Original Articles

Success Factors On Joint Venture Projects For Indigenous Bumiputera Contractors In Malaysia

1Hamimah Adnan, 1Ann Nissa Kassim and 2Heap-Yih Chong

1Faculty of Architecture, Planning and Surveying Universiti Teknologi MARA, Shah Alam, Malaysia.
2Faculty of Engineering and Science, Universiti Tunku Abdul Rahman, Setapak, Malaysia.

ABSTRACT

The survey found a consensus of opinion which identifies seven (7) factors of success and eight (8) factors of failure of Joint venture through questionnaires survey to the 100 of indigenous Bumiputera Contractors Class ‘A’ which is locally incorporated and registered by the Malaysian Construction Industry Development Board. Success factors such as agreement of contract terms, commitment, management control, inter-partner trust, cooperation, financial stability, criteria partner selection, profit, equity control, mutual understanding, partner’s experience and cultural understanding were considered critical and were significant from this research. The findings of this research significantly enhance and build upon existing levels of knowledge and understanding in knowledge-based management practices and organisational culture which influences project-based joint venture within the construction industry. When applied to a JV project in Malaysia will actively contribute to a profitable conclusion for one or more of the parties involved. These are considered to be the ‘Critical Factors Affecting JV’ projects in Malaysia. The result of this study is expected to provide useful guidelines for forming and implement efficient, effective joint venture in Malaysia and in other similar strategic alliance and to improve these venture prospects for success.

Key words: Success Factors, joint venture, Bumiputera Contractors, Malaysia.

Introduction

The Government of Malaysia implements the policy which obliges a contractor from an overseas country to form a joint venture with Malaysian contractor and limit the foreign equity in a joint venture company. The implementation of the Look East Policy in 1981 by the government of Malaysia has also brought active participation of Asian countries into the Malaysian economy (Khairuddin, 1998). More importantly, involving collaboration with foreign parties is an opportunity for Malaysian contractor accumulating knowledge, experience and improves capability in management of such venture.

In any ventures partner, problems are often arising and there is challenges for both parties in implement joint venture. The problems and challenges associated such as managerial issue, cultural diverse, partner related issue, financial and political that should be taking into account in order to ensure the successful of the project. This paper aim to determine the success factors of joint venture projects between indigenous Bumiputera Contractors Class ‘A’ in Selangor, Malaysia with local and foreign contractors and identify the problems and challenges is being identified in order to improve venture’s prospect for the future success in joint venture for sophisticated projects, faster delivery, and better construction Turner (2009) distinguished that success criteria are “the dependent variables by which we will judge the successful outcome of the project”. In other words, it is about how to realize the predefined project objectives in IJVs. It should consider the performance achieved through the various management strategies of IJVs.

Ozorhon et al. (2010) highlighted that performance of IJV management was based on the their management control in different levels such as strategic control at board of directors level, operational control at general management level, as well as organizational control imposed by the partners in forming the venture’s organizational structure, processes, and operating routines. We could observe that the role by the CEO/GM is very critical at the first level. It is for the effective management of the IJV, as this is the focal point for the maintenance of relationships with each of the parents (Petrovic et al., 2006). Subsequently, operational control at general management level should focus on proper staffing and technical requirements of the IJV (Petrovic and Kakabadse, 2003). The last level is how the control by the ventures. Few issues need to be addressed in this level such as trust, partner selection, knowledge transfer through co-operative, business ventures, complementarities and synergies between partners (Todeva and Knoke, 2005).
The research takes into account all the management strategies and issues for successful implementation of IJVs and discuss in details in the data analysis section.

**Problem Statement:**

Changes in regulation in Malaysia allow Bumiputera Contractor Class ‘A’ to qualify in construction projects as are the growth in international cooperative behavior between companies. From the year 1990’s the participation of foreign contractors in Malaysia construction projects has been increasing. In Malaysia, Bumiputera Contractors are interested in doing venture because of the political stability, economic growth, and relatively low cost of labour and others resources. This provides an opportunity to foreign firms through joint ventures projects with Malaysian firm as well as Bumiputera Contractors. Adnan (2010) confirmed that joint ventures in Malaysia are becoming increasingly popular both in multinational construction firms and local government in order to achieve their individual objectives. The government for Malaysia is encouraging and supporting local contractors to participate in regional and global market based on their expertise and experiences of construction building, infrastructure projects, highways, power generation, port and airport coast. Foreign contractors have been operating in Malaysia long before the signing of the GATS accord in January 1995. At that time, foreign firms were admitted, mostly in a non discriminate manner, where there were no rigid trade related sanctions on their 100% foreign owned firms that were allowed to operate Malaysia’s domestic market. Currently the implementation of its commitment under GATS, market access restriction promulgated by Malaysian regulators have opened opportunities to foreign firms to operate through joint venture with Malaysia individuals or institution, both as local as well as foreign contractors.

The market in Malaysia is becoming smaller for the increasing number of companies involved in construction. So that, effort must be made to strategies, consolidate and be prepared for exit and replacement. Foreign firms are often required to bid on large infrastructure projects in JV with local partners. JV bids must have at least 30% bumiputera (indigenous Malay) participation. Malaysia’s open-door policy to foreign participation is evidenced by the amount of Malaysia’s payments for contract and professional services.

