perth, Australia

⁴ Monash Business School, Monash University, Melbourne, Australia

E-mail: ikhwan.maulana@unm.ac.id

(Received: August-2020; **Reviewed:** September-2020; **Accepted:** Oktober-2020;

Available Online: November-2020; **Published:** December-2020)

ABSTRACT

The main purpose of this paper is to discuss and talking about International Joint Ventures (IJVs) and the factors of Multinational Enterprises (MNEs) using IJVs strategy for entering the global market, and also elaborate what are the advantages and disadvantages of using IJVs as a strategy and provide the reader with example of successful and unsuccessful IJVs. This paper also provides the reader understanding about IJVs how Telkom Indonesia could be success with Telstra and How could be TLC Company fail partnership with Alcatel Company. Furthermore, what drive them to be successful and unsuccessful are based on the analysis of two examples case study.

Keywords: Good Together; International Joint Ventures; Multinational Enterprises'.

INTRODUCTION

The Joint Venture is one of the favoured worldwide market section modes by a lot of organization. However, it has high chance to fail. Develop an audit of writing on the best way to oversee international joint ventures effectively. International Joint Venture is one of the selected global market entrance approach (Chrysostome, Nigam and Jarilowski 2013). In this report focusing area will be discussing on how the MNEs company entering the global market by using International Joint Ventures Strategy with the advantages and disadvantages. The report will also identify the factors that lead them to be success and unsuccessful in this globalise market.

LITERATURE REVIEW

What is International Joint Venture?

A type of organizations between organizations in developing or potentially settled markets, are a vital device for organizations keen on taking advantage of new development openings, for example, entering new markets or getting to new innovations—yet which cannot or do not have any desire to seek after them totally all alone. An international joint venture is a different lawful Hierarchical substance in which no less than two accomplices that are monetarily, Geologically and legitimately free of one another take an interest (Prevot and Meschi 2006). International joint ventures are being well known institutional structures picked by less created nations to pull in outside direct speculation and learning. Through the association with the outside endeavour, it will help in learning move as far as innovation, it additionally will make work openings in the neighbourhood nation and develop the progression of remote monetary forms. In an individualistic grown economy joint venture is used as strategic option (Mustafa, et al. 2018). A foreign company cannot come an open its branch straight away in the local market, so to overcome this barrier the foreign company merge with the local company to form a joint venture (Broll, Marjit and Mukherjee 2003; Haeruddin, 2017).

Advantages And Disadvantages

Despite having an abundant resource and a cultural understanding between companies. IJVs still proven to have a high chance of failure. Mainly because of the different mindset, beliefs and organising that started to create a conflict between 2 managements. IJVs becomes the main instruments for Multinational Enterprises (MNEs) to gain a Foreign Direct Investment (FDI) (Kogut 1988).

Moreover, the advantages of IJVs are that it allows a faster and cheaper access to the foreign market through investing in a local business into partnership of 50-50 situation that they could not resist. IJVs allow companies to gain access on each other's distribution channel therefore less workload and the host country can support the knowledge of the way locals negotiate and do business to increase the possibilities of a successful venture. Also, the host company can provide the data of customer preference especially in a wholesale industry, it is important to keep track on what the customer needs (Li, Zhou and Zajac 2009).

In the other hand, International joint venture can ultimately result in a failure if not addressed seriously and with commitment, if it lacks planning and clear positioning company will experience a frustrating event. Factors such as marketplace developments, new technologies, economies and legal requirements can be difficult to anticipate for any company no matter how mature they are. Like all partnerships, profits are shared equally, unless stated otherwise on the agreements they initially made. Cultural differences however will always arise in this type of partnership. Managements may have different beliefs on how to achieve the goals. One might one to do the fast and easy way and the other may one to comply to the conservative way. Different expectations and poor morale in some sector may cause a huge conflict on the supposed agreements (Hall 1984).

Circumstances MNEs Internationalise using IJVs

Multinational Enterprises (MNEs) can be defined as a company that operates in many countries that has subsidiaries, franchising or affiliation that are still controlled in one home country (Haeruddin 2017a). MNEs use IJVs when the company are looking for a way to gain entry into a foreign market, ultimately companies uses IJVs to reach an economy of scale from the reduced cost of production and improve supply chain (Buckley and Casson 1998). Investing

in 50:50 partnerships with another host country can reduce the risk of Foreign Direct Investment (FDI). MNEs must comply to the FDI host country policy to fulfil import-export duties and maintain a long-term relationship for the host country (Vasudha 2013).

