PARTNERS SELECTION CRITERIA FOR HIGH AND LOW PERFORMING JOINT VENTURE : A STUDY OF MANUFACTURING JOINT VENTURES IN NEPAL

by

BINOD PARAJULI

A Thesis Submitted in Partial Fulfillment
of the Requirements for the Degree of

Master of Business Administration

Graduate School of Business
Assumption University
Bangkook Thailand

June 2003

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ABSTRACT

Foreign investment has been recognized by developing countries as one of the primary engines to promote economic development. Successful joint ventures require the correct choice of partners and symmetrical parent outlooks.

The main objective of the study was to compare the partners selecting criteria of high- and low- performing joint ventures in terms of perceived importance of partners contribution, and to improve the partner selection process following the criteria of high performing joint ventures. The research has identified potential partners contributions. In this research, partner needs are divided into five groups (items readily capitalized, human resource needs, market-access needs, government/political needs, and knowledge needs) of three (or in one case, four) items each.

The study focuses on the partners' contributions made by the MNE and local of high and low performing manufacturing joint venture business in Nepal.

The data collected from 61 manufacturing joint ventures are used to test the hypothesis constructed in the research. 20 joint ventures were low performing and 41 joint ventures were high performing. The hypothesis was developed as:

Partners' contribution differs, in terms of items readily capitalized, human-resource needs, market access needs, government/political needs, and knowledge needs, between the high performing and low performing joint ventures.

The hypotheses were tested using the independent sample t-test as the basis for interpretation.

Statistical analysis revealed that all the variables except government/political needs proved to be statistically significant on the contributions made by the MNE partners for the joint venture in the perception of Local partner. Analysis revealed there was a difference in contributions made by the MNE partners in high performing and low performing joint ventures.

Statistical analysis revealed that all the variables except items readily capitalized and government/political needs proved to be statistically significant on the contributions made by the Local partners for the joint venture in the perception of MNE partner. Analysis revealed there was a difference in contributions made by the Local partners in high and low performing joint ventures.

The analysis provides valuable managerial implications for the investors of foreign and local firms, that they should be aware of these factors in order to make the correct choice of partners to establish the manufacturing joint venture business in Nepal.

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CHAPTER 1

GENERALITIES OF THE STUDY

1.1 Background of the study

Foreign investment has been recognized by developing countries as one of the primary engines to promote economic development. Successful joint ventures require the correct choice of partners and symmetrical parent outlooks (Harrigan, 1984). Partner's contributions are important to the ongoing process of joint venture management because the contributions and expected benefits of the participating firms are continually adjusted to align with shifts in relative power between the partners (Robinson, 1982).

Nepal is one of the least developed countries in the world with a per capita income of approximately US $ 240 per annum. While about 70 percent of the population lives below the poverty line, the general incomes in the Kathmandu Valley are much higher than the national average. The majority of the people are engaged in the agriculture, but a modern business middle class is emerging. Nepal started programs of planned economic development in the mid-fifties with the launch of the first Five-Year Plan. The Ninth Five-Year Plan (1997-2002) is being implemented and the Tenth Plan is under preparation.[1] The current plan seeks to achieve a higher rate of sustainable economic growth at 6.2 percent per annum. To

[1] Nepal Planning Commission, 2000.

achieve this target, the greater emphasis is given to the development of the private sector. Measures include liberalization of the foreign exchange regulations, reduction in business application procedure, stock market development, encouragement of foreign direct investment, and privatization of state-owned enterprises.[2]

To achieve economic development, Nepal has chosen the policy, which encourages foreign cooperation. His majesty's Government of Nepal has adopted policies in the past few years aimed at accelerating economic growth and considerably reducing state interference in business.[3]

The new approach includes a liberal foreign investment policy under the Foreign Investment and Technology Act (1981) as amended in 1992 and again in 1995, to attract foreign investment. The Government is encouraging Foreign Investment by offering attractive incentives and facilities, including 100% foreign ownership in some sectors and joint ventures forms.[4]

Foreign investment helps not only to exploit potential resources, but also to facilitate Nepal's business integration into the Asian market.

Currently, Joint Venture (JV) in Nepal is receiving the increasing interest. Many foreign forms are considering entering joint ventures because it seems to

[2] Institute of Integrated Development studies, 2000.
[3] FNCCI, 1998.
[4] Ministry of Industry, 2000.

offer the most attractive method to gain a great potential of cheap labor pool and market of Nepal (Joshi, 1997).

However, most joint ventures are facing many difficulties, from negotiation process to the start up as well as its operational stage. Yet, practically no proper studies that have been conducted to identify the key success factors for joint venture in Nepal.

1.1.2 Current situation of foreign investment in Nepal

Joint Venture Investment in Nepal

Historically, private foreign investment has not been very important in the country's growth strategy. Until before the restoration of democracy in 1990 only 86 JV projects were approved to operate in Nepal with total foreign capital investment of Rs. 5.9 billion. The approved JVs were concentrated mainly in manufacturing and service sector including tourism. *Table 1.1* contains the list of countries operating joint venture in Nepal along with total project cost and total employment.

Table 1.1 Joint Venture Industries in Nepal (Rs. 000,000)

Country	No. of Industry	% of Total	Total Project Cost	% of Total	Foreign Investment	% of Total	Employ ment	% of Total
1.Australia	5	1.0	131	0.2	87	0.7	348	0.5
2.Austria	6	1.2	150	0.3	26	0.2	341	0.5
3.Bangladesh	8	1.6	324	0.6	94	0.7	3382	4.7
4.Bermuda	6	1.2	1995	3.4	118	0.9	1474	2.1
5.Belgium	1	0.2	7	-	6	-	30	0.1
6.Bhutan	3	0.6	27	0.1	4	-	98	0.1
7.Bri. Virg Is	2	0.4	2325	4.0	993	7.7	910	1.3
8.Canada	5	1.0	25	0.1	9	-	832	1.2
9.China	29	5.9	1956	3.3	596	4.6	2912	4.1
10.Denmark	3	0.6	519	0.9	27	0.2	226	0.3
11.France	13	2.7	349	0.6	82	0.6	584	0.8
12.Germany	24	4.9	510	0.9	193	1.5	1669	2.3
13.Hongkong	12	2.5	1357	5.4	496	3.8	2085	2.9
14.India	169	34.6	22035	37.4	4531	35.0	28572	40.0
15.Italy	6	1.2	1182	2.0	160	1.2	191	0.3
16.Japan	59	12.1	2194	3.7	739	5.7	4279	6.0
17.Malayisa	1	0.2	4	-	4	-	19	-
18.Netherlands	5	1.0	1030	1.7	387	3.0	1956	2.7
19.Newzealand	5	1.0	262	0.4	6	-	1914	2.7
20.Norway	4	0.8	5454	9.3	862	6.7	150	0.2
21.N.Korea	1	0.2	45	0.1	13	0.1	71	0.1
22.Pakistan	7	1.4	272	0.5	106	0.8	2166	3.0
23.Panama	1	0.2	83	0.1	25	0.2	121	0.2
24.Phillippines	3	0.6	932	1.6	50	0.4	1329	1.9
25.Russia	2	0.4	85	0.1	33	0.3	163	0.2
26.S.korea	19	3.9	1221	2.1	401	3.1	2213	3.1
27.Srilanka	2	0.4	66	0.1	25	0.2	22	-
28.Singapore	5	1.0	2105	3.6	287	2.2	1325	1.9
29.Switzerland	9	1.8	139	0.2	43	0.3	191	0.3
30.Tiwan	4	0.8	279	0.5	96	0.7	378	0.5
31.Thailand	7	1.4	950	1.6	91	0.7	1106	1.5
32.UK	16	3.3	1620	2.8	57	0.4	4778	6.7
33.Ukarine	1	0.2	90	0.2	15	0.1	18	-
34.USA	47	9.6	9137	15.5	2333	0.2	5654	8.0
Total	489	100.0	58860	100.0	12932	100.0	71507	100.0

Source: Ministry of Industry, Nepal, December 25, 2000.

After 1990, the commitment of foreign investment through JV has increased substantially. According to Industries (DOI), the foreign capital investment in JV has reached Rs. 58.8 billion in 489 projects by the end of fiscal year 1998/99. These industries provide employment to more than 70,000 people in the country.

According to the figure, the foreign investment has been concentrated particularly in manufacturing (nearly 51 percent), tourism (nearly 25 percent) and service (nearly 19 percent). On the country wise basis, the largest numbers of joint venture industries have been set up by India (169 industries), followed by Japan (59), USA (47), China (29) and South Korea (19).

The *table 1.2* clearly shows that India tops the list in investment in Nepal. India's share in total project is Rs. 22035, which is 34.6 percent, in projects cost, is 37.4 percent and in total employment is 40 percent.

1.1.3 Sectors of Joint Venture Investment

JVs have covered almost all the important economic sectors of the country such as agriculture and forestry, manufacturing industries, electricity, water and gas, construction, hotel and resorts, transport and communication, housing and apartment and other service industries. Among all these sectors, manufacturing sector is the most important sector in which largest share of foreign investment has been used. The following *table 1.2* presents the distribution of various sectors in JVs.

The table shows that largest chunk of the foreign investment has come to manufacturing sector. In terms of the projects 51.3 percent of total projects are in manufacturing sector, 25.0 percent in tourism and 19.0 percent in service industries. In terms of employment also manufacturing sector is the first with 63.3 percent, tourism is second with 16.4 percent and service industries are jointly third with 11.3 percent.

Table 1.2 Joint Venture Projects

Type of Industries	No. of Industries	% of Total	Total Project cost	% of Total	Foreign Investment	% of Total	Total Employment	% of Total
1. Agriculture	11	2.2	587	1.0	75	0.6	811	1.1
2. Manufacturing	251	51.3	23724	40.3	4674	36.1	45271	63.3
3. Tourism	122	25.0	13495	22.9	3353	25.9	11716	16.4
4. Service	93	19.0	8724	14.8	2880	22.3	8098	11.3
5. Construction	5	1.0	294	0.5	93	0.7	570	0.8
6. Energy based	4	0.8	10883	18.5	1808	14.0	3912	5.5
7. Mineral based	3	0.6	1153	2.0	46	0.4	1129	1.6
Total	489	100.0	58860	100.0	12932	100.0	71507	100.0

Source: Ministry of Industry, Nepal, December 25, 2000.

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Status of the Projects Approved for Joint Venture Establishment and Operation

Despite the policy framework, the main grievance of foreign investors lies with the implementation hassles. According to a recent study carried out by the Foreign Investors In Nepal (FIIN), right from submitting application at Department of Industry (DOI) till coming into operation, an investor has to pass through different phases. Major obstacles are related with visa, Tax, customs and

other facilities such telephone, power and water at the project site (Yogi, 1998). "Political instability is the main factor," says industrialist Kishor Kumar Khanal.

According to Dr. Shankar P. Sharma who is the one of board members of Nepal Chanbers of commerce comment that the political instability is the main reason for the Nepal's lagging behind in attracting foreign investment in Nepal. According to him Nepal should still improve following items to attract foreign investors.

- Focus on developing infrastructure facilities like electricity, roads and telecom.
- Need for improvement at policy level and to amend some Acts and Regulations.
- Need to bring about more reforms in the Banking and Financial sector.
- More reform in tax system.
- Should have less bureaucratic and red tape in government regulation.

"The problem of industrialist in the country such as inadequate infrastructure including power, transport, communication, water and raw materials, skill manpower may plague the foreign investment as well," says Dr. Shyam Joshi, Associate Professor of Economics at Public Youth Campus in Kathmandu.

According to Mr. B.K. Shrestha, President of Nepal-German Chambers of commerce and Industry (NGCCI), "Bureaucratic hassles, inconsistency in the conceived rules and their implementation and limited infrastructure and facilities are some of the bottlenecks to attract foreign partners." When asked about the problems the foreign investors were facing, he pointed out visa problem as the

most prominent one. Beside this, one window policy provisioned by the government is not working, as it was envisaged.

Adam F. Friedensohn, a US national, President of Prime Industries (P) Ltd. and also the President of Forum of International Investors in Nepal (FIIN) pointed out three levels of difficulties during joint venture establishment and operation in Nepal (Friedensohn, 1998).

Policy Level

The policy level facilities for the Foreign Investment in Nepal are reasonable even if currently they only allow Foreign Investment in a slow manner. The main problem is that the policy is not only implemented properly as it is stated in rules.

Implementation Level

This is the area where the private sectors, both Nepalese and foreigner must come together with the government to solve the problems. The main difficulty in this level is that good policies do not get down into implementation. The bureaucratic delay exists most of the time in this level.

Project Level

The main problems at this level for the investors are like visa, higher fees to the investors, higher civil aviation rates etc. foreign investors are not allowed to associate legally, visas cannot be provided for the family members of the investors who are above the age of 18.

The other difficulties mentioned by Dr. Friedensohn are:

Physical

Most of the lacking infrastructures for Foreign Investment in Nepal are accounting houses legal services, mechanical engineering, telecommunications, and power availability. The most crucial is the slow Foreign Investment registration process, which has to pass through many Government departments.

Legal

The legal system in Nepal is unique. Most pathways for doing things in foreign countries are based on a simple idea: " If it is not illegal one can simply do it, whatever it is". In Nepal it may not be illegal but the process takes a long time.

Banking

The banks of Nepal may be characterized by their small lending capability and yet they have ample reserves that are not being loaned out. At the same time a single large hydro project could drain the vaults of the entire local bank's funds easily which makes them ineligible to participate in those projects. Local lending is conservative (loans are commonly secured only by land) and new technologies are seen as high risk.

Export problems

From a Foreign Investment point of view the hassles to export are more than the hassles to import.

An equally serious problem appears to be lack of technological information services which makes it difficult for Nepalese complains to scan the international technology shelf independently assess technologies offered.

The other problems are very high interest rates on borrowed capital, inconsistency regulations on environment pollution control, high taxes especially on raw materials, high sales tax and income tax and lack of government support for the protection of local industries were cited as the other main difficulties associated.

Implementation for Foreign Investment in Nepal

On the other hand there is some hope for the growth of foreign investment in Nepal. Discussions with the joint venture managers showed that there are reasons for being cautiously optimistic about the future of foreign investment in Nepal. The main reasons for this optimistic are as follows:

The government has come a long way in supporting industrialization, in supporting the private sector through significant moves in economic liberalization, trimming down of bureaucracy, and in privatizing its public-owned industries (Regmi, 1997).

Supporting private sector organization such as the Federation of Nepalese Chamber of Commerce & Industry (FNCCI) and various other product specific organizations are assuming their rightful roles. These organizations are expanding their efforts in public awareness and policy dialogue activities.

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Product and service markets are growing fast in Nepal. Nepal's per capita income is relatively low but consumer purchases are growing fast.

Favorable foreign investment policy and increased business opportunities could help to induce more foreign investment in Nepal. With a business environment that offers foreign investors up to 100% equity rights (expect some items), full repatriation of dividends and profits, tax holidays up to seven years and no income tax on export earnings, Nepal can be very attractive to foreign investors.

The liberalization economic policy aims at increasing the role of the private sector and minimizing government controls and direct intervention, which will help to further increase the business opportunity for foreign investor.

Establishment of new technical as well as managerial skill development institutions by government also offers great opportunity to the foreign investor.

The introduction of the "One window Policy-1992" to provide all the services and facilities under one umbrella and to fast-track applications (decisions is indicative of within 30 days) for all joint ventures or 100% foreign-owned projects is indicative of the government's desire to facilitate foreign investment in Nepal.