The problems and difficulties should be identify because obviously it can cause unstable and run into trouble manner during implementation and operation of the project with the foreign venture. Besides, there are also some challenges in order to establish the trust and partnering success factor and also strategies for competitiveness in international construction that have to be adopt in the near future. In addition natural barriers such as language, ethnic’s culture and local standard were also an obstacle in doing joint venture projects. When culture cross, a cultural shock can occur, so that impact on the organizational, work and co-ordinations. The joint venture projects are subject to face several problems: technological, financial, legal, equity control, profit margin, size compatibility, socio-cultural and political. A planned approached is necessary throughout all these aspects by both partner in order to ensure successful implementation of joint venture project.

As a result in variety of behavioral, cultural and administrative make the management of a joint venture a demanding task in terms of time and effort and management hence, such ventures need a careful analysis in evaluating the probabilities of problems, challenges, success of the joint ventures. Therefore this study is pursuing to identify the significant of problems and challenges towards successfully in implementation construction JV projects between the indigenous Bumiputera Contractors Class ‘A’ in Selangor with local and foreign contractors.

**Overview Of Construction Joint Ventures:**

Construction joint ventures have developed and are growing rapidly in Malaysia. However, a critical review carried out by Bygballe et al (2010) highlighted that the actual and practice of partnering actually contradict the original intention of the CII, which is “a long-term commitment by two or more organizations for the purpose of achieving specific business objectives by maximising the effectiveness of each participant’s resources”. Besides, there has been little relatively empirical into the success factors associated with construction joint ventures in Malaysia’s construction industry (Adnan and Morledge, 2003). The formation of joint ventures has taken place at an unexpected rate over the last two decades. Particularly within the context of developing nations, joint ventures have been predominantly preferred by multinationals over other types of strategic alliances (Bower and Smith 2004).

In addition, the economic crisis in 1998 unfavorably affected the performance of Bumiputera Contractors. Although the increase in the number of Bumiputera Contractors business ventures in the modern and dynamic sectors of the economy, a large proportion of them was concentrated in the construction sector and the lower-end services activities such as gas distribution, petrol kiosk operation and others. The Malaysian infrastructure construction and engineering industry has delivered impressive results with many projects being delivered through project-based joint ventures between ‘local’ and ‘foreign’ construction contractors (Walker, and Johannes, 2001).
Mohammad and Torrance (2004) defined joint venture can be defined as two or more parties to jointly execute some commercial enterprise which may take the form of consortium, partnership or joint venture corporation; in which the outcomes of success or loss is jointly held by the joint venture. Gale and Luo, (2003) had stated that joint venture (JV) project based companies exist both as a mode of foreign investment and as means of technology transfer. in Multinational Corporation might choose for doing business abroad in order to of increasing seriousness of commitment.

Kumarasamawvy (2000) stated that the increasing magnitude, complexities and risk associated with major construction project have brought together organization with diverse strength and weakness to form joint venture to collectively bid and execute projects. International joint ventures (IJVs) in construction often face a highly complex and dynamic environment because, in most instances, they are formed to build large scale engineering projects. One of the primary requirements of actors in such systems is to reduce the environmental complexity (Girmscheid and Brockman, 2000).

Jeffrey (2005) had mentioned the determinants of firms’ use of explicit call options to acquire equity in their international joint ventures (IJVs). Such options are an important contractual element of IJVs because they allow a firm to secure a claim on future expansion opportunities and to safeguard itself against various exchange hazards. He draws on real options and transaction cost arguments, respectively, to develop hypotheses on the circumstances under which firms use such options.

Ravinder, (2006) had revealed (IJVs) between firms from diverse cultures, partner related factors are of importance for the successful management of the joint venture. Since Singapore and China share a common Confucian culture, it was expected that a Singapore firm's approach to joint venture formation in India will differ significantly from its approach to joint ventures in China. The results, however, suggest that the partner selection process follows a different logic in Confucian societies, and Singapore firms were as successful in forming IJVs in India as in China.

Success Factor In The Joint Ventures:

Adnan, (2005) stated that agreement of contract terms is very critical towards the success implementation of joint venture projects. A good JV agreement is an essential success factor and can avoid a great deal of trouble and conflict in future joint venture operations which need to be drafted in clear terms and conditions that can be easily understood by all partners as well as the working staff. It has to been found to be an important factor in preventing conflicts on large projects.

Gale and Luo (2004) had stated that technology transfer is the key objective of a firm in entering into JV and that the JV will be regarded as successful if the parent firm learns from its partner about technology and management know-how. Adnan et. al (2003) reported that commitment is important as it provide a long term basis, resources and capability to the specific needs for the joint venture for its success. She also stated that the JV’s partner knowledge of joint venturing is a key determinant of successful because having gone through the JV formation, the partners know the issues and what is needed to make the project a success. Partner experience between the same partners increases the chances of joint venture success. Financial stability in JV is an important consideration because its impact the degree of project success. It determines whether projects are funded or not, the type of funding raised, and the cost of funds. The projects feasibility is a preliminary opportunity assessment that determines whether the project in question has the potential of being successful. It involves the screening of a JV partner and brings together several considerations in making the decision to proceed to the business case.