Unsuccessful International Joint Ventures

International partnership is generally hard to manage, because the company not only considering 1 company but 2 different division and country, both companies headquartered in 2 or more countries that it makes it difficult to be on the same page on everything without a clear positioning and objectives before signing the contract. Furthermore, it is argued that IJVs fail due to mismatches between strategic motives and rationales among the partners (NIELSEN 2002).

Example of Unsuccessful IJVs: TCL- ALCATEL

Technology Holdings Limited (TCL) is a multinational electronic manufacturer from Huizhou, China. The company decided on a partnership with Alcatel, a global corporation specialise in telecommunication equipment, services, and application established in Paris, France. With reason being, to access the global market in 2004 (Gadgets 360 n.d.). The alliance of these 2 companies initially were to gain each other's resources and skills. TCL is a recognized brand that fronts the china showcase and has a vantage point as a minimal effort fabricating base in Asia. while, Alcatel is a main player in Europe and Latin America that operates in more than 130 nations. TCL was confronted a waning household advertise and required Alcatel to enable it to venture into a more innovate universal markets. While Alcatel trusted that TCL lead in assembling, would improve its product offering that would better meet the different needs of overall costumer.

Why TCL-ALCATEL IJVs failed?

The Cultural difference between 2 company merging together is inevitable. There is a distinct difference in working style of employee in TLC and Alcatel due to the different environment they used to work in. The managers will have to adjust to a new merging culture and how they arrange their values and manner in order to create a harmonic balance in the work environment must involve cultural sensitivity (Haeruddin 2017b). The issues that arise from analysing the 2 company's employees' interaction were indicated from the different perspectives of one another (Jing 2011).

France adopts the conservative approach on making a decision. Conservative is associated with uncertainty avoidance (UA) (Doupnik and Riccio 2006) with 86% on UA rank, so they are not comfortable with an equivocal situation where it is unclear (Minkov and Hofstede 2014). IJVs agreement need to be explicit in all level, so there is no risk of conflicts nor mistakes. So, the Alcatel declined the risk it will bring to its compa¹⁴ From 500 employees, only 70 stays to operate in their joint venture to avoid any risk taken (Li, *TCL Communication Technology and Alcatel: The Challenges in Post-Acquisition Integration* 2011). Chinese however, were a risk taker. They accept the challenge of ambiguity, changes and pragmatic decision-making (Hofstede 2001). This differences on culture and behaviour causes conflict when making a decision especially as they both did not share the same value (Eringa, et al. 2015).

Alcatel's culture is mostly on Individualism, v¹⁴re work relationship is based on contract and agreement in the professionalism manner (Li, *TCL Communication Technology and Alcatel: The Challenges in Post-Acquisition Integration* 2011). On the other hand, TCL were taking on the collectivism approach, where people treat their work place and environment because they feel like they belong there (Hofstede 2001). In the rapidly increase market, the environment become vaguer that need a collectivism in the workplace to avoid any conflict.

Alcatel is professional and proud minded group so; their work environment is mostly focused on competition rather than teamwork and this joint venture will take the Alcatel out of their safe zone.

In conclusion about for this IJVs failure between TCL and Alcatel, their experience in working together were not analysed deeply by the CEO before they decided on merging. The lack of cultural understanding in work styles and team work are the main reason why there were conflicts. Culture and local regulations are important aspects for businesses to consider before thinking about expanding whether in the form of IJVs or opening a new business, culture is the way of life and its different in each country or city that have to be respected in order to succeed (Haeruddin, et al. 2020).

Successful International Joint Ventures

International Joint venture is indicated successful when the initiated venture increase or added a competitive advantage in the market (Harrigan 1985). Moreover, according to (Kogut 1988) a joint venture will be viewed as successful if both companies are bringing their expertise on technology, routines, and management etc. into the agreement. Thus, successful IJVs is traditionally defined by the control of accessing the partner's resources and capital in order to ensure the prosperity of the joint venture (Baird, et al. 2016).

Example of successful IJVs: Telstra-Telkom Indonesia

PT Telekomunikasi Indonesia (Persero) Tbk, known as Telkom Indonesia is a multinational conglomerate of telecommunication in Indonesia. Telkom is marginally owned by the government and some semi-private stocks are listed in the stock exchange. its scope in business include in telecommunication, Internet and data communication (Telkom Indonesia n.d.). Telstra Corporation Limited known as Telstra, it is one of the biggest telecommunication company in Australia that build and operate in network, paid television providers and other services (Telstra Corporation n.d.)