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1.2 Statement of the Problem

Foreign companies establishing operations in Nepal are faced with the problems of identifying and evaluating potential Nepalese companies as joint venture partners and Nepalese companies are also facing problems of selecting the potential foreign partner who can make an important contribution.

The research study aims to find the partners contribution for the satisfactory performance of joint ventures in Nepal. The statement of the problem are shown as follows:

1. What are the important partner contributions in the perception of high- and low- performing joint venture partners, which results in more satisfactory performance?
2. Are the important contributions to partners in the high- and low- performing ventures same?

1.3 Research Objectives

The specific objectives of study are shown as follows:

To compare partner selection criteria of high- and low- performing joint ventures in terms of perceived importance of partners' contribution.

To improve the partner selection process following the criteria of high performing joint ventures.

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1.4 Scope of the Research

This research study was conducted to examine the partner's contribution on the high performing and low performing joint ventures on the perspective view of MNEs and host country partners.

The study focuses on the Joint venture operating in Nepal. The research includes only the joint venture business operating in the manufacturing sectors as identified by the Ministry of Industry, Nepal.

Critical success factors differ from situation to situation. They may be evident to some joint ventures, but not to others, especially in the newly established business environment like Joint Ventures in Nepal. Therefore, this research study only concentrates on identifying factors related to some specific JV processes, such as partner contribution and the Joint Venture performances. The joint venture's performance will be based on the mutual agreement between the partners regarding their overall satisfaction.

1.5 Limitations of the Research

The major objective of this study was to examine the impact of the partners' contribution on the satisfactory performance in the joint venture business. The research is focused on the manufacturing joint venture in Nepal. Hence, we need to be more cautious on generalizing the results from this study. Furthermore, the focus is only on the Joint Venture manufacturing business only in Nepal and as

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such the results from this research cannot be interpreted to the firms engaged in the non-manufacturing ventures (service, Energy and tourism) based sectors.

1.6 Significance of the Research

This research was concerned with an aspect of performance of joint venture business operating in Nepal. Joint ventures, not wholly owned subsidiaries, predominate in business organizations used by Multinational enterprises (MNEs) in less developed country as Nepal. Yet, given the relative importance of joint ventures in Nepal, it is surprising to find a negligible amount of research into ways of improving their performance. The purpose of this research was to address the question of how the performance of joint business ventures in Nepal could be improved.

1.7 Definition of the terms

Joint Venture:

JV is defined as a separate legal organizational entity representing part of the holdings of two or more parent companies with the headquarters of at least one parent firm located outside the country of operation of the joint venture (Shenkar and Zeira, 1994).

Capital:

Tangible property, such as land, buildings and equipment, which has a useful life more than one year. Capital is acquired for use in normal operations and

is not for resale. These assets are long-term in nature and may be subject to depreciation, depending on which fund was used to record the asset.

(http://www.ga.unc.edu/UNCGA/finance) Date: 20th May 2003

Raw Materials:

Stock or items purchased from suppliers, to be input to a production process, and which will subsequently modified or transformed into finished goods.

(http://www.iolt.org.uk/sig/scimglossary3.htm) Date: 20th May 2003

Technology:

Technology is the application of processes, methods, or knowledge to achieve a specific purpose.

(http://labs.google.com/glossary.htm) Date: 20th May 2003

General manager:

The person on a professional team who makes player personnel decisions on trade and signings.

(http://www.wusa.com/a-z_glossary/) Date: 20th May 2003

Functional manager:

Manager of a department in a functional area such as data processing, purchasing, customer service, etc.

(http://www.trinary.com/ec-edi/glossary.asp) Date: 20th May 2003

Labor:

Labor is the physical and mental talents of human beings which are used in the production process—it is the human resource.

(http://coba.shsu.edu/micprin/EcoGloss/il.htm) Date: 20th May 2003

Government:

A system of conducting the policy, actions and affairs of a particular country, state, region or administration.

(http://www.sosnwma.org/home/glossary_content.html) Date: 20th May 2003

Knowledge:

Knowledge is the internalization of information, data, and experience. Tacit Knowledge is the personal knowledge resident within the mind, behavior and perceptions of individual members of the organization.

(http://home.earthlink.net/~ddstuhlman/defin1.htm) Date: 20th May 2003

Export:

Marketing domestically produced goods and services in foreign countries.

(http://glossary.dryden.com/hbcp/glossary.taf?gid=16&start=e) Date: 20th May 2003

Political:

Pertaining or relating to the policy or the administration of government, state or national.

(http://www.rightwaylaw.org/cnhelglo.htm) Date: 20th May 2003

Multinational enterprises (MNEs):

MNEs is a corporation, which owns (in whole or in part), controls and manages income generating assets in more than one country (Kolde, 1974).

Liberalization:

Liberalization is a panacea: it results in more rapid growth of exports, more rapid growth of real GDP and it accomplishes this without serious transitional cost

in unemployment and without significant effects on the government fiscal position (Papageoriou *et al,* 1991).

One Window Policy:

It is the policy formed by the Government of Nepal to increase productivity by mobilizing internal resources and materials in productive sectors and by importing foreign capital, modern technology, management and technical skills (Ministry of Industry, 1992).

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CHAPTER 2

LITERATURE REVIEW

This chapter consists of definition of joint venture, reasons for forming joint venture in developing countries, motives of foreign and host country investors or partners, setting up the joint venture, theories of partner selection and performance measurement in joint venture.

2.1 Definition of Joint Venture

JV is defined as a separate legal organizational entity representing part of the holdings of two or more parent companies with the headquarters of at least one parent firm located outside the country of operation of the joint venture (Shenkar and Zeira, 1994). JVs involve two or more legally distinct organizations (the parents), each of which actively participates, beyond a mere investment role, in the decision- making activities of the jointly owned entity (Geringer, 1991)

JVs are shared-equity undertaking between two or more parties, each of who holds at least five percent of the equity (Beamish, 1994). JV can also be defined, as the participation of two or more companies jointly in an enterprise in which each party contributes assets, owns the entity to some degree, and share risks. The venture is also considered long-term (Czinkota, 1998).

The common understanding of the term joint venture is, it is a form of association between two or more individuals or business to accomplish certain business objectives. The true JV consists of three essential elements; a separate legal entity; joint ownership of the legal entity by the joint ventures partners; and joint management by the partners of the separate legal entity (Webster, 1989). JV is formed for a specific purpose. In a regular partnership, persons joint together in a continuous operation of a business. In JV, individuals joint together in co-ownership for given limited purpose (Kueh, 1984).

Today, JVs are widely recognized as a viable strategic option. They are a proven means for overcoming trade barriers, achieving significant economies of scale necessary for a strong competitive position, facilitating the acquisition of managerial and technological skills, securing access to raw materials, and reducing risks associated with complex projects (Franko, 1971). As it is based on the business partnership, JV is primarily a device to obtain access to resources, which are embedded in other organizations (Hennart and Ruddy, 1997).

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2.2 Reasons for forming Joint Venture in Developing Countries

The reason for forming JV can be examined from the point of view of foreign investors and host country and/or local partners. The reason for entering into a JV by the both partners generally falls into three categories: i) government legislation ii) needs for the other partner's skills and iii) need for the other

partner's attributes or assets (Killing, 1983). Each of these partners motives are explained below:

2.2.1 Motives of Foreign Investors

JV is a form of foreign direct investment. The motives that include foreign investors to participate in JV in developing countries are as a rule not vastly different from those for foreign investment generally (Nguyen, 1992). These are generally classified as follows:

- ✓ The securing, maintaining and/or developing of an overseas market that would otherwise be lost to the country.
- ✓ The securing, maintaining and/or developing of a region are mainly to serve the nearby markets.
- ✓ The necessity to complement the other activities of the organization.
- ✓ The securing, maintaining and/or developing of the raw materials supplies.
- ✓ Competitive forces in the home and the international market make necessary the development of overseas lower cost basis for export back to the home country and export to a third country.
- ✓ Utilization of old machinery.
- ✓ Spreading of the fixed costs, etc.

Many JV firms in the developing countries prefer to transfer a succession of technologies to firms in the developing countries so that the technological dependency of the latter can be reinforced (Tung, 1991).

In addition, apart from these economic reasons, legal and political considerations may lead enterprises to set up JVs. According to Harison (1987), the reason for forming JVs by companies is to reduce their exposure to risk for both parties. Another important aspect to forming JVs by companies is to reduce their exposure to risk associated with the development of new products or technologies. JV formation reduces risk for both parties. Another important aspect to forming JVs in developing countries is to use cheaper labor and incentives offered by the developing countries, such as tax concession, exemption from import duties, good infrastructure facilities, discipline, and non-aggressive labor,

According to the study of Shenkar and Zeira (1994), the motives of foreign investors to enter into JV agreements in developing countries are:

- Spreading the risks involved in starting new ventures,
- Entering new or unfamiliar markets,
- Getting vital raw materials,
- Gaining technical and scientific know-how,
- Mobilizing financial resources,
- Employing qualified, experience staff,
- Achieving cooperation with competitors,

- Making use of laws and regulations devised to encourage investment in developing countries, and
- Overcoming nationalistic feeling towards foreign ownership (Bivens, 1966)

Thus, the main reason for forming JVs distinct from wholly-owned subsidiaries are, for example, long term stabilization of business; legislation constraints; the need for partner's skills or assets; sharing of financial resources; reducing political risks; and gaining market access.

2.2.2 Motives of Host Country or Local Partner

Many developing countries seek foreign private investment to obtain capital, technology, managerial skill, and other benefits for further improvement of their economic development (Gullander, 1986). Among the benefits of developing countries frequently seek from foreign investors are shown as follows:

- The upgrading of technology in investment already in place;
- An increase in the local productive capacity and industrial base;
- Technology transfer and technological training;
- Increase local value added;
- Increase opportunity for local supplies and contractors;
- Increase employment;
- The training and advancement of host citizens;
- Export and foreign exchange earnings; and
- Enhancing government revenues, etc.

Afriye (1998) analyzed the motives of forming JVs for local partner. He concluded that host countries often see the JV as necessary vehicles to enhance control of production and, at the same times a media through which benefits of foreign technical and managerial know how can be derived. He added that for the most developing countries these benefits will increase in the employment and productivity levels as well as efficient utilization of scarce resources, such as foreign exchange and imported raw materials input.

Shenkar (1990) also suggested that the host partners motive for forming joint ventures is to acquisition of technology and foreign exchange. Through the establishment of the JV, the local enterprises can bridge the gap between its vast material resources and technological superiority of the industrial development nations.

A joint venture is encouraged under two conditions. Firstly, one or both firms must desire to acquire the other's organizational know-how with one form wishing to maintain organizational capability while benefiting from another firm's current knowledge or cost advantage. Also, Berg and Fredman (1980) provided support for the use of joint ventures as an instrument for the transfer of organizational knowledge as opposed to the means by which market power is enhanced.

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2.3 Setting up the Joint Venture

According to the literature on Joint Ventures, the main reasons given for their setting up are the following:

Improvement of Efficiency:

The creation of a joint venture permits to achieve greater efficiency in the performance of certain tasks. This efficiency may derive from economies of scale and scope which are difficult to accomplish by a single firm, from the spreading of risks among partners, as well as from synergies which stem from the complementarity of the resources provided by the partners (Harrigan, 1985).

Learning or access to knowledge:

In joint ventures every partner has access to knowledge and skills of others. For example, when entering foreign markets, a local partner provides the joint venture, among other aspects, with a good knowledge of this market as to special needs of customers, channels of distribution available or the political situation of the country (Killing 1983).

Political factors:

The existence of political factors, which require or make advisable to cooperate with local firms is a frequent reason for the creation of joint ventures (Killing, 1983). Such is the case when a foreign firm wants to enter countries with hostile governments and/or restrictive legislations.

Collusion or restriction in competition:

The creation of joint ventures can alter competition in favor of the parent firms. This fact has been analyzed by the pioneering studies on joint ventures (Dixon, 1988).

Need to obtain resources:

Joint ventures are presented as the best option to obtain resources from other partner which leads to cooperation. Joint ventures pool partner contributes of expertise and other assets features prominently in the classical entry decision. In attempt to achieve the maximum financial and operational synergies, two partners should be complementary in capital structure (Stopford and Wells, 1972).

2.4 Partner Selection

Partner selection is one of the important variables in the formation and operation of JV, since the specific partner chosen helps determine the mix of skills and resources, operating policies and procedures, and overall competitive viability of JV (Geringer, 1991).

The studies of Beamish and Lane (1990) on JVs in developing countries show that identifying and selecting a partner is possibly the most important consideration in establishing a JV. It also may be the most difficult and time consuming. Even through partner selection could be the determining factor in success, it usually is not given the time and attention that it deserves. As a result,

they are careless in their selection process and often mistakenly select a poor quality partner in their desire for quick action. Partners are often selected only for short-term and political reasons. When the situation changes and the partner have nothing more to offer, the relationship comes to an end.

Joint venture is faster, more flexible, less risky, and less costly than the internal start-ups and acquisitions, while simultaneous increasing the partners' access to critical resources such as marketing, technology, raw materials and components, financial assets, managerial expertise, and political influence (Schillaci, 1987). Joint venture allows firms to pool resources and complementary strengths to increase productivity and to improve competitive position in a way they could not do alone (Harrigan, 1988; Pearce et al., 1987). They provide the opportunity to share costs and risks, to acquire knowledge, to enter new markets, and to gain economies of scale or to rationalize operations (Contractor and Lorange, 1988).

JVs have an estimated 60 percent-failure rate. A major factor in failure is poor selection of partners (Barret, 1992; and Micinski, 1992). The followings are the important variables as a partner needs in JV (Beamish, 1994).

- Faster entry into local market
- Local political advantages
- Inexpensive labor
- Raw material supply
- Knowledge of current business practices
- Better access to markets than a wholly-owned subsidiary would provide

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- Satisfy expected government requirements for local ownership
- General manager
- Capital
- General knowledge of the local economy, politics, and customs
- Meet existing government requirements for local ownership or important substitution
- Technology or equipment
- Functional managers (marketing, production, financial, etc.)
- Better access to the local markets for goods produced outside it
- Better export opportunities
- General knowledge of the foreign economy, politics, and customs
- Others (help in board decisions and knowledge of local financing)

Choosing the partner is one of the most important decisions a company will make regarding JV. It is most important that all partners in the joint venture are truly necessary and that they will continue to be needed in the future. It is also very important that firms select partners they can trust, and they must clearly understand each other's goals for the joint venture and determine whether both sets of goals are mutually obtainable (Carl Fay, 1995). The right partner is the one who posses' skills, resources, and needs that are complementary of each other's needs are not undertaken.

Two questions to be kept in mind before selecting a right partner. They are as follows (Gyenes, 1991):

Do the strengths of each partner fulfill the needs and expectations of the others?

Are the combined resources of the partners sufficient to achieve their expectations?

When choosing the partner there must be commitment to the JV from both sides. The company must do in-depth search for the right partner for the success and long-term benefit for the JV. It is imperative that when choosing amongst potential partners the feasibility of the alliance must also be looked at from the perspective of the alliance partner (Devilin and Bleackley, 1988). The option of entering a JV becomes more attractive if the partnership also has the potential to throw up synergies to develop a strong relationship (Wright & Russel, 1975).

Killing (1983) suggested about choosing the right partner as follows:

The more similar the culture of firms forming a shared management JV, the easier the venture will be to manage. Culture is considered to have two components, one being the culture of the country in which a company is based, the other one corporate culture of the particular firm in question.