Ogunlana, (2005) stressed that competence is prerequisite for the success of construction projects. The component includes utilization of up-to date technology, proper emphasis on past experience, technology, multidisciplinary/component project team, and awarding bids to the right contractor. Effective communication has been gaining increasing importance in today’s information age. Intensive communication is a central factor in leading and integrating people and taking decisions to create a successful project since international JV involve parties from different culture, effective communication is essential I insuring that projects team have shared understanding and values.

Adnan, (2005) had stated that the critical success factor in Malaysia construction joint venture project. The top five critical success factors ranked in order of importance are agreement of contract, commitment, cooperation, management control and inter-partner trust.

Design And Administration Of The Questionnaires Survey:

The information and data were obtained from 100 Class “A” Contractors with work more than GBP 3Million /USD 4Mill registered with Construction Industry Development Board Malaysia (CIDB). The sample of the contractor was chosen randomly in order to participate in answering the questionnaire. Based on the randomly selecting, only 100 of Bumiputera Contractors Class ‘A’ have been selected. The way on how to
select a fix number of Bumiputera Contractors Class ‘A’ by using Systematic Random Sampling. From the large number of contractors that are 400, only 100 are been selected. This is done by listing and arranging the contractor’s name and taking every four interval of them until the last number, 398 (Aibinu and Jagboro, 2002). No. of Bumiputera Contractor selected to participate in the study sample selected are;

\[
\frac{400}{4} = 100 \text{ sample}
\]

Therefore, adopt for 100 indigenous Bumiputera Contractors Class ‘A’ to be chosen to participate in the study. The analysis of the data from the receivable feedback forms the questionnaire quantitative stimulation in using Microsoft Excel for instance in average index and relative index calculation and generation of chart and graph.

- Average Index Formula:

\[
\text{Average Index} = \sum (Ax), \quad X = n/N
\]

- \( a = \) Constant expressing the weighing given to each response (1 to 5)
- \( X = n/N \) where, \( N = \) Total of response
- \( n = \) Frequency of the response

Whereby by the application of Average index in questionnaire for instance would be:

\[
\begin{align*}
X_1 &= \text{frequency of “Unfamiliar/ strongly Disagree” response and corresponding to } a_1 = 1 \\
X_2 &= \text{frequency of “Fairly unfamiliar/ Disagree” response and corresponding to } a_2 = 2 \\
X_3 &= \text{frequency of “Familiar/ Frequent” response and corresponding to } a_3 = 3 \\
X_4 &= \text{frequency of “Fairly familiar/ fairly frequent/ Agree” response and corresponding to } a_4 = 4 \\
X_5 &= \text{frequency of “Very familiar/ very frequent/ strongly agree” response and corresponding to } a_5 = 5
\end{align*}
\]

The data then were analyzed by using Reliable Index (RI) for the questions which use ordinal scale of 5 to 1 descending order. Each scale represents the following rating:

- 5: Very familiar/ very frequent/ strongly agree
- 4: Fairly familiar/ fairly frequent/ Agree
- 3: Familiar/ Frequent
- 2: Fairly unfamiliar/ Disagree
- 1: Unfamiliar/ strongly Disagree

Basically the Relative Index is a technique used to compute the strength of index of the familiarity, frequency and agreement of the specific questions. The computation of RI is given by the following form:

\[
RI = \frac{\sum (5n_5 + 4n_4 + 3n_3 + 2n_2 + n_1)}{5(n_5 + n_4 + n_3 + n_2 + n_1)}
\]

Where RI = Relative Index

\( n_5, n_4, n_3, n_2, n_1 = \) No of responding Index

In another hand, the statiscal and mathematical method applied using SPSS 11.5 package assist in computing frequencies, reliability analysis and correlation analysis. In this analysis, the statisctical method via frequencies statistic, crosstabs’ statistic, correlation analysis and reliability analysis are been used. Generally, frequency statistic analysis used to show frequency of each variable or item outlined in the questionnaire form. In the meantime, crosstab’s statistic method is used to analyze or gauge the combination of two variables. The application of reliability analysis will be the measurement of how reliable the research instrument and finally correlation analysis that recognize the relationship between two or more variable. The result analyzed then is presented in the table and chart. From the analysis, problem and challenges of the joint venture will be identified.

The purpose of the questionnaire survey was to discover which and how much Bumiputera Companies had experienced in JVs project, the extent of their experience and their views of key success factors and the problem and challenges facing associated with joint ventures.
A response rate of only 30 percent was obtained from respondents of 100, whereby from 30 responses only 40% confirmed that they involved in joint venture projects in Selangor.

Respondents Background:

Their occupations were General Manager, Managing Director, Senior Engineer and Project Manager. They have much experienced in contracting JV with foreign partner. Out of 30 responses that answered the questionnaires, only 12 respondents had experienced in JV projects were identified. The period of time which the companies had been involved in joint venture activity, varied considerably. More than half of the companies had 1 to 5 years of experienced in JV, and the remainder having more than 5 years of experienced.