Telstra and Telkom Indonesia formed a joint-venture partnership named TelkomTelstra in August 2014 (Telstra Corporation 2014). The composition of their agreement consists of Telkom Group 51% and Telstra 49%. This IJVs were made in order to develop the business cloud system and providing Network & Application Services (NAS) for the consumer and Australian multinational enterprises that operates in Indonesia.

The success of Telstra's productivity, competency on running NAS and experience in the industry to provide service in more than 800 companies in Australia, become the main reason why Telkom agreed upon the IJVs with Telstra. The core strength of both company and the credibility they already have will increase the trust of customer on providing NAS. Thus, the instant growth of their companies in scope and revenue. "We believe this Joint Venture in NAS will significantly increase the growth of Telstra corporation in Asia, which is an important step on Telstra in Asia," said executive Telstra Global Enterprise and Service Group Executive, Brendon Riley (DetikNET 2014). Through the existing joint venture with Telkom, "TelkomTelstra", The new joint venture is reaching economies of scale in response on the growing Digital influence on the economy and most of the middle class in Asia were forecasted to double in the next decade. TelkomTelstra has reached 5 years of successful partnership providing NAS to companies in Indonesia.

Why TELkom-Telstra IJVs Successful?

Telkom is one of the biggest companies in telecommunication industry and so is Telstra. Telkom is 52,09% owned by Indonesia's government so it is not surprise why Telkom

Indonesia has a stronghold on the industry in Indonesia (Haeruddin and Haeruddin 2020). The company can access on the government policy flexibility especially for the benefit on IJVs. The host company essentially be the key for Telstra to gain foothold in Indonesia's Market and Telkom being owned by mostly by the government removed any entry barriers into the foreign market, this joint venture is believed to be a successful venture due to their correct partnership choice on one another. TelkomTelstra joint venture is an innovative strategic partnership that will have a positive impact on Telkom Indonesia's existing infrastructure, local insights and the strength of its relationship with enterprise customers. Telstra brings its experience in developing, designing and delivering networks, applications and services to enterprise customers, the knowledge of its people and proven capabilities to the table (Sporton 2015).

The work Productivity between these two companies lead them to grow faster and profitable, the partnership is evolving and progressing ahead of scheduled or expectations with around 200 local staff already trained and over \$10 million invested by both sides over the past nine months. "It is a little bit ahead of schedule and the [local] team is really embracing it; we are talking tens of millions of dollars [in sales over the next 12 months] and hundreds of millions is part of the longer-term goal." Said by executive Telstra Global Enterprise and Service Group Executive, Brendon Riley (Ramli 2015). TelkomTelstra has succeeded operating on more than 6000 sites in 2016 from more than 60 international and national enterprises from operating 300 sites in March 2016. Their commitment and hard work to ensure the joint venture work showed when looking at the financial report in 2016, their revenue reached around IDR33 million considering Indonesia has around 6-7 major competitors (INDOTELKO 2016).

Another factor on why they were successful is because Indonesia need more infrastructure and technology that other company in the world has and essentially, Telstra wants to expand their business scope and gain foothold in Asia's market. Both companies recognised the need for each other expertise. The successful of this IJVs can be measured by the amount of Indonesian customer that choose TelkomTelstra over other international telecommunication providers. "The regulations on providing services here is not only for international multinational enterprises" (Earl 2015). They got the advantage on working alongside both known companies (Haeruddin, 2017a).

CONCLUSION

Nowadays the challenges in all businesses are extremely troublesome. All elements of business must strive to be better and progressively imaginative than the competitors to stay in the globalise market. Subsequently, the possibility of globalization is extremely intriguing. Working together with a foreign company and expanding your organization is a positive thing that a company does to expand the scope of their business. This can help a company get many benefits if it is run well. but international cooperation is not always as good as it can make your company profitable, this is because there are many challenges and can cause your company to suffer losses. It is because working together with another company it can be complex, especially when the partner is not suitable with the company's objectives and the capabilities of the non-resident company in terms of resources does not match the host company.

The key success for IJVs is communication to build relationship. Making sure every human resource on every level understand the agreement of this alliance and what it means for the themselves, the two company must state the purpose, financial contribution, human capital, and the time period of the joint venture. It is important to arrange a continual monthly or weekly meeting to make sure all the key strategic plan is progressing well and everyone on the companies can contribute. As a result, these steps can build a trust from both sides of company and making sure both have the mechanism to take care of any conflicts. Even in the best relationship, you will almost certainly have problems now and then. Company must approach

any disagreement positively by looking for 'win-win' solutions rather than disrespecting one another. Furthermore, making decision in 2 companies can be a struggle, a company must be able to adapt and flexible in terms of IJVs as it almost always requires both if not one company to restructure their organization.