The more similar in size are the partner of a shared management venture, the easier the venture will be to manage. A significant size mismatch between a venture's partners can create a lot of problem for the venture.

2.5 Performance Measurement

Many literatures on JVs suggest that performance problems are more acute in developing rather than the developed countries (Franko, 1976). Frequent performance problems of joint ventures in LDCs are important issues for both MNE and host-country interests. Performance difficulties are costly for the MNE in time and capital. In addition, there are social costs to the host country when JVs experience difficulties or fail (Casson, 1979).

Beamish (1994) used the testing method for dependent variables (JV performance) to obtain the results whether there was mutual agreement between the partners regarding their overall satisfaction. Because partners sometime differ in their assessment of performance, this proved to be a better way of evaluating performance than the single-perspective measure.

Killing and Schaan (1983) used a single-item perceptional measure of a parent's satisfaction with a JV's overall performance. The biggest advantage of this type of measure is its ability to provide information regarding the extent to which JV has achieved its overall objectives. In addition, the authors utilized subjective performance measure for each of the limited number of individual dimensions of the joint venture.

There are several "adaptive" reasons for the joint venture termination. For example, dissolution due to partner's acquisition of new capabilities, growth in a

partner firm's network that leads to change in the optimal ownership structure to exploit economies of scope, and government policy changes. Thus, duration and survival appear to be unacceptable measures of performance because termination of a joint venture may be the result of success, failure, or simply an adaptation to changes in the environment (Gomes-Casseres, 1987).

Financial measures of performance are often unavailable for joint ventures because partners rarely report joint venture financial information separate from their consolidated financial statements. In addition, financial measures cannot account for the non-financial goals pursued by joint venture partners (Anderson, 1990).

Venture satisfaction is the informant's perception of venture performance. A subjective indicator is used because objective measures, such as survival, instability or financial performance may not reflect the degree to which the venture fulfills its goals (Glaister & Buckley, 1999). Joint Venture financial data are typically not provided to the public because these organizations are privately controlled by parents. Duration and survival did not measure the extent of performance. Although duration and survival have been found to significantly correlate with overall partner satisfaction, the degrees of correlation suggest that these variables measure different phenomena (Geringer and Hebert, 1990). Geringer and Louis Hebert (1990) also developed a similar method and criteria for subjective measurement of JV performance based on the mutual satisfaction of the partners.

2.6 Conclusions

This chapter discussed that joint venture is the viable entry investment vehicle for some foreign firms in a number of manufacturing sectors of host developing economics. For political and economical reasons, the presence of foreign firms is not always perceived to be beneficial to the host economy. To operate a joint venture business in the long run there should be the choice of right partner. Dispute among the partners often results in the failure of joint venture business.

Literatures discussed in this chapter, such as reasons for forming joint ventures in the developing countries, the motives of foreign investors and local partners, and partner selection provides the viewpoints on the joint venture performance.

The process of partner selection and the variables influences the joint venture performance so it is important for both foreign and local partner to make a right choice. The partners' contribution is an important variable effecting joint venture satisfactory performance.

The implications of these variables in the conceptual framework will be considered in the next chapter. The framework will serve as a basis for the formulation of the hypothesis.

CHAPTER 3

RESEARCH FRAMEWORKS

This chapter consists of theoretical framework, conceptualization of the research framework and hypothesis development. In the theoretical framework part, the theories that are used to conceptualize the framework are included. As for the conceptual framework, there is the research framework mentioning the variables. The researcher has developed the hypothesis that is drawn from the conceptual framework.

3.1 Theoretical Framework

A theoretical framework is a conceptual model of how one theorize the relationships among the variables that have been identified as important to the problem. It discusses the relationship among the variables that redeemed to be integral to the dynamics of the situation being investigated (Sekaran, 1992).

Based on the Literature Review discussed in the chapter 2 this research has been conducted to know how important is the partner contributions/need for the performance of joint ventures in Nepal, in the perception of multinational enterprises (MNEs) and host country executives.

Potential partners contributions were classified in various ways. In this research, partner needs are divided into five groups (items readily capitalized, human resource needs, market-access needs, government/political needs, and knowledge needs) of three (or in one case, four) items each.

Joint venture performance – was defined according to whether there was mutual agreement between the partners regarding their overall satisfaction. Because partners sometimes differ in their assessment of performance, this proved to be a better way of evaluating performance than the single – perspective measure (Beamish, 1994).

Performance of the joint ventures was measured by a managerial assessment in which only when both partners were satisfied was the venture considered successful. If one or both partners were dissatisfied with the performance, the venture was considered unsuccessful (Schaan, 1983). Ventures are considered as the high performing ventures, if there is mutual assessment between the partners if one or both of the partners were not satisfied by the overall performance of the ventures performance then the venture is considered as the low performing venture (Beamish, 1994).

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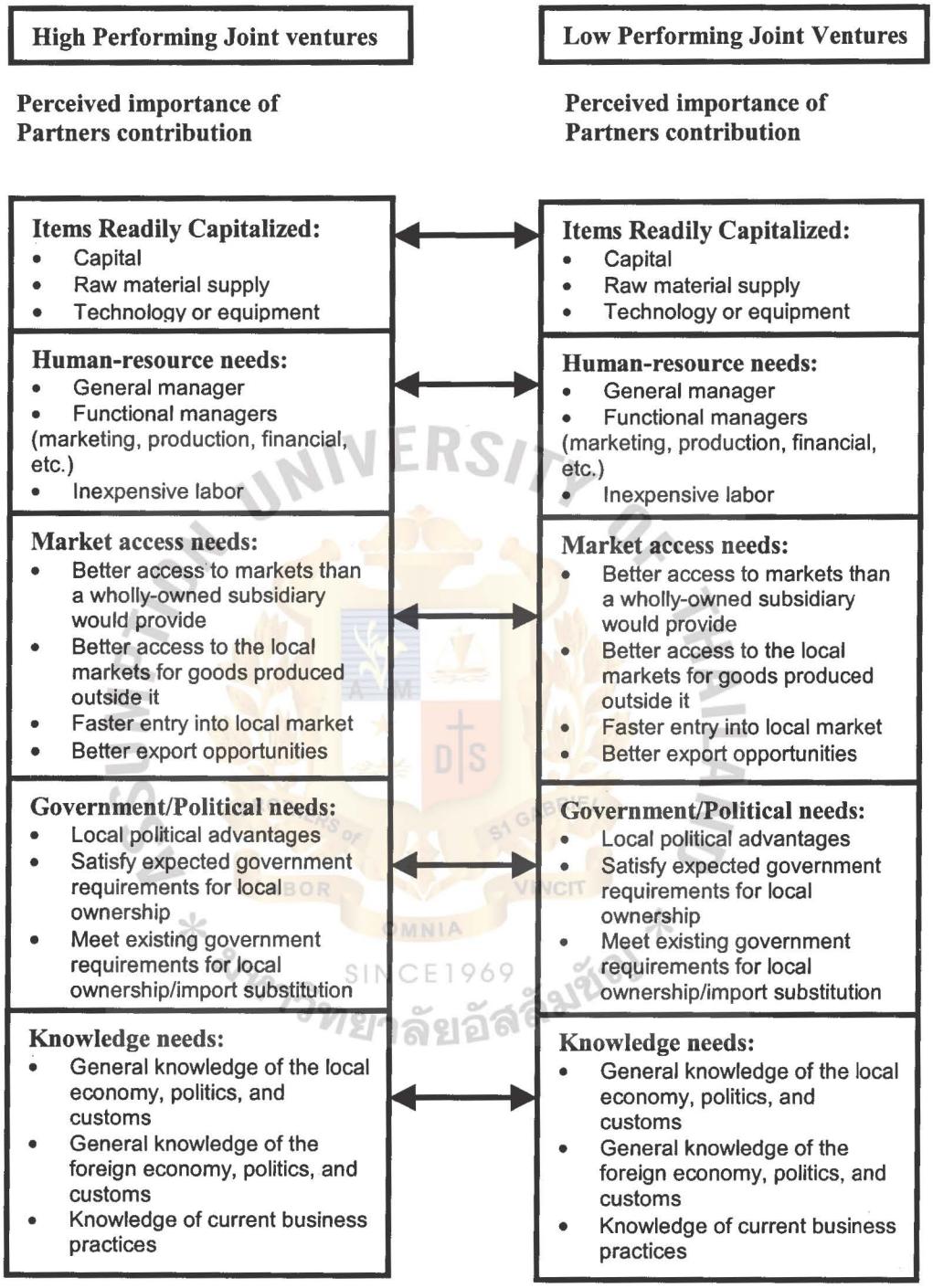
3.2 Conceptual Framework

The model represented in *figure 3.1* depicts the research framework identifying the specific variables that has an impact on the joint venture performance.

Figure 3.1 Diagram of Framework



3.2.1 Joint Venture Performance

This research's venture satisfaction is the informant's perception of venture performance. Joint venture performance – was defined according to whether there was mutual agreement between the partners regarding their overall satisfaction.

If the partners are satisfied with the joint venture performance the venture is considered as the high performing venture and if one or both of the partners are not satisfied with the joint venture overall performance then the venture is considered to be the low performing venture.

3.2.2 Partners Contribution

Partners' contributions are important to the ongoing process of joint venture management because the contributions and expected benefits of the participating firms are continually adjusted to align with shifts in relative power between the partners (Robinson, 1982). Many writers consider mutual long-term needs between partners an important issue in assessing a venture's potential. Any firms that does not need partner will not form a joint venture (Beamish, 1994).

There is a large number of potential partner needs, and these can be classified in various ways. In this research, partner needs are divided into five groups (items readily capitalized, human resource needs, market-access needs, government/political needs, and knowledge needs) of three (or in one case, four) items each. The items making up each of the five groups are discussed in turn.

Items readily capitalized implies for which the partners are needed for the "capital" (Roulac, 1980). The second reason for needing a partner was to ensure a "raw material supply". A third item was "technology or equipment". Many firms in developed countries look for the local partners as a means of spreading the introduction of their technology to as many markets as possible (Beamish, 1994).

Human-resource needs imply the partners' contribution as "general managers" representing one category, with all "functional managers" making up the second. The third human-resource need added here was to a "low cost labor force." Local partners may be more readily able to provide such a labor force than the multinational could if operating a wholly-owned subsidiary (Stopford and Wells, 1972).

Market access needs implies the first partner need as the "better access to the foreign local market for the goods produced outside it" and the second item regarded important contribution, by the MNE partners is "better access to markets than a wholly-owned subsidiary would provide"(Stopford and Wells, 1972) and "faster entry into local market"(Killing, 1978). Local partners may want a foreign partner for access to export markets and have "better export opportunities"(Janger, 1980).

Government / Political needs implies the local partners contribution to the venture. The three items namely "local political advantage", "satisfy expected government requirements for local ownership", and "meet existing government

requirements for local ownership or import substitution". Thus the three items of government/political need differ in concerns for existing requirements, possible requirements, and potential advantages.

Knowledge needs represents the general knowledge of the partners in terms of local and foreign economy, politics, and customs to reflect the perspective of partners. The final item was "knowledge of current business practices," which represented the other side of the foreign partners' need for an inexpensive labor force. In this case primary beneficiaries are local nationals: they acquire knowledge of, and experience with, current business practices in exchange for labor.

3.3 Rational and Hypothesis Development

After defining the important variables and establishing the relationships among them through logical reasoning in the theoretical or conceptual framework, it was appropriate to set whether the relationships those have been theorized do in fact hold true. So in this section the hypothesis can be defined as a logically conjectured relationship between two or more variables expressed in the form of testable statements. These relationships are conjectured on the basis of the network of associations established in the theoretical framework (Sekaran, 1992).

The research framework can be written in the following hypothesis form from this study. The hypotheses were based on the assumption that MNEs and

Host country executives of High performing ventures and Low performing ventures have the same degree of exposure to partner need.

Items readily capitalized

The idea that joint ventures pool partner contributions of expertise and other assets features prominently in the classical entry decision (Friedmann and Kalmanoff, 1961; Stopford and Wells, 1972). "Technology", defined as expertise pertaining specifically to the product of the joint venture (Blodgett, 1990). In attempt to achieve the maximum financial and operational synergies, two partners should be complementary in capital structure.

Human-resource needs

In joint venture people with different cultural backgrounds, career goals, and other human resource baggage often have to begin working together with little advance preparation (Cascio & Serapio, 1991). Human resource skills of local partners are key to the global accomplishment of foreign companies. The manager who has experience in dealing with the bureaucracy has to be attributed by the partners' superior skills in human resource management (Luo, 1998).

Market access needs

The foreign partner, in order to gain a foothold in an unfamiliar market, acquires a partner that can contribute local knowledge and marketing skills (Blodgett, 1990). Exporting is essential for process of development and through

experience in foreign markets (Bilkey, 1978). To preempt market opportunities and business potential (Beamish, 1993), a local partner's market power is a key asset.

Government / Political needs

The way of looking at government restrictions made it necessary to regard as exclusive partner contribution, in reality the local partner may make a real contribution (Blodgett, 1990) satisfying expected government requirements (Poynter, 1982) and meeting the existing government requirements (Hills, 1978).

Knowledge needs

Knowledge need was considered to mean a general familiarity with economic and political conditions in the host country and provision of a distribution network (Blodgett, 1990). Host partner usually contribute country-specific assets and knowledge of the socio-cultural and political environment (Beamish, 1985).

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Hence, from the above theory the researcher has drawn the following hypothesis;

Hypothesis

H_0: *There is no difference in partners' contribution, in terms of items readily capitalized, human-resource needs, market access needs, government/political needs, and knowledge needs, between the high performing and low performing joint ventures.*

H_a: *There is difference in partners' contribution, in terms of items readily capitalized, human-resource needs, market access needs, government/political needs, and knowledge needs, between the high performing and low performing joint ventures.*

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CHAPTER 4

RESEARCH METHODOLOGY

This chapter describes the methodology that was used to test the hypothesis developed in chapter 3. The process of sampling procedure and data collection and the Operationalization of variables are explained. A description of the questionnaire used for the survey in this research has been discussed, finally concluding by the analytical description of the statistical techniques used to process the data.

4.1 Data Source

Many past researchers in this topic of Joint venture performance have based their study on survey techniques. Based on the works of P. W. Beamish 1987, J. M. Geringer and L. Hebert and Killing 1983, this research has also incorporated survey techniques for the data.

4.1.1 Target population and sampling frame

The target populations in this research were the MNEs and Host country executives' performing the joint venture business and the venture are in manufacturing (rather than agriculture, service, tourism or energy based). Non-

manufacturing ventures were excluded because mixing joint ventures in a sample where the scale of investment is commonly much higher (energy) or lower (agriculture) could potentially affect the joint venture decision process. As shown in *table 4.1* manufacturing based joint venture business is 251 holding 51.3% of total joint ventures in Nepal.

The sampling frame used to select respondents for this research was obtained from the data in Ministry of Industry (Nepal), "List of Joint Venture Manufacturing industries", which is illustrated in *appendix A.*

The total population of 251 manufacturing joint ventures operating in Nepal was considered for the research.