Fig. 1: Profile of the Most Bumiputera Contractors that had Experience in JV’s Projects from following countries

Joint ventures project between indigenous indigenous Bumiputera Contractors and foreign contractors are most notably from the East Asia, Far East country, along with Middle East and South America and Africa. Most of the Bumiputera Contractors had experience in JV projects in Dubai. Five construction companies had contracting experienced in Dubai. Figure 1 shows the result obtained from the questionnaire survey shows the ranking of the country where the Bumiputera Contractors involved in JV projects operating in Malaysia. Based on the finding there were 19 partners from 8 countries. The list of country include Dubai (with 26% of the total JV contracting) respectively, followed by Japan (21%), Singapore (16%), China and US with (11%) and the same proportion of UK, Arab Saudi, and Sudan is (6%) respectively.

From the various projects sectors, 4 companies had substantial experienced in infrastructure work, 3 companies had joint venture in commercial building sector, followed by 2 company gives its priorities in industrial building, and the remaining company had their joint venture in oil and gas sector, energy and power plant industry and residential building.

Motives And Objectives Of Forming Jv:

Fig. 2: Reason and Motives of forming JVs.
Figure 2 shows the Bumiputera Contractors motives of formation the joint ventures projects. It was found that the Bumiputera Contractor’s motives for forming construction joint ventures varied considerably. The most predominant motives to form such partnership are technology transfer and necessity of skills. Because of the complexity of the projects and some projects require too highly technological skill for Bumiputera Contractors to implement solely. Hence, in order to access greater expertise, they need to form joint venture with local or foreign partner as complement the skill needed while the local expertise is not available.

Risk reduction and financial spread are also the major reason and objectives for forming joint venture. Financial spread that is available to the collaborative venture make up the second most reliable motivating consideration for formation joint ventures. Besides introduces their operation to our market, applying new technologies by forming joint venture with local or foreign partner may minimize the risk by sharing the risk with other firms. As a result, Bumiputera Contractors felt that it is very important to form joint venture projects from developed country that can assist them in providing financing package and reduce the risk.

Success Factor Of JVs:

The question was already given the list of factor (identified from the literature review) by using on Likert Type Scale (where 1,2,3,4 and 5 stands for strongly disagree, disagree, Neutral, Agree and lastly strongly Agree. The data being analyze based on the Relative Importance Index (RII). In this section the weighted average of Relative Importance Index were analyzed against all the factors. Seven success factor were researched to identify their significant and strength. The result of the rankings by 30 responses from 30 construction firms from various sector of construction industry that confirmed involved in JVs projects.

7.1 Preparation:

Table 1: Preparation.

<table>
<thead>
<tr>
<th>Factor</th>
<th>RII</th>
<th>RANK</th>
</tr>
</thead>
<tbody>
<tr>
<td>Selecting suitable partners</td>
<td>0.967</td>
<td>1</td>
</tr>
<tr>
<td>Clear objectives and scope</td>
<td>0.867</td>
<td>2</td>
</tr>
<tr>
<td>Awarding bids to the right contractor</td>
<td>0.733</td>
<td>3</td>
</tr>
<tr>
<td>Adoption of information about a partner’s company background</td>
<td>0.600</td>
<td>4</td>
</tr>
<tr>
<td>Having good track record</td>
<td>0.533</td>
<td>5</td>
</tr>
</tbody>
</table>

Variable grouped under preparation include clear objectives and scope, awarding bids to the right contractor, adoption of information about a partner’s company background, selecting suitable partner and having a good track record. Our local partners appear to feel strongly that selection of a suitable partner was the most crucial factor leading to the success of JVs in the preparation stage. As shown in Table 1, selection of a suitable partner was ranked first with the value of Relative Importance Index of 0.967, secondly rank was clear objectives and scope (RII = 0.867), thirdly rank was awarding bids to the right contractor (RII = 0.733) and the rest factor were shown in Table 1.

The company will benefit from the JVs if the partner selected has skills and knowledge to complement the strategic objectives. Arthur Li, W. H. (2002) believed that an improved and complementary organisational capability is one of the key objectives for partner firms in JVs. In fact, the selection of partner could be based on the specific task that the partner intends to pursue such as the partner who has compatible objectives, experienced in JV projects, specialized in technical skills, knowledge, or access to resources. An addition consideration when selecting a partner can be related to the reputation or status of the partner such as financial credible, suitable management and trustworthiness.

Indeed many researchers think that clearly identifying potential partner’s objectives would lead to a need for as much information as possible about the prospective of the partner. According to Beamish, J. and Bank (1987) in their research, with a good background experiences, these partner are expected to provide better local culture, politics and market conditions by the investors to obtain equivalent information. Yan, A. (1996) has emphasized the important of selecting a suitable partner in the formation of JVs. In the Gale, A. (2004) found that studies of success factor, both Chinese and foreign partners are the most important success factor.

7.2 Financial:

Table 2: Financial.

<table>
<thead>
<tr>
<th>Factor</th>
<th>RII</th>
<th>RANK</th>
</tr>
</thead>
<tbody>
<tr>
<td>Having sufficient financial resources to maintain venture’s effort</td>
<td>0.767</td>
<td>1</td>
</tr>
<tr>
<td>Financial stability</td>
<td>0.733</td>
<td>2</td>
</tr>
<tr>
<td>Offer of attractive financial package and comprehensive services</td>
<td>0.700</td>
<td>3</td>
</tr>
<tr>
<td>Adequate funding throughout the project</td>
<td>0.667</td>
<td>4</td>
</tr>
</tbody>
</table>
Based on the finding that being analyzed using Relative Importance Index (RII), as shown in Table 2, the factor of having sufficient financial resources to maintain venture’s effort was ranked first with RII value of 0.767 followed by financial stability (RII = 0.733), offer an attractive financial package and comprehensive services (RII = 0.700) and last rank was adequate funding throughout the project. It can be seen that very similar RII scores are observed ranging from (0.667 to 0.767).