REFERENCES

- 18 Baird, Inga S., Marjorie A. Lyles, Shaobo Ji, and Robert Wharton. 2016. "Joint Venture Success: A Sino-U.S. Perspective." *International Studies of Management & Organization* 125-134.
- 9 Broll, Udo, Sugata Marjit, and Arijit Mukherjee. 2003. "'Foreign Direct Investment, Credible Policy: The Role of Risk Sharing'." *The International Trade Journal* XVII (2): 165-176.
- Buckley, Peter J, and Mark C Casson. 1998. "Models of the multinational enterprise." *Journal of International Business Studies* (Palgrave Macmillan) 29 (1): 21-44.
- 21 Chrysostome, Elie, Roli Nigam, and Chaire Stephen Jarilowski. 2013. "Revisiting Strategic Learning in International Joint Ventures: A Knowledge Creation Perspective." *International Journal of Management* 30 (1): 88-89.
- DetikNET. 2014. *Telkom Makes a Joint Venture*. 29 August. Accessed April 14, 2019. <https://inet.detik.com/telecommunication/d-2676481/telkom-bikin-perusahaan-patungan-bareng-telstra-australia>.
- 4 Douppnik, Timothy S., and Edson Luiz Riccio. 2006. "The influence of conservatism and secrecy on the interpretation of verbal probability expressions in the Anglo and Latin cultural areas." *The International Journal of Accounting* (Elsevier) 41 (3): 237-261.
- Earl, Greg. 2015. *Telstra plans to use Indonesia joint venture as model for Asian expansion*. 25 November. Accessed April 15, 2019. <https://www.afr.com/business/telecommunications/telstra-plans-to-use-indonesia-joint-venture-as-model-for-asian-expansion-20151123-g15vb3>.
- 2 Eringa, Klaes, Laura N. Caudron, Kathrin Rieck, Fei Xie, and Tobias Gerhardt. 2015. "How relevant are Hofstede's dimensions for inter-cultural studies? A replication of Hofstede's research among current international business students." *Research in Hospitality Management* 5 (2): 187-198.
- 24 Nielsen, Bo Bernhard. 2002. "Why do International Joint Ventures Fail? A Strategic Mismatch Explanation." *Academy of Management Review* (Copenhagen Business School) 2-27.
- Gadgets 360. n.d. *ALCATELS PHONE*. Accessed April 15, 2019. <https://gadgets.ndtv.com/mobiles/alcatel-phones>.
- 16 Haeruddin, M. I. M. 2017a. Mergers and acquisitions: Quo vadis. *Management*, 7(2), 84-88.
- 5 Haeruddin, M. I. M. 2017b. Pengaruh Gaji dan Insentif terhadap Kinerja Karyawan dan Organisational Citizenship Behaviour (OCB) pada Hotel Grand Clarion di Kota Makassar. *Jurnal Aplikasi Manajemen, Ekonomi dan Bisnis*, 2(1), 11-21.
- 12 Haeruddin, M. I. W., & Haeruddin, M. I. M. 2020. The Effect of Customer Satisfaction on Customer Loyalty in Kartu As Products in Makassar City. *Jurnal Administrare*, 7(2), 227-234.
- 8 Haeruddin, M., Mansur, M. A. R., Mansur, M., Thaief, I., & Haeruddin, M. I. W. 2020. Keeping up with the CISG: A Case of Indonesia. *Iranian Economic Review*, 24(4), 923-933.