Table 4.1 Joint Venture Projects Operating in Nepal

Joint Venture Projects Rs (000,000)

Type of Industries	No. of Industries	% of Total	Total Project cost	% of Total	Foreign Invest ment	% of Total	Total Employ ment	% of Total
Agriculture	11	2.2	587	1.0	75	0.6	811	1.1
Manufacturing	251	51.3	23724	40.3	4674	36.1	45271	63.3
Tourism	122	25.0	13495	22.9	3353	25.9	11716	16.4
Service	93	19.0	8724	14.8	2880	22.3	8098	11.3
Construction	5	1.0	294	0.5	93	0.7	570	0.8
Energy based	4	0.8	10883	18.5	1808	14.0	3912	5.5
Mineral based	3	0.6	1153	2.0	46	0.4	1129	1.6
Total	489	100.0	58860	100.0	12932	100.0	71507	100.0

Source: Ministry of Industry, HMG, December 25, 2000.

4.1.2 Target Respondents

The local partner, and MNE partner of the manufacturing joint venture business are selected as the respondents. The attempt to solicit information from both partners for each venture represents a major point of departure from many previous works on joint-venture performance. This is important because it provides a more balanced picture of the actual operation of the joint venture and increased confidence in the research findings (P.W. Beamish, 1987).

4.2 Census Survey

As the targeted population was less so the whole population is taken for the study. A census is an investigation of all the individual elements that make up the population: a total enumeration rather than a sample (Zikmund, 2000). The number of manufacturing joint ventures operating in Nepal is 251, so for the accuracy of the result total population was taken for the research.

4.3 Data Collection

Many previous studies on the partner need in the joint venture for the satisfactory performance have used secondary data for testing hypotheses (Franko, 1972, Robock and Simmonds, 1973). Although using existing data is popular in this field, recent studies have acknowledged the importance of survey data. Surveys offer the opportunity to gain insight into the partners' perspective and the factors that influence the partner selection. This research will incorporate survey techniques following the works of Beamish, 1994; Killing, 1983; Stopford and

Wells, 1972 and Raveed and Renforth, 1983 in the study of partner selection and performance in joint venture.

The survey used structured questionnaire, a question that imposes a limit on the number of allowable responses, to collect the primary data from respondents and bring to results of questionnaire to prove hypotheses (Zigmund, 1997).

The survey questionnaire was distributed through direct mail and subsequent follow-ups through the structured interviews and a self- administered questionnaire. These second phases of questionnaires were administered with the researcher present so that the questions could be immediately clarified. This also permits the checking of responses to ensure consistency with comments made earlier in the interview.

4.4 Data Measurement

This section will explain the operationalization of the various variables and how these variables have been used in the questionnaire.

4.4.1 Research Instrument/ questionnaire

The research instrument/questionnaire was designed based on the works of previous researchers in the current topics of partner needs, namely Beamish, 1994; Killing, 1983; Stopford and Wells, 1972 and Raveed and Renforth, 1983.

The questionnaire contained questions about the joint venture firm and specific questions to measure each variable in this research study. The questionnaire is attached in the *appendix B.*

4.4.2 Operationalization of variables

Joint-venture performance was measured whether there was mutual agreement between the partners regarding their overall satisfaction.

Items readily capitalized: This variable is measured by the partner's contribution in the joint venture through access to financial resources, managerial resources and compatibility of partner's technological capability (Roulac, 1980, Beamish, 1994).

Human-resource needs: The proxy variable, skill manpower resources, R&D capability and low unit cost of production made by the host and MNE partners, are used to measure this variable (Stopford and wells, 1972).

Market-access needs: This variable is measured by the host and MNE partners' contribution in joint venture to get the entry into either the local or foreign market and gaining the relative market strength (Stopford and Wells, 1972).

Government/political needs: The major sales to government, gaining political advantage and satisfying government requirements. These proxy variables are

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measured for the partners' contribution in joint venture for government/political needs (Beamish, 1994).

Knowledge needs: The country-related knowledge, local management and current business practices are the good indicators of the partners' contribution (Raveed and Renforth, 1983). These proxy variables are used to measure the partners' contribution for knowledge needs.

The operationalization of variables are summarized in *table 4.2*

4.5 Data Analysis

4.5.1 Statistics used

Data will be analyzed and summarized in a readable and easily interpretable form after the required data are collected. The Statistical package for Social Science (SPSS) will be utilized to summarize the data where needed. All statistical manipulations of the data will follow commonly accepted research practices. The form of data presentation from these procedures would also be presented in an easily interpretable format. Accuracy and cost minimization have been ensured for the performance of all the statistical procedures by computer software package. In order to predict values for a joint venture performance from the values for several partners needs variables; Independent Sample T-Test will be used to test the hypothesis.

- The first step in data analysis is to describe or summaries the data using descriptive statistics, descriptive statistics permit the researcher to describe meaningfully a set of data consisting of many figures with a small number of indices (Kitchens, 1998).

- Independent Sample T-Test is the test used to judge whether the two samples are independent of each other. It is used to test the difference between the population means to determine whether the mean response used under one condition is greater than the mean response under another condition (Kitchens, 1998).

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Table 4.2 Operationalization of the variables

Concept	Conceptual Definition	Operational Components	Questions in Questionnaire	Types of Measurement
Joint venture Performance	Picture emerged with its basis in both partners' are satisfied.	Mutual agreement between partners regarding overall satisfaction.	Q. 1	Nominal Scale
Items readily capitalized	The factor relates to Capital, raw material supply and technology or equipment for which partners are needed.	Access to financial resources Managerial resources of the partner. Compatibility of partner's technological capability.	Q. 2.1.2 Q. 2.1.1 Q. 2.1.12	Interval Scale
Human resource needs	Factors that relates to general manager, functional manager and inexpensive labor force for which foreign partners look in local partner.	Skill manpower resources. Existing R&D capability Relative low unit cost of production.	Q. 2.1.3 Q. 2.1.5 Q. 2.1.4	Interval Scale
Market-access needs	Factors which helps the partners to better access to foreign market and faster entry into either the local or foreign market	Better export opportunity for locally produced goods Relative local market strength and access to local market more quickly	Q. 2.1.7 Q. 2.1.6 Q. 2.1.8 Q. 2.1.16	Interval Scale
Government/ Political needs	Factors relate to meet and satisfy local government expectations, local political advantage to reduce political risk of intervention.	Political contacts/connections Political advantage. Meeting existing government requirements	Q. 2.1.9 Q. 2.1.11 Q. 2.1.10	Interval Scale
Knowledge needs	Factors needed in partner selection to have knowledge of local and foreign economy, politics and customs and of current business practices.	Local business knowledge. Favorable past associations with partner. Knowledge of economy, politics and culture.	Q. 2.1.15 Q. 2.1.14 Q. 2.1.13	Interval Scale

Table 4.3: Table of Hypothesis and statistics

Hypothesis	Statistics
H_0: There is no difference in partners' contribution, in terms of items readily capitalized, human-resource needs, market access needs, government/political needs, and knowledge needs, between the high performing and low performing joint ventures. H_1: There is difference in partners' contribution, in terms of items readily capitalized, human-resource needs, market access needs, government/political needs, and knowledge needs, between the high performing and low performing joint ventures	Independent Sample T-Test.

4.5.2 Statistical Interpretation

The independent sample T-Test is useful to study the underlying the relationship when the two samples are independent to each other. In T-test it is determine whether $\bar{y}_1 - y_2$ is significantly different from zero. Significant departures of a test statistics from a given value are measured by comparing the "standardized" test statistics and then finding the associated p-value.

In this research, the standardized test statistics is:

$$t = \frac{\bar{y}_1 - \bar{y}_2}{\sqrt{s^2_1/n_1 + s^2_2/n_2}}$$

The p-value is the probability on the tail of the sampling distribution of the test statistics beyond the observed value of test statistics.

P value = p ($t < t_{obs}$), where t_{obs} is found by substituting the observed values of n_1, n_2, $\overline{y_1}$, $\overline{y_2}$, s_1 and s_2 into the formula for *t*.

In this research study of the hypothesis, the null hypothesis is rejected if the test is significant at the 5 percent level of significance.

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CHAPTER 5

DATA ANALYSIS

The current chapter contains four sections. The first section pertains to the Descriptive analysis. The analysis of the collected data from the questionnaires. Analysis is the application of logic to understand and interpret the data that has been collected about the subject.

The second section of the chapter is Test of Hypotheses Results. Every hypothesis had been tested individually using SPSS version 11. The results are presented in the form of tables with the SPSS output values.

The third section presents a summary of results of hypotheses. It is a tabular representation of the SPSS outputs with the corresponding methods used for every hypothesis and decisions made accordingly

The last section of the chapter is Explanation of the Results. The results are explained in sequence with the hypotheses. Critical analysis of the results is carried out keeping in view the research questions and objectives.

5.1 Profile of the Sample

The initial mailing of the questionnaire to the total population, 251 manufacturing joint ventures, identified in the response resulted in 35 (13.94%) sets of questionnaire. A telephone call was made in advance to all the non-responding ventures in order to get an appointment with the partners to fill out the questionnaire in researcher present.

The second attempt resulted in additional 26 responses. Thus, a total of 61 (24.30%) sets of filled questionnaire were collected, which was used in the analysis of the data.

The entire population of 251 manufacturing joint venture business operating in Nepal identified by the Ministry of Industry, Nepal was surveyed in this study. Statistical results were analyzed using the 61 (24.30%) response sets. Of that number, 20 (32.79%) were low performing ventures and 41 (67.21%) were high performing ventures.

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Partners Contribution in Joint Venture.

Table 5.1 Perception of partners in Low Performing Joint Venture

Contribution	Local Partners Perception		MNE Partner Perception	
	MEAN	S.D	MEAN	S.D
1. Raw material supply	2.30	1.22	1.60	.50
2. Capital	1.65	.49	1.50	.51
3. General managers	1.75	.64	2.15	.93
4. Relative low unit cost of production	1.00	.00	1.40	.60
5. Functional managers	2.45	.83	1.15	.37
6. Relative market strength	1.25	.44	1.75	.72
7. Better Export opportunity	3.9	.64	1.10	.45
8. Access to local market	1.10	.31	2.30	.66
9. Political contacts/connections	1.00	.00	3.40	.60
10. Meeting existing government requirements	1.00	.00	3.75	.64
11. Local political advantage	1.00	.00	3.20	.77
12. Compatibility of partner's technological capability	3.60	.82	1.50	.69
13. Knowledge of local economy, politics and customs	1.15	.37	2.05	.83
14. Knowledge of foreign economy, politics and customs	1.75	.97	1.35	.59
15. Local business knowledge	1.05	.22	2.50	.69
16. Compatible style of management	2.40	1.23	1.35	.49

From *table 5.1*, 16 contributions are listed and both local and MNE are asked to rate which contribution they think their partner has make the important the most. The result shows that in the local partner's perception in the Low Performing Joint Ventures, think that their partner contribute them to have better export opportunities which has the mean scores of 3.9 as well as such low performing joint ventures local partner strongly agree that their partner can not contribute them to have relative low cost of production, political contacts, meeting existing government requirement and local political advantage which reflect the mean scores of only 1.00. Likewise, for the MNE's partners' in a Low performing Joint Venture think that their local partner contribute them to meet the existing government requirements which has the mean scores of 3.75 and such low

performing MNE also perceive that their local partner cannot contribute them to have better export opportunities.

Table 5.2

Your industry typ		IDEAL	HRNEED	MRTACC	GOVE	KNOWLED
Local Partner	Mean	2.5167	1.7333	2.1625	1.0000	1.3167
	Std. Deviatior	.7530	.3988	.4608	.0000	.4115
MNE Partner	Mean	1.5333	1.5667	1.6250	3.4500	1.9667
	Std. Deviatior	.4244	.4472	.4253	.5648	.5914
Total	Mean	2.0250	1.6500	1.8938	2.2250	1.6417
	Std. Deviatior	.7822	.4267	.5154	1.3017	.6010

From *table 5.2*, 16 Contributions are group according to the theory so the 5 categories of major contributions are formed which are Item Readily Capitalized, Human-Resource Needs, Market Access Needs, Government/Political Needs, and Knowledge Needs. For the Low Performing Joint Ventures Local Partner, they perceive the most importance contribution in which their partners contribute to them is the Item Readily Capitalized. Their partners have spread the capital, the technology and raw material supply quite well to them, because of the highest mean score of 2.5167. And for the Low Performing Joint Ventures MNE's partner, they perceive the most important contribute they get from their partner is the Government/Political Needs. Local partners' can make MNE's easy to cope with the Government and Political Regulations because of the highest mean scores of 3.45.

Table 5.3 Perception of partners in High Performing Joint Venture

Contribution	Local Partners Perception		MNE Partner Perception	
	MEAN	S.D	MEAN	S.D
1. Raw material supply	3.68	.72	1.46	.50
2. Capital	2.02	.82	1.51	.55
3. General managers	2.10	.58	4.39	.63
4. Relative low unit cost of production	1.10	.30	1.73	.55
5. Functional managers	2.90	.70	1.24	.43
6. Relative market strength	1.51	.75	2.29	.78
7. Better Export opportunity	4.59	.50	1.00	.00
8. Access to local market	1.20	.40	2.71	.96
9. Political contacts/connections	1.00	.00	3.49	.55
10. Meeting existing government requirements	1.02	.16	4.05	.59
11. Local political advantage	1.00	.00	3.56	.63
12. Compatibility of partner's technological capability	4.02	.91	1.90	.77
13. Knowledge of local economy, politics and customs	1.51	.68	4.10	.94
14. Knowledge of foreign economy, politics and customs	2.54	.78	1.80	.51
15. Local business knowledge	1.17	.38	4.49	.64
16. Compatible style of management	2.88	.78	2.46	.92

From *table 5.3*, 16 contributions also listed for the high performing joint ventures, and they are asked to rate what are the important contributions made by their partners'. Among the High performing Joint Ventures, local partners agree that their MNE's partners provide them well in term of the opportunities for export which has the mean scores of 4.59. But for the worst contribution that the High Performing Joint Ventures get from their partners is the Political Contacts and connections, which have the means scores of only 1.00. Likewise, among the High Performing MNE's Partners', they perceive that what the local partners have contributed to them is the local business knowledge, which has the mean scores of 4.49 followed by the knowledge of local economy, politics and customs. And for the contribution in which the MNE strongly disagrees because their local partners cannot contribute to them well is on the functional managers.

Table 5.4

Your industry typ		IDEAL	HRNEED	MRTACC	GOVE	KNOWLED
Local Partner	Mean	3.2439	2.0325	2.5427	1.0081	1.7398
	Std. Deviation	.4348	.3786	.3787	5.206E-02	.4973
MNE Partner	Mean	1.6260	2.4553	2.1159	3.6992	3.4634
	Std. Deviation	.3958	.2959	.5866	.4269	.5264
Total	Mean	2.4350	2.2439	2.3293	2.3537	2.6016
	Std. Deviation	.9128	.3991	.5356	1.3871	1.0054

From *table 5.4*, the 16 contributions are also grouped into five major contributions according to the theory. For high performing joint venture's local partner, they perceive that the most important contribution that they get from their partner is the Item Readily capitalized which has the mean scores of 3.2439 and the contribution that their partner cannot contribute them well is the Government and Political Needs. Moreover, for the High Performing joint venture's MNE partners perceive that their local partners contribute them well in term of Government and Political Needs which has the mean scores of 3.6992 but the MNE partner thinks that their local partner have not made important contribution on the Items Readily Capitalized

5.2 Test of Hypothesis Result

The Independent-Samples T Test procedure is used for comparing means for two groups of cases. Ideally, for this test, the subjects should be randomly assigned to two groups which are low performing joint venture and high performing joint venture. The statistically t value will be computed using SPSS. The test value below the confident level of 95% will be said to the rejection of the null hypothesis.