However, the highest value of relative importance index indicates the critical factor under financial success factor. This means that having sufficient financial resources for forming of collaboration in joint venture project among Bumiputera Contractor was the crucial success factor regarding to the result of the survey.

Ismail (2005) stated that regardless of whatever reasons a company would want to pursue a venture, business is still about money and profit, and at least in the capitalist sense of the world-view. Indeed project based joint venture was believed to be about technology transfer, risk sharing, access greater expertise but money or profit is somewhere in the equation. Project based joint venture do require high capital to maintain venture effort, nevertheless not many companies have that large amount of money. Especially in developing country where the financial resources are somewhat limited in a project based on JVs, real return of investment or benefits can only be seen after quite some time.

Therefore, the good management of finance is very important to the firms that aspire to be part of JVs. Among all the other four factors underlying financial key of success factor, is actually also essential towards the success of JV. However, the survey showed that having sufficient financial resources to maintain venture’s effort is strongly related to the success factor of JVs. Therefore, is very important to be sure that a prospective partner can generate sufficient financial resources to maintain venture’s effort.

7.3 JV Formation:

<table>
<thead>
<tr>
<th>Table 3: JV Formation.</th>
<th>Factor</th>
<th>RII</th>
<th>RANK</th>
</tr>
</thead>
<tbody>
<tr>
<td>Partner which provide a different set of resources</td>
<td>0.833</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>JV formation types</td>
<td>0.500</td>
<td>2</td>
<td></td>
</tr>
</tbody>
</table>

Much of the literature that discusses JVs motivation of forming joint venture are technology transfer and risk reduction. However, in identifying the key success factor towards the motivation for forming joint venture would be the partner which can provide a different set of resources as these factor was ranked first with RII value of 0.833. Compare to JV formation type which is only 0.500 as shown in Table 3.

Otherwise, in order to access greater expertise and financial spread and risk reduction, Bumiputera Contractors need to form joint venture with local and foreign contractors which can provide such those resources. As we know beside technology transfer, foreign partner could also assist in providing financing package. Hence, it is very important to choose and awarding the right partner which can provide a needed set of resources for succeeded in joint venture.

In addition, partner’s objectives for forming JVs in which they become engaged differ significantly. So it is very important to select the strategic partner which complementary each other. The matching goals, aspirations of organizations and compatibility within the strategic motive of either company are very important to complement each other. It is very much depend on what the parties have to offer each other and how these resources can be governed together and it was critical success factor towards successful JVs. This means that the collaboration should be mutually beneficial. Therefore, a selection criterion based on the partner’s capability of providing the skills and resources that can complement each other are necessary attributes to form successful joint venture. But if the partner cannot provide these factors, joint venture formation should not be pursued.

7.4 Social and Culture:

<table>
<thead>
<tr>
<th>Table 4: Social and Culture.</th>
<th>Factor</th>
<th>RII</th>
<th>RANK</th>
</tr>
</thead>
<tbody>
<tr>
<td>Having selection of good partner (compatibility between partner to create a trust and commitment for better relationship)</td>
<td>0.833</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>Multidisciplinary/competent project team</td>
<td>0.767</td>
<td>2</td>
<td></td>
</tr>
<tr>
<td>Good relationship and contact with client, customers, partners, employees, authorities and businessmen. (Relationship based on shared goals, cooperation, mutual understanding and trust and effective coordination)</td>
<td>0.700</td>
<td>3</td>
<td></td>
</tr>
<tr>
<td>Effective communication with partners</td>
<td>0.667</td>
<td>4</td>
<td></td>
</tr>
<tr>
<td>Familiar with the foreign language for better communication.</td>
<td>0.600</td>
<td>5</td>
<td></td>
</tr>
</tbody>
</table>

Table 4 shows that the ranking of the factor that respondents believed were critical to the success in completing JVs project with foreign partner in the scope of Social and Culture. The factor of having selection a good partner, compatibility between partner, mutual trust and commitment was ranked first with the value of
relative importance index is 0.833. This factor received very high value compare to other factors. Second ranked was multidisciplinary or competent project team, which the value of relative importance index is 0.767.

The careful selections of people who are to work in an alliance such as JV were believed critical to the success in completing JVs project with local or foreign partner is necessary to assist the prospects of mutual bonding, compatibility between partner, mutual trust and commitment. Compatible between partners ideally is a partner with similar values and goals. One approach is to seek a trust and commitment. Each partner therefore need to be comfortable in believing the others, hence the trust, commitment and good relationship were built up through the compatibility and it is essential factor in selection partner.