- Hall, Duane. 1984. "International Joint Ventures: Pros and Cons." *Advanced Management Journal; Cincinnati* (Society for the Advancement of Management) 49 (4): 4-8.
- Harrigan, Kathryn Rudie. 1985. *Strategies for Joint Ventures.* (Free press).
- Hofstede, Geert. 2001. *Culture's Consequences: Comparing Values, Behaviors, Institutions, and Organizations Across Nations.* Sage Publications.
- INDOTELKO. 2016. *Success tips from Erik Meijer with Telkomtelstra.* 16 December. Accessed April 15, 2019. <https://www.indotelko.com/read/1482819082/Kiat-Erik-Meijer-Telkomtelstra>.
- Jing, Li, interview by Well Lu (TCL) and Laurent Abel (Alcatel). 2011. *The issue of Cultural differences between two firms*
- Kogut, Bruce. 1988. "Joint ventures: Theoretical and empirical perspectives." *Strategic management journal* (John Wiley & Sons, Ltd.) 9 (4): 319-332.
- Li, Jing. 2011. "TCL Communication Technology and Alcatel: The Challenges in Post-Acquisition Integration." *Case Study Series* (Beedie School of Business).
- 17 Li, Jing, Changhui Zhou, and Edward J. Zajac. 2009. "Control, collaboration, and productivity in international joint ventures: theory and evidence." *Strategic Management Journal* (Wiley Periodicals Inc.) 30 (8): 865.
- 11 Minkov, Michael, and Geert Hofstede. 2014. "A replication of Hofstede's uncertainty avoidance dimension across nationally representative samples from Europe." *International Journal of Cross Cultural Management* 14 (2): 161-171.
- 6 Mustafa, M. Y., Mustafa, F., Mustafa, R., & Mustafa, R. 2018. Japanese Enterprises Role on SMEs Development in Indonesia: Inside Tobiko Export and Import. *Hasanuddin Economics and Business Review*, 2(2), 83-95.
- Ramli, David. 2015. *Telstra to earn tens of millions 20 dollars from Indonesia in the year ahead.* 18 September. Accessed April 15, 2019. <https://www.smh.com.au/business/telstra-to-earn-tens-of-millions-of-dollars-from-indonesia-in-the-year-ahead-20150917-gjp8ya.html>.
- 13 Prevot, Frédéric, and Pierre-Xavier Meschi. 2006. "Evolution of an International Joint Venture: The Case of a French – Brazilian Joint Venture." *Thunderbird International Business Review* 48 (3): 297-319.
- 3 Sporton, Phillip. 2015. *Telkom Indonesia and Telstra's joint venture awarded 'most innovative partnership'.* 15 January. Accessed April 15, 2019. <https://www.telstraglobal.com/au/insights/blogs/blog/telkom-in-donesia-and-telstra-s-joint-venture-awarded-most-innovative-partnership-at-the-idc-asia-pacific-telecom-summit-in-singapore-on-7th-november-2014>.
- 23 Telkom Indonesia. n.d. *About Telkom Group.* https://www.telkom.co.id/servlet/tk/about/id_ID/stocklanding/profil-dan-riwayat-singkat.html.
- Telstra Corporation. n.d. *Telstra: Insight*. <https://www.telstraglobal.com/au/company/why-telstra>.
- Telstra Corporation. 2014. *Telstra and Telkom Indonesia sign joint venture.* 2 September. <https://www.telstraglobal.com/au/insights/news/newsitem/telstra-and-telkom-indonesia-sign-joint-venture>.

Vasudha, Joshi. ²²2013. "Internationalisation of Business and Choice of Mode of Entry." *Journal of Commerce and Management Thought* 4 (4): 810-821.

TURNITIN_IJEAMAL_We could be good Intl Venture

ORIGINALITY REPORT

18%

SIMILARITY INDEX

14%

INTERNET SOURCES

6%

PUBLICATIONS

17%

STUDENT PAPERS

PRIMARY SOURCES

1	Submitted to Regenesys Business School Student Paper	1%
2	Submitted to University of the West Indies Student Paper	1%
3	www.telstraglobal.com Internet Source	1%
4	www.jbe-platform.com Internet Source	1%
5	William Widjaja. "Analisis Kinerja Karyawan dan Faktor-Faktor yang Memengaruhinya: Studi Kasus di PT X", Jurnal Perspektif, 2021 Publication	1%
6	www.ajhtl.com Internet Source	1%
7	Submitted to Curtin University of Technology Student Paper	1%
8	journal.stieamkop.ac.id Internet Source	1%

www.cfses.com

9	Internet Source	1 %
10	Submitted to North Down and Ards Institute of Further and Higher Education Student Paper	1 %
11	ouci.dntb.gov.ua Internet Source	1 %
12	Submitted to Unicaf University Student Paper	1 %
13	oro.open.ac.uk Internet Source	1 %
14	beedie.sfu.ca Internet Source	1 %
15	Submitted to The University of Manchester Student Paper	1 %
16	article.sapub.org Internet Source	1 %
17	journals.ama.org Internet Source	1 %
18	onlinelibrary.wiley.com Internet Source	1 %
19	www.semanticscholar.org Internet Source	1 %
20	Submitted to University of New South Wales Student Paper	

1 %

21

Submitted to University of Kent at Canterbury

Student Paper

1 %

22

Submitted to Coventry University

Student Paper

1 %

23

Submitted to Oregon State University

Student Paper

1 %

24

Submitted to University of Warwick

Student Paper

1 %

25

www.afr.com

Internet Source

1 %

Exclude quotes Off

Exclude matches < 1%

Exclude bibliography Off