5.2.1 MNE's partners' contribution in high and low performing joint venture

Table 5.5 Independent Sample t Test for Items Readily Capitalized

Group Statistics

	Perfomance Type	N	Mean	Std. Deviation	Std. Error Mean
Items Readily	low	20	2.5167	.7530	.1684
	High	41	3.2439	.4348	6.790E-02

Independent Samples Test

		Levene's Test for Equality of Variances		t-test for Equality of Means						
									95% Confidence Interval of the Difference	
		F	Sig.	t	df	Sig. (2-tailed)	Mean Difference	Std. Error Difference	Lower	Upper
Items Readily	Equal variances assumed	13.204	.001	-4.783	59	.000	-.7272	.1520	-1.0315	-.4230
	Equal variances not assumed			-4.006	25.364	.000	-.7272	.1815	-1.1009	-.3536

H1o : There is no difference in partner's contribution between high performing and low performing Joint Ventures in term of Items Readily Capitalized.

H1a : There is difference in partner's contribution between high performing and low performing Joint Ventures in term of Items Readily Capitalized.

Decision Rule:

If t-value > 0.05; Failed to reject null hypothesis

If t-value < 0.05; Reject null hypothesis.

Significant level:

T-test output with a significance value of 0.000 was less than 0.05. Therefore, null hypothesis was rejected, indicating the difference in MNE's partners' contribution between the high and low performing joint ventures in terms of items readily capitalized.

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Table 5.6 Independent Sample t Test for Human Resource need

Group Statistics

	Perfomance Type	N	Mean	Std. Deviation	Std. Error Mean
Human Resource Needs	low	20	1.7333	.39883	.08918
	High	41	2.0325	.37863	.05913

Independent Samples Test

		Levene's Test for Equality of Variances		t-test for Equality of Means						
									95% Confidence Interval of the Difference	
		F	Sig.	t	df	Sig. (2-tailed)	Mean Difference	Std. Error Difference	Lower	Upper
Human Resource Needs	Equal variances assumed	.484	.489	-2.847	59	.006	-.2992	.10508	-.50944	-.08893
	Equal variances not assumed			-2.796	36.068	.008	-.2992	.10700	-.51619	-.08219

H2o : There is no difference in partner's contribution between high performing and low performing Joint Ventures in term of Human Resource need.

H2a : There is difference in partner's contribution between high performing and low performing Joint Ventures in term of Human Resource need.

Decision Rule:

If t-value > 0.05; Failed to reject null hypothesis

If t-value < 0.05; Reject null hypothesis.

Significant level:

T-test output with a significance value of 0.006 was less than 0.05. Therefore, null hypothesis was rejected, indicating the difference in MNE's partners' contribution between the high and low performing joint ventures in terms of human resource needs.

Table 5.7 Independent sample t test for Market Access need

Group Statistics

	Perfomance Type	N	Mean	Std. Deviation	Std. Error Mean
Market Access	low	20	2.1625	.46080	.10304
	High	41	2.5427	.37874	.05915

Independent Samples Test

		Levene's Test for Equality of Variances		t-test for Equality of Means						
									95% Confidence Interval of the Difference	
		F	Sig.	t	df	Sig. (2-tailed)	Mean Difference	Std. Error Difference	Lower	Upper
Market Access	Equal variances assumed	1.259	.266	-3.425	59	.001	-.3802	.11100	-.60230	-.15807
	Equal variances not assumed			-3.200	31.938	.003	-.3802	.11881	-.62221	-.13816

H3o : There is no difference in partner's contribution between high performing and low performing Joint Ventures in term of Market Access need.

H3a : There is difference in partner's contribution between high performing and low performing Joint Ventures in term of Market Access need.

Decision Rule:

If t-value > 0.05; Failed to reject null hypothesis

If t-value < 0.05; Reject null hypothesis.

Significant level:

T-test output with a significance value of 0.001 was less than 0.05. Therefore, null hypothesis was rejected, indicating the difference in MNE's partners' contribution between the high and low performing joint ventures in terms of market access need.

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Table 5.8 Independent sample t Test for Government/Political need

Group Statistics

	Perfomance Type	N	Mean	Std. Deviation	Std. Error Mean
Government/Political Needs	low	20	1.0000	.00000	.00000
	High	41	1.0081	.05206	.00813

Independent Samples Test

		Levene's Test for Equality of Variances		t-test for Equality of Means						
									95% Confidence Interval of the Difference	
		F	Sig.	t	df	Sig. (2-tailed)	Mean Difference	Std. Error Difference	Lower	Upper
Government /Political Needs	Equal variances assumed	2.035	.159	-.695	59	.490	-.0081	.01169	-.03152	.01526
	Equal variances not assumed			-1.000	40.000	.323	-.0081	.00813	-.02456	.00830

H4o : There is no difference in partner's contribution between high performing and low performing Joint Ventures in term of Government/Political need.

H4a : There is difference in partner's contribution between high performing and low performing Joint Ventures in term of Government/Political need.

Decision Rule:

If t-value > 0.05; Failed to reject null hypothesis

If t-value < 0.05; Reject null hypothesis.

Significant level:

T-test output with a significance value of 0.490 was greater than 0.05. Hence, failed to reject null hypothesis, indicating no difference in MNE's partners' contribution between the high and low performing joint ventures in terms of government/political need.

Table 5.9 Independent sample t test for Knowledge need

Group Statistics

	Perfomance Type	N	Mean	Std. Deviation	Std. Error Mean
Knowledge Needs	low	20	1.3167	.41146	.09200
	High	41	1.7398	.49728	.07766

Independent Samples Test

		Levene's Test for Equality of Variances		t-test for Equality of Means						
									95% Confidence Interval of the Difference	
		F	Sig.	t	df	Sig. (2-tailed)	Mean Difference	Std. Error Difference	Lower	Upper
Knowledge Needs	Equal variances assumed	.643	.426	-3.292	59	.002	-.4232	.12856	-.68042	-.16592
	Equal variances not assumed			-3.515	44.895	.001	-.4232	.12040	-.66569	-.18066

H5o : There is no difference in partner's contribution between high performing and low performing Joint Ventures in term of Knowledge need.

H5a : There is difference in partner's contribution between high performing and low performing Joint Ventures in term of Knowledge need.

Decision Rule:

If t-value > 0.05; Failed to reject null hypothesis

If t-value < 0.05; Reject null hypothesis.

Significant level:

T-test output with a significance value of 0.002 was less than 0.05. Therefore, null hypothesis was rejected, indicating the difference in MNE's partners' contribution between the high and low performing joint ventures in terms of knowledge needs.

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5.1.2 Local partners' contribution in high and low performing joint ventures

Table 5.10 Independent Sample t Test for Items Readily Capitalized

Group Statistics

	Perfomance Type	N	Mean	Std. Deviation	Std. Error Mean
Items Readily	low	20	1.5333	.4244	9.490E-02
	High	41	1.6260	.3958	6.181E-02

Independent Samples Test

		Levene's Test for Equality of Variances		t-test for Equality of Means						
									95% Confidence Interval of the Difference	
		F	Sig.	t	df	Sig. (2-tailed)	Mean Difference	Std. Error Difference	Lower	Upper
Items Readily	Equal variances assumed	.757	.388	-.839	59	.405	-9.27E-02	.1105	-.3138	.1285
	Equal variances not assumed			-.818	35.5	.419	-9.27E-02	.1133	-.3225	.1371

H1o : There is no difference in partner's contribution between high performing and low performing Joint Ventures in term of Items Readily Capitalized.

H1a : There is difference in partner's contribution between high performing and low performing Joint Ventures in term of Items Readily Capitalized.

Decision Rule:

If t-value > 0.05; Failed to reject null hypothesis

If t-value < 0.05; Reject null hypothesis.

Significant level:

T-test output with a significance value of 0.405 was greater than 0.05. Hence, failed to reject null hypothesis, indicating no difference in Local partners' contribution between the high and low performing joint ventures in terms of items readily capitalized.

Table 5.11 Independent Sample t Test for Human Resource need

Group Statistics

	Perfomance Type	N	Mean	Std. Deviation	Std. Error Mean
Human Resource Needs	low	20	1.5667	.4472	.1000
	High	41	2.4553	.2959	4.621E-02

Independent Samples Test

		Levene's Test for Equality of Variances		t-test for Equality of Means						
									95% Confidence Interval of the Difference	
		F	Sig.	t	df	Sig. (2-tailed)	Mean Difference	Std. Error Difference	Lower	Upper
Human Resource Needs	Equal variances assumed	9.181	.004	-9.262	59	.000	-.8886	9.595E-02	-1.0806	-.6966
	Equal variances not assumed			-8.067	27.386	.000	-.8886	.1102	-1.1145	-.6627

H2o : There is no difference in partner's contribution between high performing and low performing Joint Ventures in term of Human Resource need.

H2a : There is difference in partner's contribution between high performing and low performing Joint Ventures in term of Human Resource need.

Decision Rule:

If t-value > 0.05; Failed to reject null hypothesis

If t-value < 0.05; Reject null hypothesis.

Significant level:

T-test output with a significance value of 0.000 was less than 0.05. Therefore, null hypothesis was rejected indicating a difference in Local partners' contribution between the high and low performing joint ventures in terms of human resource need.

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Table 5.12 Independent Sample t test for Market Access need

Group Statistics

	Perfomance Typ	N	Mean	Std. Deviation	Std. Error Mean
Market Acces	low	20	1.6250	.4253	9.511E-02
	High	41	2.1159	.5866	9.161E-02

Independent Samples Test

		Levene's Test for Equality of Variances		t-test for Equality of Means						
									95% Confidence Interval of the Difference	
		F	Sig.	t	df	Sig. (2-tailed)	Mean Difference	Std. Error Difference	Lower	Upper
Market Access	Equal variances assumed	2.7	.103	-3.333	59	.001	-.4909	.1473	-.7855	-.1962
	Equal variances not assumed			-3.717	50.116	.001	-.4909	.1321	-.7561	-.2256

H3o : There is no difference in partner's contribution between high performing and low performing Joint Ventures in term of Market Access need.

H3a : There is difference in partner's contribution between high performing and low performing Joint Ventures in term of Market Access need.

Decision Rule:

If t-value > 0.05; Failed to reject null hypothesis

If t-value < 0.05; Reject null hypothesis.

Significant level:

T-test output with a significance value of 0.001 was less than 0.05. Therefore, null hypothesis was rejected, indicating a difference in Local partners' contribution between the high and low performing joint ventures in terms of items market access need.

Table 5.13 Independent Sample t Test for Government/Political need

Group Statistics

	Perfomance Type	N	Mean	Std. Deviation	Std. Error Mean
Government/Political Needs	low	20	3.4500	.5648	.1263
	High	41	3.6992	.4269	6.667E-02

Independent Samples Test

		Levene's Test for Equality of Variances		t-test for Equality of Means						
									95% Confidence Interval of the Difference	
		F	Sig.	t	df	Sig. (2-tailed)	Mean Difference	Std. Error Difference	Lower	Upper
Government /Political Needs	Equal variances assumed	1.437	.235	-1.921	59	.060	-.2492	.1297	-.5088	.0104
	Equal variances not assumed			-1.745	29.960	.091	-.2492	.1428	-.5409	.0425

H4o : There is no difference in partner's contribution between high performing and low performing Joint Ventures in term of Government/Political need.

H4a : There is difference in partner's contribution between high performing and low performing Joint Ventures in term of Government/Political need.

Decision Rule:

If t-value > 0.05; Failed to reject null hypothesis

If t-value < 0.05; Reject null hypothesis.

Significant level:

T-test output with a significance value of 0.060 was greater than 0.05. Hence, failed to reject null hypothesis, indicating no difference in Local partners' contribution between the high and low performing joint ventures in terms of government/political need.

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Table 5.14 Independent Sample t Test for Knowledge need

Group Statistics

	Perfomance Type	N	Mean	Std. Deviation	Std. Error Mean
Knowledge Needs	low	20	1.9667	.5914	.1322
	High	41	3.4634	.5264	8.221E-02

Independent Samples Test

		Levene's Test for Equality of Variances		t-test for Equality of Means						
									95% Confidence Interval of the Difference	
		F	Sig.	t	df	Sig. (2-tailed)	Mean Difference	Std. Error Difference	Lower	Upper
Knowledge Needs	Equal variances assumed	.000	.998	-10.011	59	.000	-1.4967	.1495	-1.7959	-1.1976
	Equal variances not assumed			-9.613	34.106	.000	-1.4967	.1557	-1.8131	-1.1804

H5o : There is no difference in partner's contribution between high performing and low performing Joint Ventures in term of Knowledge need.

H5a : There is difference in partner's contribution between high performing and low performing Joint Ventures in term of Knowledge need.

Decision Rule:

If t-value > 0.05; Failed to reject null hypothesis

If t-value < 0.05; Reject null hypothesis.

Significant level:

T-test output with a significance value of 0.000 was less than 0.05. Therefore, null hypothesis was rejected, indicating a difference in Local partners' contribution between the high and low performing joint ventures in terms of knowledge need.

5.3. Summary of results from hypothesis testing

5.3.1 MNE Partners Contribution

Table 5.15

Hypothesis	Statistics Test	Level of Significance	Result
H1o: There is no difference in partner's contribution between high performing and low performing Joint Ventures in term of Items Readily Capitalized.	T-Test	.000	Reject null hypothesis
H2o: There is no difference in partner's contribution between high performing and low performing Joint Ventures in term of Human resource needs.	T-Test	.006	Reject null hypothesis
H3o: There is no difference in partner's contribution between high performing and low performing Joint Ventures in term of Market Access needs.	T-Test	.001	Reject null hypothesis
H4o: There is no difference in partner's contribution between high performing and low performing Joint Ventures in term of Government/Political needs.	T-Test	.490	Failed to reject null hypothesis
H5o: There is no difference in partner's contribution between high performing and low performing Joint Ventures in term of Knowledge needs.	T-Test	.002	Reject null hypothesis

5.3.2 Local Partners Contribution

Table 5.16

Hypothesis	Statistics Test	Level of Significance	Result
H1o: There is no difference in partner's contribution between high performing and low performing Joint Ventures in term of Items Readily Capitalized.	T-Test	.405	Failed to reject null hypothesis
H2o: There is no difference in partner's contribution between high performing and low performing Joint Ventures in term of Human resource needs.	T-Test	.000	Reject null hypothesis
H3o: There is no difference in partner's contribution between high performing and low performing Joint Ventures in term of Market Access needs.	T-Test	.001	Reject null hypothesis
H4o: There is no difference in partner's contribution between high performing and low performing Joint Ventures in term of Government/Political needs.	T-Test	.060	Failed to reject null hypothesis
H5o: There is no difference in partner's contribution between high performing and low performing Joint Ventures in term of Knowledge needs.	T-Test	.000	Reject null hypothesis

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5.4 Explanation of the Results

5.4.1 MNE's partners' perception towards Local partner's contribution in High and Low performing joint ventures

5.4.1.1 Items Readily Capitalized

T-test with a significance value of .405 indicated an existence of no difference in the contribution of Items readily capitalized between the high and low performing joint ventures.

The local partner is likely to be considerably smaller that the MNE partner, rapid expansion of the venture can require substantial capital infusions that the less developed country partner may not be able to provide. Previous empirical studies have confirmed the findings (Geringer, 1990) that local partners looked for the foreign partner to form a joint venture to get resources, technology, and experience in its applications.

5.4.1.2 Human Resource needs

T-test with a significance value of .000 indicated an existence of difference in the contribution of Human Resource needs between the high and low performing joint ventures.