Under any collaboration, the parties have the right but not the obligation to trust each partner, but if mutual trust can be adopt, the JVs is likely to be successful. Trust is normally comes from both of trustee within partner and adhere the commitment. William and Lilley (1993) stated that joint ventures are means of creating strength by the partner complementing each other and with proper matching, both partners should perceived a vested interest in the success of the joint venture. Forming the joint venture requires complementing each other with similar values and goals.

Project based joint venture should be selected not merely on the basis of technical competence but also on an assessment of their ability to form good relationship with the partner from other organizational and national cultures. According to Harrigan (1998) found that JVs last longer when their partners have similar cultures, asset sizes and level of experiences in JVs.

Trust and commitment is an essential factor and very important ingredient of managing relationship. According to Adnan and Morledge (2003) revealed that within organizations, trust contributes to more effective implementation of strategy, greater managerial coordination and more effective work teams. According to Li Bing, 1999, the choice of partner is critical for completion of the particular assignment.

Based on the finding, the factor of having selection a good partner in term of compatibility between partner, mutual trust and commitment were the highest rank of all. Therefore, these factors represent a crucial factor for joint venture to success. A good understanding of partner, mutually acceptable compromise and committed to the work by both partner is important and lead to the JV success. It means that compatibility between partners is essential ingredient in social and culture towards the success of JV.

7.5 Technical and Technology:

<table>
<thead>
<tr>
<th>Table 5: Technical and Technology.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Factor</td>
</tr>
<tr>
<td>Good technology capability and operational expertise</td>
</tr>
<tr>
<td>Having a good foreign expertise to combine with local expertise</td>
</tr>
<tr>
<td>Having a strong knowledge and experience in dealing with engineering problem and technical difficulties.</td>
</tr>
<tr>
<td>Up to date technology transfer utilization</td>
</tr>
<tr>
<td>Proper emphasis on past experience</td>
</tr>
</tbody>
</table>

Good technology capability and operational expertise is strongly related to the success of JV. Bumiputera Contractors perceived this factor as critical and were ranked first over other factors under technical and technology factor key for success. All the factors were taken and analyze from the result ranked by order of importance and as shown in Table 5, the highest value indicate the crucial factor of success. Based on the findings and relative importance index analysis, good technology capability and operational expertise was ranked first with RII value of 0.800.

Bumiputera Contractors can learn and gain knowledge, technology and skill from the partner through their involvement in the operation of JV. Therefore the need of capability of new technology and skill expertise is very important and indeed these factors are crucial towards the success of JV. It is very important for Bumiputera Contractors able to utilize technology and combined the skill such as improved and increased technology capability and operational expertise as generated within JVs. In addition, excellent work is generated through good capability of technology operations expertise in a particular region.

7.6 Services:

<table>
<thead>
<tr>
<th>Table 6: Services.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Factor</td>
</tr>
<tr>
<td>Fulfillment of quality standard expected by the clients.</td>
</tr>
<tr>
<td>Provision of affordable and long-term sustainable market.</td>
</tr>
<tr>
<td>Provision of affordable and long-term sustainable market.</td>
</tr>
</tbody>
</table>
A fulfillment of quality standard expected by the clients is considered to be the key success factor which ranked first over the other factors. The result of the ranking is shown in Table 6. Services factor should also be given a full emphasize in considering factor of success in JVs. Relative importance index shows that fulfillment of quality standard expected by client gives the value of 0.733 and is actually give the slightly small different among other factors. It is very important to fulfill the client satisfaction in term of quality and services delivered by the construction sector have placed increasing pressure on service providers that is contractors. Thus, it was essential to fulfill the quality of constructed project by both partner and in order to improve and fulfill the client requirement and the needed of foreign greater expertise. It is clearly shows that the need of fulfillment of quality and standard expectation by client is to motivate the JVs formation and hence be a crucial success factor of implementation joint venture.

7.7 Human and Employment:

<table>
<thead>
<tr>
<th>Factor</th>
<th>RII</th>
<th>RANK</th>
</tr>
</thead>
<tbody>
<tr>
<td>Good decision making and management control, commitment and cooperation between partner</td>
<td>0.800</td>
<td>1</td>
</tr>
<tr>
<td>Excellent teamwork with high skilled and qualified personnel</td>
<td>0.767</td>
<td>2</td>
</tr>
<tr>
<td>Good JV agreement( regarding to clear terms and condition that easily understood by both of partners)</td>
<td>0.733</td>
<td>3</td>
</tr>
<tr>
<td>Comprehensive contract documentation</td>
<td>0.667</td>
<td>4</td>
</tr>
<tr>
<td>Having top management support</td>
<td>0.633</td>
<td>5</td>
</tr>
<tr>
<td>Having high tolerance and skill in negotiation between partners to create better quality of work.</td>
<td>0.600</td>
<td>6</td>
</tr>
<tr>
<td>Absence of bureaucracy</td>
<td>0.500</td>
<td>7</td>
</tr>
</tbody>
</table>

As shown in Table 7, good decision making and management control, commitment and cooperation between partners was the most crucial factor leading to the success of JVs. Among the entire factor listed under human and employment, these factors was ranked first in other word received very high rated to the keys success factor of JVs with RII value is 0.800. Table 5.8 shows the ranking of the factors from the highest at the top to the lowest at the bottom listed.