The reason being that a good national knows how to move around the local government bureaucracy. Dealing with the local elites, business people, politicians,

and ability to run an operation effectively, general manager plays an important role. Previous empirical studies of Beamish (1994) have confirmed the findings that have made similar analysis using general manager as a proxy to measure the human-resource needs in joint venture.

There was total agreement that any potential beneficial effect of lower wage rates was negated by the impact of overemployment, generally poorer employee training and working conditions, and a different work ethic.

5.4.1.3 Market Access needs

T-test with a significance value of .001 indicated an existence of difference in the contribution of Market Access needs between the high and low performing joint ventures.

Previous empirical studies have confirmed the findings (Luo, 1997) that the local partner's market experience and accumulated industrial knowledge are of great value to the realization of venture success. Lengthy industrial/market experience signifies that the local firm has built an extensive marketing and distribution network. Local partners' marketing competencies in distribution channels, promotional skills, and relationships with major buyers, and wholesalers are fundamentally important for foreign partners seeking market position and power in local market. The time and cost involved in developing knowledge and expertise in local market are costly and time consuming thus, it is beneficial for the MNE partner to locate a skilled local partner

which will provide the firm with all the local market knowledge, and access to distribution.

5.4.1.4 Government/Political needs

T-test with a significance value of .060 indicated an existence no difference in the contribution of Government/Political needs between the high and low performing joint ventures. This shows that the MNE's partners' perceive that the local partners' contribution in terms of Government/Political needs in high and low performing joint ventures is same.

Multinationals formed joint venture in less developed countries for a variety of government-related reasons. These range from the MNEs being legislatively required to become a joint venture to multinationals seeking an advantage in attaining government contracts by having local ownership. Pervious empirical studies have confirmed the findings (Beamish, 1985) that have made similar analysis using government/political needs as a proxy to measure the local partners contribution.

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5.4.1.5 Knowledge needs

T-test with a significance value of .000 indicated an existence of difference in the contribution of Knowledge needs between the high and low performing joint ventures. This shows that the MNE's partners' perceive that the local partners' contribution in terms of Knowledge needs in high and low performing joint ventures is not same.

Previous empirical studies have confirmed the findings (Hitt, 1997) that partners from developed countries look to the partners from lesser developed countries to provide access to local knowledge, including customs and business practices, political connections. MNE partners from the high performing ventures seek the partners who have a better knowledge of current business practices and knowledge of the local economy for the successful operation and establishment of the joint ventures.

5.4.2 Local partners' perception towards MNE's partner's contribution in High and Low performing joint ventures

5.4.2.1 Items Readily Capitalized

T-test with a significance value of .000 indicated an existence of difference in the contribution of Items readily capitalized between the high and low performing joint ventures. This shows that the local partners' perceive that the MNE's partners' contribution in terms of Items readily capitalized in high and low performing joint ventures is not same.

The MNE partner in high performing withholds some technologies, and raw materials supply to the perceived detriment of the joint venture. New technology extensions developed within the venture are more widely used by the MNE partner's. MNEs were able to transfer successfully both physical goods and processes to a local country. MNE partner in the low performing joint venture increasingly looked to their

local partners for a raw material contribution. The local partners did not consider capital contribution important.

5.4.2.2 Human Resource needs

T-test with a significance value of .006 indicated an existence of difference in the contribution of Human Resource needs between the high and low performing joint ventures. This shows that the local partners perceive' that the MNE's partners' contribution in terms of Human Resource needs in high and low performing joint ventures is not same.

Giving the large expenses of maintaining expatriate managers in foreign countries, many multinationals try to minimize the use of foreign managers.

5.4.2.3 Market Access needs

T-test with a significance value of .001 indicated an existence of difference in the contribution of Market Access needs between the high and low performing joint ventures.

Previous empirical studies have confirmed the findings (Miller and Glen, 1996) that MNE would prefer not to allow the local partners to export products into own foreign markets. The developing country partner, however, often has quite different ideas, looking to the venture as a natural vehicle for expanding into foreign markets. In most of the agreements exports were restricted in one way or another. Foreign partner's exports products by themselves but the joint venture partners may

agree to set the export price of its products. Better export opportunities allow the joint venture to increase sales and profit.

5.4.2.4 Government/Political needs

T-test with a significance value of .490 indicated an existence no difference in the contribution of Government/Political needs between the high and low performing joint ventures.

Foreign partner prefer joint venture rather than wholly-owned subsidiary is to get the political, and meeting and satisfying government requirements through the right choice of local partners. A joint venture provides the company with a local partner who has knowledge about the government and political legislation. Many previous empirical studies have confirmed these findings (Geringer, 1990; Beamish 1994).

5.4.2.5 Knowledge needs

T-test with a significance value of .002 indicated an existence of difference in the contribution of Knowledge needs between the high and low performing joint ventures.

Local partners consisted with their looking to the MNE partners for better export opportunities. With the knowledge of foreign economy, politics and customs they were exporting the products to the foreign market.

CHAPTER 6

SUMMARY FINDINGS, CONCLUSION AND RECOMMENDATION

The current chapter contains four sections. The first section presents summary findings of the research. It is geared towards providing answers in brief statements to the questions, objectives and hypotheses.

The second section is conclusion where important findings are discussed and concluding statements are drawn from the entire study.

The third section is recommendations, which provides specific solutions based on the result of the study. Recommendations are vividly stated in points followed by brief explanation.

The last section is suggestions for future research, which provides the further interesting in-depth study in other fields.

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6.1 Summery of Findings

This research was conducted to study the important of partners' contribution in the perception of local partner and MNE's partner of high- and low-performing joint venture partners; and to know whether the partners' contribution in the high- and low-performing joint ventures is same.

The main research questions of the study are as shown as follows:

1. What are the important partner contributions in the perception of high- and low-performing joint venture partners, which results in more satisfactory performance?

2. Are the important contributions to partners in the high- and low- performing ventures same?

The main objective of the study are shown as follows:

- To compare partner selection criteria of high- and low- performing joint ventures in terms of perceived importance of partners' contribution.

- To improve the partner selection process following the criteria of high performing joint ventures.

The following summary findings provide answers to objective and hypothesis:

- **Items Readily Capitalized:**

Local partners' perceive that there is a difference in the contributions made by the MNE's partners' in High and low performing joint ventures but on the other hand MNE's partners' perceive that there is no difference in the contributions made by the local partners' between high and low performing joint ventures.

Three variables were categorized under the Items Readily Capitalized to perceive the importance of partners' contributions of local partner and MNE's partner.

Local partner in the low performing joint venture perceives that his partner has made important contribution by providing technology or equipment and regards that they have not made an important contribution in Capital and Raw material supply.

Local partner in the high performing joint venture perceives that his partner has made important contributions by providing technology or equipment and raw materials but did not make a important contribution in financial resources.

MNE's partners' of high and low performing joint venture perceives that their Local partners' had not made an important contribution for the Items readily capitalized.

- **Human Resource need**

Local partners' perceive that there is a difference in the contributions made by the MNE's partners' in High and low performing joint ventures but on the other hand MNE's partners' also perceives that there is difference in the contributions made by the local partners' between high and low performing joint ventures.

Three variables were categorized under the Human Resource needs to perceive the importance of partners' contributions of local partner and MNE's partner.

5 Local partners' in low performing joint ventures considered that MNE's partners' has made an important contribution for the functional manager's while other local partners had a perception that MNE's partners' did not make important contributions for the Human Resource needs.

Local partners' of high performing joint venture perceives that their MNE's partners' had not made an important contribution for the Human Resource needs.

MNE's Partners' of Low performing joint ventures perceives that Local partners' had not made important contributions for the Human Resource needs.

MNE's partners' of High performing joint ventures perceives that Local partners' had made an important contributions for the general manager but MNE's partners regards that they had not made an important contributions for the functional managers and inexpensive labor.

- **Market Access needs**

Local partners' perceive that there is a difference in the contributions made by the MNE's partners' in High and low performing joint ventures but on the other hand MNE's partners' also perceives that there is difference in the contributions made by the local partners' between high and low performing joint ventures.

Four variables were categorized under the Market access needs to perceive the importance of partners' contributions of local partner and MNE's partner.

Local partners' of low performing joint venture's perception towards MNE's partners' contributions on the better export opportunities were uniformly distributed but local partners' perceives that they not made an important contributions for better access to market than a wholly-owned subsidiary would provide, better access to the local markets for the goods produced outside it, and faster entry into local market.

Local partners' of high performing joint venture perceives that MNE's partners' had made in important on the better export opportunities but regards that they had not made an important contributions for better access to market than a wholly-owned subsidiary would provide, better access to the local markets for the goods produced outside it, and faster entry into local market.

MNE's partners' in the low performing joint venture perceives that local partners' had not made an important contribution for market access needs.

15 MNE's partners' in the high performing joint venture perceives that local partners' has made an important contribution on better access to the local market, and faster entry into local market but had not made an important contribution for better

export opportunities, and better access to markets than a wholly-owned subsidiary would provide. Responses of other MNE's partners' were uniformly distributed.

- **Government/Political needs**

Local partners' perceive that there is no difference in the contributions made by the MNE's partners' in High and low performing joint ventures. MNE's partners' also perceives that there is no difference in the contributions made by the local partners' between high and low performing joint ventures.

Three variables were categorized under the Government/Political needs to perceive the importance of partners' contributions of local partner and MNE's partner.

Local partners' in high and low performing joint venture perceived that MNE's partners' had not made an important contribution for the government/Political needs.

MNE's partners' in high and low performing joint ventures perceived that local partners' had made an important contribution for local political advantage, satisfying expected government requirements for local ownership, and meeting existing government requirements for local ownership or import substitution.

- **Knowledge needs**

Local partners' perceive that there is difference in the contributions made by the MNE's partners' in High and low performing joint ventures. MNE's partners' also perceives that there is difference in the contributions made by the local partners' between high and low performing joint ventures.

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Three variables were categorized under the Knowledge needs to perceive the importance of partners' contributions of local partner and MNE's partner.

Local partners' in the low performing joint venture perceived that MNE's partners' had not made an important contribution for the Knowledge needs.

15 Local partners' in the low performing joint venture perceived that MNE's partners' had made an important contribution for the general knowledge of the foreign economy but had not made an important contribution on the general knowledge of the local economy, politics, and customs, and knowledge of current business practices.

9 MNE's partners' in the low performing joint venture perceived that local partners' had made an important contribution on the knowledge of current business practices but had not made an important contribution on general knowledge of the local economy, politics, and customs, and general knowledge of the foreign economy, politics, and customs.

MNE's partners' in the high performing joint venture perceived that local partners' had made an important contribution on the knowledge of current business practices, and general knowledge of the local economy, politics, and customs.

Table 6.1 Important contributions made by the local partners' in high performing joint ventures:

Important contributions	Unimportant contributions
1. Local business knowledge	1. Raw material supply
2. General managers	2. Capital
3. Meeting existing Government requirements	3. Relative low unit cost of production
4. Local political advantage	4. Better Export opportunities
5. Political contacts/connections	5. Technology or equipment
6. Better access to the local market	6. Knowledge of foreign economy, politics and customs
7. Faster entry into local market	7. Better access to the local markets than a wholly-owned subsidiary would provide
8. Knowledge of local economy, politics and customs	8. Functional managers

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Table 6.2 Important contributions made by the MNE's partners in high performing joint ventures:

Important contributions	Unimportant contributions
1. Better Export opportunity 2. Technology or equipment 3. Raw material supply 4. General knowledge of the foreign economy, politics, and customs	1. Capital 2. General manager 3. Functional managers 4. Inexpensive labor 5. Better access to markets then a wholly-owned subsidiary would provide 6. Better access to the local markets for goods produced outside it 7. Faster entry into local market 8. Local political advantage 9. Satisfying government requirements for local ownership 10. Meeting existing government requirements for local ownership or import substitution 11. General knowledge of the local economy, politics, and customs 12. Local business knowledge

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6.2 Conclusion

Nepal has recently opened the door to foreign investment in 1992. And the liberalization effort seems to have boosted the number of joint venture formation in Nepal. The total foreign capital investment in joint venture has reached Rs. 58.8 billion in 489 projects by the end of 1998/1999 compared to foreign capital investment of Rs. 5.9 billion in 86 projects in 1990. This also indicates that most of the joint ventures in Nepal are newly started. In terms of projects 51.3 percentage of total projects are in manufacturing sector with Rs. 23.8 billion of investment. The other reasons for increase in joint venture are due to market opportunities and business expansion.

However, there are still some major problems such as political instability, lack of infrastructure facilities, bureaucratic and red tape in government regulation, lack of skill manpower, which are obstacles in attracting foreign investors in Nepal.

It is concluded in the research findings that MNE's partners' are satisfied with most of the contributions made by their local partners' in the high performing joint ventures in Nepal.

The results of the study are compatible with the review of literature. The partner selection is an important variable effecting joint venture success. Understanding the process of partner selection and the variables, which influence the joint venture success, are very important for both foreign and local partner. When choosing the partner following the criteria of high performing joint ventures in the manufacturing industries there must be commitment to joint venture from both sides.

Nepal is still in the face of developing stage. Nepal lacks human resources, technology and managerial resources. This is the reason Nepalese partner should find the foreign partner who has better export opportunities, raw material supply, technology or equipment, and who has the general knowledge of foreign economy, politics, and customs.

On the other hand Nepalese partners' should provide foreign partner the knowledge of legal and political system in Nepal and assist in marketing and distribution network in Nepal. Foreign partner should consider Nepalese partner who can provide skilled general manager, who has political contacts and connections with government officials because Nepal has unstable government policy regarding joint venture, administrative delays and long procedure followed by lack of coordination between and among various ministers and departments of the government.

Among the total respondents, 32.80% of the manufacturing joint ventures were considered to be the low performing joint ventures. Local partners and MNE's partners' in the low performing ventures did not consider that their partners made an important contribution in most of the needs. They regarded that their partner had made important contributions on only some aspects. MNE partners in the low performing joint venture did not consider the most important contributions except Government/political needs and similarly local partners in the low performing joint ventures considered that their partners had made an important contribution for technology or equipment and some of the partners in the low performing ventures

regarded that MNE partners had made contributions for better export opportunities and functional managers.

While it may be possible to operate a joint venture for a short period with a dissatisfied partner, refusing to recognize differences is ultimately costly in terms of long-term viability of the JV. MNE partners who are satisfied with their own returns and yet ignore their partner's dissatisfaction with performance are ultimately sowing the seeds of destruction of the joint venture. Local partners will not tolerate unsatisfactory performance indefinitely, particularly if they perceive differences in the returns earned by the other partner.

As this research has shown, what you need a partner for, and how to select a good partner for the satisfactory performance of the joint venture.

6.3 Recommendation

6.3.1 Recommendation for foreign partner

Based on the research study, the author wish to recommend the followings to MNE partners willing to form joint venture with Nepalese companies in Nepal.

- Nepal lacks raw material supply, technology and equipment, and the local partner is likely to be considerably smaller that the MNE partner, rapid expansion of the venture can require substantial capital infusions that the less developed country partner may not be able to provide. While forming a joint venture in Nepal, foreign investors

are advised to get a copy of Nepalese partners' ranking in terms of size, production, quality, reputation, or economy efficiency as recognized by the industry in Nepal.

- Dealing with the local elites, business people, politicians, and ability to run an operation effectively, general manager plays an important role. Giving the large expenses of maintaining expatriate managers in foreign countries, foreign partners should develop and try to achieve the local knowledge. Human resource skills of local partners are key to the global accomplishment for foreign partners.
- Local partner can contribute local knowledge and marketing skills so while choosing the local partner foreign partner should know the potential of partner contribution in the local market. Local partners market power is a key asset.
- Nepal political policy are unstable, so foreign partners while selecting local partner has to consider if the partner can cope with the bureaucratic hassles, and government policies, meeting and satisfying the government requirements to operate the joint venture without any political or government problems.
- The social and cultural behaviors of Nepalese differ from foreign partners (mostly westerners). Nepalese people place more value on relationship in working environment. It is necessary for the foreign partner to understand and adopt the cultural value of Nepalese people for a long-term JV's success.

6.3.2 Recommendation for Local Partner

Based on the research study, the author wish to recommend the followings to local investors willing to form JV with foreign companies.

- Commitment on the technology& equipment and raw materials supply should be made with the foreign partner before setting up the joint venture. As Nepal is still in the face of developing stage, Nepal lacks technology and managerial resources. Local partner should choose a foreign partner who can contribute the venture in terms of Items readily capitalized.
- Local partners are unaware about the foreign policies, customs and politics. While forming a joint venture local partner should consider foreign partner who have a good knowledge about it, so the product can be expand into foreign market, and allows better export opportunities to increase sales and profit.
- Local partner should attempt to get commitment from government authorities on taxation and other related legal policies to achieve stability. This will help in convincing the foreign partner of firm commitment and potentiality to be a likely partner.
- The status in local market with strong connection will mean that local partners have better chances to form a JV with good foreign companies.
- Foreign partners regard the existing capability of local partner in distribution networks and better network with qualified suppliers as key factor for successful operation of JV. Hence, integration of such strengths during the JV proposal by local

partners will enhance the chances of making a bright alliance with competent foreign party.

6.4 Suggestions for Further Research

Like all researches, this research also posses some limitations to the study. These limitations are very interesting to investigate, but are beyond the scope of this study. Thus, these issues will be presented as suggestions for future research in this section.

This research focuses on the only the joint venture manufacturing business operating in Nepal. Thus, it would be highly interesting to study on the joint venture rather than manufacturing business only.

This research could be extended by including more variables to study. For example, negotiations for joint venture, host country related factors, such as the government policy, host country risks, level of welfare, and the cultural diversity between the host and the home country.

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http://www.wusa.com/a-z_glossary/

http://www.trinary.com/ec-edi/glossary.asp

http://coba.shsu.edu/micprin/EcoGloss/il.htm

http://www.sosnwma.org/home/glossary_content.html

http://home.earthlink.net/~ddstuhlman/defin1.htm

http://glossary.dryden.com/hbcp/glossary.taf?gid=16&start=e

http://www.rightwaylaw.org/cnhelglo.htm

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Appendices

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Appendix A

List of Joint Venture Manufacturing Industries NEPAL

1. NEPAL BEVERAGE AND FOOD PRODUCTS LTD.
2. NEBICO PVT. LTD
3. ANAPOORNA TEXTILES LTD
4. HULAS STEEL PVT. LTD
5. NEPAL BATTERY COMPANY LIMITED
6. JENSON AND NICHOLSON NEPAL P. LTD
7. NEPAL LUBE OIL LTD.
8. DALIMA INDUSTRIES NEPAL (LTD)
9. SURYA TOBACCO COMPANY PVT.LTD
10. NEPAL AGRO INDUSTRIAL PRODUCTS LTD.
11. SOUND AND VISION INDUSTRIES P.LTD
12. HIM ELECTRONICS PVT. LTD.
13. NEPAL PAINT INDUSTRIES P.LTD
14. KALING AND JEMENS P. LTD
15. HIMALAYA FEEDS PVT.LTD
16. MT. EVEREST BREWARY P.LTD
17. AGRICULTURE TOOLS FACTORY LTD.
18. NEPAL LIQUORS P.LTD
19. AJANTA TEXTILES P. LTD
20. SILVER FIBER TEXTILE MILL P. LTD
21. EVEREST MINERAL WATER P.LTD
22. GOLDSTAR (NEPAL) INDUSTRIES P. LTD
23. ALPHA ELECTRONICS P. LTD
24. DABUR NEPAL PVT. LTD
25. EVERYGREEN ELECTRONICS P. LTD
26. LTA NEPAL PVT. LTD
27. SHAKTI CARPET INDUSTRIES PVT. LTD

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28. VOUGE GARMENTS INDUSTRIES P. LTD
29. JYOTI SPINNING MILL LTD
30. NEPAL WOOD ALLIED INDUSTRIES P. LTD
31. FASHION APPARELS PVT. LTD
32. PIONEER FASHION PVT. LTD
33. INTERNATIONAL CLOTHING CO PVT. LTD
34. CENTRAL GARMENT PVT. LTD
35. HANDLOOM SILK HOUSE PVT. LTD
36. GORKHA BRICK FACTORY P. LTD
37. ARUN VANASPATI UDHYOG LTD
38. GOLDEN BATTERY INDUSTRIES PVT. LTD
39. ASIAN PAINTS NEPAL PVT. LTD
40. HOECHST NEPAL (P) LTD
41. CHINEP ENTERPRISES PVT. LTD
42. NEW TEX GARMENT P. LTD
43. PREMIER ELECTRICAL INDUSTRIES P. LTD
44. NEPAL ITALIA LEATHER INDUSTRIES
45. NEPAL LUBRICANTS PV. LTD
46. NEPAL MED LIMITED
47. MB PETROLUBE INDUSTRIES PVT. LTD
48. NIRVANA HIMALAYANI WATER COMPANY
49. NEKO VENTURE PVT. LTD
50. GENERAL FOOD INDUSTRIES PVT. LTD
51. SHANKER ELECTRIC INDUSTRIES P. LTD
52. GORKHA BREWERY PVT. LTD
53. BOTTLERS NEPAL P. LTD
54. EVEREST MILK FOOD PVT. LTD
55. AMI APPARELS PVT. LTD
56. TELE TECH SYSTEMS PVT. LTD
57. WISDOM LIGHT GROUP PVT. LTD
58. TOSCANA NEPAL PVT. LTD

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59. KUP TEXTILE PVT. LTD
60. NEPAL LIVER LTD
61. HIM DIS PVT. LTD
62. SHREE RAM SUGAR FACTORY LTD
63. TRIVENI CEMENTS (NEPAL) PVT. LTD
64. INTEGRATED STEEL MILL
65. ELECTRA NEPAL LTD
66. EVEREST FOOD LTD
67. HAMA IRON AND STEEL INDUSTRIES PVT. LTD
68. INTROCEAN CYCLE INDUSTRIES PVT. LTD
69. EVEREST ROLLING INDUSTRIES P. LTD
70. SOUND EQUIP & ELEC. APPLIANCE INDUSTRY
71. NEPAL BAYERN ELECTRIC PVT. LTD
72. TECHMI MAGNETIC PVT.LTD
73. S.N. KNITTING INDUSTRIES P. LTD
74. SHIVA NEEDLE INDUSTRIES P. LTD
75. BHRIKUTI PULP AND PAPER INDUSTRIES
76. HIGHLAND DISTILLERY (P) LTD
77. FAGO YETI ELECTRONICS PVT. LTD
78. ACE LABORATORIES NEPAL LTD
79. GOOD WILL INDUSTRY P. LTD
80. LETHERAGE BANSBARI SHOE FACTORY
81. NEPAL POWER ENGINEERING CO. PVT. LTD
82. SRESCO YAMAKEN KINTWEARS PVT. LTD
83. HIMALAYAN LEATHER CO. PVT. LTD
84. TRISHAKTI SOAP & CHEMICAL INDUSTRY
85. NATIONAL PVC PIPE PRODUCTS P. LTD
86. OLYMPICS ZIPPERS NEPAL LIMITED
87. HANSRAJ HULASCHAND JUTE MILLS
88. GORAKHALI RUBBER UDHYOG LTD
89. SUNMOON COMPUTER INDUSTRIES LTD

90. NEPAL BOARDS LTD
91. OCEAN PLASTIC AND FOOTWEAR PVT. LTD
92. SUNSET SPAS EAST PVT. LTD
93. INTERNATIONAL MANUFACTURING CO. P. LTD
94. INTERNATIONAL BAHUKENDRS IND. PVT. LTD
95. CALIFORNIA BRANDS LIMITED
96. VARUN BEVERAGE NEPAL
97. PADMINI POLYMERS NEPAL P. LTD
98. GOURMENT VIENNA FOOD PRODUCTS
99. ABBUJA ELECTRIC CASTING LTD
100. GREENLAND CORPORATION (NEPAL) P. LTD
101. AMBUJA ELECTRIC CASTING LTD
102. ASHOKA CARBON AND ALLIED INDS. P. LTD
103. BHAKTAPUR INDIYANA DIARY PROD. P. LTD
104. NOVA-KNIT NEPAL LTD
105. HIMALAYAN HEALTH FOODS P. LTD
106. MINTOO ELECTRONICS CO. P. LTD
107. INTERNATIONAL COMMUNICATION NETWORK P. LTD
108. GAUN ZHOU DEEP GARMENT INDUSTRIES
109. THAI NEPAL DRINKING WATER IND. P. LTD
110. BISLERY NEPAL P. LTD
111. BASHULINGA SUGAR & GENERAL INDUSTRY
112. JUNGLE & SUNS INT'L PV. LTD
113. ALPINE METALS PVT. LTD
114. SANCHURI STEEL PVT. LTD
115. SEOUL SOFTWARE PVT. LTD
116. NEPAL INFORMATION TECHNOLOGY PVT. LTD
117. YO MOGI PVT. LTD
118. YONGSHENS SILK INDUSTRIES PVT. LTD
119. S. B. M. POLY PLASTICS PVT. LTD
120. EVEREST FLORICULTURE PVT. LTD

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121. BRIJ CEMENT INDUSTRIES PVT. LTD
122. PANORAMA NEPAL
123. HENGSHENG FOOTWEAR ENTERPRISES PVT. LTD
124. DRAGEN COAL P. LTD
125. LUMBINI MODERN MALLEABLES PVT. LTD
126. OILAND NEPAL LIMITED
127. CONTEMPO WEAR PVT. LTD
128. SILK FABRIC AND TWISTED YARN
129. KTM QUALITY FASHION INDUSTRIES P. LTD
130. HANSANG COLORFUL PAINT PVT. LTD
131. NEPAL PETROCHEM PVT. LTD
132. TRACTOR ASSEMBLY LIMITED
133. MARUTI CEMENT LTD
134. MACCAFERRI GABIONS (NEPAL) PVT. LTD
135. BANKE GAS UDYOG PVT. LTD
136. IRON AND STEEL ROLLING MILL
137. LOGO INDUSTRIES
138. ALLIED DEALS INC
139. NARA INT'L HIMALANAYAN SPRING WATER
140. SYKLIGHT PVT. LTD
141. HIMALAYAN FOODS BEVERAGE CO. PVT. LTD
142. RELIANCE INTERNATIONAL LTD
143. REDDY KHETAN PHAMACEUTICALS PVT. LTD
144. HIMALAYAN PAINTS UDHYOG PVT. LTD
145. ARANIKO SHAVING BOARD
146. HIMALAYAN GOODRICK PVT. LTD
147. NEPAL STEEL PVT. LTD
148. SOMANI CEMENT COMPANY (NEPAL) LTD
149. VIJAY SPINNING INDUSTRIES
150. NEPAL CHINESE FOOD PRODUCTS PVT. LTD
151. VIJAYA DEEP THE PHARMA LTD

152. KARNALI OASIS PVT. LTD
153. DEURALI JANTA PHARMA PVT. LTD
154. INTEROCEAN NEPAL PVT. LTD
155. COTTON RICH PVT. LTD
156. HIM HERBS COMPANY PVT. LTD
157. NEPAL MENTHOL PVT. LTD
158. NEPAL PETROLIUM PVT. LTD
159. CHAUDHARI ELDER LABORATORIES PVT. LTD
160. CHINA SHIJIA EHUANG JING LING GARMENT
161. TWO BROTHERS NEPAL TEXTILE LTD
162. PASHUPATI GLASS IND. P. LTD
163. NIPPON NOODLES (NEPAL) P. LTD
164. RAJDOOT PAINTS NEPAL (P) LTD
165. COLGATE PALMOLIVE (NEPAL) LIMITED
166. BENSON TAGECHI MODEN PVT. LTD
167. SETI CHUROT KARKHANA LTD
168. NATIONAL SOAP INDUSTRIES PVT. LTD
169. NEPAL BANGLADESH GARMENT PVT. LTD
170. NEPALGUNJ POLY PRODUCTS PVT. LTD
171. THE GORKHA MINERAL WATER PVT. LTD
172. HIMILAYAN DUTCH AGRO PROCESSED PRODUCT
173. NEPAL BREWARY COMPANY PVT. LTD
174. GARMENT MANUFACTURING INDUSTRIES
175. DHAKA GARMENTS PVT. LTD
176. NEPAL MONOPOLE INDUSTRIES PVT. LTD
177. HILTAKE INDUSTRIES PVT. LTD
178. CHINA NEPAL CONSTRUCTION CO. PVT. LTD
179. BIRAT SHOE COMPANY
180. RED THREAD DESIGN GROUP
181. SYSTEM NEPAL (PAPER PRODUCTS) PVT. LTD
182. ESSEL PACKAGING LTD

183. SUPER INDUSTRIES PVT. LTD
184. NEPAL ECO WASHING PVT. LTD
185. SAYAPATRI PAPER INDUSTRY PVT. LTD
186. NEPAL CHINA JOIN DAIRY PRODUCT PVT. LTD
187. PAPER CRAFT INDUSTRY PVT. LTD
188. RELIANCE PHARMACHEM PVT. LTD
189. JAGUAR INT'L ENTERPRISES PVT. LTD
190. GREATWALL FOOD STUFF PVT. LTD
191. ACE PACKAGING PVT. LTD
192. KODAK NEPAL LTD
193. WONDER PRODUCTS (NEPAL) PVT. LTD
194. DYNASTY INDUSTRIES NEPAL PVT. LTD
195. STEEL POLES & TUBES INDUSTRIES
196. FASHION WORLD PVT. LTD
197. VIDHYA INTERNATIONAL PVT. LTD
198. ISAN INDUSTRIES NEPAL PVT. LTD
199. NORLA PVT. LTD
200. PRIME INDUSTRIES PVT. LTD
201. WILD EARTH PVT. LTD
202. MONA IMPEX PVT. LTD
203. VOGUE APPAREL INDUSTRIES PVT. LTD
204. RAINBOW FOODS PVT. LTD
205. NEPAL JINJHU TIANYOU SILK INDS. PVT. LTD
206. GOGO NEPAL PVT. LTD
207. MITUSHI INDUSTRIES PVT. LTD
208. EMPEROR'S GOLD MOUNT PVT. LTD
209. SOMANI INDUSTRIES NEPAL PVT. LTD
210. DUKE NEPAL PVT. LTD
211. SHREE PASHUPATI POLYPACK PVT. LTD
212. RESOURCES APPAREL IND. PVT. LTD
213. MANOKAMANA KRISHI PIPE PVT. LTD

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214. INTER ORIENT (NEPAL) PVT. LTD
215. KARMA TEA CO. PVT. LTD
216. NEPAL STRIPS PVT. LTD
217. TANYA GARMENT PVT. LTD
218. EVEREST BIOTECH NEPAL PVT. LTD
219. LIESURE TECH INDUSTRIES PVT. LTD
220. BASNET GARMENT INDUSTRY
221. SNOW GRASSLAND NEPAL CLOTHING P. LTD
222. TIRUPATI INDUSTRIES PVT. LTD
223. PERFECT KNITWEAR PVT. LTD
224. WAB HIMALAYA PASHMINA P. LTD
225. SATHIHAROO DESIGN PVT. LTD
226. CHUNG'S FASHION PVT. LTD
227. NEW EVEREST WEAVERS PVT. LTD
228. AMAN MEDICAL PRODUCTS
229. BLS POLYMERS LTD
230. RARA APPEREALS PVT. LTD
231. HUAYUAN CASHMIRE PRODUCTS (P) LTD
232. KONEP CRAFTS PVT. LTD
233. COMMUNICATION ASIA PVT. LTD
234. RESCENT INDUSTRIES (NEPAL) LTD
235. PERFECT CHOICE PVT. LTD
236. TIANYAN SILK CO. LTD
237. PASHUPATI B. S. PVT. LTD
238. THE SACRED LAND INITIATIVE P. LTD
239. TRISHAKTI POLYPACK IND. PVT. LTD
240. PHARMACEUTICAL COMPANY OF NEPAL PVT. LTD
241. ALCOA CLOSURE SYSTEM INT'L PVT. LTD
242. FALCONTEK NEPAL PVT. LTD
243. PRINCE RUBBER WORKS PVT. LTD
244. AIRTECH INDUSTRIES (P) LTD

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245. ALPLINE CABLE PVT. LTD
246. ASIA PASHMINA INDUSTRY PVT. LTD
247. SUNSHINE APPARELS PVT. LTD
248. NEPAL THAI FOOD PVT. LTD
249. AMTRONICS PVT. LTD
250. GORKHA LAWRIE PVT. LTD
251. BABUSA APPARELS PVT. LTD

Source: Ministry of Industry, Nepal, December 25, 2000.