Based on the findings, the crucial factor was taken from the factor ranked by the order of importance from Relative Importance Index. The project team is responsible for determining the number of experienced managers to implement the project and other human resource need. It is important to develop an integrated teamwork culture rather than ‘us them’ culture while operating in a cross cultural environment (Adnan, 2006).

In fact, in a common sense, commitment and cooperation, management control and decision-making are plays an important factor. For success, the partner must have a willingness to cooperate and share information and resources to enable essential coordination and share information and resources to enable essential coordination of activity. As project-based joint venture, involving Bumiputera Contractors perceived this factor as critical factor to success. Commitment is an important element as it provides a long-term basis, resources and capabilities to the specific need of the JV for its success.

Regarding to the literature of Sridharan (1995) was stated that in order for the JV to succeed, all the partners to the JV agreement should have total commitment to the JV as well as to each other. In addition, cooperation behaviors between the two partners help to reduce potentially burdensome monitoring and managing joint venture.

According to the literature Yan and Gray (1994) has revealed that management control refers to the influence major stakeholder groups have on the organization’s decision and activities. Besides, good decision making toward the process of the project is important factor in order to be success in JVs.

Good decision making and management control can enhance the partner ability to achieve on concurrence in decision making and also to overcome problems and obstacles. Therefore the quality of the personnel within the management team should be well defined. An effective and success practices implementation of project requires good decision making, management control, commitment and cooperation between partners between to provide adequate human and employment management control. This factor is important mapping the pattern of human and employment Bumiputera Contractors working towards the successful in JV projects in Malaysia.

Research Analysis:

The discussions will summarize accordingly based on the objectives of the studies with regard to the literature review, the opinions of the experts’ panels and the respondents background in the construction industry. It will also highlight all the crucial success and failure factor and also problems challenges in implementation JVs. The respondent of the data gathered from the questionnaires are the Malaysian contractors are registered under the Malaysian CIDB, Grade 7 of classes ‘A’ Bumiputera Contractors which is considered to belong with the largest group of contractors in Malaysia with no maximum financial limit to bid for a project.
From the questionnaire was identified the background, objectives, problems and success factor of the respondent’s views in joint venture in Malaysia. It is expected that different cultural backgrounds may impact on the way of satisfaction or dissatisfaction is expressed. Performance criteria, problems encountered for one contractor may not be appropriate for another contractor due to the different background, objectives and level of expectations. Whether it is a tangible or intangible for venture they are looking for. The statistical result from the survey explored those difficulties and success that may hinder the performance of a JV. The Relative Importance Index (RII) was performed on a set of ranked factors.

8.1 Motives And Objectives Of Forming JV:

The main motives to form JV such partnership are synergies, diversification, technology transfer and necessity of skills. Most joint ventures are formed for the ultimate purpose of saving money. This is as true of small neighborhood stores that agree to advertise jointly in the weekly paper as it is of international oil companies that agree to work together for purposes of oil and gas exploration or extraction. Reasons for forming joint ventures are to build on company’s strengths, spreading costs and risks, improving access to financial resources, economies of scale and advantages of size, access to new technologies and customers and access to innovative managerial practices. Some countries, such as the China and to some extent India, require foreign companies to form joint ventures with local firms in order to enter a market. For instead to competitive their goals on influencing structural evolution of the industry, pre-empting competition, defensive response to blurring industry boundaries, creation of stronger competitive units, speed to market and improved agility.

8.2 Reason For Not Doing JV And Importance Of JV Relationship Between Local Or Foreign Contractor:

The findings of this research significantly enhance the result is 60% of the respondents, who has no experience in JV, about 9 respondents considered hard to established trust and mutual understanding is the major reasons why they do not involve in JV. The reasons are lack of knowledge and less understanding in knowledge-based management practices and organisational culture which influence project-based joint venture performance within the construction and engineering industry. Knowledge transfer needs to be developed at all levels within an organization, effectively facilitated by executive management and diffused across the organisation. A majority of the respondents, 80% agreed that JV bring several problems in construction industries. Therefore, 8 factors were identifying the problems and challenging in implementing JV.

1. Firstly, underlying dimension seems to be to capture formation in the collaborative venture. It was found that different size of company between partner to achieve equity control and decision-making was crucial factor that reveal as difficulties in the formation stage of JV. In achieving equity control and decision-making is difficult because it requires a full exploration of each partner’s strength and based of mutual trust and mutual aims of the partner.

2. The second factor underlying JV problems was difficulties in establishment of inter partner trust, mutual understanding. Persistent feeling that a poor partner is selected can be a key issue of failure in project based joint venture.

3. Thirdly, in any business venture or alliance, problems often arise out of organization and management control due to differences in management system and cultural background among the partner in JVs. Likewise; the problems tend to occur as a result of different working philosophy. Inconsistencies in management can be obstacle to the function of JVs.

4. The fourth factor is different technology practice between partners that can reveal difficulties in JV. A serious challenge comes when inability to adapt established best practice.

5. The fifth factor under the element of financial challenges is capable of handling financial resources to back-up bids in a project. The developing country likes Malaysia face many financial constraints, shortages of material and lacked of skill personnel to run projects.

6. The sixth factor under the element of JV agreement is possible difficulties arise in contract financing arrangement. It is important to ensure that a prospective partner can generate sufficient financial resources to maintain the venture’s effort. However, different culture background and different size of company will result in negotiation process is either failure or success.