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Appendix B

QUESTIONNAIRE

Questionnaire for conducting a study in the importance of perceived partner's contribution for the performance of joint ventures

Dear Sir / Madam,

This questionnaire has been prepared with the objective of studying the importance of partner's contribution involved in establishing and operating of joint ventures in Nepal.

This research work is being conducted in partial fulfillment of the MBA in International Business program of the Graduate School of Business at Assumption University, Bangkok.

The information collected through this questionnaire will only be used for the research purpose only. Anonymity and confidentiality shall be strictly maintained.

Your participation in this study is greatly appreciated. Thanking you for your co-operation.

Sincerely yours,

(Binod Parajuli)
MBA Candidate,
Graduate School of Business,
Assumption University,
Ramkamhaeng – Soi 24,
Bangkok-10040,
Thailand.

Questionnaire

Part I. General information regarding the company/firm/enterprise

1. Name and address of the Joint Venture company:

2. Name and address of the Nepalese parent company:

3. Ownership (respective share of the partners)

   - Local: _____%
   - Foreign: _____%
   - Date of establishment: _____
     Day/Month/Year

4. Total number of employees:

   - Number of Nepalese _____
   - Number of Foreigners _____

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Part II. Factors related to success of joint venture

1. Are you satisfied with the Joint venture overall performance?

☐ Yes ☐ No

2. Perceived Contribution of Partner

2.1 Do you think that your partner has made the important contribution in the joint venture?

I think that my partner has made important contribution on the:

	Strongly disagree				Strongly agree
2.1.1) Managerial resources of the partner	1	2	3	4	5
2.1.2) Access to financial resources	1	2	3	4	5
2.1.3) Skill manpower resources	1	2	3	4	5
2.1.4) Relative low unit cost of production	1	2	3	4	5
2.1.5) Existing R&D capability	1	2	3	4	5
2.1.6) Relative market strength	1	2	3	4	5
2.1.7) Better Export opportunity	1	2	3	4	5
2.1.8) Access to local market	1	2	3	4	5
2.1.9) Political contacts/ connections	1	2	3	4	5
2.1.10) Meeting existing government requirements	1	2	3	4	5
2.1.11) Local political advantage	1	2	3	4	5

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2.1.12) Compatibility of partner's technological capability	1	2	3	4	5
2.1.13) Knowledge of economy, politics and culture	1	2	3	4	5
2.1.14) Favorable past associations with partner	1	2	3	4	5
2.1.15) Local business knowledge	1	2	3	4	5
2.1.16) Compatible style of management	1	2	3	4	5

Respondent details:

Position:
Responsibilities:
Length of service in the present job: _____Years_____Months
Nationality:

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Appendix C

SPSS 11.0 output

LOW PERFORMING

Report

Your industry ty		Managerial resource of the partner	Access to financial resources	Skill manpower resources	Relative low unit cost of production	Existing R&D capability	Relative market strength	Better Export opportunity	Access to local market	Political contacts/connections	Meeting existing government requirements	Local political advantage	Compatibility of partner's technological capability	Knowledge of economy, politics and culture	Favorable past associations with partner	Local business knowledge	Compatible style of management
Local	Mean	2.30	1.65	1.75	1.00	2.45	1.25	3.90	1.10	1.00	1.00	1.00	3.60	1.15	1.75	1.05	2.40
	Std. Deviatio	1.22	.49	.64	.00	.83	.44	.64	.31	.00	.00	.00	.82	.37	.97	.22	1.23
MNE	Mean	1.60	1.50	2.15	1.40	1.15	1.75	1.10	2.30	3.40	3.75	3.20	1.50	2.05	1.35	2.50	1.35
	Std. Deviatio	.50	.51	.93	.60	.37	.72	.45	.66	.60	.64	.77	.69	.83	.59	.69	.49
Total	Mean	1.95	1.58	1.95	1.20	1.80	1.50	2.50	1.70	2.20	2.37	2.10	2.55	1.60	1.55	1.78	1.88
	Std. Deviatio	.99	.50	.81	.46	.91	.64	1.52	.79	1.29	1.46	1.24	1.30	.78	.81	.89	1.07

Report

Your industry typ		IDEAL	HRNEED	MRTACC	GOVE	KNOWLED
Local	Mean	2.5167	1.7333	2.1625	1.0000	1.3167
	Std. Deviatior	.7530	.3988	.4608	.0000	.4115
MNE	Mean	1.5333	1.5667	1.6250	3.4500	1.9667
	Std. Deviatior	.4244	.4472	.4253	.5648	.5914
Total	Mean	2.0250	1.6500	1.8938	2.2250	1.6417
	Std. Deviatior	.7822	.4267	.5154	1.3017	.6010

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HIGH PERFORMING

Report

Your industry t		Managerial resource of the partner	Access to financial resources	Skill manpower resources	Relative low unit cost of production	Existing R&D capability	Relative market strength	Better Export opportunity	Access to local market	Political contacts/connections	Meeting existing government requirements	Local political advantage	Compatibility of partner's technological capability	Knowledge of economy, politics and culture	Favorable past associations with partner	Local business knowledge	Compatible style of management
Local	Mean	3.68	2.02	2.10	1.10	2.90	1.51	4.59	1.20	1.00	1.02	1.00	4.02	1.51	2.54	1.17	2.88
	Std. Deviati	.72	.82	.58	.30	.70	.75	.50	.40	.00	.16	.00	.91	.68	.78	.38	.78
MNE	Mean	1.46	1.51	4.39	1.73	1.24	2.29	1.00	2.71	3.49	4.05	3.56	1.90	4.10	1.80	4.49	2.46
	Std. Deviati	.50	.55	.63	.55	.43	.78	.00	.96	.55	.59	.63	.77	.94	.51	.64	.92
Total	Mean	2.57	1.77	3.24	1.41	2.07	1.90	2.79	1.95	2.24	2.54	2.28	2.96	2.80	2.17	2.83	2.67
	Std. Deviati	1.28	.74	1.30	.54	1.02	.86	1.84	1.05	1.31	1.58	1.36	1.36	1.54	.75	1.75	.88

Report

Your industry type		IDEAL	HRNEED	MRTACC	GOVE	KNOWLED
Local	Mean	3.2439	2.0325	2.5427	1.0081	1.7398
	Std. Deviation	.4348	.3786	.3787	5.206E-02	.4973
MNE	Mean	1.6260	2.4553	2.1159	3.6992	3.4634
	Std. Deviation	.3958	.2959	.5866	.4269	.5264
Total	Mean	2.4350	2.2439	2.3293	2.3537	2.6016
	Std. Deviation	.9128	.3991	.5356	1.3871	1.0054

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LOCAL

Group Statistics

	Perfomance Type	N	Mean	Std. Deviation	Std. Error Mean
Items Readily	low	20	2.5167	.7530	.1684
	High	41	3.2439	.4348	6.790E-02

Independent Samples Test

		Levene's Test for Equality of Variances		t-test for Equality of Means						
									95% Confidence Interval of the Difference	
		F	Sig.	t	df	Sig. (2-tailed)	Mean Difference	Std. Error Difference	Lower	Upper
Items Readily	Equal variances assumed	13.204	.001	-4.783	59	.000	-.7272	.1520	-1.0315	-.4230
	Equal variances not assumed			-4.006	25.364	.000	-.7272	.1815	-1.1009	-.3536

T-Test

Group Statistics

	Perfomance Type	N	Mean	Std. Deviation	Std. Error Mean
Human Resource Needs	low	20	1.7333	.39883	.08918
	High	41	2.0325	.37863	.05913

Independent Samples Test

		ıe's Test for Ec of Variances		t-test for Equality of Means						
									Confidence Inte the Difference	
		F	Sig.	t	df	g. (2-tailean Differe		td. Erro ifferenc	Lower	Upper
Human Res	Equal variance	.484	.489	-2.847	59	.006	-.2992	10508	50944	08893
	Equal variance			-2.796	36.068	.008	-.2992	10700	51619	08219

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T-Test

Group Statistics

	Perfomance Type	N	Mean	Std. Deviation	Std. Error Mean
Market Access	low	20	2.1625	.46080	.10304
	High	41	2.5427	.37874	.05915

Independent Samples Test

		vene's Test for Equa of Variances		t-test for Equality of Means						
									% Confidence Interva the Difference	
		F	Sig.	t	df	ig. (2-tailed	ean Differenc	Std. Error Difference	Lower	Upper
Market Ac	Equal variances ass	1.259	.266	-3.425	59	.001	-.3802	.11100	-.60230	-.15807
	Equal variances not			-3.200	31.938	.003	-.3802	.11881	-.62221	-.13816

T-Test

Group Statistics

	Perfomance Type	N	Mean	Std. Deviation	Std. Error Mean
Government/Political Needs	low	20	1.0000	.00000	.00000
	High	41	1.0081	.05206	.00813

Independent Samples Test

		ne's Test for Equ of Variances		t-test for Equality of Means						
									Confidence Inter the Difference	
		F	Sig.	t	df	g. (2-taile	an Differer	Std. Erro Differenc	Lower	Upper
Government/Pol	Equal variances	2.035	.159	-.695	59	.490	-.0081	.01169	-.03152	.01526
	Equal variances			-1.000	40.000	.323	-.0081	.00813	-.02456	.00830

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T-Test

Group Statistics

	Perfomance Type	N	Mean	Std. Deviation	Std. Error Mean
Knowledge Needs	low	20	1.3167	.41146	.09200
	High	41	1.7398	.49728	.07766

Independent Samples Test

		he's Test for Eq of Variances		t-test for Equality of Means						
									Confidence Inte the Difference	
		F	Sig.	t	df	g. (2-taile	an Differe	td. Erro ifferenc	Lower	Upper
Knowledg	Equal variances	.643	.426	-3.292	59	.002	-.4232	.12856	.68042	.16592
	Equal variances			-3.515	44.895	.001	-.4232	.12040	.66569	.18066

MNE

Group Statistics

	Perfomance Type	N	Mean	Std. Deviation	Std. Error Mean
Items Readily	low	20	1.5333	.4244	9.490E-02
	High	41	1.6260	.3958	6.181E-02

Independent Samples Test

		Levene's Test for Equality of Variances		t-test for Equality of Means						
									95% Confidence Interval of the Difference	
		F	Sig.	t	df	Sig. (2-tailed)	Mean Difference	Std. Error Difference	Lower	Upper
Items Readily	Equal variances assumed	.757	.388	-.839	59	.405	-9.27E-02	.1105	-.3138	.1285
	Equal variances not assumed			-.818	35.5	.419	-9.27E-02	.1133	-.3225	.1371

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T-Test

Group Statistics

	Perfomance Type	N	Mean	Std. Deviation	Std. Error Mean
Human Resource Nee	low	20	1.5667	.4472	.1000
	High	41	2.4553	.2959	4.621E-02

Independent Samples Test

		Levene's Test for Equality of Variances		t-test for Equality of Means						
									95% Confidence Interval of the Difference	
		F	Sig.	t	df	Sig. (2-tailed)	Mean Difference	Std. Error Difference	Lower	Upper
Human Resource Needs	Equal variances assumed	9.181	.004	-9.262	59	.000	-.8886	9.595E-02	-1.0806	-.6966
	Equal variances not assumed			-8.067	27.386	.000	-.8886	.1102	-1.1145	-.6627

T-Test

Group Statistics

	Perfomance Type	N	Mean	Std. Deviation	Std. Error Mean
Market Access	low	20	1.6250	.4253	9.511E-02
	High	41	2.1159	.5866	9.161E-02

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Independent Samples Test

		Levene's Test for Equality of Variances		t-test for Equality of Means						
									95% Confidence Interval of the Difference	
		F	Sig.	t	df	Sig. (2-tailed)	Mean Difference	Std. Error Difference	Lower	Upper
Market Access	Equal variances assumed	2.7	.103	-3.333	59	.001	-.4909	.1473	-.7855	-.1962
	Equal variances not assumed			-3.717	50.116	.001	-.4909	.1321	-.7561	-.2256

T-Test

Group Statistics

	Perfomance Type	N	Mean	Std. Deviation	Std. Error Mean
Government/Political Need	low	20	3.4500	.5648	.1263
	High	41	3.6992	.4269	6.667E-02

Independent Samples Test

		Levene's Test for Equality of Variances		t-test for Equality of Means						
									95% Confidence Interval of the Difference	
		F	Sig.	t	df	Sig. (2-tailed)	Mean Difference	Std. Error Difference	Lower	Upper
Government /Political Needs	Equal variances assumed	1.437	.235	-1.921	59	.060	-.2492	.1297	-.5088	.0104
	Equal variances not assumed			-1.745	29.960	.091	-.2492	.1428	-.5409	.0425

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T-Test

Group Statistics

	Perfomance Type	N	Mean	Std. Deviation	Std. Error Mean
Knowledge Needs	low	20	1.9667	.5914	.1322
	High	41	3.4634	.5264	8.221E-02

Independent Samples Test

		Levene's Test for Equality of Variances		t-test for Equality of Means						
									95% Confidence Interval of the Difference	
		F	Sig.	t	df	Sig. (2-tailed)	Mean Difference	Std. Error Difference	Lower	Upper
Knowledge Needs	Equal variances assumed	.000	.998	-10.011	59	.000	-1.4967	.1495	-1.7959	-1.1976
	Equal variances not assumed			-9.613	34.106	.000	-1.4967	.1557	-1.8131	-1.1804

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Appendix D

Abbreviations and Acronyms

Abbreviations	Acronyms
MNE	Multinational enterprises.
JV	Joint Venture.
Rs.	Rupee. (Nepalese Currency)
LDCs	Less Developed Countries.

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