7. The seventh factor underlying is the management of local material and import process. Inability to adapt different style in managing of local material and import process within a foreign partner was a weakness which was diminished by joint venturing.

8. The eight factors towards problems in JV is clarity of clients needs. That is also important to ensure that the criteria for a project are met and satisfy the client need.

To contribute towards the objectives of Malaysia to be a developed nation by 2020, it is envisaged that Malaysia will develop a construction industry that is internationally competitive. The industry will be seamless
1.3 Success Factor of JVs:

The success factors of the construction project depend highly on the quality of competent human and entities or organization that are able work as a team in joint venture. In fact, a few researchers have drawn this conclusion on their research as a main factor of success. The factors that determine the success of joint venture based on the data analyzed from the questionnaire survey are; selecting suitable partners, having sufficient financial resources to maintain venture’s effort, partner which provide a different set of resources, having selection of good partner (compatibility between partner to create a trust and commitment for better relationship), good technology capability and operational expertise, fulfillment of quality standard expected by the clients, good decision making and management control, commitment and cooperation between partner are key factor for success in joint venture. These factors are ranked crucial towards the success of implementation JV.

The findings of Study One identified that inter-organisational compatibility, capacity building (i.e., access to expanded profits, competitive advantage issues, opportunities, management expertise, knowledge regarding clients, projects, or new and diverse technologies), and capability maturity (i.e., trust and commitment) were key aspects of successful joint venture in influencing knowledge-based management practices.

Not surprisingly, JV success factor research in other countries reveals a similar picture to what we find in this research. This is probably due to the fact that non-China studies are primarily conducted in emerging countries, such as Hungary (Lane, 2001), India (Pothukuchi et al., 2002) or Bangladesh (Sim and Ali, 1998) that have similar levels of risk and uncertainty. Consequently, the research gaps are similar, as well. While structural determinants of JV success have been studied extensively, process-related factors have been widely neglected. Factors such as organizational learning, knowledge generation and flow, information and communication policies, trust-building measures or organizational and individual adaptability have been hypothesized to influence JV performance but hardly experienced empirically. Building on the basic assumption that acquiring relevant knowledge and skills constitutes a critical rationale for forming and keeping a JV extending process-related insights within this research field will significantly contribute to theory building (e.g. organizational learning, cf. Doz, 1996).

As certain success factors (particularly constitutional characteristics) may gain or lose relevance over time. For example, while Luo (1997) reports a significantly positive impact of ‘state-ownership’ on JV performance, this result vanishes in Luo’s later study (Luo, 2002), probably as a result of recent economic reforms including the decentralization of state-owned firms.

More importantly, it is acknowledged that inter-company collaboration entails the requirement of mutual inter-organisational commitment and trust and willingness to cooperate in achieving targeted objectives for example in deployment of organisational systems of managerial knowledge and practice that support the long-term objectives of the contractual relationship. This needs to be compatible with the existing organisational culture to deliver competitive advantage and thus ensure both survival and success of the joint venture.

Other reasons for establishing and developing inter-company alliances relate to enhancing technological-based capabilities through research and development initiatives, together with improving competitiveness, efficiency, and the management of financial and organisational risks and costs (Delios, et al., 2004). As a consequence, investigating the relationship between national and organisational culture, communication and trust may provide important information in facilitating the competitive advantage of inter-company alliances. Competitive advantage is defined as the acquisition of knowledge-based management and organisational learning practices which allow companies to develop technological-based resources, capabilities, and core competencies through inter-organisational co-operation, trust and commitment while jointly solving problems (Hennart and Zeng, 2002).
Malaysia. It is expected that as markets erode due to competition and concept of a global economy, it will has an implication towards joint ventures. There are a lot of interests that have attracted Bumiputera Contractor to do venture with local and foreign contractors. However, as attractive as they might seem, joint venture between local and foreign contractors is subject to face several problems.

Towards the successful implementation of joint venture, it is required to analyzed the proper problems and risk arising. Based on the findings from the questionnaire survey it was found that the problems are often arising are basically due to cultural differences and lead to other problems and challenges associated. The findings of this study provide a practical perspective on setting up a JV successfully. The finding was used for this study to look at the problems, which is considered critical in Malaysia.

It does not suggest that a project will succeed automatically for all parties involved as a result by addressing all the issue but the project will be more probability to fail if these factors are not being emphasized. These problems and challenges believed can be alleviated to improve the venture’s prospect for success. Therefore, the study is expected to provide useful guidelines for forming and implement efficient, effective joint venture in Malaysia and in other similar strategic alliance and to improve these venture prospects for success.

Recommendation:

It is clear that construction industries of developing countries need to urgently address the problems. This recommends that the formation of JV is the best option for managing large projects in developing world. Joint venture and collaborating between indigenous Bumiputera Contractor Class ‘A’ with local and foreign contractors is a positive development in the construction industry that has the potential to improve their performance. Successfully establishing a JV not only offers opportunities for expansion but also bring both parties valuable skills together to carry out projects effectively and efficiently. However, there must be more or less of problems and challenges that will face by indigenous Bumiputera Contractors and foreign contractors in pursuit joint venture projects.

References


